MELEWAR INDUSTRIAL GROUP BERHAD

(8444-W)

ANNUAL REPORT

2017

Contents

Notice of Forty-Eighth Annual General Meeting

NOTICE IS HEREBY GIVEN that the **48TH ANNUAL GENERAL MEETING** of the Company will be held at **Crystal Function Room, 4th Floor, Mutiara Complex, 3½ Miles, Jalan Ipoh, 51200 Kuala Lumpur** on **Thursday, 30 November 2017 at 12.00 noon** for the following purposes:

AGENDA

AS ORDINARY BUSINESS	**Resolution**
1. To receive the Audited Financial Statements for the year ended 30 June 2017 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 RM283,200 for the period from 1 January 2018 to 31 December 2018 to be payable quarterly in arrears to the Non-Executive Directors of the Company.	**1**
3. To approve the payment of Directors' benefits payable to the Non-Executive Directors of the Company up to an amount of RM180,000 for the period from 1 February 2017 until the conclusion of the next Annual General Meeting ("AGM") of the Company. ***[Please refer to Explanatory Note B]***	**2**
4. To re-elect the following Directors of the Company who are retiring in accordance with Article 113(1) of the Company's Articles of Association and who, being eligible, offer themselves for re-election:	
(i) Tunku Dato' Yaacob Khyra	**3**
(ii) Azlan bin Abdullah	**4**
5. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration.	**5**
AS SPECIAL BUSINESS	
6. To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:-	
(a) Proposed Renewal of Share Buy-Back Authority	**6**

"THAT subject to compliance with Section 127 of the Companies Act, 2016 ("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 amount of shares 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 total number of issued shares of the Company and the maximum funds to be utilised for the Proposed Renewal of Share Buy-Back Authority shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or latest management accounts of the Company (where applicable) available at the time of the intended purchase.

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-Eighth Annual General Meeting
cont'd

(b)	**Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs")**	**7**

"THAT the mandate granted by the shareholders of the Company on 8 December 2016 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 2017 ("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 340(2) of the Act but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act; or

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

whichever is earliest.

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 Sections 75 and 76 of the Act**	**8**

"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 Sections 75 and 76 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 total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Securities for the listing of and quotation for the additional shares so issued."

By Order of the Board

LILY YIN KAM MAY (MAICSA 0878038)
Company Secretary

Kuala Lumpur
31 October 2017

Notice of Forty-Eighth Annual General Meeting
cont'd

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.

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 presented 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 48th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Articles 79(a), 79(b) and 79(c) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 24 November 2017. Only a depositor whose name appears on the Record of Depositors as at 24 November 2017 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. Explanatory Notes to Ordinary Business:

    (A) Audited Financial Statements

    This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Act, does not require a formal approval of the shareholders and hence, is not put forward for voting.

    (B) Benefits Payable to Non-Executive Directors (Resolution 2)

    Section 230(1) of the Companies Act, 2016 requires that benefits payable to the Non-Executive Directors of the Company must be approved at a general meeting. Accordingly, shareholders' approval is sought for the payment of Meeting Attendance Allowances and any other benefits (excluding directors' fees) payable to the Non-Executive Directors which shall take effect from 1 February 2017 and shall continue to be in force until such time that a revision is proposed.

11. Explanatory Notes to Special Business:

    (C) Proposed Renewal of Share Buy-Back Authority (Resolution 6)

    The Proposed Resolution 6, 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.

    (D) Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") (Resolution 7)

    The Proposed Resolution 7, 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.

Notice of Forty-Eighth Annual General Meeting
cont'd

(E) Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Act (Resolution 8)

The Ordinary Resolution proposed under Resolution 8 of the Agenda is a renewal of the General Mandate for the Directors to issue and allot shares pursuant to Sections 75 and 76 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 8, 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 total number of issued shares 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 47th AGM held on 8 December 2016 and which will lapse at the conclusion of the 48th AGM to be held on 30 November 2017.

12. Poll Voting

All the Resolutions mentioned above will be put to vote by Poll.

The detailed information on Special Business of Agenda 6 except for Ordinary Resolution 8 as mentioned above is set out in the Circular to Shareholders of the Company dated 31 October 2017 which is despatched together with the Company's 2017 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 4 of the Notice of the 48th Annual General Meeting of the Company are set out in the Directors' Profile on page 19 of this Annual Report. Their securities holdings in the Company are set out in the Directors' Shareholdings which appears on page 28 of this Annual Report .

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 E of the Notice of the 48th 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") for the financial year ended 30 June 2017."

TUNKU DATO' YAACOB KHYRA
Executive Chairman

Chairman's Statement
cont'd

FINANCIAL RESULTS

The Group's principal activity is in the mid-stream sector of the steel industry, principally with the manufacturing of Cold Rolled Coil ("CRC") steel sheets and Steel Tubes and Pipes ("Steel Tubes"), through its 71.3% interest in its public listed subsidiary, Mycron Steel Berhad ("Mycron").

The other business of the Group, is conducted through its 100% owned subsidiary, Melewar Integrated Engineering Sdn Bhd ("MIE"), involved in engineering services.

For the year under review, total revenue of RM772.8 million was recorded by the Group, an increase of RM166 million or 27.4% over the previous year. Despite the increase in revenue, there was a Loss After Tax of RM67.0 million, compared to a Profit After Tax of RM14.9 million in the previous year. This was largely due to two onerous projects under MIE, which were not only under-bidded but were also fraught with technical problems. This brought down the strong performance of the Steel Division with RM92 million being losses recognised for the projects undertaken by MIE for the current financial year.

DIVIDEND

Given the substantial loss for the year under review, the Directors do not recommend the payment of any dividend for the financial year ended 30 June 2017.

STEEL DIVISION

For the period under review, the Steel Division under Mycron, performed creditably, despite facing turbulence in the industry, caused by volatile raw material prices, a weakening Ringgit, coupled with cheap imports from China.

For the financial year ended 30 June 2017, the Steel Division performed well with the CRC sales of RM482.1 million, compared to RM383.6 million the previous year, representing an increase of 25.7%. The CRC unit registered a Profit Before Tax of RM15.8 million, compared to RM23.1 million the previous year, representing a drop of 31.6% reflecting the prevailing competitive conditions.

The Steel Tube unit, meanwhile recorded a revenue of RM266.8 million, compared to the previous year's RM206.1 million, a significant growth of 29.5%. Steel tube sales tonnage increased to 102,528 tonnes, compared to 96,604 tonnes the previous year, representing an increase of 6.1%. In terms of Profit Before Tax, the Steel Tube unit performed very well, with an upward improvement by 219.3% to RM30 million, over the previous year. This significant improvement was due to the substantial drop in the Hot Rolled Coil ("HRC") raw material price, as a result of the ability to import HRC competitively, with the cessation of operations by both the domestic HRC producers, namely Megasteel Sdn Bhd and Southern Steel Berhad. The strengthening of the sales team which forged stronger relationships with its key customers was also a significant contributing factor to the success of the Steel Tube unit.

ENGINEERING DIVISION

For the period under review, the Engineering Division under MIE, performed poorly, contributing to Loss After Tax of RM100.3 million, compared to the Loss After Tax of RM9.9 million in the previous year.

MIE is involved in undertaking third party engineering, consultancy and construction work, in their main role as technical development engineer and turnkey project manager for the Group. Despite receiving a license from the Ministry of Finance several years ago, as an approved waste management company for the operation and maintenance of incinerators in Malaysia, MIE has not been able to secure significant related work, and has since ceased pursuing work in this segment.

MIE also became a fully licensed telecom tower and fibre optic cable laying contractor and is trying to develop this relatively new and small business.

MIE's key bread and butter work, is in consultancy and engineering services contracts, especially in bulk handling systems, for the transport of material such as coal and sand.

MIE's present focus is the completion of the two ongoing bulk handling projects, which has been the source of the unit's significant losses to-date. One of the project involves the installation of a thermal coal handling system, for an electric power station in Johor. The project has encountered significant problems in engineering and piling works, and poor management of subcontractors. This project has incurred significant cost overruns, and additional works, for which some Variation Order Claims have yet to be approved by the client.

The other key project involves the installation of a material transport system for silica, for a client in Terengganu. This project, which is nearly completed, had incurred some cost overruns, which has been absorbed by the company.

Other factors that have also attributed to the cost overruns, include the hike in material costs, as a result of the weakness of the Malaysian Ringgit, which was RM4.21 per USD1 at the start of bidding for the coal transport project in August 2015, versus a record low of RM4.49 per USD1 at the weakest in December 2016.

Both clients have been working closely with MIE, in a friendly and mutually supportive manner, for the successful completion of these high profile projects. MIE is confident that a large part of the losses accounted to-date, will eventually be recoverable, through mutually agreed settlements.

Chairman's Statement
cont'd

LONG-TERM OUTLOOK

As can be seen, the Steel Division is the major profit generator for the Group. Be that as it may, there are many factors that affect the long-term outlook of the sector, including the volatile price of raw materials used in steel making, like coking coal and iron ore, global demand for steel, the dumping of cheap steel into Malaysia by other countries like China, the weakness of the Malaysian Ringgit, and the Malaysian government's policy for the steel industry.

Following worldwide anti-dumping action against China, the Chinese government has been actively undertaking production cuts, to curb steel oversupply. This is in addition to their initiative to reduce pollution caused by steel factories, during the winter months, by reducing steel output, during that period. These measures are expected to temporarily check the uptrend for subsidised steel exports, which is a welcome respite for domestic steel producers.

The Group is working closely with the industry, to engage the Malaysian government, in its CRC anti-dumping rate administrative review, due at the end of 2017.

For the Engineering Division, the Group's ongoing strategy, is to mitigate further losses, and to finish the two major projects, which have proven to be onerous. The Group does not envisage any new projects for MIE, until all internal weaknesses have been sufficiently dealt with and addressed.

PROSPECTS FOR THE NEW FINANCIAL YEAR

The Group is cautiously optimistic on the prospects for the new financial year, given the strong performance of the Steel Division. The losses of the Engineering Division have been fully accounted for, and should not materially impact the performance of the Group in the near future.

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 contribution to the Group.

These are challenging times indeed and it is during these hard times that we differentiate ourselves by focusing our efforts in making quality products, backed by excellent after sales services.

To our valued customers, suppliers and other stakeholders, I wish to thank them again, for their patience, unwavering support and backing. We truly appreciate your loyalty, and we look forward to strengthen the bond and strong relationship between us.

TUNKU DATO' YAACOB KHYRA
Executive Chairman

Management Discussion and 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 2017 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 contain opinions, judgement, and forward-looking views, and as such readers' discretion is advised.

OVERVIEW

The Group's net loss of RM67.0 million for the current financial year (2016: net profit RM14.9 million) begun to accumulate from the 1st quarter when it was unravelled that its wholly owned Engineering Subsidiary has severely under budgeted the cost-to-completion for both of its existing engineering construction contracts. Over the course of the four quarters in the current financial year, the Engineering Subsidiary piled up considerable losses (see Chart 1 below) as the cost-to-completion budget continued to be revised upwards with full loss provisions made on those onerous construction contracts (see Chart 2 & 3) in-compliance with the relevant financial reporting standard (MFRS 111). The Engineering subsidiary recorded a full financial year loss of RM100.3 million (2016: Loss RM9.9 million) - where more than 80% of the said loss was contributed by project #1; on-which, the Company has given a corporate guarantee to the client for due performance (see Note 29(b)(ii)).

Project #1 : Contract Sum vs Cost Budget

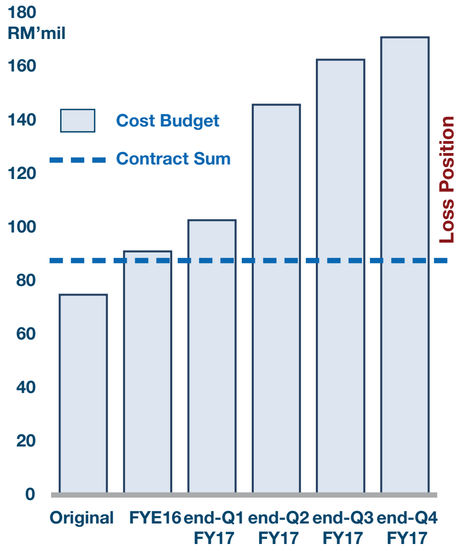


Chart 2

Engineering Subsidiary's Cumulative Project Losses

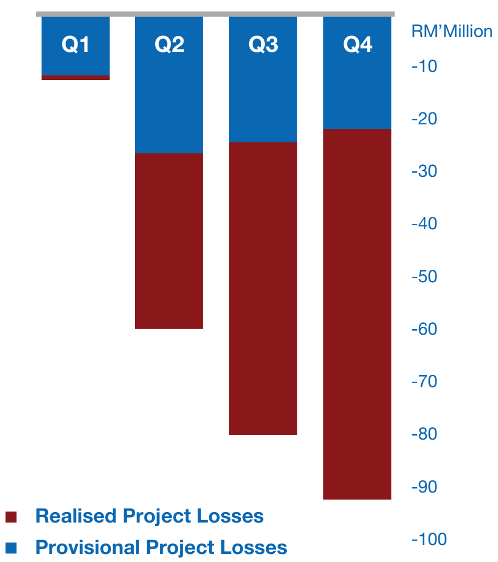


Chart 1

Project #2: Contract Sum vs Cost Budget

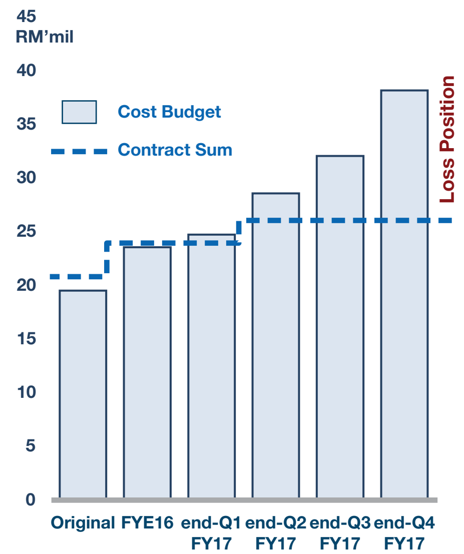


Chart 3

Management Discussion and Analysis Statement
cont'd

The Board of Directors has sought to understand the circumstances surrounding the onerous project losses and had commissioned a Special Audit towards the 2nd financial quarter. A summary of the findings pursuant to this Special Audit is disclosed in the Statement of Risk Management and Internal Controls, whilst further details on those onerous contraction contracts are disclosed in Note 17.

The Group's losses attributed to shareholders at RM78.2 million (2016: profit RM8.2 million) would have been worst by around RM24.8 million without the attributable profit contribution from its 71.3% stake in listed Mycron Steel Bhd (MSB) where the steel businesses are held. MSB recorded a net profit of RM34.7 million for the current financial year, out-performing the preceding financial year's net profit of RM24.2 million due to lower impairment charge on Property, Plant and Equipment (PPE) by around RM6 million; higher sales volume by 7%; and higher absolute gross margin value by 13%.

The steel market condition for the current financial year was actually more difficult compared to the preceding financial year in tandem with the weaker economic sentiment of the Country; further decline of the Ringgit by 6.7%; and sharp volatile movement in raw steel prices. As an illustration, Chart 4 shows the average iron ore prices in Asia in Ringgit-terms which witnessed a dramatic 127% climb from the lows in January 2016 (preceding financial year) to peak in February 2017 (current financial year) before dropping-off 47% towards the end of the current financial year. The effects of the aforementioned on the average Hot Rolled Coil (HRC) and Cold Rolled Coil (CRC) prices in Asia – as a proxy to the price-effect on the Group – can be inferred from Chart 5. Both the Group's Cold Rolled Coil and Steel Tube businesses consume imported HRC as raw material, and the gradual run-up in prices for the most part of the preceding financial year has been more favourable to business compared to the sharp rise and decline witnessed in the current financial year. Despite the challenges, the Group has managed to outperform the preceding financial year with reinvigorated sales and marketing strategies and optimized operational synergies.

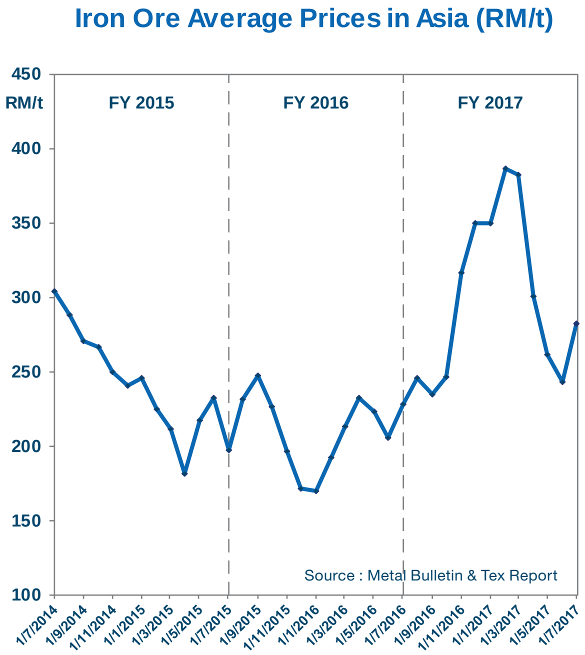


Chart 4

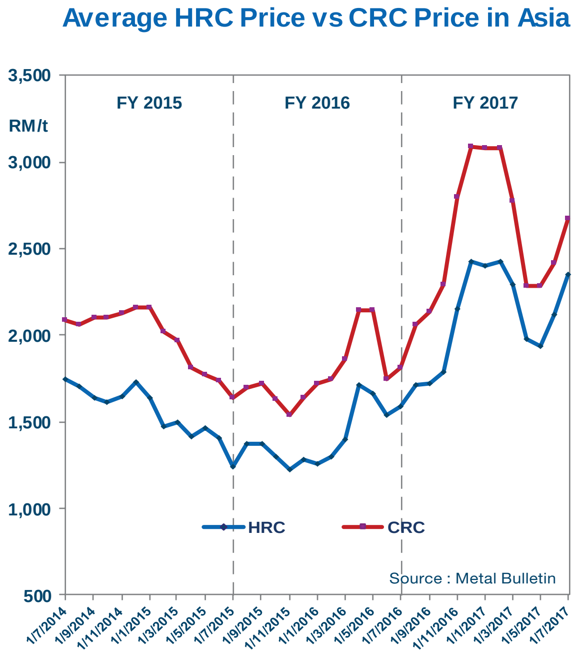


Chart 5

As a result of the Engineering Subsidiary's losses, the Group's key financial indicators as outlined in Table 1 showed significant deterioration. However, it should be noted that the financial debacles of the Engineering subsidiary are ring-fenced from the Steel businesses and do not affect any covenant compliance or performance metrics on-which the steel subsidiaries are measured.

Management Discussion and Analysis Statement
cont'd

Table 1

		FYE 2017	FYE 2016
Profitability			
a.	Operational Return on Average Capital Employed (EBIT/Ave Cap)	(9.82%)	10.21%
b.	Return on Equity (Net Earnings/Equity)	(27.71%)	2.38%
c.	Economic spread (a-f)	(16.90%)	3.01%
Liquidity			
d.	Current Ratio (Current Asset/Current Liabilities)	1.10	1.22
e.	Interest Cover Ratio (EBITDA/Net Interest Expense)	(1.81)	5.40
Capital			
f.	Weigted Average Cost of Capital (Cost of Equity assumed at 9%)	7.08%	7.20%
g.	Debt to Equity Ratio (includes all interest bearing debt)	0.72	0.43
Value			
h.	Net Tangible Asset per Share (RM/share)	1.72	1.95

SEGMENTS' PERFORMANCE

Analyses on segments' contribution to the Group's performance are duly disclosed in Note 28 of the financial statement. This section provides supplementary ratio-analysis on the segments as outlined in Table 2 below.

Table 2

	COLD ROLLED		STEEL TUBE		ENGINEERING	
SEGMENTS	FYE 2017	FYE 2016	FYE 2017	FYE 2016	FYE 2017	FYE 2016
Revenue/Assets Employed	1.0	0.9	1.5	1.6	5.3	1.5
EBIT(LBIT)/Full Time Employee (RM'000/person)	120.4	176.4	221.1	115.4	(1,377.2)	(125.4)
Net Profit (loss)/Asset Employed (Sens on RM)	3.3	5.8	17.1	11.1	(1,097.8)	(38.4)
Assets/Total Assets	60.20%	59.50%	23.34%	19.57%	1.20%	3.99%

For the current financial year ended 30 June 2017, the Steel Tube segment outperformed the rest of the segments, whilst the Engineering segment remained the weakest link of the Group. Since the restructuring of the steel tube unit in financial year 2015 to become an indirect subsidiary held through MSB, the Company has placed high hopes on the Engineering subsidiary which has been in business since 2006 to become a significant contributor to the Group's performance when it secured the two major engineering construction contracts worth RM21 million (in February 2015) and RM83.9 million (in January 2016) respectively. The disastrous performance of the Engineering segment on these two projects has been a major set-back for the Group.

CHALLENGES AHEAD

The immediate challenge for the Group in the next twelve months is to ensure the Engineering subsidiary fulfils its contractual and financial obligations whilst optimizing recovery from the clients through rightful variation claims on those onerous projects. As at the issuance date of this report, the Engineering subsidiary has submitted unscheduled claims amounting to RM36.6 million to the client, and this amount is expected to increase in the next twelve months. Such claims cannot be recognised until duly accepted by the client. The Engineering subsidiary will also seek to nullify the LAD (liquidate Ascertained Damages) provision amounting to RM8.4 million which was made in the current financial year for the said Project #1.

Corporate Social Responsibility

The Board of Directors acknowledges that Corporate Social Responsibility ("CSR") is the basis for building positive relationship towards the community, environment, its employees, customers, suppliers, shareholders and other stakeholders. At present, the Group continues to focus on improving the health and safety as well as welfare of the employees and workers within the organization. In pursuit of its corporate objective, the Group is committed to conduct its business in an economical, social and environmental sustainable manner.

BUSINESS GOVERNANCE ETHICS

The Group is continuously committed to promote and maintain transparency, accountability and ethics in the conduct of its business and operations with the stakeholders, including our Government and Authorities, Shareholders and Investors, Customers, Suppliers, Employees and Communities. 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.

The Group aims to develop and evolve good relationships - trust, mutual respect, understanding with our stakeholders who have an effect on, or is affected by our businesses.

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 : 2015 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 Group values its human capital and will continuously improve and provide them with the necessary knowledge and skills, opportunities for personal growth and work life balance. The Group adheres to the Malaysia's Employment & Labour laws with regard to the terms and conditions of employment for all its employees. The Group's Employee Handbook provides guiding principles on the standards of ethics and professional conduct for employees.

The Group recognises the value of workforce diversity and inclusiveness, and as such, there is no discrimination against employees or applicants in terms of gender, age and ethnicity. The Group recognises and values employees who have displayed outstanding performance or achievement in their career with the Group and may appropriately reward such employees.

The Group is supported by a total staff strength of over 446 employees. As at the financial year ended 30 June 2017, the Gender Composition of the employees are as follows:-

Gender	Number	Percentage
Male	359	80.5%
Female	87	19.5%
Grand Total	**446**	**100%**

The Group's corporate philosophy places great importance to development of human capital and encourages the continuous process of self-improvement. Employees at all times are encouraged to participate in any relevant courses, seminars, conferences and training sessions to improve their levels of knowledge and skills. The employees who have attended external trainings and seminars are encouraged to train their fellow employees and peers.

ENVIRONMENT

The Group is committed to conduct its operations to minimize any negative impact on the environment. In our daily operations, the Group continues to be committed to:

(I) Save Energy - Employees are encouraged to switch off non-essential electrical machinery, equipment and appliances when not in use, example temperature of the air-conditioner is controlled at 23°C by default.

(II) Save trees - The Company has invested on the information technology system to reduce the usage of paper in the daily operations and to practice recycling paper waste. E-mail, E-newsletter has been practised extensively to reduce the usage of papers.

(III) 3R programs (Reduce, Reuse & Recycle) - Encourage and implement 3R concepts across the plant to reduce waste and drive cost down. Reduce waste by improving machine efficiency and quality, reuse the papers by enforcing double sided printing, recycle the used cotton rags and re-use them in the production for non-critical application.
(IV) Maintaining the environmental management system in line with the standards of ISO 14001 certification.
(V) Having environmental monitoring of the quality of its treated effluent, chimney stack emissions, boundary noise and ambient air quality to ensure compliance with the regulatory requirements and all environmental monitoring reports are submitted to the Department of Environment on a quarterly basis.
(VI) Enhancing plant landscaping and greening the factory premises.

In order to reduce our energy consumption, the Company has replaced the existing office and plants lightings to led units. Led lighting is also being utilised whenever possible in the production area. The Company is also tracking the energy and water consumption on a monthly basis to ensure the resources are being used wisely and effectively.

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

MARKETPLACE

The Group is committed to maintain a proper framework to ensure that the business is run in an efficient and transparent manner in the interest of all its stakeholders. Ensuring that the business is conducted in a fair, transparent, sustainable and professional manner, the Group focuses on delivering products of quality to its customers.

The Group continuously initiates and manages various channels to engage with our stakeholders with the objective to foster good communications and relations by providing timely information.

