MELEWAR INDUSTRIAL GROUP BERHAD

(Reg. No. 196901000102 (8444-W))

Annual Report

2020

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CHAIRMAN'S STATEMENT

TUNKU DATO' YAACOB KHYRA
Executive Chairman

On behalf of the Board of Directors, I present the Annual Report of Melewar Industrial Group Berhad and its group of companies ("the Group" or "MIG") for the financial year ended 30 June 2020 ("FY2020").

FINANCIAL RESULTS

The Group's principal activity is in the mid and down-stream sectors of the steel industry, focusing mainly on the manufacturing of Cold Rolled Coil ("CRC") steel sheets and Steel Tubes and Pipes ("Steel Tubes") through its 74.13% interest in its public listed subsidiary, Mycron Steel Berhad ("Mycron").

The other businesses of the Group, are conducted through its 100% owned subsidiaries, Ausgard Quick Assembly Systems Sdn Bhd ("AQAS") who is in the business of supplying commercial and residential buildings using the Industrialised Building System (IBS) to niche markets, and 3Bumi Sdn Bhd which is involved in farming and trading of food products.

For the year under review, the Group recorded total revenue of RM596.5 million, a decrease of RM97.6 million or 14.1% compared to the preceding financial year.

The Group would have registered a pre-tax profit for the current financial year had it not been for the six weeks of business shutdown in compliance with the Movement Control Order ("MCO") due to the COVID-19 global pandemic. Prior to the declaration of the MCO on 18 March 2020, the Group's steel businesses had outperformed the preceding financial year period-to-period.

The Group's business resumption in May 2020 proved challenging, given that administrative compliance of post-MCO rules, hampered the Steel Division's customers' business resumption. Sales and order fulfilment only begun to pick-up in June with both the CRC and Steel Tube segments turning-in a positive performance at the operation level.

STEEL DIVISION

Mycron Steel Berhad encompasses the combined operations of two subsidiaries, namely Mycron Steel CRC Sdn Bhd ("MCRC") and Melewar Steel Tube Sdn Bhd ("MST"). MCRC is involved in the mid-stream sector of the steel industry, converting Hot Rolled Coil ("HRC") steel sheets into thinner gauge Cold Rolled Coil ("CRC") steel sheets. MST is involved in the down-stream sector, in the manufacture of Steel Tubes and Pipes, which are made from HRC and CRC.

CRC OPERATIONS REVIEW

For FY2020, the CRC segment achieved sales revenue of RM417.7 million, which was RM45.3 million lower than the preceding year. The decline is mainly attributable to unfair competition from Vietnamese CRC producers that were aggressively price dumping CRC into the Malaysian domestic steel market during the first half of FY2020. The latter half of FY2020 was significantly impacted by the COVID-19 pandemic. The ramifications of this pandemic impaired CRC's operations during the third and fourth quarter of FY2020.

Exhibit 1: CRC Financial Performance by Quarter

Total Capacity: 260,000 t/y

Mycron CRC Operations Financial Year ended 30 June	FY2020					FY2019
	Q1	Q2	Q3	Q4	Total	Total
Sales Revenue (RM mil)	131.7	118.0	95.1	72.9	417.7	463.0
Sales Tonnage (tonnes)	45,791	43,491	37,546	27,520	154,348	154,583
Production Tonnage (tonnes)	48,923	46,520	28,559	32,118	156,120	150,384
Capacity Utilisation (% max)	75%	72%	44%	49%	60%	58%
Profit/(Loss) Before Tax (RM mil)	0.71	(3.63)	(5.99)	(3.49)	(12.40)	(16.53)

CRC's revenue for the first quarter (Q1) was higher than the preceding quarter with sales tonnage increasing by 35.3%. As a result, the segment registered a pre-tax profit of RM0.71 million for the quarter.

In the second quarter (Q2), sales revenue and tonnage dropped by 10.4% and 5.0% respectively. As a result, CRC segment registered a pre-tax loss of RM3.63 million, mainly due to unfair competition from Vietnamese CRC producers. The prolonged thin-to-negative spreads, between the cost of CRC's raw material (HRC), and imported CRC, severely affected the CRC segment's sales and margins.