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 for 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*

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

En Shazal Yusuf bin Mohamed Zain
- *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*

Dato' Indera Naresh Mohan
- *Independent Non-Executive Director*

Secretary : Ms Lily Yin Kam May

Audit Committee :

Mr Muk Sai Tat
- *Chairman*

En Shazal Yusuf bin Mohamed Zain
- *Member*

Dato' Indera Naresh Mohan
- *Member*

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

Solicitors :

Cheang & Ariff
39, Court @ Loke Mansion
No. 273A, Jalan Medan Tuanku
50300 Kuala Lumpur
Telephone No. : 03-2691 0803
Telefax No. : 03-2692 8533

JK Lim
E-2-08 Neo Damansara
Jalan PJU 8/1
Damansara Perdana
47820 Petaling Jaya
Selangor Darul Ehsan
Telephone No. : 03-7728 7100
Telefax No. : 03-7728 4100

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

Othman Hashim & Co
6th Floor Wisma Kah Motor
566 Bt 3 ½ Jalan Ipoh
51200 Kuala Lumpur
Telephone No. : 03-6257 3399
Telefax No. : 03-6259 3393

Azman, Davidson & Co
Suite 13.03, 13th Floor
Menara Tan & Tan
207 Jalan Tun Razak
50400 Kuala Lumpur
Telephone No. : 03-2164 0200
Telefax No. : 03-2164 0280

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) :

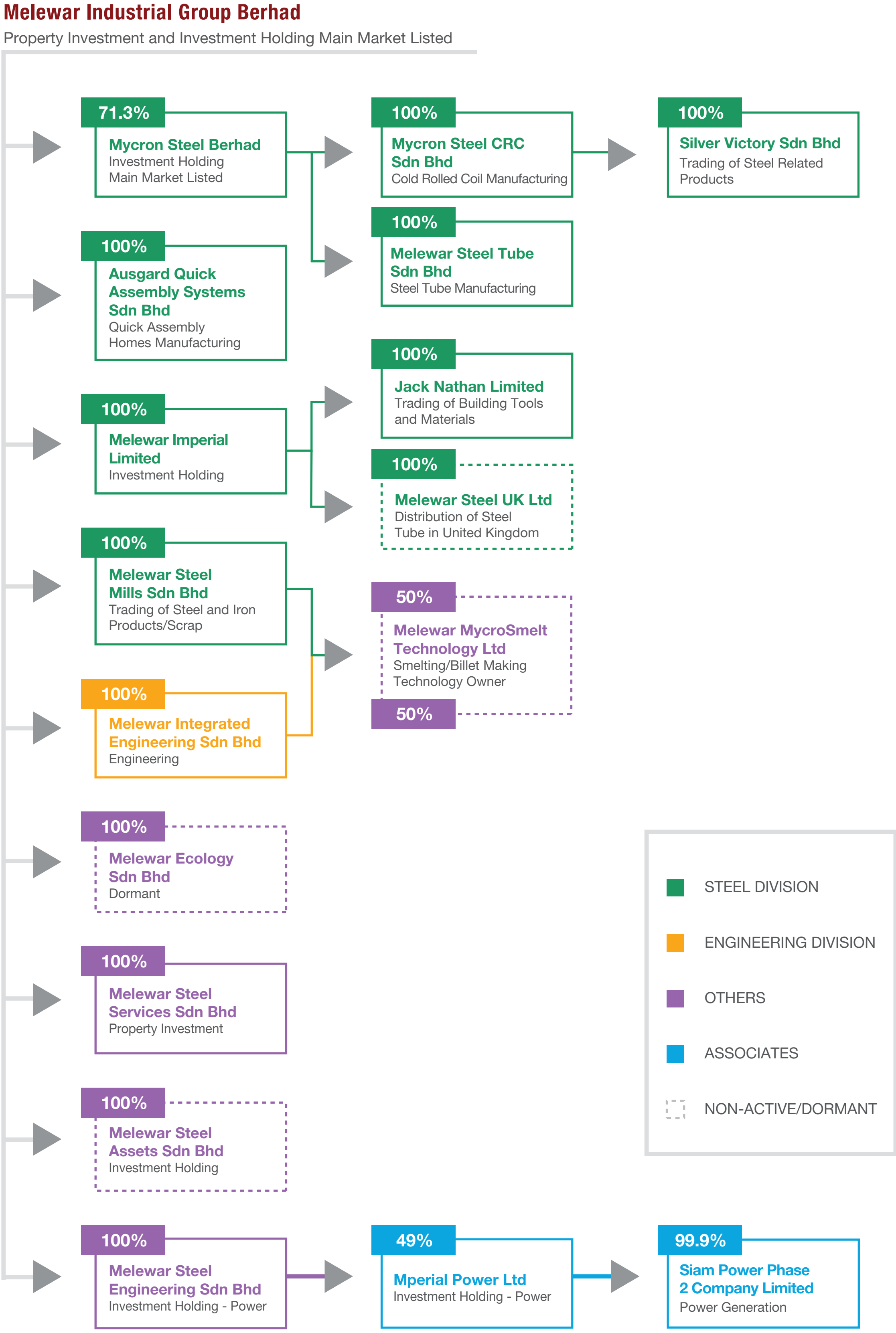
- Bangkok Bank Berhad
- Malayan Banking Berhad
- OCBC Bank (Malaysia) Berhad
- Standard Chartered Bank Malaysia Berhad

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

Website : www.melewar-mig.com

Email : enquiry@melewar-mig.com

Corporate Group Structure
As at 27 October 2017



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 9002 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 2017, MIGB upgraded its Quality Management System to ISO 9001 : 2015 and this was accredited by SIRIM with IQNet certification.

SIRIM ISO 9001 : 2015

Quality Recognition
cont'd

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

Certificate of Conformity of Factory Production Control (Factory 2 and Factory 3)
- EN 10219 -1: 2006 for Cold Formed Welded Structural Hollow Sections of Non-Alloy Steels

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

Quality Recognition
cont'd

PERAKUAN PEMATUHAN STANDARD (BAHAN BINAAN) FROM 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


PERAKUAN PEMATUHAN STANDARD
(BAHAN BINAAN)

IRON AND STEEL PRODUCTS

- Carbon Steel Pipes For Ordinary Piping
- Cold Formed Structural Steel Hollow Section


PERAKUAN PEMATUHAN STANDARD
(BAHAN BINAAN)

IRON AND STEEL PRODUCTS

- Light Gauge Steel For General Purpose

Profile of Directors

Tunku Dato' Yaacob Khyra

Aged 57, Malaysian, Male
Executive Chairman

Member of the
Executive Committee

Azlan bin Abdullah

Aged 59, Malaysian, 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, Ithmaar Holding B.S.C., IB Capital B.S.C. (Closed) and several private limited companies. He also sits on the Board of Altech Chemicals Limited which is listed in Australia as Non-Executive Director.

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

Tunku Dato' Yaacob is the brother to Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah. Tunku Dato' Yaacob is deemed interested in the Company by virtue of him being a beneficiary of a trust known as 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 28 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/Group Chief Executive Officer of Mycron Steel Berhad and sits on the Boards of the Company's subsidiaries, MIDF Amanah Investment Bank Berhad, Langkawi Yacht Club Bhd and several other private limited companies.

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

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

En Azlan has no family ties with any of the Directors and/or major shareholders of the Company. His shareholding in the Company is disclosed on page 28 of the Annual Report.

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
cont'd

Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah

Aged 56, Malaysian, Male
Non-Independent
Non-Executive Director

Member of the
Executive Committee

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

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.

Shazal Yusuf bin Mohamed Zain

Aged 46, Malaysian, Male
Independent Non-Executive Director

Chairman of the
Risk Management Committee

Member of the Audit Committee

Member of the Nomination and
Remuneration Committee

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
cont'd

Muk Sai Tat

Aged 54, Malaysian, Male
Independent Non-Executive Director

Chairman of the Audit Committee

Member of the Risk Management Committee

Member of the Nomination and Remuneration Committee

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

Aged 70, Malaysian, Male
Independent Non-Executive Director

Chairman of the Nomination and Remuneration Committee

Member of the Risk Management Committee

Member of the Audit Committee

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. In 2016, Mr Muk joined Mahzan Sulaiman Consulting as partner.

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.

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.

Profile of Directors
cont'd

Dato' Indera Naresh Mohan

Aged 52, Singaporean/ Malaysian Permanent Resident, Male
Independent Non-Executive Director

Member of the Risk Management Committee

Member of the Audit Committee

Member of the Nomination and Remuneration Committee

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

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

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

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

Dato' Indera 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 57, 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 19 of this Annual Report.

Azlan bin Abdullah | Malaysian, Aged 59, 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 19 of this Annual Report.

Soon Leh Hong | Malaysian, Aged 57, 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 and resigned on 24 October 2017. 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.

Datuk Uwe Ahrens | German, Aged 52, Male | Chief Technical Officer

Datuk Uwe Ahrens has been the Chief Technical Officer of the Melewar Group since June 2002. Datuk Ahrens is responsible for engineering, upgrading, modification and extension of machinery and plant as well as the overall maintenance.

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 is currently the Chief Executive Officer of Melewar Integrated Engineering Sdn Bhd.

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.

Profile of Key Senior Management
cont'd

Choo Kah Yean | Malaysian, Aged 52, 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.

Mohd Silahuddin bin Jamaluddin | Malaysian, Aged 57, Male | Vice President – Business Development

Encik Silahuddin has been the Business Development Vice President at Melewar Industrial Group Berhad since 1 April 2008.

Encik Silahuddin heads a team to develop a chain of wholesale and retail outlets in selected markets in the International Arena, through Melewar Imperial Limited (Labuan), a wholly owned subsidiary of MIGB. Encik Silahuddin is also responsible for the Group's venture into steel modular structures through Ausgard Quick Assembly Systems Sdn Bhd, another wholly owned subsidiary, whose purpose is to penetrate the modular building segment of the construction industry by introducing a quick and efficient building method while offering considerable cost savings to the potential client. Both these companies are at the early stages of their overall business models. His other functions include exploring business opportunities for the Group across a variety of Industries from mining to infrastructure to renewable energies.

Encik Silahuddin has more than 24 years of work experience in developing business in the Malaysian Corporate scene that started in 1994, after returning from the United States of America. He has been in the Building Materials Sector since then. Prior to this, he spent ten years of his working experience in Regional Management positions in the Retail Industry and the Medical Insurance Industry in the United States. Moving on to the Building Materials sector, Encik Silahuddin was involved in the Brick and Timber Industries before joining the Steel Industry and Melewar Industrial Group Berhad.

Encik Silahuddin holds Bachelor of Business Administration in Information Systems from Georgia State University, USA. He has attained numerous certificates in the areas of Marketing, Management and Planning from courses attended in Malaysia throughout his working experience.

Encik Silahuddin has no family ties with any of the Directors and/or major shareholders of the Company.

Encik Silahuddin does not have any personal interest in any business arrangements involving the Company.

Encik Silahuddin 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

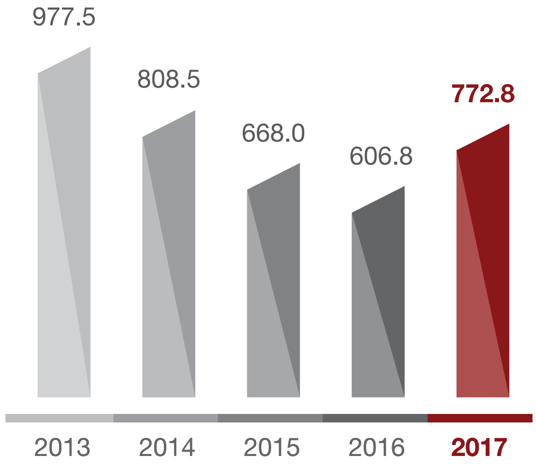
	2007	2008	2009	2010	2011 R	2012 R	2013	2014	2015	2016	2017
1. Results of Operations											
Revenue (RM mil)	810.2	703.3	599.5	707.1	754.8	904.7	977.5	808.5^	668.0	606.8	772.8
Profit/(Loss) Before Tax (RM mil)	189.1	56.2	(246.7)	91.6	4.9	(152.1)	(208.4)	62.9^	(35.9)	23.1	(55.2)
Profit/(Loss) After Tax (RM mil)	104.8*	45.5*	(156.0)*	67.6*	5.9*	(138.1)*	(215.0)*	74.6*^	(29.5)*	8.2*	(78.2)*
2. Balance Sheet											
Share Capital (RM mil)	226.2	226.7	226.7	226.8	226.8	226.8	226.8	226.8	226.8	226.8	227.0@
Bonus Shares (RM mil)	56.3	-	-	-	-	-	-	-	-	-	-
Shareholders' Funds (RM mil)	581.1	616.4	454.9	521.2	542.1	411.5	205.4	283.4	292.9	311.5	241.9
Total Assets (RM mil)	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	769.1
3. Financial Ratio											
Return on Equity (%)	18.0	7.4	(34.3)	13.0	1.1	(33.6)	(104.6)	26.3^	(10.1)	2.6	(32.3)
Debts#/Equity (Times)	0.58	0.77	1.15	1.80	1.49	2.00	4.06	0.85	0.91	0.61	1.16
Current Assets/Current Liabilities (Times)	2.20	1.36	1.07	1.33	1.06	0.42	0.36	1.04	1.1	1.2	1.1
Pre-Tax Profit/(Loss)/Average Shareholders' Funds (%)	35.8	9.4	(46.1)	18.8	0.9	(31.9)	(67.6)	25.7^	(12.5)	7.6	(19.9)
Pre-Tax Profit/(Loss)/Revenue (%)	23.3	8.0	(41.1)	13.0	0.7	(16.8)	(21.3)	7.8^	(5.4)	3.8	(7.1)
4. Per Share											
Gross Earnings/(Loss) per share (sen) ***	59.2**	24.9	(109.4)	40.6	2.2	(67.5)	(92.4)	27.9^	(15.9)	10.2	(24.5)
Net Earnings/(Loss) per share (sen) ***	32.9**	20.2	(69.1)	30.0	2.6	(61.2)	(95.3)	33.1^	(13.1)	3.7	(34.7)
Net Assets per share (RM)	2.58	2.73	2.02	2.31	2.40	1.82	0.91	1.26	1.3	1.4	1.1
5. Dividends											
Tax Exempt Dividend (sen)	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.

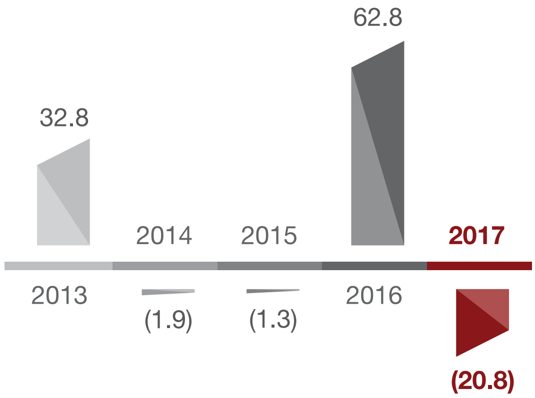
*	Profit After Tax and After Non-Controlling Interests
**	Annualised
***	After adjusting for bonus issues
^	Include both continuing and discontinued operations
#	Debts include interest bearing trade payables
R	Adjusted for the effects of first time adoption of Malaysian Financial Reporting Standards.
@	Impact from the new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017

Group Financial Highlights
cont'd

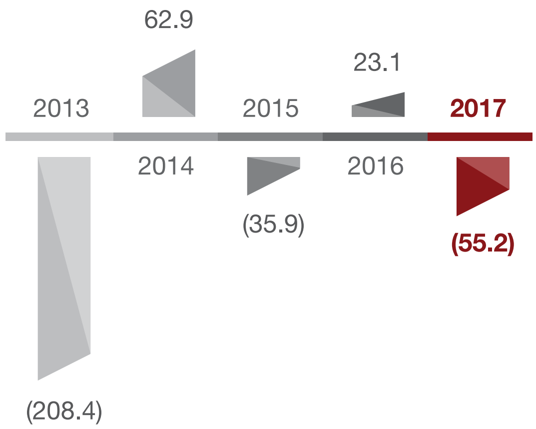
REVENUE
RM (million)



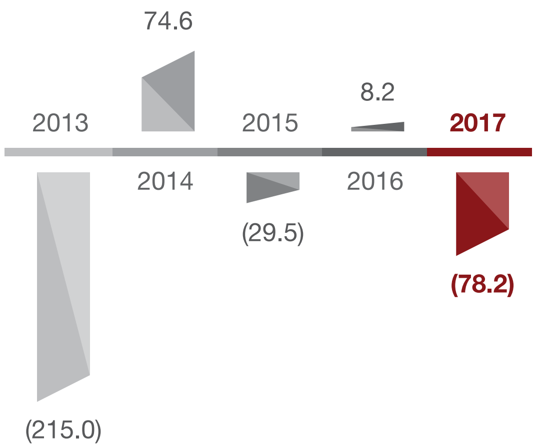
EBITDA/(LBITDA)
RM (million)



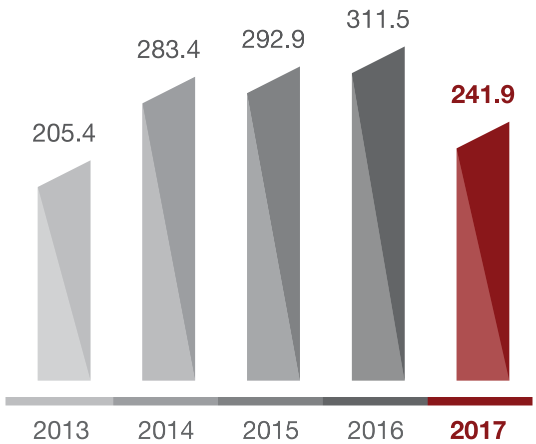
(LOSS)/PROFIT BEFORE TAX
RM (million)



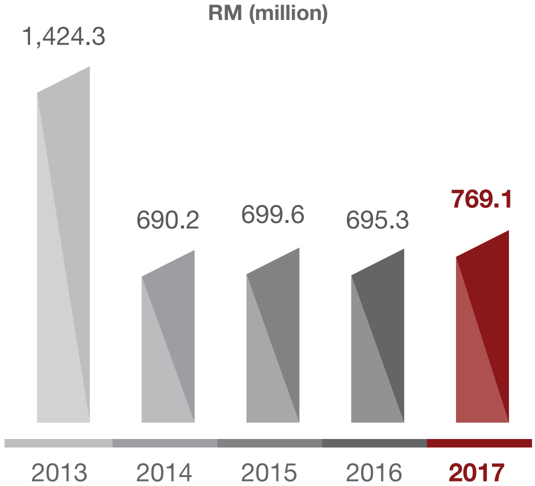
(LOSS)/PROFIT AFTER TAX
RM (million)



SHAREHOLDERS' FUNDS
RM (million)



TOTAL ASSETS
RM (million)



Analysis of Shareholdings
As At 29 September 2017

Class of Shares	-	Ordinary Shares
Total Number of Issued Shares	-	225,522,808
No. of Shareholders	-	7,269
Voting Rights	-	1 Vote Per Ordinary Share

No. of Size of Holdings	No. of Holders	% of Holders	No. of Shares	% of Shares
Less than 100	769	10.58	27,852	0.01
100 - 1,000	728	10.02	503,323	0.22
1,001 - 10,000	3,936	54.15	17,490,013	7.76
10,001 - 100,000	1,628	22.40	50,296,378	22.30
100,001 and below 5% of issued shares	206	2.83	74,824,010	33.18
5% and above of issued shares	2	0.03	82,381,232	36.53
TOTAL	**7,269**	**100.00**	**225,522,808**	**100.00**

THIRTY LARGEST SHAREHOLDERS AS AT 29 SEPTEMBER 2017

No.	Name	No. of Shares Held	(a)% of Shares
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)	7,317,400	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.	Yeoh Phek Leng	2,960,000	1.31
8.	RHB Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged Securities Account for Ooi Gim Eng)	1,839,000	0.82
9.	Mohamed Nizam bin Mohamed Jakel	1,317,600	0.58
10.	Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Wong Choo Mok)	1,255,900	0.56
11.	Maybank Securities Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Lim Chow Lee)	1,100,000	0.49
12.	Maybank Nominees (Tempatan) Sdn Bhd (Beneficiary: Ho Keat Soong)	850,000	0.38
13.	Cheng Hon Sang	718,700	0.32
14.	Lim Seng Chee	717,000	0.32
15.	Chia Beng Tat	700,000	0.31
16.	Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Zet Enterprise Sdn Bhd)	673,333	0.30
17.	M & A Nominee (Tempatan) Sdn Bhd (Beneficiary: Titan Express Sdn Bhd)	656,700	0.29
18.	Citigroup Nominees (Asing) Sdn Bhd (Beneficiary: Exempt An for OCBC Securities Private Limited)	589,332	0.26
19.	Maybank Securities Nominees (Asing) Sdn Bhd (Beneficiary: Maybank Kim Eng Securities Pte Ltd for Hexacon Construction Pte Ltd)	587,733	0.26
20.	Daiman bin Jamaluddin	560,000	0.25
21.	Lim Seng Qwee	550,000	0.24

Analysis of Shareholdings

As At 29 September 2017
cont'd

THIRTY LARGEST SHAREHOLDERS AS AT 29 SEPTEMBER 2017 (continued)

No.	Name	No. of Shares Held	[a]% of Shares
22.	Ooi Chin Hock	532,000	0.24
23.	RHB Capital Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Lee Kah Weng)	505,000	0.22
24.	Goh Lee Hian	500,000	0.22
25.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Ahmad Zaini bin A Jamil)	500,000	0.22
26.	Tay Ah Kou @ Tay Hwa Lang	500,000	0.22
27.	Ong Siok Bee	492,000	0.22
28.	Tan Siew	492,000	0.22
29.	Abitaland Sdn Bhd	491,700	0.22
30.	Maybank Nominees (Tempatan) Sdn Bhd (Beneficiary: Lee Chee Kong)	477,400	0.21
	TOTAL	**121,732,196**	**53.98**

Note :

[a] The percentages of thirty largest shareholders are calculated by dividing the shares held by the respective shareholders with the total number of ordinary shares in issue.

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 29 SEPTEMBER 2017

Name	Number of Shares Held			
	Direct	%[a]	Indirect	%[a]
Tunku Dato' Yaacob Khyra ("TY") (Deemed indirect interest)	-	-	82,381,232	36.53[1]
Khyra Legacy Berhad ("KLB") (Deemed indirect interest)	-	-	82,381,232	36.53[2]
Melewar Equities (BVI) Ltd ("MEBVI")	60,379,733	26.77	-	-
Melewar Khyra Sdn Bhd ("MKSB")	22,001,499	9.76	-	-

DIRECTORS' SHAREHOLDINGS AS AT 29 SEPTEMBER 2017

Name	Number of Shares Held			
	Direct	%[a]	Indirect	%[a]
TY (Deemed indirect interest)	-	-	82,381,232	36.53[1]
Azlan bin Abdullah	133,333	0.06	-	-

Notes:

[a] The percentages of substantial shareholders and Directors' shareholdings are calculated by dividing the shares held by the respective substantial shareholders and Directors with the total number of ordinary shares in issue.

[1] Deemed interested by virtue of TY being a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major/substantial shareholders of the Company.

[2] Deemed interested by virtue of it being the holding company of MEBVI and MKSB who are the major/substantial shareholders of the Company.

Statement on Corporate Governance

The Company is committed to ensure that high standards of corporate governance are being practised in the Group (Company and its subsidiary company) with prudent management, thereby safeguarding the assets of the Group and its shareholders' investments.

The Board is pleased to present this statement which describes on how the Company has applied the principles as set out in the Malaysian Code on Corporate Governance 2012 ("the Code") and the extent of its compliance with the principles.

1.0 ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear Functions of the Board and 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.

Pursuant to Articles 136 and 149 of our Articles of Association, decisions of the Board at a physically convened Board meeting shall be decided by a majority of votes or alternatively, circular resolutions signed by majority of the Directors who are present in Malaysia.

Management's role is to implement and execute the strategies adopted by our Board and has delegated authority to manage the business on a day to day basis. The limits of Management's authority are embedded in the Internal Control Procedure ("ICP") document, known as the Transaction Authority Limits ("TAL"). The TAL outlines the decision-making authority of our Managing Director/Group Chief Executive Officer ("MD/GCEO") and the delegation of authority by our MD/GCEO to the senior leadership, generally covering approvals for operational and capital expenditure, execution of contracts, procurement and investments up to a certain monetary threshold. Any commitments outside the TAL will require the prior approval of our Board and any changes to the TAL is also subjected to Board's approval.

Other than those statutorily and regulatory required and powers accorded under the Articles of Association, the following are key matters reserved for the collective decision of the Board include, but not limited to the following and may be varied from time to time:-

(a) Acquisitions and disposals of assets of the Company or of its subsidiaries that are material in nature;
(b) Investment in new business;
(c) Divestment/sale of existing business;
(d) Related-party transactions of a material nature;
(e) Authority levels for core functions;
(f) Investment and treasury policies;
(g) Risk Management policies;
(h) Outsourcing of core business functions;
(i) Corporate proposal on fund raising;
(j) Compensation and remuneration of directors and key senior officers.

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 ("AC");
- 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 MD/GCEO is the Chairman of the EXCO with the primary objective to review and approve subject to thresholds as provided in the TAL, 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.

Statement on Corporate Governance
cont'd

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.

1.2 Roles and Responsibilities of the Board

The Company is led and controlled by an effective Board which is comprised of members drawn from various professional backgrounds, bringing depth and diversity in experience, expertise and perspectives to the Group's business operations. The Company recognises the oversight role played by the Board in the stewardship of its strategic business direction and ultimately in the enhancement of its long term value to shareholders.

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 the shareholders' interest. The strategic plan of the Group includes oversight of risks encompassing strategies, marketing and financial aspects of the business.

(ii) Overseeing the conduct of the 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 49 to 52 of the Annual Report 2017.

(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.

(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.

Summary of Key Activities of the Board during FY2017

During the financial year 2017, the following key matters were reviewed under the leadership of our Board:

(i) Reviewed and discussed the impact on the financial statements of the Company arising from the disposal of its associates, Siam Power Generation Public Company Limited and Siam Power Phase 2 Company Limited.

(ii) Reviewed and discussed the steps to address the issues in relation to the onerous construction contracts of its wholly owned Engineering subsidiary, Melewar Integrated Engineering Sdn Bhd ("MIE"):-

   (a) Engaged BDO Governance Advisory Sdn Bhd ("BDO") to review the underlying causes and factors which contributed to Tanjung Bin Project's significant onerous loss condition and to investigate possible fraudulent acts;

   (b) Reviewed BDO's report which surmised that the project was significantly underbid due to applied budgetary assumptions based on available information at the point of bidding which were subsequently found to be inconsistent with the crystallized conditions and site conditions which were previously unknown. The BDO report also uncovered instances of lapses in internal control and certain non-adherence of the Company's ICPs. The BDO report also did not observe any incidences of fraud;

   (c) Making the necessary changes to the management and reporting structure of MIE;

   (d) Regular meetings on updates on the progress of the onerous projects undertaken by MIE;

   (e) Reviewed and discussed the funding resources for the completion of the projects undertaken by MIE.

   (f) Suspended all new engagement and prospecting activities under the Engineering subsidiary as resources are focused on fulfilling the contractual obligations on the projects.

(iii) Reviewed, discussed and approved the following proposals to be undertaken by the Company:-

   (a) Proposed renounceable rights issue of up to 225,522,808 shares in the Company ("MIGB Shares") ("Rights Share(s)") on the basis of one (1) Rights Share for every one (1) MIGB Share held, together with up to 112,761,404 free detachable warrants ("Warrants") on the basis of one (1) Warrant for every two (2) Rights Shares subscribed at an entitlement date to be determined later ("Proposed Rights Issue of Shares with Warrants"); and

Statement on Corporate Governance
cont'd

(b) Proposed exemption under Paragraph 4.08(1)(b) of the Rules on Take-Overs, Mergers and Compulsory Acquisitions ("Rules") to Melewar Khyra Sdn Bhd, Melewar Equities (BVI) Ltd and the persons acting in concert with them from the obligation to undertake a mandatory take-over offer for all the remaining MIGB Shares not already held by them ("Proposed Exemption").

(collectively referred as the "Proposals").

On 23 August 2017, TA Securities Holdings Berhad had, on behalf of the Board, announced to Bursa Securities that the Company intends to undertake the Proposals.

(iv) Reviewed, discussed and approved the fund raising corporate exercise to be undertaken by Mycron Steel Berhad ("Mycron") involving a proposed renounceable rights issue of up to 56,709,091 shares in Mycron ("Mycron Shares") ("Rights Shares") on the basis of one (1) Rights Share for every five (5) Mycron Shares held, together with up to 28,354,546 free detachable warrants ("Warrants") on the basis of one (1) Warrant for every two (2) Rights Shares ("Mycron's Proposal").

On 23 August 2017, TA Securities Holdings Berhad had, on behalf of Mycron, made an announcement to Bursa Securities that Mycron intends to undertake the Mycron's Proposal.

(v) The Board constantly reviews the Group's cash requirements on a rolling forward basis and identified financing options that are appropriate to our circumstances and are in our best interest.

1.3 Formalised Ethical Standards through Code of Conduct

The Group is committed to promoting and maintaining high standards of transparency, accountability and ethics in the conduct of its business and operations.

The Company has established a Code of Conduct setting out the manner in which the Directors and Key Executives conduct themselves which has been incorporated into the Board Charter.

The Board emphasises professionalism and exemplary corporate conduct at work and adheres to the principles and standards of business ethics and conduct as stipulated in the Code of Conduct of the Group as well as for directors to exhibit a fiduciary duty due to the Company as a whole.

The Code of Conduct is to be reviewed from time to time to ensure best practices are incorporated.

As part of best practices in good corporate governance, the Group has established a "Whistle-Blowing" policy which is aimed to encourage reporting by employees in good faith, of any suspected and/or known instances of misconduct, wrongdoings, corruption, fraud, waste and/or abuse involving the resources of the Group and the employees making such reports will be protected from reprisal.

The Company's Whistle Blower Policy fosters an environment in which integrity and ethical behaviour are maintained through protocols which allow for the exposure of any violations or improper conduct or wrongdoing within the Company.

The AC is committed to investigate and address all cases of reported misconduct and determine the channel for investigation and follow-up action.

The detailed information for both the Code of Conduct of Directors and Whistle-Blowing Policy can be found in the Company's website at www.melewar-mig.com for easy access by the shareholders and the public.

Directors are also required to disclose their interests in accordance with Sections 219 and 221 of the Companies Act, 2016 (the "Act"). A Register of Director's interests is kept by the Company Secretary and changes, if any, 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 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.

None of the Directors of the Company had dealt with the shares of the Company during the financial year ended 30 June 2017.

1.4 Strategies Promoting Sustainability

The Board upholds best practices in Corporate Governance as a basic rule to achieve long-term business sustainability. The Company gives high attention to the environment, social and governance ("ESG") aspects of doing business and manages these aspects to achieve long term viability of the Company's business. Moreover, our Group conducts its business with integrity and complies to the relevant laws and regulations, in order to achieve sustainability.

The Company will look into a General Sustainability Framework for the financial period ending 30 June 2018 which aims to integrate the principles of sustainability into the Company's strategies, policies and procedures and ensure that the Board and senior management are involved in implementation of this framework, review the sustainability performance and create a culture of sustainability within the Company, and the community, with emphasis on integrating the environmental, social and governance considerations into decision making process and the delivery of outcomes.

A detailed report on sustainability activities, demonstrating the Company's commitment to the environment, social, governance and sustainability agenda, appears in the Corporate Social Responsibility Statement of this Annual Report on pages 12 to 13.

1.5 Access to Information and Advice

Our Board members take a close interest in the affairs of our Group within the parameters of their role and responsibilities. The exchange of information between our Board and Management is not restricted to the quarterly Board meetings as there are regular direct engagements through emails and ad-hoc meetings. Management is encouraged to engage with our Directors to seek an early resolution or feedback, which is necessary to remain agile and proactive in a robust and volatile operating environment.

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

As entrenched in our Board Charter, all Directors have full unrestricted access to information pertaining to the Group. The agenda for every Board and Board Committee 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.

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 of MIG is a member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") and is qualified to act as company secretary pursuant to Section 235(2) of the Companies Act, 2016.

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 Main Market Listing Requirements ("MMLR") 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 MMLR.

The Company Secretary constantly keeps herself abreast of the evolving capital market environment, regulatory changes and developments in corporate governance through attendance at relevant conferences and training programmes. She has also attended the relevant continuous professional development programmes as required by the Companies Commission of Malaysia or MAICSA for practising company secretaries. The Board is satisfied with the performance and support rendered by the Company Secretary to the Board in discharging her functions.

Statement on Corporate Governance
cont'd

The Company Secretary is also accountable to the Board and is responsible for the following:-

(a) Circulate relevant articles, guidelines and updates on statutory and regulatory requirements from time to time for the Board members' reference and brief the Board and its Committees on these updates at the meetings.
(b) Advise the Board on matters related to Corporate Governance and the MMLR.
(c) Ensure that Board procedures and applicable rules are observed.
(d) Maintain records of the Board and ensure effective management of the Company's statutory records.
(e) Prepare comprehensive Minutes to document Board proceedings and ensure conclusions are accurately recorded.
(f) Assist communications between the Board and Management.
(g) Provide full access and services to the Board and carry out other functions deemed appropriate by the Board from time to time.
(h) Prepare agendas of the Board and Board Committees' Meetings and co-coordinate the preparation of the Board papers.

1.7 Board Charter

The Company has established a Board Charter to promote corporate governance which is designed to provide guidance and clarity for the Directors and Management with regard to the role of the Board and its Committees.

The Board Charter was adopted and last reviewed on 25 October 2013. The Board Charter will be reviewed in near future to be in line with the new Malaysian Code on Corporate Governance 2017 ("New Code").

A copy of the Board Charter is published in the Company's website at www.melewar-mig.com.

2.0 STRENGTHEN COMPOSITION

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

The Company is managed through the Board which currently comprises two (2) Executive Directors (including the Chairman), one (1) Non-Independent Non-Executive Director and four (4) 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. The composition and size of the Board is reviewed from time to time to ensure its appropriateness and effectiveness. The profile of each Director is presented on pages 19 to 22.

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. General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) has been appointed as the Senior Independent Non-Executive Director on 17 May 2017 in place of Major General Datuk Lai Chung Wah (Rtd).

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

2.1 Nomination and Remuneration Committee ("NRC")

The Board has merged the Nomination Committee and Remuneration Committee and renamed as the Nomination and Remuneration Committee since 27 February 2013.

The NRC comprises of four (4) members, all of who are Independent Non-Executive Directors. The members of the NRC are as follows:-

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*
		Dato' Indera Naresh Mohan *- Independent Non-Executive Director*
		Mr Muk Sai Tat *- Independent Non-Executive Director*

Summary of Activities Undertaken by the NRC in respect of financial year 2017

The NRC held two (2) meetings during the financial year ended 30 June 2017 and discussed, inter alia, the following matters:

(a) The NRC conducted annual assessment on the effectiveness of the Board and Committees covering areas such as Board structure and operation, management relationship with the Board, Board's role and responsibilities, the required mix of skills and experience of the Directors, time commitments, skills, characters, experiences, integrity and competencies to effectively discharge the role as a Director for the financial year ended 30 June 2017 and reported the findings in the Board meeting.

Upon completion of the assessment, the NRC noted that the Board and its Committees are considered to be fully effective and have the right composition and sufficient knowledge of related areas. Overall the quality of individual Director was considered acceptable and the Directors were found to possess the relevant qualifications, knowledge, experience and ability to understand the technical requirements, risk and management of the Company's business. In addition, the Directors have demonstrated a willingness to devote time and effort to the affairs of the Company while acting in good faith and with integrity at all times.

(b) Reviewed and assessed the independence of the Independent Directors through the Assessment of Independence of Independent Directors under the annual Board evaluation process.

Based on the evaluation results, the NRC concluded that each Independent Director has fulfilled the independence criteria set out in the MMLR and they continue to demonstrate their independence through their engagement in all meetings, providing objective challenge to the Management and bringing independent judgment to decisions taken by the Board. The Board was satisfied with the level of independence of all the Independent Directors.

(c) Reviewed, considered and recommended to the Board for approval, the re-election of Directors who retire by rotation pursuant to Company's Articles of Association at the forthcoming 48th Annual General Meeting ("AGM"). The Directors standing for retirement by rotation and subject to re-election at the forthcoming AGM are Tunku Dato' Yaacob Khyra and En Azlan bin Abdullah.

(d) Reviewed the tenure of service for Independent Non-Executive Directors.

(e) Reviewed the terms of office and performance of the Audit Committee and its members to determine whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference.

(f) Reviewed the performance of the Risk Management Committee and its members to determine whether the Risk Management Committee and its members have carried out their duties in accordance with their terms of reference.

(g) Reviewed the remuneration policies applicable to Directors, MD/GCEO and Senior Management.

(h) 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.

The determination of remuneration packages of Executive Directors and Non-Executive Directors including Executive Chairman, should be a matter for the Board as a whole where the individuals concerned shall abstain from discussion of their own remuneration.

All recommendations of the NRC are subject to endorsement of the Board.

The terms of reference of the NRC is available for reference on the Company's website at www.melewar-mig.com.

2.2 (a) Appointment 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 Board nomination and Selection Process outlines the skill sets, knowledge/experience, mindset and the intrinsic values required of the concerned Director vis-a-vis the need of the Company as well as time to effectively discharge his/her role as a Director of the Company. The process also provides the relevant point of reference in identifying the most suitable candidates to sit on the Board.

For financial year ended 30 June 2017, there has been no appointment of new Independent Director to the Board. Whilst the Board is of the view that the current directorship is adequate with the appropriate mix of skills and experience required for the Group, it is mindful of the recommendation 4.6 of the New Code, and the NRC continues to assess suitable candidates for recommendation to the Board.

Statement on Corporate Governance
cont'd

(b) Re-election and Re-appointment

The Articles of Association provides that every new Director appointed by the Board be subjected to re-election at the immediate AGM. Furthermore, one third (1/3) 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.

The annual directors' retirement by rotation is monitored by our Company Secretary. The list of Directors who are subject to re-election or re-appointment are presented to the NRC for endorsement. Our NRC will review the performance of the said Director(s) who are retiring by rotation and make the appropriate recommendation to our Board.

(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 has conducted a self-assessment on 25 September 2017 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 assessment of the Board by Individual Directors was based on specific criteria, covering areas such as the Board composition and structure, principal responsibilities of the Board and the Board Committees, the MD/GCEO's performance and Board governance. There were no major concerns from the results of the assessments.

All the assessment and evaluation carried out by the NRC are 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 Policy

The Board acknowledges the importance of Board diversity, including gender diversity, for the effective functioning of the Board. In its selection for Board appointment, the Board believes in, and provides equal opportunity to candidates who have the 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 2017.

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) *(Demised on 17 April 2017)*	1/2
Dato' Indera Naresh Mohan *(Appointed as member on 21 August 2017)*	N/A
Mr Muk Sai Tat *(Appointed as member on 29 September 2017)*	N/A

The NRC had also reviewed the salary increment for the key management personnel based on their respective responsibilities, performance and the business performance of the Group in terms of profit contributions.

Section 230(1) of the Companies Act 2016, provides amongst others, that the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting. In September 2017, the NRC had conducted a review of the Directors' fees payable to the Non-Executive Directors to determine the competitiveness of the Non-Executive Directors' remuneration having regard to the level of responsibility, expertise and time commitment required from the Non-Executive Directors, the Company's size, industry segment and complexity of operations.

The NRC also reviewed the Directors' benefits payable to the Non-Executive Directors of the Company up to an amount of RM180,000 from 1 February 2017 until the conclusion of the next AGM of the Company. The proposed Directors' benefits payable to the Non-Executive Directors of the Company comprise of meeting attendance allowance and other benefits.

The Board subsequently approved the NRC's recommendation for the Company to seek the shareholders' approval at the forthcoming 48th AGM of the Company.

Details of the Directors' remuneration during the financial year ended 30 June 2017 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	1,722	-
Allowances	-	-
Bonuses	287	-
Fees	-	253
Benefits-In-Kind	36	-
Other Emoluments	395	100
TOTAL	2,440	353

Received on Group Basis

Type of Remuneration	Executive Directors RM'000	Non-Executive Directors RM'000
Salaries	911	-
Allowances	-	-
Bonuses	50	-
Fees	-	74
Benefits-In-Kind	25	-
Other Emoluments	56	42
TOTAL	1,042	116

Statement on Corporate Governance
cont'd

The number of Directors of the Company whose fees and remuneration for the financial year ended 30 June 2017 falls within the following bands are:-

Received from Company

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

Received on Group Basis

	Number of Directors	
Range of Remuneration	**Executive**	**Non-Executive**
RM0	1	-
RM50,001 to RM100,000	-	2
RM400,001 to RM450,000	1	-
RM600,001 to RM650,000	1	-

The remuneration of each Director is not disclosed in view of such information being highly confidential and sensitive in nature. Furthermore, such information will not substantially assist in the assessment and understanding of the Company's governance.

3.0 REINFORCE INDEPENDENCE

3.1 Annual Assessment of Independence

The Independent Non-Executive Directors play a crucial role of bringing objectivity to the decisions made by the Board. They provide independent judgement, experience and objectivity without being subordinated to operational considerations. They help to ensure that the interests of all stakeholders are taken into account 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. 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 2017.

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.

During the financial year, none of the Independent Directors disclosed any relationships and/or transactions that could materially interfere with their independent judgements and decisions. The independence assessment undertaken for the financial year has shown that all the Independent Directors have demonstrated their ability to act independently. The Board was satisfied with the level of independence of all the Independent Directors.

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 48th AGM of the Company.

3.3 Separation of Position of the Board Chairman and Managing Director/Group Chief Executive Officer ("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.

Based on the annual assessment conducted on 25 September 2017 and recommendation made by the NRC, the Board is of the view that although, Tunku Dato' Yaacob Khyra is an executive member of the Board, Tunku Dato' Yaacob Khyra has been able to perform his role and responsibilities as the Executive Chairman without any impairment of objectivity and always in consideration of the best interests of the shareholders and all stakeholders.

As at the date of this statement, the Board comprises 7 members, out of which 4 are Independent Non-Executive Directors, 2 are Executive Directors and 1 is Non-Independent Non-Executive Director, in compliance with Paragraph 15.02(1) of the MMLR.

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.

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 met seven (7) times during the financial year ended 30 June 2017. The attendance of each Director at the Board meetings held during the financial year ended 30 June 2017 are as follows:-

Executive Directors	No. of Attendance	%
1. Tunku Dato' Yaacob Khyra (Chairman)	7/7	100
2. En Azlan bin Abdullah	7/7	100
3. Datuk Uwe Ahrens *(Resigned on 5 May 2017)*	5/6	83

Statement on Corporate Governance
cont'd

Non-Independent Non-Executive Directors	No. of Attendance	%
1. Madam Ezurin Yusnita binti Abdul Malik *(Resigned on 27 October 2017)*	6/7	86
2. Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	7/7	100

Independent Non-Executive Directors	No. of Attendance	%
1. En Shazal Yusuf bin Mohamed Zain	7/7	100
2. Mr Muk Sai Tat	7/7	100
3. General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd)	7/7	100
4. Dato' Indera Naresh Mohan	5/7	71
5. Major General Datuk Lai Chung Wah (Rtd) *(Demised on 17 April 2017)*	2/6	33

All Directors complied with the minimum attendance requirement of more than 50% of the total Board meetings held during the financial year under review except for Major General Datuk Lai Chung Wah (Rtd) who had been indisposed due to ill health and as such had been unable to attend the Board meetings.

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 MMLR. 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. The Board had two (2) ad-hoc board meetings during the financial year ended 30 June 2017. 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.

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.

During the annual Board evaluation, each Director was assessed whether he was able to devote adequate time and attention for Board meetings, Committee meetings and activities of the Company. Overall, the Board was satisfied with the commitment of all members of the Board and the time contributed by each of them. The time commitment of the Directors was demonstrated by the full attendance and time spent at the Board and Board's Committee meetings during the financial year.

4.2 Training

The Directors are mindful that they are required to attend suitable training programmes to keep abreast with the current development of the industry as well as the applicable statutory and regulatory requirements. The Directors are encouraged to evaluate their own training needs on a continuous basis and to determine the relevant programmes, seminars, briefings or dialogues that are best suited to enhance their knowledge.

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.

Statement on Corporate Governance
cont'd

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.

Board meetings were also held at locations within the Group's operating businesses to enable the Directors to obtain a better perspective of the businesses and enhance their understanding of the Group's operations.

The Directors have individually or collectively attended various training programme during the financial year ended 30 June 2017, amongst others, the following:-

Members of the Board	List of Training Programmes/Seminars/Conferences Attended
Tunku Dato' Yaacob Khyra	➢ Enterprise Risk Management: Driving Organisational Sustainability, Agility and Resilience
En Azlan bin Abdullah	➢ Technology-based Innovation that Counts ➢ Leadership Energy Summit Asia 2016 ➢ Enterprise Risk Management: Driving Organisational Sustainability, Agility and Resilience ➢ Cost, Risk and Brand: The Director's Role in Protecting the Company Against Corruption ➢ HSBC Non-Executive Director Global Awareness E-Learning Module ➢ Malaysian Institute of Corporate Governance: Boards and C-Level Executives: Balancing Trust and Tension ➢ Risk Sharing Finance ➢ What Directors Need to Know on Reporting & Disclosure Obligations to Prevent Public Reprimand & Fines by The Regulators
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	➢ Enterprise Risk Management: Driving Organisational Sustainability, Agility and Resilience
En Shazal Yusuf bin Mohamed Zain	➢ Enterprise Risk Management: Driving Organisational Sustainability, Agility and Resilience ➢ Malaysian Institute of Corporate Governance: Boards and C-Level Executives: Balancing Trust and Tension ➢ Enterprise Risk Management Global Conference 2017: Harnessing Disruption
Mr Muk Sai Tat	➢ Enterprise Risk Management: Driving Organisational Sustainability, Agility and Resilience ➢ MIA International Accountants Conference 2016 ➢ Malaysian Institute of Corporate Governance: Boards and C-Level Executives: Balancing Trust and Tension ➢ What Directors Need to Know on Reporting & Disclosure Obligations to Prevent Public Reprimand & Fines by the Regulators ➢ Enterprise Risk Management Global Conference 2017: Harnessing Disruption

Statement on Corporate Governance
cont'd

Members of the Board	List of Training Programmes/Seminars/Conferences Attended
General Tan Sri Dato' Sri Hj. Suleiman Bin Mahmud RMAF (Rtd)	➢ Role of the Chairman & Independent Directors' Seminar 2016 ➢ Enterprise Risk Management: Driving Organisational Sustainability, Agility and Resilience
Dato' Indera Naresh Mohan	➢ Enterprise Risk Management: Driving Organisational Sustainability, Agility and Resilience ➢ Changes Affecting Directors Under the Companies Act 2016: What Every Director Needs to Know

The Directors will continue to attend relevant training courses to further enhance their skills and knowledge to enable them to discharge their responsibilities more effectively.

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 ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 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 also updates the AC 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.

The Directors also have a general responsibility for taking such steps to safeguard the assets of the Group and to prevent and detect fraud and irregularities. The Board deliberated on the quarterly financial results through the analysis of income and expenditures against previous quarter and previous year's corresponding quarter.

The External Auditors also briefed the Board members on any changes to the MFRS that affect the Group's financial statements during the year.

The Audit Committee further assists the Board in overseeing the financial reporting, which includes, adherence to the appropriate accounting standards, review of reasonableness of accounting policies used, integrity of the processes and controls in place.

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 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 2017, 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.

Matters that require the Board's attention are highlighted by the External Auditors to the AC and the Board, through the issuance of management papers and/or reports. The AC and External Auditors exchange information and advice, for achieving mutual understanding regarding important audit issues, risk evaluations relating to internal control audits and other matters.

The practice of periodically rotating the audit engagement partner and key audit partners ensure an independent relationship between the Company and the External Auditors. Apart from that, during the Audit Plan stage, independence is further enhanced with the External Auditors providing a summary of their internal policies and important safeguards and procedures to address threats to the independence and objectivity of the audit.

During the financial year under review, the AC met with the External Auditors three (3) times without the presence of the Executive Directors and Senior Management staff. This is to encourage free and honest exchange of view and opinion between both parties.

In this regard, the AC had assessed the performance, suitability and independence of PwC as External Auditors of the Company as well as reviewed the non-audit services provided by them during the financial year under review. The Board approved the AC's recommendation for the Company to seek the Shareholders' approval for the re-appointment of PwC as External Auditors of the Company at the forthcoming AGM.

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 48 of the Annual Report 2017.

6.0 RECOGNISE AND MANAGE RISKS

6.1 Sound Framework to Manage Risks

The Board is responsible for establishing and maintaining a sound risk management and internal control system to ensure that the shareholders' investments, stakeholders' interest and assets of the Group are safeguarded. The Board through the Audit Committee evaluates the adequacy and effectiveness of the internal control system by reviewing the actions taken on lapses, recommendations of Internal Auditors and Management responses.

The Risk Management Committee comprises of four (4) Directors, all of who 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 49 to 52 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.

The principal role of BTMH is to undertake independent regular and systematic reviews of the system and internal control so as to provide reasonable assurance that such system continue to operate satisfactorily and effectively.

It is the responsibility of BTMH to provide the AC with independent and objective report on the state of internal control of the various operating units within the Group and the extent of compliance of the units with Group's established policies and procedures as well as relevant statutory requirements. The internal audit reports are presented together with the Management's response and proposed action plans to the AC quarterly.

Since 2004, the Company had outsourced its internal audit function to external service provider. Having assessed the performance of BTMH who has been the outsourced Internal Auditor since 2008, the AC was of the view that it was timely to review their position objectively during the financial year ended 30 June 2017 for good corporate governance.

Having carried out a request for proposal exercise, Management had shortlisted Deloitte Enterprise Risk Services Sdn Bhd to provide the internal audit services for MIG Group in place of BTMH for a period of 3 years up to 30 June 2020. This recommendation was approved by the Board.

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
cont'd

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 AGM is the principal forum for dialogue with shareholders. The notice of meeting and the annual report for 2017 are sent out to shareholders at least 28 days before the date of the meeting in line with the recommendation in the New Code.

The notice of general meetings together with the Company's Annual Report and/or Circular to Shareholders will be despatched to the shareholders within the prescribed notice period prior to the scheduled general meetings in order to provide sufficient time to the shareholders to make the necessary arrangements to attend and participate either in person, by corporate representative or by proxy. The Board encourages shareholders' participation and engagement at the general meeting as it provides an opportunity for the Board to assess the market expectations and more importantly, it provides an avenue for the shareholders to ask questions on the resolutions being proposed and to seek clarification on the business and performance of the Group.

All our Directors (except Madam Ezurin Yusnita binti Abdul Malik who has resigned on 27 October 2017) and senior leadership together with key corporate advisors attended the 2016 AGM. Q&A sessions were also held, whereby our shareholders were given the opportunity to raise questions on the agenda items to our Board and Management. In line with best practices, the Chairman convened the Meeting with the required quorum and the Secretary of the Company explained the voting procedures. Voting was carried out on a poll.

The results of all the resolutions set out in the Notice of the 48th AGM will be announced on the same day to the Bursa Securities, which is accessible on the Bursa Securities' website.

In accordance with the revisions to the MMLR, a summary of the key decisions and discussions arising from the AGM in November 2017 will also be posted on our 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 on special business is included in the Notice of the AGM.

A press conference is normally held after each AGM and/or General Meeting of the Company to provide the media an opportunity to receive an update from the Board on the proceedings at the meetings and to address any queries or areas of interest.

8.2 Poll Voting

The Board noted that pursuant to Paragraph 8.29A of MMLR, the Company must ensure that every resolution set out in the Notice of any general meeting is to be voted by poll, the votes cast will be validated by an independent scrutineer.

At the previous AGM of the Company held on 8 December 2016, a poll voting was conducted on all resolutions as set out in the Notice of the 47th AGM for the interest of all shareholders.

The outcome of all resolutions proposed at the AGM is to be announced to Bursa Securities at the end of the meeting day while a summary of the key matters discussed at the AGM shall be published on the Company's website as soon as practicable after the conclusion of the AGM.

The Company also took note of the recommendation to employ electronic means for poll voting in future.

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 General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) as the Senior Independent Director to whom queries or concerns regarding the Group may be conveyed.

(i) General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) can be contacted as follows:
Telephone number: +603-5519 2455 Facsimile number: +603-5510 8618
Email address: suleiman.mahmud@melewar-mig.com

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

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

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

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

9.0 COMPLIANCE WITH CODE

9.1 The Board is satisfied that the Group has applied and complied with the principles and recommendations of the MCCG 2012 during the financial year under review. The Board believes that all material aspects have been complied with reasonably and in the manner most suited and appropriate for the Company in the best interest of all stakeholders.

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 MMLR and all applicable laws and regulations throughout the financial year ended 30 June 2017.

This Statement was made in accordance with the approval of the Board of Directors on 27 October 2017.

Statement on Corporate Governance
cont'd

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 2017 amounted to RM678,102 and RM220,971 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 2017.

5. RECURRENT RELATED PARTY TRANSACTIONS ("RRPTs") ENTERED INTO DURING THE FINANCIAL YEAR ENDED 30 JUNE 2017

On 8 December 2016, the Company sought approval for a shareholders' mandate for MIG Group to enter into Recurrent Transactions (as defined in the Circular to Shareholders dated 31 October 2016) 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 2017 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 (1/07/2016 – 30/06/2017) (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") and Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah ("TYY")	TY and TYY are deemed interested in Trace by virtue of their major interests in The Melewar Corporation Berhad ("TMC"), who in turn is the Major Shareholder of Trace; TMC is the family owned investment holding company.	Nil	420,653

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 (1/07/2016 – 30/06/2017) (RM)
1.	MAA Corporation Sdn Bhd ("MAA Corp")	Office rental charged by MAA Corp to MIG Group	**Interested Director** TY **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 a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB.	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 Director** TY **Interested Major Shareholders** MEBVI, MKSB and KLB	TY is deemed interested in MAA Corp. TY is a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB.	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 Director** TY **Interested Major Shareholders** MEBVI, MKSB and KLB	TY is deemed interested in MAACA. TY is a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB	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.	-

C. 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 (1/07/2016 – 30/06/2017) (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 Director** TY **Interested Major Shareholders** MEBVI, MKSB and KLB	TY is deemed interested in MIG by virtue of him being a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the Major/Substantial Shareholders of MIG.	Nil	5,716,903

Statement on Corporate Governance
cont'd

Type of Financial Assistance	Related Party	Interested Related Parties	Manner of relationship with the Related Parties		Value of Transaction (1/07/2016 – 30/06/2017) (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 Director** TY **Interested Major Shareholders** MEBVI, MKSB and KLB	TY is deemed interested in MIG by virtue of him being a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the Major/Substantial Shareholders of MIG.	Nil	-

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF FINANCIAL STATEMENTS

The Companies Act 2016 ("the Act") requires the Directors to cause the preparation of the financial statements for each financial year in accordance with the provisions of the Act and applicable approved accounting standards to give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of the results and cash flows of the Group and the Company for the financial year. Where there are new accounting standards or policies that become effective during the year, the impact of these new treatments would be stated in the notes to the financial statements, accordingly.

The Board has received assurance from the Managing Director/Group Chief Executive Officer and the Chief Financial Officer that the financial records have been properly maintained and the financial statements for the financial year ended 30 June 2017 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:

- adopted appropriate accounting policies which were consistently applied;
- made judgments and estimates that are reasonable and prudent;
- ensured that all applicable accounting standards have been followed; and
- considered the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operations for the foreseeable future.

The Directors are responsible for ensuring that the Company keeps accounting records which disclose, with reasonable accuracy, the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with the provisions of the Act.