These negative margin spreads (i.e. where the price of CRC finished goods, is actually cheaper than the cost of its core HRC raw material) was caused by direct subsidies (distinguished as tax rebates), by as much as 16%, given by the China government, for exported Chinese CRC. These subsidised Chinese CRC enter Vietnam, and are physically swapped with Vietnamese made CRC, which are then exported to Malaysia. The physical CRC entering Malaysia, may not be Chinese made, but the Chinese subsidies, allows Vietnamese CRC to be shipped to Malaysia, at subsidised prices.

The third quarter (Q3) was a demanding quarter for the CRC segment. The segment reported a 13.7% drop in sales tonnage and recorded a pre-tax loss of RM5.99 million. The loss was due to a combination factors such as seasonal Chinese New Year holidays, the beginning of the COVID-19 outbreak in China, and the implementation of the MCO by the Malaysian government on 18 March 2020. The global outbreak of the COVID-19 virus caused steel prices to slump during the third quarter.

The fourth quarter (Q4) was an extremely challenging quarter due to COVID-19's impact on the domestic economy. The mandatory closure of manufacturing and business activities domestically since the start of the MCO, significantly impaired Mycron's sales and revenue for Q4. Even though the CRC segment had healthy book orders, the CRC segment was not able to deliver during the months of April and May, as most sectors of the economy only began resuming their operations in June. Due to the reasons stated above, the CRC segment's sales tonnage during Q4 dropped by 26.7% to 27,520 tonnes, whilst sales revenue dropped by 23.3% to RM72.9 million. The segment registered a pre-tax loss of RM3.49 million for the quarter.

STEEL TUBE OPERATIONS REVIEW

The Steel Tube segment's revenue decreased by 21.7% to RM203.3 million for FY2020 due to slow demand for steel pipes and the COVID-19 pandemic impact on its operations. The tube segment registered a lower pre-tax profit of RM1.61 million for FY2020 compared to the preceding year.

Exhibit 2: Steel Tube Performance by Quarter

Total Capacity: 148,800 t/y

Melewar Steel Tube Operations Financial Year ended 30 June	FY2020					FY2019
	Q1	Q2	Q3	Q4	Total	Total
Sales Revenue (RM mil)	60.0	63.3	58.7	21.3	203.3	259.7
Sales Tonnage (tonnes)	20,462	22,716	20,745	8,200	72,123	84,399
Production Tonnage (tonnes)	17,654	20,470	16,408	8,315	62,847	70,488
Capacity Utilisation (% max)	47%	55%	44%	22%	42%	47%
Capacity Utilisation* (% max)	51%	59%	47%	25%	46%	51%
Profit/(Loss) Before Tax (RM mil)	0.35	0.15	3.10	(1.99)	1.61	7.24

*Inclusive of tolling services

For the first financial quarter (Q1), the Steel Tube segment was relatively stable as sales tonnage recorded a slight increase that translated to 20,462 tonnes compared to the previous quarter of 20,082 tonnes. However, sales revenue dropped by 2.4% to RM60.0 million. Consequently, Profit Before Tax ("PBT") for the quarter dropped to RM0.35 million. This is mainly due to the significant slowdown of infrastructure projects and construction activities across Malaysia. The drastic softening of steel prices also caused buyers to bide their time in making purchases.

The Steel Tube segment reported a flat second quarter (Q2) with marginal profit. Total sales revenue was RM63.3 million, which is 5.5% higher than the previous quarter. Domestic demand for pipes remained weak, resulting in a downward trend throughout the quarter. Steel Tube segment only managed to achieve a PBT of RM0.15 million in Q2.

The third financial quarter (Q3) was a mixed quarter. The Steel Tube segment registered a decline in sales tonnage and revenue due to the seasonal Chinese New Year holidays and the beginning of the COVID-19 pandemic. However, it registered a pre-tax profit of RM3.1 million due to higher margins achieved.

The Steel Tube segment suffered a weak fourth quarter (Q4) with significant decline in sales tonnage, revenue, and profit. This was mainly due as a consequence of the MCO and mandatory business closures imposed by the Malaysian government in March 2020. Sales revenue dropped by 63.7% to RM21.3 million. Sales tonnage dropped by 60.5% to 8,200 tonnes and the tube segment registered a loss before tax of RM1.99 million.

ENGINEERING DIVISION

Melewar Integrated Engineering Sdn Bhd ("MIE") operated on its existing Terengganu Silica Project from the past and has not had any new engagements. The last outstanding project had not come into full completion as it strived to secure the client's final acceptance sign-off. The disposal of MIE on 14 August 2020, brings this engineering segment to closure.