The Directors have also taken such steps as are reasonably available to safeguard the assets of the Group, and to prevent fraud and other irregularities.

Directors' Statement on Risk Management and Internal Control

For Financial Year Ended 30 June 2017

INTRODUCTION

This Statement on Risk Management and Internal Control is made in accordance with the paragraph 15.26(b) of Bursa Malaysia Securities Berhad Listing Requirements and as guided by Statement on Risk Management and Internal Control: Guidance for Directors of Listed Issuers ("the Guidance"), which requires Malaysian public listed companies to make a statement in their annual report concerning risk management and internal control system, as a Group.

BOARD RESPONSIBILITIES

The Board acknowledges its overall responsibility and accountability for a sound system of risk management framework to be established and 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.

In discharging its stewardship responsibilities, the Board recognises that the internal control system in the Group:-

- is a logical and systematic method of identifying, analysing, assessing, treating and monitoring the Group's risk;
- is a continuous and ongoing process;
- should be an integral part of the Group's management practices; and
- enable the Group to not only minimise losses but maximise opportunities.

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").

Since 2004, the Company had outsourced its internal audit function to external service provider. Having assessed the performance of BTMH who has been the outsourced Internal Auditor since 2008, the Audit Committee was of the view that it was timely to review their position objectively during the financial year ended 30 June 2017 for good corporate governance.

Having carried out a request for proposal exercise, Management had shortlisted Deloitte Enterprise Risk Services Sdn Bhd to provide the internal audit services for MIG Group in place of Messrs Baker Tilly Monteiro Heng Governance Sdn Bhd for a period of 3 years up to 30 June 2020. This recommendation was approved by the Board.

Directors' Statement on Risk Management and Internal Control
For Financial Year Ended 30 June 2017
cont'd

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 members of the RMC as at the date of this Annual Report are as follows:

Chairman	:	Shazal Yusuf bin Mohamed Zain
Members	:	Muk Sai Tat
	:	General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd)
	:	Dato' Indera Naresh Mohan

The RMC Meetings held during the financial year ended 30 June 2017 were as follows:

Name of Committee Members	Total Meetings attended
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)*	4/4
Dato' Indera Naresh Mohan *(Independent Non-Executive Director)*	3/4

RISK MANAGEMENT FRAMEWORK

The RMC had formally adopted a Risk Management Framework for the Group in 2005 which is based on internationally recognised framework, Australian/New Zealand Standard, AS/NZS 4360:2004, Risk management (the Standard). 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. Recognizing that the framework requires enhancement based on the current business operating environment, the Company will be reviewing the framework with the assistance of Deloitte Enterprise Risk Services Sdn Bhd who was recently engaged as the new outsourcing provider to undertake the internal audit requirements of the Group.

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 guideline in managing the Group's significant risk exposures. It has been a practice for the RMC to invite the relevant Heads of Division/Department to attend the RMC Meetings, where appropriate.

The business interests are operated by the subsidiaries of the Group. Management of the day-to-day affairs of the Group's various subsidiaries are assigned to local management, comprising Managing Director/Group Chief Executive Officer ("MD/GCEO") and the respective Chief Executive Officers of the main operating companies, who are accountable for the conduct and performance of their subsidiaries within agreed business strategies. Local management sits at various management and operations meetings, and review financial and operations reports, in order to monitor the performance and profitability of the business of their respective subsidiaries. Paramount to this process is the role played by the Group's Executive Directors and senior management personnel who, by virtue of their presence on the Boards of both listed and unlisted subsidiaries of the Group, supervise the subsidiaries' activities, and regularly update the Board of Directors of the Company.

The Board does not regularly review the internal control system of its associated companies, as the Board does not have any direct control over their operations. The Group's interests are served through representations on the boards of the respective associated companies and the review of their management accounts, and enquiries thereon. These representatives also provide the Board with information and timely decision-making on the continuity of the Group's investments based on the performance of the associated companies.

Directors' Statement on Risk Management and Internal Control

For Financial Year Ended 30 June 2017
cont'd

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 2017 were 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 which cover:-

   - 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 and Sub-Contractor Procedure
   - Sub-raw Materials, Tooling, Hardware, Consumable, Equipment, Fuel, Lubricants, General Procurement and Miscellaneous Items Purchase Procedure
   - Sales Procedure
   - Internal Security Procedure
   - Whistle-Blowing Policy
   - Intercompany Transactions/Loans /Advances Procedure
   - FX Risk Management
   - Manual Journal Transaction Procedure
   - Employee Advance Control Procedure
   - Miscellaneous Payment Procedure
   - Tendering Procedure
   - Tender Evaluation Procedure
   - Project Reporting Procedure
   - Inbound Job Contracts

   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.

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 plays a role to provide some comfort to the Board on the adequacy and effectiveness of the risk management practices of the Group.

   During the financial year ended 30 June 2017, the adequacy and effectiveness of internal controls were reviewed by the Audit Committee in relation to the internal audits conducted by the Internal Auditor ("IA") on a quarterly basis. Audit issues and actions taken by the Management to address the shortcomings raised by the IA were deliberated and accepted during the Audit Committee meetings. Additionally, the Audit Committee also reviewed the implementation progress of the corrective action plans committed by the Management for all key findings and recommendations highlighted in the previous Internal Audit Reports until the corrective actions were implemented appropriately and as committed. Minutes of the Audit Committee meetings which recorded these deliberations and decisions were subsequently presented to the Board for notation.

Directors' Statement on Risk Management and Internal Control

For Financial Year Ended 30 June 2017
cont'd

5. The Group's operations are accredited with the prestigious ISO 9001 certification in 1997. In 2017, the Group upgraded its quality management system to ISO 9001 : 2015 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.

6. Special Audit on Tanjung Bin Project

   A subsidiary of the Company, Melewar Integrated Engineering Sdn Bhd ("MIE") had in December 2015 accepted a project awarded by Tanjung Bin Power Sdn Bhd, a subsidiary of Malakoff Corporation Berhad. The project involved the installation of a new conveyor line, upgrading and modification works to existing coal handling systems at Tanjung Bin Power Plant (hereinafter referred to as "TBP").

   The Board was made aware of issues concerning TBP towards the end of August 2016 and had since taken steps to address those issues specifically to fulfil the TBP contractual obligations and to mitigate further cost overruns including the engagement of BDO Governance Advisory Sdn Bhd ("BDO") to review the underlying causes and factors which had contributed to the said project's significant onerous loss condition and to investigate possible fraudulent acts.

   The conclusion of the findings was duly announced on 12 May 2017 which surmised that the project was significantly underbid due to applied budgetary assumptions based on available information at the point of bidding which were subsequently found to be inconsistent with the crystallized conditions and site conditions which were previously unknown. The BDO report also uncovered instances of lapses in internal control and certain non-adherence of the Company's ICPs. The BDO report also did not observe any incidences of fraud.

   The necessary actions to address/rectify areas of concern have taken place and will continue to be taken in order to strengthen internal controls and compliance with ICPs going forward, including making the necessary changes to the management and reporting structure.

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.

Other than MIE, the Board is of the view that the risk management and internal control system of the overall Group is adequate and effective to safeguard the shareholders' investments, Group's assets and the interests of other stakeholders. The Board have taken cognizant of the findings made by BDO on MIE as explained above and have implemented checks and balances and tightened controls and procedures to address the lapses highlighted by BDO. 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.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board of Directors dated 27 October 2017.

Audit Committee Report

The Audit Committee ("AC") of Melewar Industrial Group Berhad ("the Company") is pleased to present the Audit Committee Report for the financial year ended 30 June 2017 which provides insights into the manner in which the Audit Committee discharged its functions, roles and responsibilities for the Company during the financial year.

The AC had also carried out its duties and responsibilities in accordance with its terms of reference and held discussions with the Internal Auditors, External Auditors and relevant members of Management. The AC is of the view that no material misstatements or losses, contingencies or uncertainties have arisen, based on the reviews made and discussions held except for certain issues concerning the Tanjung Bin Project undertaken by Melewar Integrated Engineering Sdn Bhd ("MIE") highlighted by BDO Governance Advisory Sdn Bhd ("BDO") in their special audit findings.

COMPOSITION

The Audit Committee comprises of four (4) 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
Dato' Indera Naresh Mohan	Member	Independent Non-Executive Director
General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd)	Member	Independent Non-Executive Director

The Chairman of the Audit Committee, Mr Muk Sai Tat is a member of the Malaysian Institute of Accountants and therefore meets the requirements of paragraph 15.09(1)(c) of the MMLR. The Directors' profiles are set out on pages 20 to 22 in the Annual Report.

Our AC members have considerable financial and business experience and our Board considers that the membership as a whole, has sufficient recent and relevant financial experience to discharge its responsibilities. In addition, the composition of our AC complies with the MMLR as all our AC members are independent directors, including the Chairman.

In September 2017, the Nomination and Remuneration Committee ("NRC") reviewed the terms 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's own assessment on the performance and effectiveness as a Board 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.

TERMS OF REFERENCE

The Audit Committee is governed by its Terms of Reference (TOR), approved by the Board, which will be periodically reviewed and updated. The latest review was on 30 August 2016 which incorporated the latest amendments to the Bursa MMLR. The revised TOR is made available on the Company's website (www.melewar-mig.com).

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 ("MD/GCEO") and Chief Financial Officer ("CFO") 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.

Audit Committee Report
cont'd

During the financial year ended 30 June 2017, nine (9) 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)*	9/9	100
En Shazal Yusuf bin Mohamed Zain	9/9	100
Dato' Indera Naresh Mohan *(Appointed as member on 17 May 2017)*	1/1	100
Major General Datuk Lai Chung Wah (Rtd) *(Demised on 17 April 2017)*	2/7	29
General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) *(Appointed as member on 29 September 2017)*	N/A	N/A

Major General Datuk Lai Chung Wah (Rtd) had been indisposed due to ill health and as such had been unable to attend the ad hoc AC meetings.

The AC meetings of the Company were convened with proper notices and agenda and these were distributed to all members of the AC about seven (7) days before meeting. The minutes of each AC meeting were recorded and tabled for confirmation at the next AC meeting and tabled at the Board meeting for the Directors' notation.

Besides the Company Secretary, MD/GCEO, CFO, Finance Manager, the External Auditors and the outsourced Internal Auditors attended the Committee meetings on the standing invitation of the Committee Chairman during the financial year ended 30 June 2017.

Other senior management staff may be invited to attend certain AC meetings if so required, requested or invited by the Chairman of the Committee to seek clarification on audit issues and facilitate direct communication as well as to solicit information in relation to the operation of the Company. Conversely, the External Auditors and Internal Auditors may also respectively request a meeting with the AC if they consider it necessary.

The Audit Committee Chairman reports to the Board on a quarterly basis on all significant matters discussed, deliberated upon and dealt with at the Audit Committee Meetings. Amongst others, it covers the Audit Committee's recommendations to approve the quarterly consolidated financial results released to Bursa Securities, the annual financial statements, key disclosure statements in the Annual Report as well as significant audit issues raised by the External Auditors and Internal Auditors.

SUMMARY OF WORK CARRIED OUT BY THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR ENDED 30 JUNE 2017

The Audit Committee had performed the following during the financial year ended 30 June 2017:

Financial Reporting	(i) Reviewed the unaudited quarterly and annual financial results of the Group for financial year ended 30 June 2017 which were drawn up in accordance with the applicable Malaysian Financial Reporting Standards and the International Financial Reporting Standards issued by the Malaysian Accounting Standards Board and the Malaysian Companies Act, 2016. This also included the announcements pertaining to the release of financial results to Bursa Securities prior to recommending to the Board for approval. (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 of the Company. (iii) Reviewed the key audit matters highlighted in the auditors' report based on auditors' professional judgement which were considered as most significant in their audit of the financial statements of the Group and of the Company for the current financial year. (iv) Reviewed and ascertained that the audited annual financial statements do not contain any misstatement of transactions and the auditors are in a position to issue an unqualified opinion on the matter of truth and fairness of the financial performance and the financial position of the Company and of the Group.

Audit Committee Report
cont'd

External audit and interim review	(i) Discussed with the External Auditors 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) Received updates on the statutory and regulatory requirements including the implementation of the accounting standards applicable in the preparation of financial statements and their implications of the financial statements. (vii) Assessed the suitability and independence of External Auditors and obtained written assurance from the External Auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the Malaysian Institute of Accountants. The External Auditors provided written assurance of their independence as stated in their Audit Plan dated 24 May 2017 to the AC that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. (viii) Conducted three (3) private sessions with the External Auditors, without the presence of Executive Directors and Management.
Internal control and internal audit	(i) Reviewed 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 monitored the implementation status of the audit recommendations made by the auditors to ensure that key risks and controls have been addressed. This includes any improvement on the system of the internal controls and procedures. ➢ Reviewed the adequacy of the scope, functions and competency of the internal audit function. ➢ 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 ("MIG")</u> (a) Corporate Governance Review (b) Finance and Accounts Function covering Mycron Steel Berhad ("Mycron"), Melewar Steel Tube Sdn Bhd ("MST") and Mycron Steel CRC Sdn Bhd ("MSCRC") (c) Risk Management Procedures covering Mycron, MST and MSCRC (d) Group IT Management covering its subsidiaries

Audit Committee Report
cont'd

Melewar Steel Mills Sdn Bhd

(a) Sales and Deliveries
(b) Collection and Credit Controls
(c) Purchasing and Incoming Controls
(d) Finance Management and General Accounting
(e) Property, Plant and Equipment Management

Ausgard Quick Assembly Systems Sdn Bhd

(a) Contract Management

Melewar Integrated Engineering Sdn Bhd

(a) Contract and Project Management and Revenue Cycle
(b) Purchasing and Incoming Control
(c) Finance Management and General Accounting

Mycron

(a) Corporate Governance Compliance

MSCRC

(a) Maintenance Management and Property, Plant and Equipment
(b) Human Resources Management
(c) Information Technology Support (including review of cyber security controls) covering MST
(d) Purchasing and Receiving Controls covering MST
(e) Personnel Claim Procedures and Processing
(f) Health, Safety and Environmental Controls covering MST

MST

(a) Sales and Deliveries
(b) Collection and Credit Control Function
(c) Finance Management
(d) Human Resource Management
(e) EDP Support Function

(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.

(vi) Reviewed and discussed the impact on the financial statements of the Company arising from the disposal of its associates, Siam Power Generation Public Company Limited and Siam Power Phase 2 Company Limited.

(vii) Reviewed and discussed the steps to address the issues in relation to the onerous construction contracts of its wholly owned Engineering subsidiary, MIE:-

(a) Engaged BDO to review the underlying causes and factors which contributed to Tanjung Bin Project's significant onerous loss condition and to investigate possible fraudulent acts;

(b) Reviewed BDO's report which surmised that the project was significantly underbid due to applied budgetary assumptions based on available information at the point of bidding which were subsequently found to be inconsistent with the crystallized conditions and site conditions which were previously unknown. The BDO report also uncovered instances of lapses in internal control and certain non-adherence of the Company's ICPs. The BDO report also did not observe any incidences of fraud;

(c) Making the necessary changes to the management and reporting structure of MIE;

(d) Regular meetings on updates on the progress of the onerous projects undertaken by MIE;

Audit Committee Report
cont'd

	(e) Reviewed and discussed the funding resources for the completion of the projects undertaken by MIE; (f) Suspended all new engagement and prospecting activities under the Engineering subsidiary as resources are focused on fulfilling the contractual obligations on the projects.
Internal audit function	(i) Since 2004, the Company had outsourced its internal audit function to external service provider. Having assessed the performance of Messrs Baker Tilly Monteiro Heng Governance Sdn Bhd who has been the outsourced Internal Auditor since 2008, the AC was of the view that it was timely to review their position objectively during the financial year ended 30 June 2017 for good corporate governance. Having carried out a request for proposal exercise, Management had shortlisted Deloitte Enterprise Risk Services Sdn Bhd to provide the internal audit services for MIG Group in place of Messrs Baker Tilly Monteiro Heng Governance Sdn Bhd for a period of 3 years up to 30 June 2020. This recommendation was approved by the Board.
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 MMLR and that they were not more 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 subject to the Company fulfilling the conditions for the share buy-back; and (b) Proposed renewal of shareholders' mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and Provision of Financial Assistance. (iv) Reviewed the Internal Audit Charter of the Group for adoption by the Board of Directors.
Proposed Rights Issue of Shares with Warrants and Proposed Exemption	(i) Reviewed and discussed the following proposals to be undertaken by the Company:- (a) Proposed renounceable rights issue of up to 225,522,808 shares in the Company ("MIGB Shares") ("Rights Share(s)") on the basis of one (1) Rights Share for every one (1) MIGB Share held, together with up to 112,761,404 free detachable warrants ("Warrants") on the basis of one (1) Warrant for every two (2) Rights Shares subscribed at an entitlement date to be determined later ("Proposed Rights Issue of Shares with Warrants"); and (b) Proposed exemption under Paragraph 4.08(1)(b) of the Rules on Take-Overs, Mergers and Compulsory Acquisitions ("Rules") to Melewar Khyra Sdn Bhd, Melewar Equities (BVI) Ltd and the persons acting in concert with them from the obligation to undertake a mandatory take-over offer for all the remaining MIGB Shares not already held by them ("Proposed Exemption"). (collectively referred as the "Proposals"). On 23 August 2017, TA Securities Holdings Berhad had, on behalf of the Board, announced to Bursa Securities that the Company intends to undertake the Proposals. (ii) Reviewed and discussed the fund raising corporate exercise to be undertaken by Mycron involving a proposed renounceable rights issue of up to 56,709,091 shares in Mycron ("Mycron Shares")("Rights Shares") on the basis of one (1) Rights Share for every five (5) Mycron Shares held, together with up to 28,354,546 free detachable warrants ("Warrants") on the basis of one (1) Warrant for every two (2) Rights Shares ("Mycron's Proposal"). On 23 August 2017, TA Securities Holdings Berhad had, on behalf of Mycron, made an announcement to Bursa Securities that Mycron intends to undertake the Mycron's Proposal.

Audit Committee Report
cont'd

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 outsourced Internal Auditors led the role of the internal audit functions of the Group (referred to as the "IA Team of BTMH") with the primary function to assist the Audit Committee in discharging their duties and responsibilities more effectively. The Audit Committee has full access to the outsourced Internal Auditors and reviews reports from them on all internal audits performed.

The main role of the internal audit function is to carry out independent assessments of the adequacy and effectiveness of the Group's internal control systems in anticipation of any potential risk areas within key business processes of the Group and is performed with impartiality and due professional care and internal auditing standard practices.

The AC and the Board had on 30 May 2017 approved to adopt the Internal Audit Charter to assist the organisation in accomplishing its objectives through the provision of audit assurance on the adequacy and effectiveness of its corporate governance processes, risk management, and internal controls.

During the financial year ended 30 June 2017, internal audit activities have been carried out in accordance with the pre-approved internal audit plan.

The 2016 Annual Internal Audit Plan which was developed based on a risk based approach was approved by the Audit Committee at its meeting held on 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 five (25) audits including follow up audit assignments covering Mycron Group as well 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 and management information system. In performing such reviews, recommendations for improvements and enhancements to the existing internal control system and work processes were made.

For each internal audit visit, the IA Team of BTMH will perform the following and provide management with periodic progress updates as and when requested:

- understand the review processes, emphasising documented key performance indicators, if any provided to them, risks involved and controls in place, through interviews with various personnel, observations and review of management reports and other documents such as corporate policies, procedures and guidelines before documenting key control designs and processes.
- evaluate control designs and processes documented above for effectiveness and discuss observations with the management.
- conduct sample testing to evaluate documented control designs and processes highlight exceptions, if any, and analyse root causes of findings and identify improvement opportunities.
- discuss issues and improvement opportunities with process owners and/or heads of department.
- summarise issues and recommend action plans.
- where necessary, present and discuss with senior management of their findings and improvement opportunities at the conclusion of each audit visit before finalising the report.

The Internal Audit Report for each internal audit visit will outline audit approach performed during audit fieldworks and carries recommendations for improvements in systems, processes and procedures along with the management response and will be forwarded to management for their attention and response for the necessary remedial actions as recommended therein. Management is responsible for ensuring that corrective actions are taken within the required timeframe. The IA Team of BTMH will then be responsible to follow-up the status of remedial actions formulated and implemented by the management. IA Team of BTMH will track the corrective actions taken during the financial year of review and the status of the implementation is then reported to the Audit Committee accordingly. Their internal audit function is carried out in accordance with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework.

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

The role to be carried out by the Internal Audit with regards to the Group's risk management framework is explained in the Statement on Risk Management and Internal Control as set out on pages 49 to 52 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 2017 was approximately RM96,000.00.

Audit Committee Report
cont'd

Based on the internal controls established and maintained by the Group, works performed by the Internal Auditors and reviews performed, the Board with concurrence of the Audit Committee 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 2017.

This Report on Audit Committee was made in accordance with the approval of the Board on 27 October 2017.

Directors' Report
For The Financial Year Ended 30 June 2017

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 2017.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Tunku Dato' Yaacob Khyra
Azlan bin Abdullah
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah
Ezurin Yusnita binti Abdul Malik (resigned on 27 October 2017)
Shazal Yusuf bin Mohamed Zain
Muk Sai Tat
General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd)
Dato' Indera Naresh Mohan
Datuk Uwe Ahrens (resigned on 5 May 2017)
Major General Datuk Lai Chung Wah (Rtd) (deceased on 17 April 2017)

In accordance with Article 113(1) of the Company's Articles of Association, Tunku Dato' Yaacob Khyra and Azlan bin Abdullah are to retire by rotation from the Board at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election.

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, and in 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 RM	Company RM
Net (loss)/profit for the financial year	(66,983,737)	6,029,694
Attributable to:		
- Equity holders of the Company	(78,220,660)	6,029,694
- Non-controlling interests	11,236,923	-
Net (loss)/profit for the financial year	(66,983,737)	6,029,694

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any shares or debentures for the financial year ended 30 June 2017.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits shown under Directors' Remuneration) by reason of a contract made by the Company or by 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.

Neither during nor at the end of the financial year was the Company or any of its subsidiaries a party to any arrangements whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Report
For The Financial Year Ended 30 June 2017
cont'd

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act, 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its subsidiaries or its holding company or subsidiaries of the holding company during the financial year except as follows:

	Number of ordinary shares in the Company			
	At 01.07.2016	**Bought**	**Sold**	**At 30.06.2017**
Tunku Dato' Yaacob Khyra - deemed indirect interest	82,381,232	-	-	82,381,232
Azlan bin Abdullah - direct interest	133,333	-	-	133,333

	Number of ordinary shares			
Mycron Steel Berhad (Related corporation)	**At 01.07.2016**	**Bought**	**Sold**	**At 30.06.2017**
Tunku Dato' Yaacob Khyra - deemed indirect interest	202,102,521	-	-	202,102,521
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah - deemed indirect interest	52,300	-	-	52,300
Azlan bin Abdullah - direct interest	247,000	-	(147,000)	100,000

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.

DIVIDEND

No dividend has been paid, declared or proposed by the Company since the end of the financial year ended 30 June 2016.

The Directors do not recommend the payment of any dividend for the financial year ended 30 June 2017.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 10 to the financial statements.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

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

   (ii) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

Directors' Report
For The Financial Year Ended 30 June 2017
cont'd

OTHER STATUTORY INFORMATION (continued)

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

(i) which would render the amounts written-off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; or

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

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

(c) At the date of this report:

(i) there are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year which secures the liabilities of any other person; and

(ii) there are no contingent liabilities in the Group and in the Company which have arisen since the end of the financial year other than that disclosed in Note 29.

(d) No contingent or other liability of any company in the Group 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 Company and its subsidiaries to meet their obligations when they fall due other than that disclosed in Note 29.

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

(f) In the opinion of the Directors:

(i) 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 other than the provision for onerous contracts as disclosed in Note 8 to the financial statements; and

(ii) 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 and of the Company for the financial year in which this report is made.

SUBSIDIARIES

Details of subsidiaries are set out in Note 15 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 8 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 27 October 2017. Signed on behalf of the Board of Directors:

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

AZLAN BIN ABDULLAH
MANAGING DIRECTOR/GROUP CHIEF EXECUTIVE OFFICER

Kuala Lumpur

Statement by Directors

Pursuant To Section 251(2) Of The Companies Act, 2016

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 70 to 145 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2017 and financial performance 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, 2016 in Malaysia.

The information set out in Note 32 on page 146 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 27 October 2017.

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

AZLAN BIN ABDULLAH
MANAGING DIRECTOR/GROUP CHIEF EXECUTIVE OFFICER

Statutory Declaration

Pursuant To Section 251(1) Of The Companies Act, 2016

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 70 to 145 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 27 October 2017, before me.

COMMISSIONER FOR OATHS

Independent Auditors' Report

To the Members of Melewar Industrial Group Berhad

(Incorporated in Malaysia) (Company No. 8444-W)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Melewar Industrial Group Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 30 June 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 30 June 2017 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 70 to 145.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

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

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Key audit matters (continued)

Key audit matters (Consolidated financial statements)	**How our audit addressed the key audit matters**
Revenue, cost of sales, and expected losses recognition on services rendered in respect of engineering contracts	
Refer to Note 2(p) Revenue recognition, 2(w) Construction contracts – Summary of significant accounting policies, Note 3 – Critical accounting estimates and judgements, and Note 17 Construction contracts-in-progress to the financial statements. For the financial year ended 30 June 2017, the Group's engineering subsidiary recorded two contracts with expected losses with the followings results: i) contract revenue recognised to-date: RM84.0 million; ii) contract costs recognised to-date: RM153.9 million; and iii) expected losses recognised: RM29.4 million. The Group recognised revenue on engineering contracts using the percentage of completion method, as measured by reference to the cumulative cost incurred to the budgeted total cost to complete the contract. We focused on the recognition of expected losses because of the significant judgement required in ascertaining whether circumstances exist where total contract costs exceed total contract revenue which would result in the expected losses being recognised as expense immediately.	We have focused on two significant contracts with total revenue of RM46.6 million and total cost of sales of RM 139.0 million recognised during the financial year. Our audit procedures comprised an examination of contract documentation, and discussions with senior management of the Group on the status of the contracts which are still in progress. We checked the estimated total costs as per management's approved budget by testing substantively on the reasonableness of the inputs used by management. Where the inputs are committed costs, we compared them against actual purchase orders raised. The purchase orders raised are then tested against actual cost incurred by comparing against invoices received on a sampling basis to determine if the costs committed were subsequently incurred. Where the inputs are direct staff and other costs, we tested the reasonableness based on historical trend of past actual costs incurred. Where the inputs are estimated costs to complete, we determined the reasonableness of inputs through discussions with management on the basis of their estimates. Where the delivery of the project has been delayed beyond the contracted completion date, we checked the basis and calculation for provision for Liquidated Ascertained Damages ("LAD") against the contract. We tested on a sampling basis costs incurred subsequent to financial year end to determine if there were any costs incurred that were not included in the estimated cost. We then recomputed the current financial year's revenue recognised for the contracts based on the percentage of completion method.