AQAS is expected to complete its pre-commercialisation contract in FY2020 with the completion of three remaining structures. The vital data collection, testing, and improvements, executed during the pre-commercialisation period, have been incorporated into final versions of its quick assembly buildings. AQAS endeavours to secure additional projects for its order book for fiscal 2020 and beyond.

ANTI-CORRUPTION POLICY

MIG is fully committed toward eradicating corruption. The Group maintains a strict, zero-tolerance position against corruption, bribery, or any kind of abuse of power. Aligned with this, the Group had adopted its Anti-Corruption Framework and Policy on 1 June 2020.

The Group expects its Directors, Senior Officers, Employees, and Business Partners to operate in full compliance with the Company's Policy, with the highest standard of ethical conduct, integrity, and professionalism. The full version of the policy is available on the company's website (http://www.melewar-mig.com/corp-gov/anti-corruption-policy.pdf).

LONG TERM OUTLOOK

The Steel Division has been, and continues to be the major contributor to the Group in terms of profit.

As reported by Mycron Steel Berhad, the successful Anti-Dumping petition on CRC imports of more than 1,300mm width from China, Vietnam, Korea, and Japan, on 24 December 2019, provided positive support to Mycron's CRC segment. This measure is effective from December 2019 until December 2024.

Mycron continues to make efforts to address unfair trade practices, and to stop CRC price dumping from Vietnamese CRC producers. Aligned with that, MCRC has filed a petition to initiate a review of Anti-Dumping Duty with regards to imported CRC of 1,300mm width and below, originating from Vietnam. The Steel Division is confident of obtaining higher Anti-Dumping duties against Vietnamese CRC producers, which will improve the domestic industry's future outlook.

Holistic development remains crucial for the substantiality of the Malaysian domestic steel industry value chain. To address unfair competition and unjust operating environment from cheap imports, the Group has been actively engaging various government ministries by advocating reforms and developing the way forward for the industry, by active participation in reshaping the National Iron and Steel Policy.

The implementation and execution of the new National Iron and Steel Policy by the end of 2020 will be a game changer for the domestic steel industry for the foreseeable future.

The Group is confident that the new policy and measures, will be implemented, to protect Malaysian steel manufacturers and their workforce.

PROSPECTS FOR THE NEW FINANCIAL YEAR

The simultaneous restart of domestic economic activities witnessed pent-up steel demand from the construction and manufacturing sectors, and at a time when raw steel material supplies faced short-term disruptions due to cross-border logistic and shipping constraints. Upward trending regional steel prices on the back of China's growth recovery and robust steel demand, have also supported domestic steel demand.

The revival of Malaysia's mega projects such as the East Coast Rail Link (ECRL), Kuala Lumpur-Singapore High-Speed Rail (HSR), and Mass Rapid Transit Line 3 (MRT3) should increase domestic steel demand, which in turn, would favour the Group's Steel Division.

Moving into the new financial year, the Group will be on a lookout for suitable investment opportunities that may arise during the recovery phase of the COVID-19 pandemic. The Group intends to further expand its business in the areas of farming and food trading. Notwithstanding external factors, the Group remains resolute in propelling performance from within through its various cost rationalisation and operational efficiency programmes.

ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to the management team and staff for their commitment, dedication, and contributions to the Group. To our valued business associates, customers, suppliers and shareholders; thank you for your continued invaluable support, confidence and trust you have placed in us.

Finally, I would like to thank my fellow Board members, for their stewardship and contributions to the Group.

MANAGEMENT DISCUSSION & ANALYSIS STATEMENT

This Statement provides the management's analytical overview of the Group's operations and financial performance for the financial year ended (FYE) 30 June 2020 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 posted a net loss of RM4.1 million for the current financial year compared with the preceding FYE 2019 net profit RM27.6 million on the back of segment losses from its Cold Rolled (pre-tax loss RM 8.6 million) and Engineering (pre-tax loss of RM1.2 million) but mitigated by gains from its Steel Tube (pre-tax gain RM 9 million). The year-on-year performance contrast is exacerbated by the preceding period's one-off bumper net profit of its Engineering subsidiary of RM43 million from its write-back of loss provisions on onerous contracts; and the current financial year's once-in-a-century COVID-19 pandemic which has negatively affected all segments.

The Group's steel segments were particularly affected by the COVID-19's nationwide mandatory business shutdown for six weeks under the Movement Control Order (MCO) and subsequent 'conditional' and 'restrictive' order extensions which is still in effect until now. Up to the point of shutdown on 18 March 2020, the Group steel segments' performance were on the up-turn from a combination of factors: (i) the narrowing of CRC dumping from aboard cumulating from anti-dumping measures pursued by the Group's CRC unit; (ii) the 1st stage US-China trade-deal signed in January 2020 which brought relief to regional economies affected by the prolonged disruptive trade-war; and (iii) upward trending steel prices from November 2019 onwards. However, the abrupt pandemic shutdown paralysed the economy, and the steel segments grinded to a halt. It is estimated that the mandatory shutdown itself cost the steel segments RM6.6 million, representing around 161% of the Group FYE 2020's net loss.

The Engineering segment was the least effected by the COVID-19 shutdown, as its business or revenue generating activities were at minimum in the absence of any new job engagement coupled with the tail-end progression on its last onerous construction contract. The engineering segment's net loss of RM1.2 million comprised mainly of its fixed overheads and operating expenses, and would not have been any different without the MCO shutdown.

With the Government's stimulus and relief package focused on helping the B40 (Bottom 40%) and SME (Small Medium Enterprise) groups, listed corporations like the Group received little help beyond the Government's wage-subsidy programme. The Group took immediate steps to contain costs and sought the rescheduling of near-term financial obligations as cash-flows were interrupted by the shutdown. The Group had refrained from any layoffs or furlough. The restart of the economy in May was sluggish with strict screening and operating procedures coinciding with the Ramadan and Hari-Raya festive period. The Group's steel businesses only begun to gradually pick-up towards June as pent-up demand from industrial users pushed sales above breakeven. The pandemic crisis and ensuing economic stimulus spending have sustained steel demand from the manufacturing of health-care equipment, furniture and fittings; consumer white-goods; construction and infrastructural projects; and even vehicles production. The pandemic also affected supply logistics on steel and raw materials - due to border closure and enhanced ports controls - which further fuelled demand dynamics. All these factors have favourably supported the Group's business resumption, and may continue to support its path towards normalisation into the next financial year.

Given the highly adverse business condition in the current financial year, the Group's key financial indicators as outlined in Table 1 below showed deterioration in all key measures over the preceding FYE 2019.

Table 1	FYE 2020	FYE 2019
Profitability		
a. Operational Return on Average Capital Employed (EBIT/Ave Cap)	-0.41%	8.34%
b. Return on Equity (Net Earnings/Ave Equity)	-0.31%	7.04%
Liquidity		
c. Current Ratio (Current Assets/Current Liabilities)	1.46	1.43
d. Interest Cover Ratio (EBITDA/Net Interest Expense)	2.72	10.68
Capital		
e. Debt to Equity Ratio (includes all interest bearing debt)	0.21	0.25
Value		
f. Net Tangible Asset per Share (RM/share)	1.03	1.03
g. Enterprise Value to Total Comprehensive Income Ratio	(52.86)	2.74

SEGMENTS' PERFORMANCE

For the current financial year, the Steel Tube segment recorded a 17.5% lower net tax profit of RM8.29 million; whilst the CRC segment recorded a 42% lower net tax loss of RM7.47 million compared to the preceding period's loss. The Steel Tube segment's weaker performance is attributed to a 14% drop in sales volume in the current financial year due to the MCO shutdown, despite its 150 basis point higher gross margin compared with the preceding period. The CRC segment's better performance with its lower losses is attributed to sustained sales volume (similar to preceding period) despite the MCO shutdown, coupled with a 130 basis point higher gross margin compared to the preceding period. Both the segments' performance was also dragged down by a 26% higher impairment on PPE (Property, Plant, & Equipment) totalling RM2.4 million compared to the preceding financial year of RM1.9 million due to fair valuation mark-down arising from the pandemic. The Engineering segment's net loss for the current financial year reflects the subsidiary unit's operating overheads which has been kept minimal in the absence of any new revenue driver.

Table 2	Steel Tube		Cold Rolled		Engineering	
RM' Million	FYE 2020	FYE 2019	FYE 2020	FYE 2019	FYE 2020	FYE 2019
External Revenue	201.92	257.23	392.76	434.79	0.70	1.27
Net Tax Profit/(Loss)	8.29	10.05	(7.47)	(12.82)	(1.22)	43.09

The ensuing paragraphs discuss the segments' challenges.