Independent Auditors' Report

To the Members of Melewar Industrial Group Berhad
(Incorporated in Malaysia) (Company No. 8444-W)
cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Key audit matters (continued)

Key audit matters (Consolidated financial statements) (continued)	How our audit addressed the key audit matters (continued)
Valuation of land and buildings, plant, machinery and electrical installation Refer to Note 2(c) Property, plant and equipment – Summary of significant accounting policies, Note 3 – Critical accounting estimates and judgements, and Note 13 – Property, plant and equipment to the financial statements. The Group carries its land and buildings, plant, machinery and electrical installation at values approximating their fair values. As at 30 June 2017, the carrying amount of the Group's land and buildings, plant, machinery and electrical installation is RM382.9 million. The valuation of the Group's land and buildings, plant, machinery and electrical installation are carried out by independent professional valuers on an annual basis. The valuation of the land and buildings is inherently subjective due to the individual nature of each property and its location; whereas the plant, machinery and electrical installation is inherently subjective due to the physical condition of the individual assets at the point of valuation. We focused on this area because there are significant judgements and estimates made in relation to the valuation of the Group's land and buildings, plant, machinery and electrical installation.	Evaluation of the valuers' objectivity and competency We read the valuation reports for the land and buildings, plant, machinery and electrical installation and discussed the reports with each of the valuer. We found that the valuation approach for each category of asset was performed in accordance with MFRS 13 "Fair value measurement" in determining the fair values as at 30 June 2017. We evaluated the valuers' competence by checking the valuers' qualifications and their registration to the Board of Valuers. We read their terms of engagement to determine whether there were any matters that might have affected their objectivity. Estimates on land and buildings For the land and buildings revalued during the year, the fair values were determined based on the Market approach which entails separate valuations of the land and buildings to arrive at the fair value. The fair values of the land and building were determined based on open market basis by reference to observable prices in the market or recent market transactions on arm's length terms (Level 2). 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. We tested a sample of land and buildings by comparing the fair value per square meter with transacted values of similar land and buildings in and around the area. The values were obtained from independent online property portal website. Estimates on plant, machinery and electrical installation For plant, machinery and electrical installation, the fair values were determined based on 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). We obtained an understanding on the basis of valuation and checked the reasonableness of the basis of valuation through discussions with valuers on the basis of their estimates.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Key audit matters (continued)

Key audit matters (Consolidated financial statements) (continued)	How our audit addressed the key audit matters (continued)
Liquidity risk of the Group and Company Refer to Note 2(a) Basis of preparation – Summary of significant accounting policies and Note 4(b) Liquidity risk – Financial risk management objectives and policies to the financial statements. As at 30 June 2017, the wholly-owned Engineering subsidiary of the Company recorded a loss of RM100.3 million (contributed by expected losses from two engineering contracts); and its current liabilities exceeded its current assets by RM78.8 million. The engineering subsidiary also has a deficit in shareholders' fund of RM109.7 million. The Company has given a corporate guarantee on the subsidiary's due performance on one of the two engineering contracts (which contributed to around 80% of the engineering subsidiary's losses during the current financial year); and as such, the Company has a contractual obligation to provide continuing financial support to the engineering subsidiary to ensure its financial obligations are met when due. Accordingly, the Directors considered the financial positon and the outcome of the contracts on the liquidity position of the Group and the Company. Management has assessed the Group's and the Company's forecast cash requirements and the funding sources available over the next twelve months from the financial year ended 30 June 2017. Management had made several key assumptions in assessing the liquidity risk of the Group and Company. These key assumptions required management to make critical judgement in terms of the timing of the cash inflows arising from management's plans. We focused on this area due to the significant estimate involved in preparing the cash flow forecast.	We assessed management's estimates of cash flow requirements of the Group and Company for the next twelve months from the financial year ended 30 June 2017. We obtained an understanding of the projected cash outflows which were based on the contractually committed costs and future cash inflows and outflows for the Group and Company's business operations. We compared the contractually committed cost of the Group and Company's cash flow forecast, against the budgeted construction cost and cash outflows based on its other contractual obligation. We assessed the reliability of management's forecast by comparing the current financial year end actual cash flows against previously forecasted cash flows. The key assumptions used by the Management in managing the liquidity position and our audit procedures are as follows: • Completion of disposal of Power business by an associate We obtained and read the share sale agreement, including the conditions precedent ("CP") in the said agreement. We sighted to the documents (e.g. certificate of partial CP completion, confirmation from bank, legal opinion letter) which evidenced the meeting of CP. We discussed with management on the status of the share sale agreement to determine the expected timing of the completion of the agreement. • Management's financing options via realisation/ securitisation of assets We have read the minutes of Board of Directors meetings indicating the approval of various financing options, which included realisation/ securitisation of assets and rights issue. We also discussed with management on the commercial viability of the financing options and considered the reasonableness of the financing options. We sighted to term sheet from potential financier and announcement of the proposed rights issue. We considered the events subsequent to the end of the reporting period to the date of the approval of the financial statements for events impacting the Group's and Company's liquidity.

Independent Auditors' Report
To the Members of Melewar Industrial Group Berhad
(Incorporated in Malaysia) (Company No. 8444-W)
cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Chairman's Statement, Management Discussion & Analysis Statement, Corporate Social Responsibility Statement, Group Financial Highlights, Statement on Corporate Governance, Directors' Statement on Risk Management and Internal Control, Audit Committee Report, Directors' Report and other sections of the 2017 Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

Independent Auditors' Report
To the Members of Melewar Industrial Group Berhad
(Incorporated in Malaysia) (Company No. 8444-W)
cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 15 to the financial statements.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 32 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 266 of the Companies Act 2016 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
01589/08/2019 J
Chartered Accountant

Kuala Lumpur
27 October 2017

Statements of Profit or Loss
For the Financial Year Ended 30 June 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Revenue	6	772,785,395	606,810,262	8,008,860	8,703,860
Cost of sales/services provided		(770,214,799)	(526,775,703)	(3,158,201)	(2,990,208)
Gross profit		2,570,596	80,034,559	4,850,659	5,713,652
Other operating income	7	373,728	298,119	530,766	88,416
Loss on waiver of debt	8	-	-	-	(65,729)
Net foreign currency loss	4(e)	(1,367,340)	(779,232)	-	-
Fair value gain on investment properties	14	-	-	2,600,000	4,502,944
Impairment (losses)/write back on:					
- investment in subsidiaries	15	-	-	-	(1,922,526)
- amounts owing by subsidiaries	4(c)(iii)	-	-	2,296,507	260,000
- amount owing by associates	4(c)(iii)	(568,793)	870,557	-	-
- property, plant and equipment	13	(2,111,642)	(8,025,982)	4,143	1,918
- inventories		-	(47,929)	-	-
- trade receivables	4(c)(iii)	(346,457)	-	-	-
- other receivables	4(c)(iii)	-	(1,254,865)	-	-
Selling and distribution costs		(6,158,665)	(4,969,523)	-	-
Administrative and general expenses		(36,042,696)	(31,431,019)	(3,167,548)	(3,099,817)
		(43,651,269)	34,694,685	7,114,527	5,478,858
Finance income	9	1,301,315	785,112	314,262	301,239
Finance costs	9	(12,816,372)	(12,413,678)	-	-
Share of associate's results	16	-	(264)	-	-
(Loss)/Profit before tax	8	(55,166,326)	23,065,855	7,428,789	5,780,097
Taxation	11	(11,817,411)	(8,206,423)	(1,399,095)	(1,786,718)
Net (loss)/profit for the financial year		(66,983,737)	14,859,432	6,029,694	3,993,379
Attributable to:					
- Equity holders of the Company		(78,220,660)	8,234,231	6,029,694	3,993,379
- Non-controlling interests		11,236,923	6,625,201	-	-
		(66,983,737)	14,859,432	6,029,694	3,993,379
(Loss)/Earnings per share attributable to equity holders of the Company during the financial year:					
- Basic and diluted (sen)	12	(34.68)	3.65		

Statements of Comprehensive Income
For the Financial Year Ended 30 June 2017

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Net (loss)/profit for the financial year	(66,983,737)	14,859,432	6,029,694	3,993,379
Other comprehensive income:				
Item that will not be reclassified to profit or loss:				
Asset revaluation reserve:				
- revaluation surplus on property, plant and equipment, net of tax	8,814,645	12,253,910	13,543	14,310
Total comprehensive (loss)/income for the financial year	(58,169,092)	27,113,342	6,043,237	4,007,689
Attributable to:				
- Equity holders of the Company	(70,265,170)	18,956,894	6,043,237	4,007,689
- Non-controlling interests	12,096,078	8,156,448	-	-
	(58,169,092)	27,113,342	6,043,237	4,007,689

Statements of Financial Position

As At 30 June 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
NON-CURRENT ASSETS					
Property, plant and equipment	13	388,581,606	395,795,950	1,342,436	1,571,101
Investment properties	14	-	-	88,100,000	85,500,000
Investments in subsidiaries	15	-	-	78,046,648	78,046,648
Investment in associates	16(a)	-	-	-	-
Deferred tax assets	18	2,148,810	2,721,294	-	-
		390,730,416	398,517,244	167,489,084	165,117,749
CURRENT ASSETS					
Inventories	19	177,602,758	98,075,404	-	-
Trade and other receivables	20	113,012,925	112,734,228	2,450,936	1,038,971
Derivatives	21	142,073	704,614	-	-
Amounts owing by subsidiaries	22	-	-	4,066,733	515,427
Amounts owing by associates	16(b)	9,625,268	33,450,000	601,625	7,333,706
Tax recoverable		257,772	226,100	-	-
Deposits with licensed financial institutions	23	69,364,205	39,937,995	10,283,138	9,329,916
Cash and bank balances	23	8,349,615	11,605,267	232,107	439,527
		378,354,616	296,733,608	17,634,539	18,657,547
LESS: CURRENT LIABILITIES					
Trade and other payables	24	259,864,386	153,605,728	3,957,297	2,659,605
Amounts owing to subsidiaries	22	-	-	273,714	7,024,732
Derivatives	21	3,036,852	3,263,972	-	-
Tax payable		1,819,746	1,114,947	150,850	90,011
Borrowings	25	78,609,834	84,338,604	-	-
		343,330,818	242,323,251	4,381,861	9,774,348
NET CURRENT ASSETS		35,023,798	54,410,357	13,252,678	8,883,199

Statements of Financial Position
As At 30 June 2017
cont'd

	Note	Group		Company	
		2017	2016	2017	2016
		RM	RM	RM	RM
LESS: NON-CURRENT LIABILITIES					
Trade and other payables	24	850,642	3,065,232	-	-
Deferred tax liabilities	18	42,465,651	37,901,581	19,438,919	18,741,342
Borrowings	25	34,905,189	7,241,264	-	-
		78,221,482	48,208,077	19,438,919	18,741,342
		347,532,732	404,719,524	161,302,843	155,259,606
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
Share capital	26	226,996,855	226,755,408	226,996,855	226,755,408
Share premium		-	241,447	-	241,447
Treasury shares		-	(2,042,193)	-	(2,042,193)
(Accumulated losses)/Retained earnings		(35,332,901)	44,229,245	(65,790,243)	(69,777,744)
Asset revaluation reserve		50,291,967	42,336,477	96,231	82,688
Foreign currency translation reserve		(15,617)	(15,617)	-	-
		241,940,304	311,504,767	161,302,843	155,259,606
Non-controlling interests		105,592,428	93,214,757	-	-
TOTAL EQUITY		347,532,732	404,719,524	161,302,843	155,259,606

Consolidated Statement of Changes in Equity

For the Financial Year Ended 30 June 2017

	← Attributable to equity holders of the Company →									
	Share capital	Capital redemption reserve[(a)]	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	RM
At 1 July 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
Net loss for the financial year	-	-	-	-	-	-	(78,220,660)	(78,220,660)	11,236,923	(66,983,737)
Other comprehensive income:										
Revaluation surplus on property, plant and equipment, net of tax	-	-	-	-	-	7,955,490	-	7,955,490	859,155	8,814,645
Total comprehensive loss for the financial year	-	-	-	-	-	7,955,490	(78,220,660)	(70,265,170)	12,096,078	(58,169,092)
Cancellation of treasury shares	(1,232,600)	1,232,600	2,042,193	-	-	-	(2,042,193)	-	-	-
Transition to no-par value regime on 31 January 2017[(b)]	1,474,047	(1,232,600)	-	(241,447)	-	-	-	-	-	-
Change in effective interest - Non-controlling interest	-	-	-	-	-	-	700,707	700,707	281,593	982,300
At 30 June 2017	226,996,855	-	-	-	(15,617)	50,291,967	(35,332,901)	241,940,304	105,592,428	347,532,732

(a) This arose from the cancellation of treasury shares on 30 September 2016.

(b) Impact from the new Companies Act, 2016 (the "Act"), which came into operation on 31 January 2017 (see Note 2(o)).

Consolidated Statement of Changes in Equity
For the Financial Year Ended 30 June 2017
cont'd

	← 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 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	-	-	-	-	-	(402,137)	(402,137)	402,136	(1)
Change in effective interest - Non-controlling interest	-	-	-	-	-	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

Company Statement of Changes in Equity
For the Financial Year Ended 30 June 2017

	← Non-distributable				→	Distributable	
	Share Capital	Capital redemption reserve[(a)]	Treasury shares	Share premium	Assets revaluation reserve	Accumulated losses	Total
	RM	RM	RM	RM	RM	RM	RM
At 1 July 2016	226,755,408	-	(2,042,193)	241,447	82,688	(69,777,744)	155,259,606
Net profit for the financial year	-	-	-	-	-	6,029,694	6,029,694
Other comprehensive income:							
Revaluation surplus on property, plant and equipment, net of tax	-	-	-	-	13,543	-	13,543
Total comprehensive income for the financial year	-	-	-	-	13,543	6,029,694	6,043,237
Cancellation of treasury shares	(1,232,600)	1,232,600	2,042,193	-	-	(2,042,193)	-
Transition to no-par value regime on 31 January 2017[(b)]	1,474,047	(1,232,600)	-	(241,447)	-	-	-
At 30 June 2017	226,996,855	-	-	-	96,231	(65,790,243)	161,302,843

(a) *This arose from the cancellation of treasury shares on 30 September 2016.*

(b) *Impact from the new Companies Act, 2016 (the "Act"), which came into operation on 31 January 2017 (see Note 2(o)).*

	← Non-distributable			→	Distributable	
	Share capital	Treasury shares	Share premium	Assets revaluation reserve	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

Statements of Cash Flows

For the Financial Year Ended 30 June 2017

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/Profit before tax	(55,166,326)	23,065,855	7,428,789	5,780,097
Adjustments for:				
Property, plant and equipment:				
- depreciation	19,777,999	19,653,372	248,529	303,072
- impairment losses/(write back)	2,111,642	8,025,982	(4,143)	(1,918)
- write-offs	37,731	695,709	420	104,988
- net (gain)/loss on disposals	(88,670)	861	(10,951)	-
Impairment losses/(write back) on:				
- investments in subsidiaries	-	-	-	1,922,526
- amount owing by subsidiaries	-	-	(2,296,507)	(260,000)
- amount owing by associates	568,793	(870,557)	-	-
- trade receivables	346,457	-	-	-
- other receivables	-	1,254,865	-	-
- inventories	-	47,929	-	-
Loss on waiver of debt	-	-	-	65,729
Provision for onerous contracts	22,339,250	7,060,954	-	-
Fair value gain on investment properties	-	-	(2,600,000)	(4,502,944)
Dividend income	-	-	-	(800,000)
Net unrealised gain on foreign exchange	(213,752)	(233,124)	-	-
Interest income	(1,301,315)	(785,112)	(314,262)	(301,239)
Interest expense	12,816,372	12,413,678	-	-
Interest charged to a subsidiary	-	-	(506,398)	(30,416)
Share of associate's results	-	264	-	-
	1,228,181	70,330,676	1,945,477	2,279,895
Changes in working capital:				
- inventories	(79,527,354)	(8,863,716)	-	-
- trade and other receivables	(2,919,159)	(6,370,715)	(1,413,041)	106,614
- trade and other payables	86,157,161	48,478,890	1,297,692	(1,089,300)
- intercompany balances	-	-	(7,931,153)	(6,913,870)
Cash generated from/(used in) operations	4,938,829	103,575,135	(6,101,025)	(5,616,661)
Interest paid	(10,583,022)	(11,421,128)	-	-
Interest received	1,302,392	784,329	315,338	300,456
Tax paid	(7,766,302)	(1,703,141)	(644,956)	(277,155)
Net cash (used in)/generated from operating activities	(12,108,103)	91,235,195	(6,430,643)	(5,593,360)

Statements of Cash Flows
For the Financial Year Ended 30 June 2017
cont'd

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of plant and equipment	(3,971,294)	(3,688,566)	(6,238)	(15,704)
Purchases of investment properties	-	-	-	(47,056)
Proceeds from disposal of plant and equipment	448,162	297,232	18,868	-
Dividend received	-	-	-	800,000
Investment in subsidiaries	-	-	-	(4)
Advances to subsidiaries	-	-	(14,827,474)	(384,388)
Repayment from subsidiaries	-	-	20,668,899	7,165,575
Advances to associates	(5,914,061)	(5,516,571)	(5,345,268)	(5,516,571)
Repayment from associate	29,170,000	11,007,758	12,077,349	1,007,758
Net cash generated from investing activities	19,732,807	2,099,853	12,586,136	3,009,610
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings	254,268,002	362,086,000	-	-
Repayment of borrowings	(236,288,093)	(457,464,937)	-	-
Repayment of hire-purchase financing	(416,355)	(523,009)	-	-
Disposal of treasury shares in a subsidiary	982,300	23,394	-	-
Advances from subsidiaries	-	-	2,284,028	9,676,417
Repayment to subsidiaries	-	-	(7,693,719)	(6,903,909)
Deposits with licensed financial institutions pledged as security	(303,222)	(294,457)	(303,222)	(294,457)
Net cash generated from/(used in) financing activities	18,242,632	(96,173,009)	(5,712,913)	2,478,051
NET CHANGE IN CASH AND CASH EQUIVALENTS	25,867,336	(2,837,961)	442,580	(105,699)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	42,213,346	45,051,307	439,527	545,226
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR (Note 23)	68,080,682	42,213,346	882,107	439,527

Notes To The
Financial Statements

TABLE OF CONTENTS

Notes To The Financial Statements
30 June 2017

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, and 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 year ended 30 June 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 2017, 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 27 October 2017.

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, 2016 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>Going Concern Assessment</u>

For the financial year ended 30 June 2017, the Group recorded a net loss of RM67.0 million (2016: net profit of RM14.9 million) which is mainly attributed to its wholly owned Engineering subsidiary's net loss of RM100.3 million (2016: net loss RM9.9 million).

The Engineering subsidiary's loss is primarily due to two construction contracts undertaken since the preceding financial year (see Note 17). At the close of the current financial year, the Engineering subsidiary is in a deficit shareholders' fund position of RM109.7 million (2016: deficit RM9.4 million) and in a net current liabilities position of RM78.8 million (2016: net current liabilities of RM10.3 million). The Company has given a corporate guarantee on the subsidiary's due performance on one of the said contracts (which contributed to around 80% of the subsidiary's losses over the current financial year); and as such, the Company has a contractual obligation to provide continuing financial support to the Engineering subsidiary to ensure its financial obligations are met when due in the foreseeable future (see Note 29(b)(ii)). For the financial year ended 30 June 2017, the Company recorded a net profit of RM6.0 million (2016: RM4.0 million) and has a net current asset position of RM13.3 million (2016: net current asset of RM8.9 million) with a net shareholders' fund of RM161.3 million (2016: RM155.3 million).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Going Concern Assessment (continued)

The Company is generally debt-free and has sufficient realisable assets to meet any funding short-falls of its Engineering subsidiary in the next twelve months. The Group/Company has initiated the following actions to reinforce its liquidity position to meet its financial obligations when they fall due in the next twelve months:

(i) Directed the Engineering subsidiary's maximum effort to minimize its net financial obligations through variation-orders and unscheduled project claims against the clients; renegotiation with suppliers and subcontractors; and nullification/ waiver of liquidated damages where provided. In this regard, the Engineering subsidiary has since the close of the current financial year submitted unscheduled claims amounting to RM36.6 million against the client. These claims have not been approved by the client yet.

(ii) The Company has after the close of the current financial period announced on 23 August 2017 a proposed renounceable Rights Issue of 1-for-1 shares held with free detachable Warrants of 1-for-2 Rights Shares subscribed. In the event that the exercise is fully subscribed, the Company may set aside around RM24 million for the purpose of meeting the Engineering subsidiary's financial obligations (see Note 30(b)).

(iii) The board has approved a financing plan involving the realisation and/or securitisation of the Company's assets. In this regard, discussion with various financial institutions in relation to the financing plan has been initiated.

(iv) Close follow-up on the release of its pledged assets for the Power associate (see notes 29(b)(iii) and 30) and the collection of receivable balances due from the Power associate in the next twelve months.

The financial challenges of the Engineering subsidiary and the Company are ring-fenced and isolated from the Steel operations held through its listed subsidiary, Mycron Steel Bhd.

In view of the above assessment, the Directors are of the opinion that the Group's and the Company's operations will continue and be able to generate sufficient cash flows to meet financial obligations when due in the next twelve months; and their preparation of the financial statements on the Going Concern basis is appropriate.

Standards, amendments to published standards and interpretations that are effective

The Group has applied the following amendments for the first time for the financial year beginning on 1 July 2016:

- Amendments to MFRS 11 'Joint arrangements' - Accounting for acquisition of interests in joint operations
- Amendments to MFRS 101 'Presentation of financial statements - Disclosure initiative'
- Amendments to MFRS 127 'Equity method in separate financial statements'
- Amendments to MFRS 10, 12 & 128 'Investment entities – Applying the consolidation exception'
- Annual Improvements to MFRSs 2012 – 2014 Cycle

The adoption of these amendments did not have any significant impact on the current period or any prior period and is not likely to affect future periods.

Standards and amendments that have been issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2017.

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.

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

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.

Notes To The Financial Statements
30 June 2017
cont'd

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

Financial year beginning on or after 1 July 2018

- Amendments to MFRS 140 'Classification on 'Change in Use' – Assets transferred to, or from, Investment Properties' (effective from 1 January 2018) clarify that to transfer to, or from investment properties there must be a change in use. A change in use would involve an assessment of whether a property meets, or has ceased to meet, the definition of investment property. The change must be supported by evidence that the change in use has occurred and a change in management's intention in isolation is not sufficient to support a transfer of property.

  The amendments also clarify the same principle applies to assets under construction.

- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' (effective from 1 January 2018) applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the 'date of the transaction' to record foreign currency transactions.

- IC Interpretation 22 provides guidance how to determine 'the date of transaction' when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

  The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

  If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

  An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

- 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 in profit or loss, 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.

- 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.

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

Financial year beginning on or after 1 July 2018

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; and
(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 accreted over time with interest expense recognised in profit or loss.

  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.

- IC Interpretation 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

  If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

  IC Interpretation 23 will be applied retrospectively.

(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.

Notes To The Financial Statements
30 June 2017
cont'd

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

(i) Investment in subsidiaries (continued)

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 arrangement and 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 profit or loss.

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 statement of profit or loss, 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.

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 statement of profit or loss.

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 profit or loss.

(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 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, buildings, plant, 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.

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.

Notes To The Financial Statements
30 June 2017
cont'd

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, plant and equipment (continued)

(i) Measurement basis (continued)

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. When property, plant and equipment is revalued, the carrying amount of property, plant and equipment is adjusted to the revalued amount. At the date of the revaluation, the accumulated depreciation is eliminated against the gross carrying amount of the property, plant and equipment. The revaluation surplus included in equity in respect of property, plant and equipment will be transferred directly to retained earnings when the assets are derecognised.

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 the 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 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Investment properties (continued)

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 if their 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. The corresponding rental obligations, net of finance charges, are included in other short-term and long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the remaining balance of the liability. 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.

(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.

Notes To The Financial Statements
30 June 2017
cont'd

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of non-financial assets (continued)

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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial assets (continued)

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.

(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.

Notes To The Financial Statements
30 June 2017
cont'd

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Raw material cost is determined on the 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.

(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' 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.

Notes To The Financial Statements
30 June 2017
cont'd

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial liabilities (continued)

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.

(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

The new Companies Act, 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account and similar-in-nature capital reserve accounts become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of those accounts for purposes as set out in Section 618(3), where applicable. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

(ii) Share issue costs

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

(iii) Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, 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.

Notes To The Financial Statements
30 June 2017
cont'd

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 goods and services tax, 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 goods and services tax, returns, 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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 future 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 costs'. 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.

Notes To The Financial Statements
30 June 2017
cont'd

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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 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.

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.

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

(w) **Construction contracts** (continued)

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.

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) **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).

(b) **Provision with regards to deferred tax assets and liabilities**

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

(c) **Fair value of financial guarantees**

The Company has issued certain corporate guarantees for the benefit of its subsidiaries as disclosed in Note 29. The Company has exercised judgment in establishing the view that there is no fair value accreting to the guarantor as the chances of these being called upon are remote. The economic outflow arising from these guarantees are duly reflected in the Group upon consolidation of the subsidiaries' losses on-which those guarantees relate.

(d) **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 cost-to-completion and 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 financial year (Note 17).

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.

Notes To The Financial Statements
30 June 2017
cont'd

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Various risk management policies that are approved by the Directors for controlling and managing financial risks in the day-to-day operations of the Group 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' funds less intangibles including deferred tax) plus interest bearing debts as capital resources of RM668.1 million (2016: RM631.0 million), 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. 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 current 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 RM109.7 million and a net current liabilities position of RM78.8 million after recording a net loss of RM100.3 million for the current financial year. The engineering subsidiary incepted RM30.6 million of external borrowings in the current financial year to finance its onerous construction contracts and has obtained a moratorium on debt service for the current financial year and the next twelve months. 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 current reporting period, equity capital deployed in the Group has decreased by around RM52 million (or down 12%) whilst interest-bearing-debt capital has increased by around RM89 million (or up 47%). The Group's debt-equity ratio closed at 0.72 times for the current reporting period compared to 0.43 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 financial year 2015. The Group is not liable to any capital replenishment for its Power Associate as it works toward divesting its power business.

The Group's invested capital and debt securities in the foreign UK Associate have also been fully impaired by losses in the current financial year, and any further capital replenishment requirement in the next twelve months is not expected to be material and shall be closely scrutinised.

(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

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 due to 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 98.8% and 93.2% respectively. Their significant reliance on short-term bank trade facilities which are callable on demand poses a degree of liquidity risk – which however is diversified with trade credit lines from key suppliers amounting to USD40.0 million and USD32.1 million respectively for the Cold Rolled subsidiary and the Steel Tube subsidiary.

The steel subsidiaries are subjected to certain liquidity covenants such as minimum allowable 'EBITDA to Interest Expense' ratio and 'Debt Service Cover Ratio', which are in full compliance for the current and preceding reporting periods. The steel subsidiaries' liquidity risk is generally low.