Steel Tube Segment

The Group's steel tube operation, held through its listed Mycron Steel Berhad, ranks second by market share in an industry dominated by four top manufacturers (with annual production volume exceeding 60,000 tonnes each) plus many more small scale producers (with annual production volume of 36,000 tonnes or less each) of limited product-range. The Group's Steel Tube subsidiary sells to various downstream applications in steelwork fabrications, electric-conduits, fire-fighting systems, roofing & railings, furniture production, vehicles production, and piping systems. The diverse usage had contributed to the segment's rebound from the MCO shutdown with higher demand from certain sectors where others have slacked. For FYE 2020, its export sales was higher at around 10.4% compared to FYE 2019 at 7.2%.

Declining HRC raw material price trend from FYE 2019 extended into the 1st half of FYE 2020 pressuring gross margin until the rebound in late November 2019 stretching into 2020 before the MCO shutdown on 18 March (see Chart 1 below). The cautious market in the 1st half of FYE 2020 resulted in lower sales volume by around 4.7% compared with the corresponding preceding period. The onset of the COVID-19 pandemic resulted in a sharp dip of HRC prices in April and May, but rebounded sharply from June with upward trajectory into the next financial year as most Asia-Pacific economies particularly China rebounded. Post business resumption in May 2020, orders initially flowed-in from the furniture sector (for hospital beds and fittings production) and subsequently from the construction and infrastructural sectors as projects gradually resumed with the Government's fiscal and monetary pump-priming kicking-in. Post-resumption's sales volume had recovered to around 42% of normalisation in May and 70% in June: both months with higher margins due to the rising price trend. With the COVID-19 and six weeks of business shutdown, sales volume in the 2nd half of FYE 2020 had declined by about 25.3% compared to the corresponding preceding period.

Consequently, the Steel Tube subsidiary's EBITDA (Earnings Before Interest, Tax, Depreciation, and Amortisation) dipped by 23.2% to RM10.6 million – its lowest in 5 years. Nevertheless, the Steel Tube subsidiary has weathered the severe economic conditions of COVID-19 relatively well.

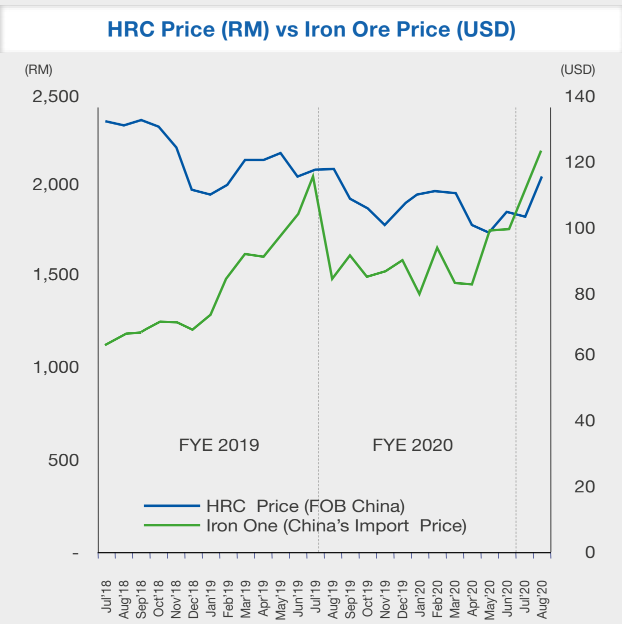

Chart 1

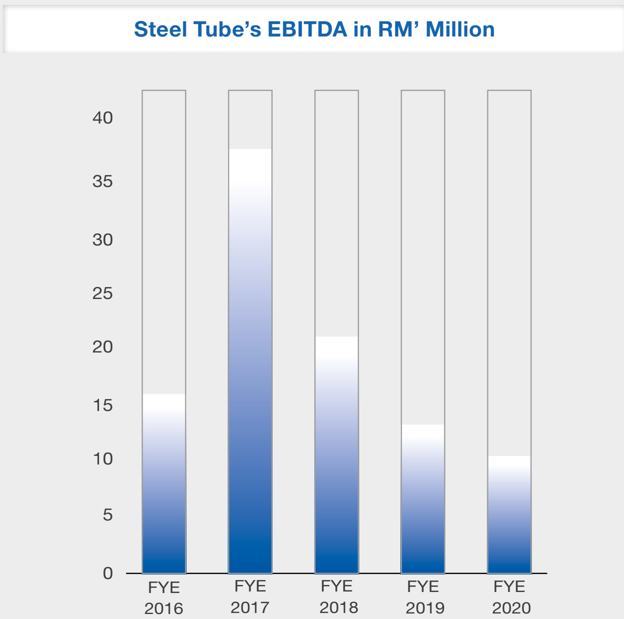

Chart 2

MANAGEMENT DISCUSSION & ANALYSIS STATEMENT (CONTINUED)