The Group's engineering subsidiary incepted term loans of RM30.6 million in the current financial year to finance its onerous construction contracts, and has obtained a moratorium on debt servicing for the current period and for the next twelve months. The engineering subsidiary is in a net current liability position of RM78.8 million with substantial outstanding financial obligations on trade payables (2017: RM20.9 million) relating to those onerous construction contracts. The engineering subsidiary's substantial liquidity risk would ultimately be assumed by the Company as it has extended a financial guarantee to the project client for the subsidiary's due performance. See Note 29(b)(ii). The Company has assessed the likelihood of a call on the financial guarantee to be remote as the Engineering subsidiary work towards fulfilment of its contractual obligations whilst seeking unscheduled claims from the client.

Aside from the above, the Company also has outstanding financial security pledge on a bank's performance guarantee for the benefit of its associate (see Notes 29(b)(iii) and 30) which would significantly improve liquidity upon its expected upliftment in the next financial year. The Group and the Company are both in net current assets position, and are assessed to be able to meet all their financial obligations when due (see Note 2).

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 % per annum	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 2017									
Non-derivative financial liabilities									
Bankers' acceptance	66,730,000	4.99% - 7.15%	67,510,054	67,510,054	-	-	-	-	-
Revolving credits	8,400,000	5.30%	8,435,372	8,435,372	-	-	-	-	-
Term loan	6,817,102	6.25%	7,277,505	3,388,935	3,134,332	754,238	-	-	-
Term loan	29,021,103	12.00%	32,308,143	-	32,308,143	-	-	-	-
Term loan	1,585,809	8.00%	1,710,289	-	1,710,289	-	-	-	-
Hire-purchase creditors	961,009	2.44% - 3.38%	1,064,244	457,628	306,890	166,026	48,648	48,648	36,404
Trade payables	166,744,684	1.72% - 5.33%	166,668,426	166,668,426	-	-	-	-	-
Payables and accruals, excluding derivatives	69,117,826		69,117,826	68,267,184	850,642	-	-	-	-
Derivative financial liabilities									
Forward contracts	3,036,852		3,036,852	3,036,852	-	-	-	-	-
	352,414,385		357,128,711	317,764,451	38,310,296	920,264	48,648	48,648	36,404

Notes To The Financial Statements
30 June 2017
cont'd

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk (continued)

Maturity analysis (continued)

Group	Carrying amount RM	Contractual interest rate % per annum	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	-	-	-	-	-
Term loans	9,850,078	6.25%	11,421,834	3,805,841	3,517,482	3,326,982	771,529	-	-
Hire-purchase creditors	831,697	2.44% - 3.38%	926,252	374,162	258,356	111,386	48,648	48,648	85,052
Trade payables	99,474,756	2.50% - 5.50%	99,474,756	99,474,756	-	-	-	-	-
Payables and accruals, excluding derivatives	44,498,185		44,498,185	41,432,953	3,065,232	-	-	-	-
Derivative financial liabilities									
Forward contracts	3,263,972		3,263,972	3,263,972	-	-	-	-	-
	238,816,781		241,644,916	230,411,601	6,841,070	3,438,368	820,177	48,648	85,052

Company	Carrying amount RM	Contractual interest rate % per annum	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 2017								
Non-derivative financial liabilities								
Payables and accruals	3,957,297		3,957,297	3,957,297	-	-	-	-
Amounts owing to subsidiaries	273,214		273,214	273,214	-	-	-	-
	4,230,511		4,230,511	4,230,511	-	-	-	-
Financial guarantees	-		112,754,353	-	112,754,353	-	-	-
30 June 2016								
Non-derivative financial liabilities								
Payables and accruals	1,905,400		1,905,400	1,905,400	-	-	-	-
Amounts owing to subsidiaries	7,024,732		7,024,732	7,024,732	-	-	-	-
	8,930,132		8,930,132	8,930,132	-	-	-	-
Financial guarantees	-		83,920,163	83,920,163	-	-	-	-

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 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 concentration of credit risk in its steel 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					
	Total	Impaired	Neither past due nor impaired	< 30 days	31 – 60 days	61 – 90 days	91 – 180 days	> 181 days	Total past due not impaired
Group	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
At 30 June 2017									
Trade receivables	103,094,664	712,858	75,554,653	24,963,479	1,250,011	436,645	84,663	92,355	26,827,153
Other receivables	2,868,413	779,498	2,088,915	-	-	-	-	-	-
Deposits	4,188,194	-	4,188,194	-	-	-	-	-	-
Amount owing by associates	54,446,476	44,821,208	9,625,268	-	-	-	-	-	-
Derivative financial assets	142,073	-	142,073	-	-	-	-	-	-
	164,739,820	46,313,564	91,599,103	24,963,479	1,250,011	436,645	84,663	92,355	26,827,153
At 30 June 2016									
Trade receivables	101,453,635	366,401	86,068,726	14,013,125	875,294	110,372	-	19,717	15,018,508
Other receivables	13,672,277	10,401,982	3,270,295	-	-	-	-	-	-
Retention sums	1,875,985	-	1,875,985	-	-	-	-	-	-
Deposits	4,290,600	-	4,290,600	-	-	-	-	-	-
Amount owing by an associate	77,702,415	44,252,415	33,450,000	-	-	-	-	-	-
Derivative financial assets	704,614	-	704,614	-	-	-	-	-	-
	199,699,526	55,020,798	129,660,220	14,013,125	875,294	110,372	-	19,717	15,018,508

Notes To The Financial Statements
30 June 2017
cont'd

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:

				Past due not impaired					
	Total	Impaired	Neither past due nor impaired	< 30 days	31 – 60 days	61 – 90 days	91 -180 days	> 181 days	Total past due not impaired
Company	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
At 30 June 2017									
Other receivables	21,022	-	21,022	-	-	-	-	-	-
Deposits	95,550	-	95,550	-	-	-	-	-	-
Amounts owing by subsidiaries	23,750,200	19,683,467	4,066,733	-	-	-	-	-	-
Amounts owing by an associate	601,625	-	601,625	-	-	-	-	-	-
	24,468,397	19,683,467	4,784,930	-	-	-	-	-	-
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	-	-	-	-	-	-

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

Financial assets under this category are mainly debts that 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	**Neither past due nor impaired**
	RM
Cold Rolled Coil	45,789,136
Steel Tube	28,774,359
Engineering	991,158
Total	75,554,653

The Group's trade receivables credit term ranges from cash terms to 90 days. 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 RM9.63 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 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	17,989,252
Steel Tube	7,106,277
Engineering	1,731,624
Total	26,827,153

About 93.5% of the trade receivables in value reported in this category relate to the steel businesses. Of the total steel businesses' overdue outstanding of RM25 million, about RM8.3 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 80% 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 93% 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 an impairment on trade receivables amounting to RM346,457 due from a domestic customer; and the Company made a full impairment on debt securities held in the foreign UK associate amounting to GBP101,750 (RM568,793). Certain past impairments made in the financial year 2013 (RM9,147,117) and 2016 (RM475,367) categorised under "other receivables" have been determined to be bad and were written-off from the allowance account in the current financial year.

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 RM	Other receivables RM	Amount owing by associates RM	Total RM
Group				
At 30 June 2017				
At gross amounts	103,094,664	2,868,413	54,446,476	160,409,553
Less: Accumulated impairment	(712,858)	(779,498)	(44,821,208)	(46,313,564)
	102,381,806	2,088,915	9,625,268	114,095,989
Accumulated impairment:				
At 1 July	366,401	10,401,982	44,252,415	55,020,798
Impairment charge for the financial year	346,457	-	568,793	915,250
Written-off	-	(9,622,484)	-	(9,622,484)
At 30 June	712,858	779,498	44,821,208	46,313,564

Notes To The Financial Statements
30 June 2017
cont'd

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 2016				
At gross amounts	101,453,635	13,672,277	77,702,415	192,828,327
Less: Accumulated impairment	(366,401)	(10,401,982)	(44,252,415)	(55,020,798)
	101,087,234	3,270,295	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	-	3,395,900	-	3,395,900
Assignment of a specific third party receivable to an associate investment of the Group	-	(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

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	
	2017 RM	2016 RM
Amount owing by subsidiaries		
At gross amounts	23,750,200	22,495,401
Less: Accumulated impairment	(19,683,467)	(21,979,974)
	4,066,733	515,427
Accumulated impairment:		
At 1 July	21,979,974	22,520,011
Impairment charge for the financial year	11,703,493	-
Write back of impairment charge for the financial year	(14,000,000)	(260,000)
Written-off	-	(280,037)
At 30 June	19,683,467	21,979,974

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

(d) Interest rate risk

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

The Group's interest bearing financial instruments are mainly its borrowings which comprise of both floating rate loan instrument, and fixed rate trade and credit instruments (utilised to finance raw coil material purchases and credit sales).

The floating rate loan instrument is subjected revision of the lender's cost of funds in computing the interest rate. Over the current financial year, the loan's interest rate was revised twice with a full financial year net downward adjustment of 10 basis-point. The fixed rate instruments are mainly short-term trade and credit facilities subjected to re-pricing upon frequent rollover every 3 to 4 months. Despite the frequent re-pricing, the risk has generally been low as domestic interest rate has been relatively stable for the entire current financial year.

The Group and the Company also have interest bearing asset instruments which comprised mainly of fixed interest bearing short-term deposits subject to frequent but generally stable re-pricing. Neither the Group nor the Company holds any interest-rate derivatives during and at the close of the current financial year.

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

	Group	
	2017	**2016**
	RM	**RM**
Fixed rate borrowings, denominated in RM	106,697,921	81,729,790
Floating rate borrowings denominated in RM	6,817,102	9,850,078
Fixed rate credit from supplier, denominated in USD (Note 24)	148,518,861	82,236,184
Fixed rate credit from supplier, denominated in RM (Note 24)	18,225,823	17,238,572
	280,259,707	191,054,624

The Group's outstanding interest bearing financial instruments at the close of the current financial year is significantly higher by around 47% compared to the preceding financial year due to higher steel raw material prices and inventory volume on-which these are financed, and new fixed rate borrowings incepted by the Engineering subsidiary.

The risk impact for the floating rate financial liability instruments had the overall interest rates being 1% higher, is that the Group's profit after tax for financial year 2017 would be lower by RM52 thousand (2016: RM75 thousand). A 1% lower interest rate would have the equal but opposite effect to the aforementioned amounts.

The risk impact for the fixed rate financial instruments had the overall interest rates being 1% higher, is that the Group's profit after tax for financial year 2017 would be lower by RM2.1 million (2016: RM1.4 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 6%) 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.

Notes To The Financial Statements
30 June 2017
cont'd

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Foreign currency exchange risk (continued)

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 80% 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 42% 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.

For the financial year 2017, the Engineering subsidiary which does not have FX forward facilities to hedge its financial obligations in foreign currency from construction contracts contributed a net FX loss of RM0.6 million to the Group. As such, the Group's net foreign exchange loss of RM1.4 million in the current financial year is higher than the preceding financial year's net foreign exchange loss at RM0.8 million.

A summary of the realised and unrealised gain/(loss) from incepted hedging instruments (being foreign 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.

	2017			2016		
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	(104)	183	79	39	(41)	(2)
Hedge accounted	(2,791)	5,712	2,921	(2,598)	1,503	(1,095)
	(2,895)	5,895	3,000	(2,559)	1,462	(1,097)
FX Hedged Items						
Not hedge accounted	318	(1,764)	(1,446)	194	(971)	(777)
Hedge accounted	2,791	(5,712)	(2,921)	2,598	(1,503)	1,095
	3,109	(7,476)	(4,367)	2,792	(2,474)	318
Net FX Gain/(Loss)	214	(1,581)	(1,367)	233	(1,012)	(779)

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.

	From USD	From EURO	From SGD	From YEN	From GBP	Total
As at 30 June 2017						
Financial assets						
Trade and other receivables	824,878	212,221	4,847,288	319,239	-	6,203,626
Cash and bank balances	165,722	-	424,030	-	10,062	599,814
	990,600	212,221	5,271,318	319,239	10,062	6,803,440
Less: Financial liabilities						
Trade and other payables	(151,091,421)	(15,061)	-	-	-	(151,106,482)
Net financial (liabilities)/ assets	(150,100,821)	197,160	5,271,318	319,239	10,062	(144,303,042)
Off balance sheet						
Contracted commitments	(22,765,648)	-	-	-	-	(22,765,648)
Less: Forward foreign currency contracts at notional value at closing rate	158,917,226	-	(938,919)	-	-	157,978,307
Net currency exposure	(13,949,243)	197,160	4,332,399	319,239	10,062	(9,090,383)

	From USD	From EURO	From SGD	Total
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)

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

Notes To The Financial Statements
30 June 2017
cont'd

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

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

The Company does not have any foreign currency exposure for the current financial year ended 30 June 2017.

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

	Increase/(decrease)	
	2017	**2016**
	RM	**RM**
Group		
RM appreciates against USD by 3%	318,043	372,672
RM appreciates against EURO by 3%	(4,495)	108
RM appreciates against SGD by 3%	(98,779)	(48,377)
RM appreciates against YEN by 3%	(7,279)	-
RM appreciates against GBP by 3%	(229)	-

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.

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	**Level 2**	**Level 3**	**Total**
	RM	**RM**	**RM**	**RM**
2017				
Assets				
Foreign currency exchange forward contracts	-	142,073	-	142,073
Liabilities				
Foreign currency exchange forward contracts	-	(3,036,852)	-	(3,036,852)

5 FAIR VALUE (continued)

Fair value estimation (continued)

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

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2016				
Assets				
Foreign currency exchange forward contracts	-	704,614	-	704,614
Liabilities				
Foreign currency exchange forward contracts	-	(3,263,972)	-	(3,263,972)

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 liabilities.

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

6 REVENUE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Sale of goods	721,776,580	563,872,212	-	-
Contract revenue [(a)]	48,192,315	39,394,803	-	-
Consultancy and project services	-	44,117	-	-
Processing service income	2,746,109	3,499,130	-	-
Marketing fee	70,391	-	-	-
Management fee	-	-	3,045,000	2,940,000
Dividend income	-	-	-	800,000
Rental income	-	-	4,963,860	4,963,860
	772,785,395	606,810,262	8,008,860	8,703,860

(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.

Notes To The Financial Statements
30 June 2017
cont'd

7 OTHER OPERATING INCOME

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Net gain/(loss) on disposals of property, plant and equipment	88,670	(861)	10,951	-
Rental income	23,566	135,326	-	-
Interest charged to subsidiary	-	-	506,398	30,416
Others	261,492	163,654	13,417	58,000
	373,728	298,119	530,766	88,416

8 (LOSS)/PROFIT BEFORE TAX

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
The following expenses have been charged/(credited) in arriving at (loss)/profit before tax:				
Auditors' remuneration	678,102	646,022	220,971	204,826
Professional fees	1,089,396	687,397	360,456	181,485
Changes in inventories of finished goods and work in progress	(18,859,590)	2,259,825	-	-
Raw materials consumed	585,094,690	428,532,541	-	-
Consumables (inventories) consumed	15,272,329	16,307,770	-	-
Property, plant and equipment (Note 13):				
- depreciation	19,777,999	19,653,372	248,529	303,072
- write-offs	37,731	695,709	420	104,988
- impairment losses/(write back of impairment losses)	2,111,642	8,025,982	(4,143)	(1,918)
- net (gain)/loss on disposal (Note 7)	(88,670)	861	(10,951)	-
Fair value gain on investment properties	-	-	(2,600,000)	(4,502,944)
Staff costs - excluding Directors' remuneration	34,754,982	30,331,266	1,268,854	1,247,602
Rental of building	519,787	519,787	130,723	130,723
Impairment losses/(write back of impairment losses):				
- investments in subsidiaries (Note 15)	-	-	-	1,922,526
- amount owing by subsidiaries (Note 4(c)(iii))	-	-	(2,296,507)	(260,000)
- amount owing by associates (Note 4(c)(iii))	568,793	(870,557)	-	-
- trade receivables (Note 4(c)(iii))	346,457	-	-	-
- other receivables (Note 4(c)(iii))	-	1,254,865	-	-
- inventories	-	47,929	-	-
Loss on waiver of debt	-	-	-	65,729
Net foreign exchange loss/(gain)				
- realised	1,581,092	1,012,356	-	-
- unrealised	(213,752)	(233,124)	-	-
Provision for onerous contracts	22,339,250	7,060,954	-	-

8 **(LOSS)/PROFIT BEFORE TAX** (continued)

The significant items impacting the current financial year's loss before tax at the Group level are the impairment loss provision on property, plant and equipment (see Note 13) of RM2.1 million (2016: RM8.0 million) and the provision for onerous contracts of RM22.3 million (2016: RM7.1 million). Whilst at Company level, its current financial year's pre-tax profit is lifted by its fair value gain on investment properties of RM2.6 million (2016: RM4.5 million) and net write back of impairment on its amount owing by subsidiaries of RM2.3 million (2016: RM0.3 million) (see Note 22).

Staff costs of the Group and of the Company include contributions to Employee Provident Fund of RM3,753,670 (2016: RM3,340,212) and RM146,736 (2016: RM144,764) respectively.

9 **FINANCE INCOME AND COSTS**

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Finance income:				
Interest on deposits with financial institutions	(1,301,315)	(785,112)	(314,262)	(301,239)
Finance costs:				
Interest on borrowings	7,526,441	8,463,643	-	-
Interest on hire-purchase	37,787	46,278	-	-
Interest on suppliers' credit	5,252,144	3,903,757	-	-
Total finance costs	12,816,372	12,413,678	-	-
Net finance costs/(income)	11,515,057	11,628,566	(314,262)	(301,239)

10 **DIRECTORS' REMUNERATION**

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Non-executive Directors:				
- fees	438,857	430,900	252,857	235,600
- allowances	170,525	140,500	99,525	79,000
Executive Directors:				
- salaries and bonuses	3,525,537	3,413,636	2,054,270	1,970,861
- allowance	36,000	36,000	36,000	36,000
- estimated monetary value of benefits-in-kind	60,958	83,476	36,358	45,400
- defined contribution plan	432,938	413,082	313,538	301,032
	4,664,815	4,517,594	2,792,548	2,667,893

Notes To The Financial Statements
30 June 2017
cont'd

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	
	2017	2016
Executive Directors:		
RM0	1	1
RM900,001 – RM950,000	-	1
RM950,001 – RM1,000,000	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	
	2017 RM	2016 RM	2017 RM	2016 RM
Current tax:				
- Malaysian income tax	7,635,963	3,670,584	702,682	561,187
- under/(over) accrual in the prior year	803,466	(66,889)	3,113	77,436
	8,439,429	3,603,695	705,795	638,623
Deferred taxation (Note 18):				
- origination and reversal of temporary differences	3,377,982	4,602,728	693,300	1,148,095
Tax expense	11,817,411	8,206,423	1,399,095	1,786,718

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
(Loss)/Profit before tax	(55,166,326)	23,065,855	7,428,789	5,780,097
Tax calculated at the Malaysian tax rate of 24% (2016: 24%)	(13,239,918)	5,535,805	1,782,909	1,387,223
Tax effects of:				
- expenses not deductible for tax purposes	1,987,156	2,906,403	-	576,919
- income not subject to tax	(881,084)	(459,068)	(386,927)	(254,860)
- advance payment from a customer	-	124,800	-	-
- tax incentive obtained for double deduction	-	(75,307)	-	-
- exempt income	(889,279)	-	-	-
- deferred tax assets not recognised	24,037,070	249,750	-	-
- utilisation of previously unrecognised tax losses	-	(9,071)	-	-
- under/(over) provision in the prior year	803,466	(66,889)	3,113	77,436
Tax expense	11,817,411	8,206,423	1,399,095	1,786,718

Notes To The Financial Statements
30 June 2017
cont'd

12 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

	Group	
	2017	2016
	RM	RM
(Loss)/Profit attributable to owners of the Company	(78,220,660)	8,234,231
Weighted average number of ordinary shares in issue (net of treasury shares)	225,522,808	225,522,808
Basic (loss)/earnings per share (sen)	(34.68)	3.65

(b) Diluted (loss)/earnings 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 (loss)/earnings per share is the same as basic (loss)/earnings per share.

13 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Leasehold land RM	Buildings RM	Plant, machinery and electrical installation RM	Motor vehicles, furniture, fittings and equipment RM	Spare parts RM	Capital work-in-progress RM	Total RM
2017								
Cost/Valuation								
At 1 July 2016								
- Cost	-	-	-	-	13,452,353	-	628,679	14,081,032
- Valuation	53,000,000	73,560,000	79,816,898	223,976,692	-	-	-	430,353,590
	53,000,000	73,560,000	79,816,898	223,976,692	13,452,353	-	628,679	444,434,622
Additions	-	-	45,392	3,263,213	852,201	102,033	236,465	4,499,304
Disposals	-	-	-	(754,951)	(1,055,196)	-	-	(1,810,147)
Write-offs	-	-	-	(37,204)	(17,262)	-	-	(54,466)
Revaluation during the financial year	4,100,000	6,207,272	408,182	(142,238)	-	-	-	10,573,216
Effects of elimination of accumulated depreciation on revaluation	-	(1,207,272)	(5,013,574)	(12,153,000)	-	-	-	(18,373,846)
Reclassification	-	-	-	221,418	-	360,812	(582,230)	-
At 30 June 2017	57,100,000	78,560,000	75,256,898	214,373,930	13,232,096	462,845	282,914	439,268,683

Notes To The Financial Statements
30 June 2017
cont'd

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	Spare parts RM	Capital work-in-progress RM	Total RM
2017								
Accumulated depreciation								
At 1 July 2016	-	-	-	-	8,203,754	-	-	8,203,754
Charge for the financial year	-	1,207,272	5,013,574	12,596,232	960,921	-	-	19,777,999
Disposals	-	-	-	(441,175)	(1,009,480)	-	-	(1,450,655)
Write-offs	-	-	-	(2,057)	(14,678)	-	-	(16,735)
Effects of elimination of accumulated depreciation on revaluation	-	(1,207,272)	(5,013,574)	(12,153,000)	-	-	-	(18,373,846)
At 30 June 2017	-	-	-	-	8,140,517	-	-	8,140,517
Accumulated impairment loss								
At 1 July 2016	-	-	211,796	40,122,848	100,274	-	-	40,434,918
Charge for the financial year (Note 8)	-	-	-	2,111,642	-	-	-	2,111,642
At 30 June 2017	-	-	211,796	42,234,490	100,274	-	-	42,546,560
Net book value								
At 30 June 2017	57,100,000	78,560,000	75,045,102	172,139,440	4,991,305	462,845	282,914	388,581,606
Representing:								
- Cost	-	-	-	-	4,991,305	462,845	282,914	5,737,064
- Valuation	57,100,000	78,560,000	75,045,102	172,139,440	-	-	-	382,844,542
	57,100,000	78,560,000	75,045,102	172,139,440	4,991,305	462,845	282,914	388,581,606

Notes To The Financial Statements
30 June 2017
cont'd

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
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)
Reclassification	-	-	-	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
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
(Reversal)/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

Notes To The Financial Statements
30 June 2017
cont'd

13 PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Building RM	Plant, machinery and electrical installation RM	Motor vehicles, furniture, fittings and equipment RM	Total RM
2017				
Cost/Valuation				
At 1 July 2016				
- Cost	-	-	2,629,407	2,629,407
- Valuation	111,322	974,348	-	1,085,670
	111,322	974,348	2,629,407	3,715,077
Additions	-	-	6,238	6,238
Disposals	-	-	(950,000)	(950,000)
Revaluation during the financial year	-	17,820	-	17,820
Elimination of accumulated depreciation on revaluation	-	(85,963)	-	(85,963)
Write-off	-	-	(9,846)	(9,846)
At 30 June 2017	111,322	906,205	1,675,799	2,693,326
Accumulated depreciation				
At 1 July 2016	-	-	2,027,033	2,027,033
Charge for the financial year	-	85,963	162,566	248,529
Disposals	-	-	(942,083)	(942,083)
Elimination of accumulated depreciation on revaluation	-	(85,963)	-	(85,963)
Write-off	-	-	(9,426)	(9,426)
At 30 June 2017	-	-	1,238,090	1,238,090
Accumulated impairment				
At 1 July 2016	-	36,348	80,595	116,943
Reversal for the financial year (Note 8)	-	(4,143)	-	(4,143)
At 30 June 2017	-	32,205	80,595	112,800
Net book value				
At 30 June 2017	111,322	874,000	357,114	1,342,436
Representing:				
- Cost	-	-	357,114	357,114
- Valuation	111,322	874,000	-	985,322
	111,322	874,000	357,114	1,342,436

Notes To The Financial Statements
30 June 2017
cont'd

13 PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Building RM	Plant, machinery and electrical installation RM	Motor vehicles, furniture, fittings and equipment RM	Total 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
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
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
Reversal for the financial year (Note 8)	-	(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

Notes To The Financial Statements
30 June 2017
cont'd

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 2017 by an independent firm of professional valuers, PA International Property Consultants (KL) 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 2017, the scrap value for the plant and equipment is RM1,040,068. As a result of the revaluation, the Group has recorded a negligible impairment amounting to RM8,250 as at the reporting date.

The revaluation surplus amounting to RM10,573,216 was credited directly to asset revaluation reserve account and its related deferred taxation arising from the revaluation was provided accordingly (Note 18); whilst, the net revaluation deficit amounting to RM2,323,642 (2016: 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 and supplement a certain production line, and to replace certain legacy motors of another production line which will affect the said assets' carrying revalued amount. At the close of the current financial year, the Company has yet to carry out the plan. In reassessing the affected assets' fair value of the components to be displaced, there is a reduction of impairment provision of RM212,000 as summarised in the table below, and is included in the net impairment loss on property, plant and equipment 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	Opening Carrying Provision	Inc/(Dec) Required in Current FY 2017
Production Line A: up-grade	19.9	14.7	5.2	5.6	(0.4)
Production Line B: motor replacement	4.3	2.7	1.6	1.4	0.2
	24.2	17.4	6.8	7.0	(0.2)

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	
	2017 RM	2016 RM	2017 RM	2016 RM
Freehold land	31,300,000	31,300,000	-	
Leasehold land	44,622,842	45,367,369	-	-
Buildings	69,143,740	73,206,220	111,322	111,322
Plant, machinery and electrical installation	196,300,650	206,903,182	843,537	910,973
	341,367,232	356,776,771	954,859	1,022,295

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 per square feet 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 RM4,499,304 (2016: RM4,475,745) includes those acquired by means of hire-purchase totalling RM528,010 (2016: RM781,325). As at 30 June 2017, the net book value of the assets under hire-purchase arrangements in the Group is RM1,466,243 (2016: RM1,287,207).

(iii) Assets pledged as securities

Freehold land, buildings, plant, machinery and electrical installation of subsidiaries with a net book value of RM291.7 million (2016: RM302.3 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	
	2017	**2016**
	RM	**RM**
Opening balance	183,853,844	201,944,522
Additions	3,263,213	2,784,344
Disposals	(754,951)	(175,940)
Write-offs	(37,204)	(35,311)
Revaluation during the financial year	(142,238)	204,095
Impairment charge for the financial year	(2,111,642)	(8,054,849)
Effects of elimination of accumulated depreciation on revaluation	(12,153,000)	(13,009,017)
Transfer from construction work-in-progress	221,418	196,000
Closing balance	172,139,440	183,853,844

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 2017 RM**	**Valuation technique**	**Unobservable inputs**	**Range of unobservable inputs (probability-weighted average)**	**Relationship of unobservable inputs to fair value**
Plant, machinery and electrical installation	172,139,440	Depreciated replacement cost method	Useful life	1 year – 39 years (20)	The longer the useful life, the higher the fair value

Notes To The Financial Statements
30 June 2017
cont'd

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 increases 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 decreases by one year, the fair value of the plant and machinery will decrease by approximately RM13 million.