Cold Rolled Segment

The Group's CRC operation, held through its listed Mycron Steel Berhad, ranks second by market share in the domestic industry dominated by two manufacturers. It sells mainly to domestic downstream manufacturers of pipe & tubes, galvanized & coated sheets, steel drums, electrical & electronic goods, automobile parts, and equipment fabrication. Around 5% to 7% of its CRC are sold to its sister company involved in the steel tube & pipe manufacturing whilst the balance are sold to local downstream manufacturers whose end-products serve both the domestic and export markets. The diverse usage of CRC greatly contributed to the segment's rebound from the MCO shutdown.

The CRC subsidiary had worked tirelessly in FYE 2019 and 2020 to address unfair competition from imports spurred by trade diversions from the prolonged US-China trade war coupled with the rise of a behemoth Vietnam based steel producer which had impinged upon its performance since 2017.

The CRC subsidiary made significant progress in its fight against unfair competition with the following milestones achieved up until the 1st half of FYE 2020 which saw its sales volume increased by 6.4% compared with the corresponding preceding period.

- March 2019: Initiation of anti-dumping investigation against China, Korea, Japan, & Vietnam of CRC width more than 1300mm
- April 2019: Industry players' submission of the Iron & Steel policy white paper to MITI for finalisation
- May 2019: Anti-dumping duties reviewed against China, Korea & Vietnam of CRC width less than 1300mm
- November 2019: Gazetted prohibition of importation of alloy CRC
- December 2019: Effected anti-dumping duties against China, Korea, Japan & Vietnam of CRC width more than 1300mm

With the above coupled with the rising pricing trend at the start of calendar year 2020 and healthy forward-order book after Chinese New Year, the 2nd half of FYE 2020 was to mark the turning point of the CRC subsidiary's performance. But that was abruptly disrupted by the pandemic shutdown. Post resumption in May, the CRC subsidiary had pre-MCO orders on-hand to restart its manufacturing operations quickly as customers particularly those in white-goods and furniture manufacturing quickly got back into business. Post-resumption's sales volume had recovered to around 57% of normalisation in May and 97% in June: both months with better margins due to the rising price trend. With the COVID-19 and six weeks of business shutdown, sales volume in the 2nd half of FYE 2020 had declined by only about 8% compared with the corresponding preceding period.

The authorities' announcement on the initiation of administrative review of anti-dumping duties on CRC alloy and non-alloy steel imports from Vietnam on 28 July 2020 – potentially closing-off the last loop-hole on unfair competition – should augurs well for the CRC subsidiary in the next financial year.

Consequently, the CRC subsidiary only managed to turn-in a small EBITDA (Earnings Before Interest, Tax, Depreciation, and Amortisation) of RM2.2 million from a negative RM0.65 million in the preceding financial period.

HRC Price vs CRC Price (RM)