14 INVESTMENT PROPERTIES

	Company	
	2017	**2016**
	RM	**RM**
Leasehold land and buildings		
At 1 July	85,500,000	80,950,000
Addition during the financial year	-	47,056
Fair value gain during the financial year (Note 8)	2,600,000	4,502,944
At 30 June	88,100,000	85,500,000

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 PA International Property Consultants (KL) Sdn Bhd.

The Company has certain investment properties valued at RM61.5 million and a cash deposit of RM9.6 million (2016: RM60.4 million and 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 (see Note 29).

Direct operating expenses attributable to the rental income generated from the investment properties at Company level total RM733,186 (2016: RM665,875).

15 INVESTMENTS IN SUBSIDIARIES

	Company 2017 RM	Company 2016 RM
Investment in subsidiaries at cost:		
- Quoted shares	77,376,643	77,376,643
- Unquoted shares	82,195,029	82,195,029
	159,571,672	159,571,672
Less: Accumulated impairment losses	(81,525,024)	(81,525,024)
	78,046,648	78,046,648
Market value of quoted shares	165,681,181	95,973,855

The movements of investments in subsidiaries are as follows:

	Company 2017 RM	Company 2016 RM
Carrying investment value as at 1 July	78,046,648	79,969,170
Add: Procurement of subsidiaries' shares pursuant to an internal re-organisation	-	4
Less: Impairment losses [a] (also see Note 8)	-	(1,922,526)
Carrying investment value as at 30 June	78,046,648	78,046,648

(a) *The carrying investment value in the unquoted engineering subsidiary (Melewar Integrated Engineering Sdn Bhd) of RM1.9 million was fully impaired in the preceding financial year.*

The details of the subsidiaries are as follows:

Name	Principal activities	Group's effective interest 2017 %	Group's effective interest 2016 %
Mycron Steel Berhad ("MSB") [1]	Investment holding and provision of management services to subsidiaries	71.3	71.5
Melewar Steel Services Sdn Bhd ("MSS") [1]	Property investment	100.0	100.0
Melewar Steel Assets Sdn Bhd ("MSA") [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 ("MIE") [1]	Provision of engineering and technical consultancy services	100.0	100.0
Melewar Steel Engineering Sdn Bhd ("MSE") [1]	Investment holding	100.0	100.0
Melewar Industrial Technologies Ltd ("MITL") [2]	Investment holding	-	100.0
Melewar Ecology Sdn Bhd ("MEco") [1]	Dormant	100.0	100.0

Notes To The Financial Statements
30 June 2017
cont'd

15 INVESTMENTS IN SUBSIDIARIES (continued)

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

Name	Principal activities	Group's effective interest 2017 %	Group's effective interest 2016 %
Ausgard Quick Assembly Systems Sdn Bhd ("Ausgard") (1)	Manufacturing and supplying of quick assembly homes	100.0	100.0
Melewar Imperial Limited ("MIL") (1)	Investment holding	100.0	100.0
Subsidiaries of MSB			
Mycron Steel CRC Sdn Bhd ("MSCRC") (1)	Manufacturing and trading of steel cold rolled coiled sheets	71.3	71.5
Melewar Steel Tube Sdn Bhd ("MST") (1)	Manufacturing, distribution and trading of steel pipes and tubes	71.3	71.5
Subsidiary of MSCRC			
Silver Victory Sdn Bhd ("SV") (1)	Trading of steel related products (starting from July 2017)	71.3	71.5
Subsidiary of MSM			
Melewar Mycrosmelt Technology Ltd ("MMTL") (5)	Smelting/billet making technology owner	100.0	100.0
Subsidiary of MIL			
Melewar Steel UK Ltd ("MSUK") (3)	Dormant Distribution of Steel Tube in the UK	100.0	N.A
Subsidiary of MEco			
Melewar Environment Sdn Bhd ("MEnv") (4)	Dormant	-	95.0

(1) The entity is incorporated in Malaysia and audited by PricewaterhouseCoopers Malaysia.
(2) The entity was incorporated in British Virgin Islands and has no statutory audit requirement. The entity has been officially struck-off on 2 May 2017.
(3) The entity was incorporated on 2 June 2017 in England and Wales with an issued paid up capital of 10 ordinary shares at GBP1 each. The principal activities of MSUK is that of a wholesale and distribution of steel business in the United Kingdom. MSUK qualifies as a small business in England and Wales which exempts it from statutory audit requirement.
(4) The entity has been officially struck-off and received final notice dated 18 July 2017 from Companies Commission of Malaysia ("CCM").
(5) The entity is incorporated in British Virgin Islands and has no statutory audit requirement.

(a) Details of significant subsidiaries for which impairment assessment was performed

There were no indication of impairment on investments in significant subsidiaries beyond those already provided in the preceding financial years necessitating specific assessment to be performed for the current financial year ended 30 June 2017.

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	
	2017 RM	2016 RM
Statements of Financial Position		
Current assets	353,536,123	238,950,230
Non-current assets	314,514,192	324,738,504
Current liabilities	(269,839,906)	(205,143,919)
Non-current liabilities	(24,056,769)	(23,106,033)
Net assets	374,153,640	335,438,782
Statements of Comprehensive Income		
Revenue for the financial year	726,196,369	566,809,455
Net profit for the financial year	34,743,313	24,177,842
Total comprehensive income	37,732,558	29,552,656
Statements of Cash Flows		
Net cash generated from operating activities	46,395,324	80,706,943
Net cash used in investing activities	(5,096,581)	(5,523,719)
Net cash used in financing activities	(4,341,089)	(87,394,156)
Net change in cash and cash equivalents	36,957,654	(12,210,932)
Non-controlling interest effective equity interest	28.7%	28.5%
Carrying amount of non-controlling interests	105,592,428	93,214,757
Net profit for the financial year attributable to non-controlling interests of the Group	11,236,923	6,625,201
Total comprehensive income attributable to non-controlling interests of the Group	12,096,078	8,156,448

MSB disposed the balance of its 1,000,000 treasury shares in the open market over the current financial year, netting a gain of RM623,009 which was classified back into "Paid-Up Capital" pursuant to the transition provision Sec 618(2) of the Companies Act 2016 in-relation to the abolishment of the "par-value" concept. As a result of the increased in minority shareholdings, the Company's effective interest in MSB has declined from 71.5% (as at the end of the preceding financial year) to close at 71.3%.

16 INVESTMENT IN ASSOCIATES

(a) Details of Investments

The carrying investment amounts in associates are generally immaterial as the amounts have been fully depleted with its share of the associates' losses. The significant transactions with associates have been disclosed in Note 27, 29(b) and 30(a). Set out below are details of these immaterial associates as at 30 June 2017:

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

Notes To The Financial Statements
30 June 2017
cont'd

16 INVESTMENT IN ASSOCIATES (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 Phase 2 Company Ltd ("Siam Power 2") and was the holding company for Siam Power Generation Public Company Ltd and Siam Power Phase 3 Company Ltd hereinafter referred to as the 'power associate' or 'Mperial Group' interchangeably.
- Siam Power is in the business of power generation and owns a 160MW power plant in the Rayong Industrial Park, Ban Khai District, Rayong Province, Thailand. Since its commencement of operations in 2011, Siam Power has suffered significant annual financial losses due to the failure of one of its only two off-takers to fulfil contracted power purchase. As at the start of the current financial year Siam Power has a deficit shareholders' funds of THB5.45 billion (RM615 million) largely due to accumulated bank liabilities and operational losses.
- Siam Power 2 is currently a dormant company with the rights to supply 90MW of power to the Electricity Generating Authority of Thailand (EGAT) commencing from 1 May 2019 ("deadline"). 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"). This performance obligation to EGAT by 1 May 2019 is guaranteed by a Bank, based on assets security pledged by the Company when the Mperial group was its subsidiary. At the close of the current financial year, despite the said deadline has been extended, the performance guarantee still remains as a contingent liability to the Company which affects the Group. See Notes 29(b)(iii) and Note 30(a).
- Siam Power 3 is a dormant company and has been struck off during the financial year.
- Mperial has on 5 September 2016 entered into a "share sale agreement" to dispose its entire 78.4% equity stake in Siam Power inclusive of its bank debts to an external foreign party "A" for a total net consideration of THB334 million (approximately RM42.9 million). The share sale was duly completed on 1 April 2017; and as a result of the sale and de-recognition of Siam Power, Mperial recorded a net gain of RM382.6 million for the current financial year.
- Mperial has also on 26 April 2017 entered into a 'share sale agreement' with another external foreign party "B" (the 'Buyer') to dispose its entire stake in Siam Power 2 for a minimum consideration of USD7.1 million (RM30.7 million) with maximum adjustment by another USD2.9 million (RM12.3 million) depending on the successful extension of the performance guarantee's deadline from the Electricity Generating Authority of Thailand (EGAT) under the second phase 90MW development. An earnest deposit of USD120,000 (RM0.53 million) has been received by Mperial. At the close of the current financial year, the share-sale has not been completed. Latest update on this matter is disclosed in Note 30(a) on "subsequent material events".
- The Group's carrying investment in the power associate has been fully depleted since financial year 2015, and subsequent losses by the associate is not recognised but is recorded for future set-off against any arising share of gains such as those from the sale and de-recognition of Siam Power. The Group's unrecognised share of the Power Associate's losses amounting to RM29 million after netting its disposal gain from Siam Power at the close of the current financial year are derived as follows:

  Investment in Mperial

	Group	
	2017	**2016**
	RM'000	**RM'000**
Unrecognised share of losses at 1 July	(189,707)	(84,844)
Share of net gain/(loss)	147,443	(100,767)
Share of other comprehensive gain/(loss)	13,316	(4,096)
Unrecognised share of losses at 30 June	(28,948)	(189,707)

16 **INVESTMENT IN ASSOCIATES** (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 year end as the Group on 30 June.
- The Group's 45% equity interest in JNL was acquired in July 2016 and is held through its wholly owned subsidiary Melewar Imperial Limited ("MIL") (previously known as Melbina Builders Limited), a company incorporated in Labuan, Malaysia. MIL does not have control over JNL but exercises significant influence over it to account for its investment as an associate using the Equity method.
- 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.
- JNL's scope of business is in the trading of building tools and materials including steel tubes, and has commenced operation of its retail outlet in Amersham, UK since the 1st quarter of the current financial year. At the close of the current financial year, JNL recorded a net loss of GBP59 thousand (RM322 thousand). JNL is exempted from audit under the UK laws for small private limited companies.
- 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 2017 amounting to RM400 thousand are as follows:

Investment in JNL

	Group	
	2017	**2016**
	RM	**RM**
Unrecognised share of losses at 1 July/carrying value at date of investment	(243,022)	264
Share of net loss	(144,675)	(275,112)
Share of other comprehensive (loss)/income	(12,433)	31,826
Unrecognised share of losses at 30 June	(400,130)	(243,022)

(b) **Amount owing by associates**

(i) Mperial Power Ltd ("Mperial")

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
At gross amounts	83,047,683	88,710,173	12,678,974	8,341,464
Accumulated impairment losses	(44,252,415)	(44,252,415)	-	-
Repayment	(29,170,000)	(11,007,758)	(12,077,349)	(1,007,758)
	9,625,268	33,450,000	601,625	7,333,706
Accumulated impairment losses:				
At 1 July	44,252,415	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	44,252,415	-	-

Notes To The Financial Statements
30 June 2017
cont'd

16 INVESTMENT IN ASSOCIATES (continued)

(b) Amount owing by associates (continued)

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

Over the current financial year, Mperial repaid RM17.1 million owing to MSE and RM12.1 million owing to MIG, leaving an unimpaired balance of RM9.6 million, which Mperial aims to repay upon the completion of its disposal of Siam Power 2.

(ii) Jack Nathan Limited ("JNL")

At the close of the current financial year, the UK associate owes MIL GBP102 thousand (RM569 thousand) in the form of unsecured promissory notes. Impairment loss on the said amount has been fully provided in the accounts of MIL at the close of the current financial year due to the assessed improbable ability of JNL to honor the debt security redemption. JNL's unaudited statement of financial position for the financial year ended 30 June 2017 carries a long-term debt borrowings of GBP247 thousand (RM1.38 million) which includes the unsecured promissory notes.

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:

	Group	
	2017	**2016**
	RM	**RM**
Contract costs incurred to-date	154,095,280	41,403,962
Provision for onerous contract	29,400,204	7,060,954
Recognised losses to-date	(99,209,691)	(6,716,450)
Contract Revenue recognised to-date	84,285,793	41,748,466
Less: Progress billings to-date	(105,627,405)	(51,244,606)
Amount due to customers	(21,341,612)	(9,496,140)
Amount due from customers	-	1,376,965
Amount due (to) customers	(21,341,612)	(10,873,105)
Net amount due to customers [c]	(21,341,612)	(9,496,140)
Comprising:		
Contract Revenue recognised to-date [a]	84,285,793	41,748,466
Less : Contract costs recognised to-date [a]	(154,095,280)	(41,403,962)
Less : Expected losses recognised [a][b]	(29,400,204)	(7,060,954)
Recognised losses to-date [a]	(99,209,691)	(6,716,450)

(a) Existing construction contracts-in-progress are mainly undertaken by the Group's wholly owned Melewar Integrated Engineering Sdn Bhd ("MIE") which contributed to the bulk of the contract revenue (99.7%) and losses (100%) recognised to-date, with the remaining negligible contribution being derived from its wholly owned Ausgard Quick Assembly Systems Sdn Bhd ("Ausgard").

17 **CONSTRUCTION CONTRACTS-IN-PROGRESS** (continued)

Existing construction contracts-in-progress in MIE are two onerous engineering contracts with the following details:

all in RM'000	**Project #1**		**Project #2**	
	2017	**2016**	**2017**	**2016**
Contract revenue recognised to-date	64,989.5	22,916.2	19,033.0	14,467.3
Less: Contract costs recognised to-date	(125,911.1)	(22,916.2)	(27,945.6)	(14,310.0)
less: Expected losses recognised	(26,137.8)	(7,060.0)	(3,262.4)	-
Recognised losses	(87,059.4)	(7,060.0)	(12,175.0)	157.3
Percentage of Completion based on Cost Incurred	77%	25%	73%	61%

(b) Expected losses recognised for contracts-in-progress amounting to RM29.4 million for the current financial year ended 2017 is solely attributed to MIE's two onerous contracts which includes a Liquidated Ascertained Damage (LAD) provision of RM8.4 million (being 10% of the contract sum) for Project #1 as its contracted completion deadline has lapsed on 30 June 2017.

MIE's management is of the opinion that the lapse is attributable to the client, due to certain development work-order delays and limited outage window period for integration works and milestone testing without interrupting its on-going plant operations. The management is confident of completing Project #1 within the 1st half of the next financial year and would seek nullification of the said LAD. For the quarter period ended 30 June 2017, the Engineering subsidiary has submitted unscheduled claims amounting to RM7.3 million to the client which remained unapproved and unaccounted. As at issuance date of this report, total submitted unscheduled claims to the client have increased to RM36.6 million.

No LAD provision has been made for the onerous Project #2, as the management is confident of fulfilling the contracted completion deadline set on 30 October 2017 for phase 1 and 31 December 2017 for phase 2 respectively in the next financial year. Should these completion deadlines be breached without the client's indulgence, then MIE will have to recognise an LAD provision amounting to RM1.3 million being 5% of the contract sum in the next financial year.

(c) The significant increase in 'net amount due to customers' for the current financial year is mainly attributed to Project #1, where the Client has extended financial assistance for direct settlement of certain project costs beyond sums due arising from contractual progress billings. See Note 29(b)(ii).

Notes To The Financial Statements
30 June 2017
cont'd

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	
	2017 RM	2016 RM	2017 RM	2016 RM
Deferred tax assets	2,148,810	2,721,294	-	-
Deferred tax liabilities	(42,465,651)	(37,901,581)	(19,438,919)	(18,741,342)
	(40,316,841)	(35,180,287)	(19,438,919)	(18,741,342)
At 1 July	(35,180,287)	(28,082,905)	(18,741,342)	(17,588,728)
(Charged)/credited to the profit or loss (Note 11):				
- property, plant and equipment	(2,805,498)	(4,524,369)	24,029	23,613
- investment properties	-	-	(717,328)	(1,171,708)
- unutilised tax losses	(566,285)	(62,399)	-	-
- other payables and accruals	(6,199)	(15,960)	-	-
	(3,377,982)	(4,602,728)	(693,299)	(1,148,095)
Debited to asset revaluation reserve:				
- property, plant and equipment	(1,758,572)	(2,494,654)	(4,278)	(4,519)
	(1,758,572)	(2,494,654)	(4,278)	(4,519)
	(5,136,554)	(7,097,382)	(697,577)	(1,152,614)
At 30 June	(40,316,841)	(35,180,287)	(19,438,919)	(18,741,342)
Subject to income tax:				
Deferred tax assets (before offsetting):				
- unutilised reinvestment allowance	19,096,762	19,096,762	-	-
- unutilised tax losses	8,278,674	8,844,959	-	-
- other payables and accruals	10,678	16,877	-	-
	27,386,114	27,958,598	-	-
Offsetting	(25,237,304)	(25,237,304)	-	-
Deferred tax assets (after offsetting)	2,148,810	2,721,294	-	-
Deferred tax liabilities (before offsetting):				
- property, plant and equipment	(65,557,443)	(61,198,372)	(194,691)	(214,443)
- investment properties	-	-	(19,244,228)	(18,526,899)
	(65,557,443)	(61,198,372)	(19,438,919)	(18,741,342)
Offsetting	25,237,304	25,237,304	-	-
Subject to real property gains tax				
Deferred tax liabilities:				
- freehold land	(2,145,512)	(1,940,513)	-	-
Deferred tax liabilities (after offsetting)	(42,465,651)	(37,901,581)	(19,438,919)	(18,741,342)

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	
	2017	**2016**
	RM	**RM**
Deductible temporary differences	99,674,520	6,321,433
Unutilised tax losses	10,682,761	4,288,560
Unutilised capital allowances	12,299,616	12,120,590

19 INVENTORIES

	Group	
	2017	**2016**
	RM	**RM**
Raw materials	120,515,967	59,968,640
Work-in-progress	318,639	2,180,812
Finished goods	54,583,069	33,800,442
Consumables	2,185,083	2,125,510
	177,602,758	98,075,404

20 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Current				
Trade receivables [a]	103,094,664	101,453,635	-	-
Less: Accumulated impairment losses	(712,858)	(366,401)	-	-
	102,381,806	101,087,234	-	-
Other receivables [b]	2,868,413	13,672,277	21,022	788,593
Less: Accumulated impairment losses [b]	(779,498)	(10,401,982)	-	-
	2,088,915	3,270,295	21,022	788,593
Retention sums	-	1,875,985	-	-
GST receivables	2,275,030	-	2,210,716	-
Deposits	4,188,194	4,290,600	95,550	96,150
Prepayments	2,078,980	2,210,114	123,648	154,228
	8,542,204	8,376,699	2,429,914	250,378
Total current trade and other receivables	113,012,925	112,734,228	2,450,936	1,038,971

(a) Trade receivables mainly are attributed to the steel subsidiaries

(b) Certain past impairments categorised under "Other Receivables" amounting to RM9,622,484 have been determined to be bad and were written-off in the current financial year. See Note 4(c)(iii).

Notes To The Financial Statements
30 June 2017
cont'd

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			
	2017		2016	
	Assets RM	Liabilities RM	Assets RM	Liabilities RM
Forward foreign currency exchange contract – fair value through profit and loss	5,616	(109,670)	73,142	(34,265)
Forward foreign currency exchange contract – fair value hedge	136,457	(2,927,182)	631,472	(3,229,707)
	142,073	(3,036,852)	704,614	(3,263,972)

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

(i) Derivatives designated and fair value hedge accounted as at 30 June 2017

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 2017	11,006,486	4.3810	68,851	(905,795)	July 2017	11,006,486	4.3810	905,795	(68,851)
August 2017	8,268,898	4.3824	30,046	(627,960)	August 2017	8,268,898	4.3824	627,960	(30,046)
September 2017	4,308,945	4.4601	-	(626,407)	September 2017	4,308,945	4.4601	626,407	-
October 2017	9,354,078	4.3993	32,772	(767,020)	October 2017	9,354,078	4.3993	767,020	(32,772)
November 2017	2,415,040	4.3282	4,788	-	November 2017	2,415,040	4.3282	-	(4,788)
Total	35,353,447		136,457	(2,927,182)	Total	35,353,447		2,927,182	(136,457)

Net fair value loss from the hedging instruments of RM2.8 million and the corresponding net fair value gain from the hedged item of RM2.8 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.

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 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.

(iii) Derivatives not designated and not hedge accounted

As at 30 June 2017

			Fair value	
Maturity period of contract	Notional value long USD	Average contracted rate USD/RM	Financial assets RM	Financial liabilities RM
July 2017	1,223,412	4.3612	-	(74,976)
August 2017	271,534	4.4192	-	(31,715)
Total	1,494,946		-	(106,691)

			Fair value	
Maturity period of contract	Notional value short SGD	Average contracted rate SGD/RM	Financial assets RM	Financial liabilities RM
July 2017	60,000	3.1576	2,328	-
August 2017	60,000	3.1755	3,048	-
September 2017	60,000	3.1340	240	-
October 2017	60,000	3.1168	-	(1,104)
November 2017	60,000	3.1088	-	(1,875)
Total	300,000		5,616	(2,979)

Notes To The Financial Statements
30 June 2017
cont'd

21 DERIVATIVES (continued)

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

(iii) Derivatives not designated and not hedge accounted (continued)

As at 30 June 2016

Forward foreign currency exchange contracts as hedge instrument

			Fair value	
	Notional value long	Average contracted rate	Financial assets	Financial liabilities
Maturity period of contract	**USD**	**USD/RM**	**RM**	**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	
	Notional value short	Average contracted rate	Financial assets	Financial liabilities
Maturity period of contract	**SGD**	**SGD/RM**	**RM**	**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)

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 RM5.9 million from its FX Forward Contracts incepted for hedging purposes over the current financial year (2016: gain RM1.5 million).

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 (2016: 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 balances in-relation to trade.

	Group	
	2017 RM	2016 RM
Amounts owing by subsidiaries [(a)]:		
Non-trade	23,750,200	22,495,401
	23,750,200	22,495,401
Less: Accumulated impairment losses (Note 4(c)(iii))	(19,683,467)	(21,979,974)
	4,066,733	515,427
Amounts owing to subsidiaries [(b)]:		
Non-trade	(273,714)	(7,024,732)
	(273,714)	(7,024,732)

(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.*

(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	
	2017 RM	2016 RM	2017 RM	2016 RM
Deposits with licensed financial institutions	69,364,205	39,937,995	10,283,138	9,329,916
Cash and bank balances	8,349,615	11,605,267	232,107	439,527
	77,713,820	51,543,262	10,515,245	9,769,443
Less: Restricted cash	(9,633,138)	(9,329,916)	(9,633,138)	(9,329,916)
	68,080,682	42,213,346	882,107	439,527

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	
	2017 % per annum	2016 % per annum	2017 % per annum	2016 % per annum
Deposits with licensed financial institutions	2.78	2.86	3.08	3.25
Cash and bank balances	2.08	2.59	1.27	1.85

Unrestricted deposits with licensed financial institutions have an average maturity period of 11 days (2016: 92 days).

Notes To The Financial Statements
30 June 2017
cont'd

24 TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Non-current				
Trade payables	850,642	-	-	-
Other payables	-	3,065,232	-	-
Current				
Trade payables	188,765,974	109,782,032	-	-
Other payables	8,057,884	11,511,202	2,800,034	727,029
Provision	29,400,204	7,060,954	-	-
Accruals	8,787,806	12,553,521	339,763	360,871
GST payables	-	754,205	-	754,205
Advance payment received from customers	24,852,518	11,943,814	-	-
Deposits received	-	-	817,500	817,500
Total – Current	259,864,386	153,605,728	3,957,297	2,659,605
Total – Current and Non-current	**260,715,028**	**156,670,960**	**3,957,297**	**2,659,605**

Trade payables include interest bearing suppliers' credit relating to the steel businesses amounting to RM166.7 million (2016: RM99.5 million), and amount owing by the Engineering subsidiary to project suppliers and sub-contractors amounting to RM20.9 million (2016: RM8.4 million). Those credit facilities relating to the steel suppliers have interest bearing credit periods ranging between 120 days to 150 days (2016: 120 days to 150 days).

'Advance payment received from customers' included amounts due to customers arising from construction contracts of RM21.3 million (2016: RM10.9 million). See Note 17.

Movement of the Group's provision arising from its engineering subsidiary is as follows:

	Group	
	2017	2016
	RM	RM
At 1 July	7,060,954	-
Provision during the year	22,339,250	7,060,954
At 30 June	29,400,204	7,060,954

The remaining trade and other payables are generally interest free and within accorded interest free credit periods ranging between cash terms to 90 days (2016: 7 to 90 days).

25 BORROWINGS

The Company does not have any borrowings from financial institutions. The Group's borrowings as tabulated below are incepted directly by the operations at subsidiaries' level.

	Group	
	2017	**2016**
	RM	**RM**
Current		
Bankers' acceptance	66,730,000	68,960,000
Revolving credits	8,400,000	9,600,000
Hire-purchase creditors	412,732	340,433
Term loans	3,067,102	5,438,171
	78,609,834	84,338,604
Non-current		
Hire-purchase creditors	548,277	491,264
Term loans	34,356,912	6,750,000
	34,905,189	7,241,264
Total		
Bankers' acceptance	66,730,000	68,960,000
Revolving credits	8,400,000	9,600,000
Hire-purchase creditors	961,009	831,697
Term loans	37,424,014	12,188,171
	113,515,023	91,579,868

Most of the borrowings are secured and incepted by its Cold Rolled and the Steel Tube subsidiaries under their respective debenture with fixed and floating charges. In the current financial year, the Engineering subsidiary incepted unsecured long-term loan facilities of RM33.2 million on-which RM28.9 million was drawn to partly finance the completion of its onerous projects. The borrowing terms by the Engineering subsidiary is ring-fenced from any cross linkages with those of the Steel subsidiaries.

Despite the higher total outstanding borrowings as at the close of the current financial year compared to the preceding period, the Group's total interest cost is lower at RM7.6 million (2016: RM8.5 million) as the borrowings by the Engineering subsidiary were drawn in stages over the 2nd half of the current financial year.

Notes To The Financial Statements
30 June 2017
cont'd

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 2017									
Unsecured									
- Term loan	8.00%	RM	1,585,809	-	1,585,809	-	-	-	-
Secured									
- Bankers' acceptance [(a)]	4.99% - 7.15%	RM	18,330,000	18,330,000	-	-	-	-	-
- Bankers' acceptance [(a)]	5.45%	RM	48,400,000	48,400,000	-	-	-	-	-
- Revolving credits [(a)]	5.30%	RM	8,400,000	8,400,000	-	-	-	-	-
- Hire-purchase creditors	2.44% - 3.38%	RM	961,009	412,732	281,448	154,521	40,869	40,869	30,570
- Term loan [(a)]	6.25%	RM	6,817,102	3,067,102	3,000,000	750,000	-	-	-
- Term loan [(b)]	12.00%	RM	29,021,103	-	29,021,103	-	-	-	-
			113,515,023	78,609,834	33,888,360	904,521	40,869	40,869	30,570

(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)).*

(b) *The facility is secured against corporate guarantee from the Company.*

	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)).*

25 BORROWINGS (continued)

Contractual terms of borrowings (continued)

	Group	
	2017	**2016**
	RM	**RM**
Total carrying amount		
Unsecured	1,585,809	2,338,093
Secured	111,929,214	89,241,775
	113,515,023	91,579,868

For the financial year 2017, all banks' covenants in relation to the Steel subsidiaries' borrowings have been duly complied. The Engineering subsidiary has received a moratorium on interest service covenant from the lender for the current financial year and the next twelve months; and as such, there is technically no compliance issue. The carrying amount of the borrowings approximated their fair values at reporting date.

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			
	2017	**2017**	**2016**	**2016**
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	RM	**RM**	**RM**	**RM**
Hire-purchase creditors	548,277	508,536	491,264	450,028

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

	Group	
	2017	**2016**
	% per annum	**% per annum**
Bankers' acceptance	5.57	5.85
Revolving credits	5.30	5.45
Hire-purchase creditors	2.83	2.84
Term loans	10.78	6.35

Notes To The Financial Statements
30 June 2017
cont'd

25 BORROWINGS (continued)

At Amortised Cost (continued)

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

	Group	
	2017	2016
	RM	RM
Not later than 1 year	457,628	374,162
Later than 1 year but not later than 2 years	306,890	258,356
Later than 2 years but not later than 5 years	263,322	208,682
Later than 5 years	36,404	85,052
	1,064,244	926,252
Less: Future finance charges	(103,235)	(94,555)
Present value	961,009	831,697
Analysed as:		
Current	412,732	340,433
Non-current	548,277	491,264
Present value	961,009	831,697

26 SHARE CAPITAL

	Group/Company			
	30 June 2017		30 June 2016	
	Number of shares	RM	Number of shares	RM
Authorised				
Ordinary shares of RM1 each	-	-	500,000,000	500,000,000
Issued and fully paid				
Ordinary shares of RM1 each At 1 July	226,755,408	226,755,408	226,755,408	226,755,408
Cancellation of treasury shares	(1,232,600)	(1,232,600)	-	-
Transition to no-par value regime on 31 January 2017	-	1,474,047	-	-
Ordinary shares with no par value (2016: par value of RM1 each) At 30 June	225,522,808	226,996,855	226,755,408	226,755,408

Treasury shares of the Company

The shareholders of the Company, by an ordinary resolution passed in the last Annual General Meeting held on 8 December 2016, approved the renewal of authorisation for the Company to repurchase its own shares. The Company did not exercise any shares repurchase during the current financial period, but it cancelled all its treasury shares held numbering 1,232,600 shares with a carrying value of RM2,042,193 on 30 September 2016.

Transition to no-par value regime

The new Companies Act, 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account and similar-in-nature capital reserves accounts become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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 Director of the Company, Tunku Dato' Yaacob Khyra 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 Sdn Bhd
- MAA Takaful Berhad [(i)]
- MAA Corporation Sdn Bhd

(i) Effective from 30 June 2016, MAA Takaful Berhad ("MAAT") ceased to be a 75% owned subsidiary of MAA Group. Therefore, all disclosures on related party transactions between MAAT and MIG Group will no longer be relevant effective from 30 June 2016.

(a) Transactions with related parties during the financial year based on agreed terms and prices are as follows:

Entity	Type of transaction	2017 RM	2016 RM
Group			
Non-trade related – paid/payable			
<u>Related companies</u>			
Trace Management Services Sdn Bhd	Corporate secretarial services	(420,653)	(440,419)
MAA Takaful Berhad	Insurance	-	(1,570,181)
MAA Corporation Sdn Bhd	Rental and utilities	(104,654)	(104,654)
<u>Associates</u>			
Mperial Power Ltd	Expenses paid on behalf	5,345,268	5,516,571
Mperial Power Ltd	Advances (repaid)	(29,170,000)	(11,007,728)
Jack Nathan Ltd	Advances given	568,793	-
Company			
Trade related – received/receivable			
<u>Subsidiaries</u>			
Melewar Steel Tube Sdn Bhd	Rental income	4,963,860	4,963,860
	Management fee income	1,320,000	1,320,000
Mycron Steel CRC Sdn Bhd	Management fee income	1,320,000	1,320,000
Melewar Integrated Engineering Sdn Bhd	Management fee income	405,000	300,000
Melewar Steel Services Sdn Bhd	Dividend income	-	800,000

Notes To The Financial Statements
30 June 2017
cont'd

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	2017 RM	2016 RM
Company			
Non-trade related – received/receivable			
Subsidiaries			
Melewar Integrated Engineering Sdn Bhd	Interest charged	506,398	30,416
Melewar Integrated Engineering Sdn Bhd	Advances given/(repaid)	9,755,151	(300,000)
Mycron Steel Bhd	Advances given	4,000,000	-
Melewar Steel Tube Sdn Bhd	Advances (repaid)	(6,284,185)	(6,314,167)
Melewar Steel Engineering Sdn Bhd	Advances (repaid)	(14,000,000)	(243,500)
Melewar Steel Services Sdn Bhd	Advances given	-	200
Melewar Steel Assets Sdn Bhd	Advances given	10,000	8,200
Melewar Ecology Sdn Bhd	Advances given	10,843	6,163
Melewar Imperial Limited	Advances given	600,053	45,713
Ausgard Quick Assembly Systems Sdn Bhd	Advances given	21,000	-
Melewar Industrial Technologies Ltd	Advances (waived)	-	(19,691)
Melewar Environment Sdn Bhd	Advances (waived)	-	(46,038)
Associate			
Mperial Power Ltd	Expenses paid on behalf	5,345,268	5,516,571
Mperial Power Ltd	Advances (repaid)	(12,077,349)	(1,007,758)
Non-trade related – paid/payable			
Subsidiaries			
Mycron Steel CRC Sdn Bhd	Advances repaid/(given)	1,972,360	(2,120,750)
Melewar Steel Tube Sdn Bhd	Advances repaid/(given)	3,437,331	(784,108)
Related companies			
Trace Management Services Sdn Bhd	Corporate secretarial services	(222,382)	(231,821)
MAA Takaful Berhad	Insurance	-	(295,428)
MAA Corporation Sdn Bhd	Rental and utilities	(104,654)	(104,654)

There are no material outstanding balances with other related parties as at financial year end.

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

(b) Key management personnel are those persons, having the authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly and thus are considered related parties of the Group and the Company. Remuneration details of the key management personnel of the Group and the Company comprising of the Executive Directors and Non-Director Executives are set out below. Remuneration details on the Non-Executive Directors are disclosed in Note 10 to the financial statements.

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Fees, salaries and bonuses	8,388,333	7,024,120	2,750,037	2,592,478
Allowance	106,000	96,000	36,000	36,000
Benefits-in-kind	109,183	134,301	50,158	59,950
Defined contribution plan	1,061,632	850,501	417,901	394,275
	9,665,148	8,104,922	3,254,096	3,082,703

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 since the preceding financial year 2016 given that its loss contribution to the Group exceeded minimum threshold requiring separate disclosure. Prior to financial year 2016, the engineering business was immaterial for separate disclosure as a segment.

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. Geographic segment is not applicable as the business of the Group are substantially carried out in Malaysia.

	Steel tube	Cold rolled	Engineering	Investment holding	Others	Total
	RM	RM	RM	RM	RM	RM
2017						
Revenue						
Total revenue	266,828,536	482,110,349	48,089,127	10,957,194	7,672,317	815,657,523
Inter segment	(1,603,289)	(27,610,839)	-	(10,957,194)	(2,700,806)	(42,872,128)
Total revenue	265,225,247	454,499,510	48,089,127	-	4,971,511	772,785,395
Segment results						
Profit/(Loss) from operations	33,853,733	22,191,255	(97,975,501)	8,397,450	715,122	(32,817,941)
Finance income	213,307	733,464	20,056	328,825	5,663	1,301,315
Finance costs	(4,053,186)	(7,096,498)	(2,165,307)	(7,779)	-	(13,322,770)
Profit/(Loss) before tax	30,013,854	15,828,221	(100,120,752)	8,718,496	720,785	(44,839,396)
Consolidation elimination *	6,835,517	3,564,133	702,598	(21,427,652)	(1,526)	(10,326,930)
	36,849,371	19,392,354	(99,418,154)	(12,709,156)	719,259	(55,166,326)
Taxation	(6,636,365)	(4,444,233)	(259,676)	(69,305)	(407,832)	(11,817,411)
Net profit/(loss) after tax	30,213,006	14,948,121	(99,677,830)	(12,778,461)	311,427	(66,983,737)

* *Major items include reversal of fair value gain of investment properties (IP) of RM3.3 million recognised as property, plant and equipment (PPE) at Group level, reversal of net write back of impairment losses on amounts owing by subsidiaries of RM2.3 million and recognition of depreciation of RM4.4 million arising from conversion of IP to PPE at Group level and inter segment elimination.*

Notes To The Financial Statements
30 June 2017
cont'd

28 SEGMENTAL ANALYSIS (continued)

	Steel tube RM	Cold rolled RM	Engineering RM	Investment holding RM	Others RM	Total RM
2017						
Segment assets						
Total segment assets	198,204,381	464,293,553	9,079,779	115,367,177	3,429,548	790,374,438
Consolidation elimination #	(21,568,603)	(8,643,159)	-	(2,342,257)	(909,310)	(33,463,329)
Total segment assets	176,635,778	455,650,394	9,079,779	113,024,920	2,520,238	756,911,109
Other information						
Depreciation of property plant and equipment	2,844,729	12,057,520	177,848	4,653,606	44,296	19,777,999
Impairment losses/(write back):						
- property, plant and equipment	1,374,786	732,749	-	(4,143)	8,250	2,111,642
- trade receivables	346,457	-	-	-	-	346,457
Additions of property, plant and equipment	1,303,874	3,125,684	58,639	6,239	4,868	4,499,304

\# *Relates to reversal of fair value gain of investment properties (IP) of RM99.7 million recognised as property, plant and equipment (PPE) at Group level, reversal of intangible assets of RM20.0 million, elimination of intercompany balances of RM3.0 million, offset by recognition of net revaluation impact of RM89.8 million arising from conversion of IP to PPE at Group level.*

	Steel tube RM	Cold rolled RM	Engineering RM	Investment holding RM	Others RM	Total 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	13,070,328	30,424,109	(9,916,073)	7,928,427	24,509,891	66,016,682
Finance income	233,790	212,396	17,278	310,885	10,763	785,112
Finance costs	(3,904,380)	(7,503,479)	(37,013)	(997,444)	(8,375)	(12,450,691)
Share of associate's results	-	-	-	(264)	-	(264)
Profit/(Loss) before tax	9,399,738	23,133,026	(9,935,808)	7,241,604	24,512,279	54,350,839
Consolidation elimination *	7,016,217	5,041,205	48,751	(19,043,640)	(24,347,517)	(31,284,984)
	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

* *Major items include reversal of fair value gain of investment properties (IP) of RM5.2 million recognised as property, plant and equipment (PPE) at Group level and reversal of gain on waiver of debts of intercompany balances of RM24.6 million and inter segment elimination.*

Notes To The Financial Statements
30 June 2017
cont'd

28 SEGMENTAL ANALYSIS (continued)

	Steel tube RM	Cold rolled RM	Engineering RM	Investment holding RM	Others RM	Total RM
2016						
Segment assets						
Total segment assets	149,749,688	400,525,572	26,259,891	109,843,938	3,484,898	689,863,987
Consolidation elimination #	(20,941,176)	(8,927,301)	-	(942,343)	(904,323)	(31,715,143)
Total 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
Additions of property, plant and equipment	857,528	2,823,889	403,081	389,997	1,250	4,475,745

Relates to reversal fair value gain of investment properties (IP) of RM96.4 million recognised as property, plant and equipment (PPE) at Group level, reversal of intangible assets of RM20.0 million, elimination of intercompany balances of RM1.0 million, offset by recognition of net revaluation impact of RM86.3 million arising from conversion of IP to PPE at Group level.

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

	Group 2017 RM	Group 2016 RM
Segment assets	756,911,109	658,148,844
Amount owing by an associate	9,625,268	33,450,000
Derivatives	142,073	704,614
Deferred tax assets	2,148,810	2,721,294
Tax recoverable	257,772	226,100
	769,085,032	695,250,852

Information about major customers

Revenue from two major customers amounting to RM77.3 million and RM82.1 million respectively 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 Group level:

(i) Litigation

At the close of the current financial year, the Engineering subsidiary have received outstanding letters of demand from two independent contractors engaged for the onerous contract Project #1 for payment disputes relating to goods and services rendered amounting to RM4.1 million. The mentioned disputes are expected to be resolved in the next financial period and are unlikely to give rise to further proceedings which may materially and/or adversely affect the financial position and business of the Group as at the date of this announcement.

Besides the above, there no other initiated or on-going litigation in the Group.

Notes To The Financial Statements
30 June 2017
cont'd

29 LITIGATION, COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(a) At Group level: (continued)

(ii) Commitments

There are no material capital expenditures approved but not contracted for at the close of the current financial year, except for an outstanding capital commitment of around USD0.85 million (RM3.65 million) by the Cold Rolled subsidiary for the supply and installation of new motor-drives for its 'rolling mill'. Commitments by the Company affecting the Group is outlined in paragraph (b)(ii).

(iii) Contingent Liabilities

Contingent liability of the Group at the close of the current financial year relates to asset security pledged by the Company for the benefit of its power associate as disclosed in paragraph (b)(iii). Besides that the Group is not aware of any other circumstances or developments giving rise to contingent liabilities 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 Company level:

(i) Litigation

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) Commitments

The Company has in the preceding financial year on March 2016 issued a corporate guarantee for the due performance of its wholly owned Engineering subsidiary to its client for a construction contract valued at RM83.9 million - which has since the preceding financial year been determined to be onerous. In the current financial year on 14 March 2017, the Engineering subsidiary entered into a supplementary agreement with the Client for funding assistance (on the cost overruns beyond the contract sum) to complete the project with direct payments to selected sub-contractors and suppliers. The Company has on 16 March 2017 issued an additional corporate guarantee to the client as a condition for the aforementioned funding, estimated to be reach RM41 million. As at the close of the current financial year, the amount owing by the subsidiary to Client for such advance and guaranteed by the Company stands at RM634,190.

The Company has also issued a corporate guarantee of RM28.2 million on loan facilities amounting to RM33.2 million taken by the Engineering subsidiary to finance the completion of the said onerous projects. The Engineering subsidiary is working on a combination of back-charge claims on sub-contractors and unscheduled variation claims from the clients to cover those cost overruns and project losses in-order to meet repayment obligation on those loans. The Company has also announced a proposed fund raising exercise which could potentially raise a maximum allocation of RM24 million towards repayment of those loan taken by the Engineering subsidiary (see Note 30(b)).

The potential economic outflow relating to the abovementioned corporate guarantees are duly reflected in the Group's consolidated results with the full recognition of those onerous projects' losses.

(iii) Contingent Liabilities

The Company has since mid-2011 pledged certain investment properties (2017 closing fair value at RM61.5 million) and cash deposits (2017 closing: RM9.6 million) for a Standby Letter of Credit in support of a performance guarantee of THB384.8 million (RM48.6 million) by the Power Associate's SIPCO 2 to deliver power supply to Electricity Generating Authority of Thailand (EGAT) under the second phase's 90MW development by 1 July 2018 (hereinafter referred to as 'performance deadline'). As disclosed in Note 16, the associate company has in the current quarter contracted to dispose its entire equity interest in Siam Power 2 where the buyer is required to pledge performance security to EGAT in substitution of those currently provided by the Company. At the close of the current financial year, the share sale has not been completed and the performance deadline has not been extended. The Company has a contingent liability equivalent to the performance guarantee (RM48.6 million) to redeem its pledged securities as the performance deadline has become technically too short to comply. Note 30 provides further updates which provide a relief on this matter after the close of the current financial year.

30 SIGNIFICANT EVENTS AFTER REPORTING DATE

(a) Disposal of the Power Business by an Associate

The following material events relating to the Power Associate's disposal of Siam Power 2 (Note 16) occurred after the close of the current financial year which would provide relief on the related contingent liability as disclosed in Note 29 b(iii):

i. On 14 July 2017, the contracted buyer for Siam Power 2 issued a bank guarantee of THB384.8 million through Siam Power 2 to the Electricity Generating Authority of Thailand (EGAT) in substitution of those assets currently pledged by the Company. As at the date of this report, the Company's pledged assets and obligations under the Standby Letter of Credit issued by the Bank is still pending release and administrative discharge.

ii. On 22 August 2017, EGAT issued its official approval for the extension on the phase-2 90MW performance deadline from 1 July 2018 to 1 May 2019 thus giving sufficient time for the buyer to fulfil its performance obligation on which it has given the security pledged. This also paves way for the new buyer to complete its acquisition of Siam Power 2 as disclosed in Note 16.

(b) Corporate Exercise

The Company has on 23 August 2017 announced a proposed renounceable Rights Issue of 1-for-1 shares held with free detachable Warrants of 1-for-2 Rights Shares subscribed. The proposed fund raising exercise (the 'Exercise') aims to raise a minimum of RM11.5 million which (after netting related expenditures) would be used to subscribe for its minimum entitlement under the proposed Rights issue of its 71.3% held Mycron Steel Bhd. The Exercise may raise a maximum of RM45 million upon full subscription, and under such a scenario the additions would be used to take-up its maximum entitlement under the proposed Rights issue of Mycron Steel Bhd (e.g. another RM9.4 million) with the balance (RM24 million) going towards the repayment of its wholly owned Engineering subsidiary's borrowings (see Note 25). Around the same time, the Group's listed steel subsidiary Mycron Steel Bhd also announced a proposed renounceable Rights Issue of 1-for-5 shares held with free detachable Warrants of 1-for-2 Rights Shares subscribed. The proposed fund raising exercise aims to raise a minimum of RM10.8 million and a maximum of RM28.4 million to fund the steel businesses' capital expenditure program and working capital. On 16 October 2017, Bursa Securities has approved the application for an extension of time for the issuance of the Circular until 22 December 2017 for the Company.

31 FINANCIAL INSTRUMENTS BY CATEGORY

Group 30 June 2017	Loans and receivables RM	Fair value through profit or loss RM	Total RM
Financial assets per statement of financial position:			
Current			
Trade and other receivables (excluding prepayments and GST receivables)	108,658,915	-	108,658,915
Derivative financial instruments	-	142,073	142,073
Deposits with licensed financial institutions	30,022,183	-	30,022,183
Bank balances	47,691,637	-	47,691,637
Amount owing by associates	9,625,268	-	9,625,268
	195,998,003	142,073	196,140,076

Notes To The Financial Statements
30 June 2017
cont'd

31 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group (continued) **30 June 2017** (continued)	**Fair value through profit or loss** **RM**	**Other financial liabilities at amortised cost** **RM**	**Total** **RM**
Financial liabilities per statement of financial position:			
Non-current			
Trade payables	-	850,642	850,642
Borrowings	-	34,905,189	34,905,189
Current			
Trade and other payables (excluding prepayments received and GST payables)	-	235,011,868	235,011,868
Borrowings	-	78,609,834	78,609,834
Derivative financial instruments	3,036,852	-	3,036,852
	3,036,852	349,377,533	352,414,385

30 June 2016	**Loans and receivables** **RM**	**Fair value through profit or loss** **RM**	**Total** **RM**
Financial assets per statement of financial position:			
Current			
Trade and other receivables (excluding prepayments and GST receivables)	110,524,114	-	110,524,114
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
	195,517,376	704,614	196,221,990

	Fair value through profit or loss **RM**	**Other financial liabilities at amortised cost** **RM**	**Total** **RM**
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 and GST payables)	-	140,907,709	140,907,709
Borrowings	-	84,338,604	84,338,604
Derivative financial instruments	3,263,972	-	3,263,972
	3,263,972	235,552,809	238,816,781

31 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company	2017 RM	2016 RM
Financial assets per statement of financial position:		
Loans and receivables		
Current		
Trade and other receivables (excluding prepayments and GST receivables)	116,572	884,743
Amounts owing by subsidiaries	4,066,733	515,427
Amount owing by an associate	601,625	7,333,706
Deposits with licensed financial institutions	10,283,138	9,329,916
Bank balances	232,107	439,527
	15,300,175	18,503,319
Financial liabilities per statement of financial position:		
Other financial liabilities at amortised cost		
Current		
Trade and other payables (excluding prepayments received and GST payables)	3,957,297	1,905,400
Amounts owing to subsidiaries	273,714	7,024,732
	4,230,011	8,930,132

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 RM	Company RM
2017		
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- realised	73,049,357	(46,381,713)
- unrealised	(30,671,415)	(19,408,530)
	42,377,942	(65,790,243)
Consolidation adjustments	(77,710,843)	-
Total accumulated losses per the financial statements	(35,332,901)	(65,790,243)
2016		
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- realised	61,690,849	(51,062,514)
- unrealised	(27,002,749)	(18,715,230)
	34,688,100	(69,777,744)
Consolidation adjustments	9,541,145	-
Total retained earnings/(accumulated losses) per the financial statements	44,229,245	(69,777,744)

Properties Owned

By Melewar Industrial Group Berhad and Its Subsidiaries

No.	Address of property	Lease expiry date	Brief description and existing use	Land 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	196,301 sq. ft. (4.51 acres)	26	26,000,000
2	Lot 49, Jalan Utas 40200 Shah Alam, Selangor	13.4.2072	Factory building	315,802 sq. ft. (7.25 acres)	43	35,500,000
3	Lot 10, Persiaran Selangor 40200 Shah Alam, Selangor	11.5.2085	Factory building	220,370 sq. ft. (5.06 acres)	32	26,600,000
4	Lot 16, Jalan Pengapit 15/19 40200 Shah Alam, Selangor	8.4.2078	Factory building	94,098 sq. ft. (2.16 acres)	35	11,600,000
5	Lot 717, Jalan Sungai Rasau Seksyen 16, 40200 Shah Alam, Selangor	Freehold	Factory cum office building	763,758 sq. ft. (17.53 acres)	28	110,000,000
6	Lot 2953, Mukim Kelemak Daerah Alor Gajah, Melaka	27.9.2082	Factory cum office building	66,015 sq. ft. (1.52 acres)	31	1,260,000

The above properties were revalued in June 2017.

* Based on surveyed land area.
^ From the date of Certificate of Fitness for Occupation.

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

MELEWAR INDUSTRIAL GROUP BERHAD
(8444-W)

FORM OF PROXY
(please refer to the notes below)

No. of ordinary shares held

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

of ______________________________
(Full address)

____

being a member/members of **MELEWAR INDUSTRIAL GROUP BERHAD** hereby appoint *Chairman of the meeting or

______________________ of ______________________ or failing him/her
(Name of proxy, NRIC No.) (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 **48th Annual General Meeting ("AGM")** of the Company to be held at the **Crystal Function Room, 4th Floor, Mutiara Complex, 3½ Miles, Jalan Ipoh, 51200 Kuala Lumpur** on **Thursday, 30 November 2017 at 12.00 noon** or at any adjournment thereof on the following resolutions referred to in the Notice of the 48th 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 AMOUNTING TO RM283,200 FOR THE PERIOD FROM 1 JANUARY 2018 TO 31 DECEMBER 2018 TO BE PAYABLE QUARTERLY IN ARREARS TO THE NON-EXECUTIVE DIRECTORS OF THE COMPANY.				
RESOLUTION 2	TO APPROVE THE PAYMENT OF DIRECTORS' BENEFITS PAYABLE TO THE NON-EXECUTIVE DIRECTORS OF THE COMPANY UP TO AN AMOUNT OF RM180,000 FOR THE PERIOD FROM 1 FEBRUARY 2017 UNTIL THE CONCLUSION OF THE NEXT AGM OF THE COMPANY.				
RESOLUTION 3	TO RE-ELECT TUNKU DATO' YAACOB KHYRA WHO IS RETIRING PURSUANT TO ARTICLE 113(1).				
RESOLUTION 4	TO RE-ELECT AZLAN BIN ABDULLAH WHO IS RETIRING PURSUANT TO ARTICLE 113(1).				
RESOLUTION 5	TO RE-APPOINT MESSRS PRICEWATERHOUSECOOPERS AS AUDITORS OF THE COMPANY AND TO AUTHORISE THE DIRECTORS TO FIX THEIR REMUNERATION.				
RESOLUTION 6	TO APPROVE THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY.				
RESOLUTION 7	TO APPROVE THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS.				
RESOLUTION 8	AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016.				

(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 ______________ 2017

____
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.*
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 presented 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 48th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Articles 79(a), 79(b) and 79(c) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 24 November 2017. Only a depositor whose name appears on the Record of Depositors as at 24 November 2017 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. *Explanatory Notes to Ordinary Business:*
    (A) Audited Financial Statements
    This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Act, does not require a formal approval of the shareholders and hence, is not put forward for voting.
    (B) Benefits Payable to Non-Executive Directors (Resolution 2)
    Section 230(1) of the Companies Act, 2016 requires that benefits payable to the Non-Executive Directors of the Company must be approved at a general meeting. Accordingly, shareholders' approval is sought for the payment of Meeting Attendance Allowances and any other benefits (excluding directors' fees) payable to the Non-Executive Directors which shall take effect from 1 February 2017 and shall continue to be in force until such time that a revision is proposed.
11. *Explanatory Notes to Special Business:*
    (C) Proposed Renewal of Share Buy-Back Authority (Resolution 6)
    The Proposed Resolution 6, 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.
    (D) Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") (Resolution 7)
    The Proposed Resolution 7, 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.
    (E) Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Act (Resolution 8)
    The Ordinary Resolution proposed under Resolution 8 of the Agenda is a renewal of the General Mandate for the Directors to issue and allot shares pursuant to Sections 75 and 76 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 8, 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 total number of issued shares 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 47th AGM held on 8 December 2016 and which will lapse at the conclusion of the 48th AGM to be held on 30 November 2017.
12. *Poll Voting*
    All the Resolutions mentioned above will be put to vote by Poll.

The detailed information on Special Business of Agenda 6 except for Ordinary Resolution 8 as mentioned above is set out in the Circular to Shareholders of the Company dated 31 October 2017 which is despatched together with the Company's 2017 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.

MELEWAR INDUSTRIAL GROUP BERHAD
(8444-W)

15th Floor, No.566, Jalan Ipoh,
51200 Kuala Lumpur, Malaysia
Tel : 603 - 6250 6000 Fax : 603 - 6257 1555
enquiry@melewar-mig.com
www.melewar-mig.com