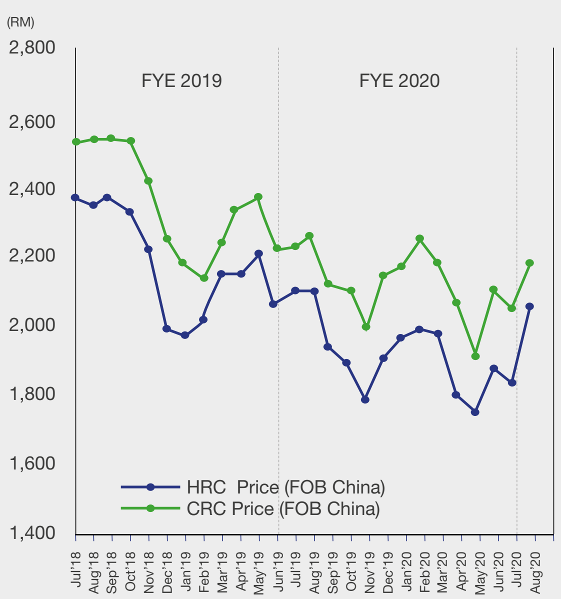

Chart 3

MCRC's EBITDA in RM' Million

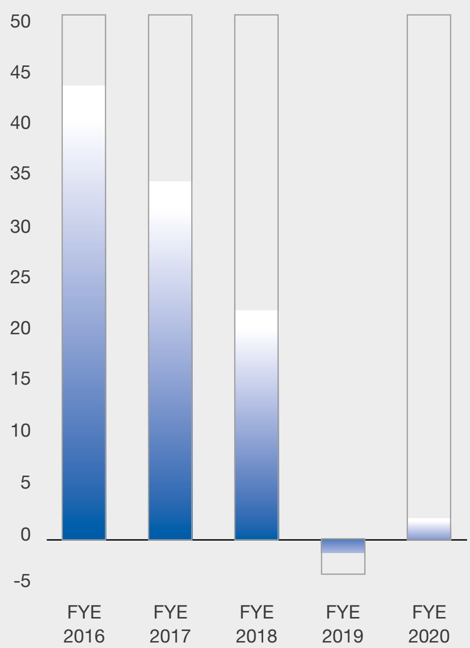

Chart 4

Engineering Segment

The Engineering segment is an aggregation of two directly held subsidiaries MIE and Ausgard (see Note 16), and only became relevant for segmental reporting in FYE 2016 after MIE landed two substantial engineering construction contracts in FYE 2015 and FYE 2016 respectively.

For the current financial year like in the last, both the subsidiaries only worked on existing contracts carried forward from the past and have not had any new engagements. Ausgard managed to complete and deliver another two modular-library units to its client in the current financial year at a net loss of around two hundred thousand for the period. It has another three modular-library units to go in the next financial year. MIE's progression with its last onerous construction contract remained stagnant at 98.7% cost-to-completion, as it continued to struggle to secure acceptance sign-off from the client. Without any change in provisions, MIE recorded a net loss of RM1.2 million largely attributed to its overheads and operating expense for the current financial year.

With the disposal of MIE after the close of the current financial year (Note 33), this segment will no longer be material for reporting in the next financial year.

As a result, the segment's performance ratios as outlined in Table 3 below (which are supplementary to the segment analyses disclosed in Note 30 of the financial statement) showed all around weaker performance for the Steel Tube and Engineering segments but marginal improvement for CRC segment due to the lower losses.

Table 3	Cold Rolled		Steel Tube		Engineering	
	FYE 2020	FYE 2019	FYE 2020	FYE 2019	FYE 2020	FYE 2019
Revenue/Assets Employed	1.0	1.0	1.1	1.3	0.2	0.2
EBIT (LBIT)/Full Time Employee (RM'000/person)	(33.0)	(44.8)	71.10	78.80	(199.7)	3,580.9
Net Profit (loss)/Asset Employed (Sens on RM)	(1.8)	(3.0)	4.6	5.2	(34.5)	605.9
Assets/Total Assets	59.2%	59.5%	26.4%	26.3%	0.5%	1.0%

OUTLOOK AHEAD

Macroeconomic outlook for the next financial year remains grim with the COVID-19 pandemic unabated and continuing to weigh down on global recovery from the deepest economic recession since World War II. (Source: World Bank). Topping that, the U.S.-China decoupling plus the 'hugely consequential' 59th U.S. presidential election add to global economic uncertainties and geopolitical risks. Domestically, the nation's pace of recovery remains stymied by its trading-partners' pandemic struggles, border closure, and its inherent fiscal constraints.

The pandemic crisis has polarised the nation's economy with a few clear winners at one end of the spectrum, and clear losers at the other end. If ranking that spectrum of winners at ten and the losers at zero, the Group's steel businesses should sit somewhere between five to seven in that spectrum. Where steel demand has slackened in certain application areas, the pandemic has boost steel demand for the manufacturing of hospital beds, fittings & medical equipment, household white goods, and even vehicles. Malaysia like other nations affected by the pandemic have dug deep into deficit fiscal spending to cushion the recession and to spur economic recovery. A significant portion of these spending would end up supporting infrastructural and construction projects which in-turn would support steel demand. The Group's steel businesses should be kept afloat in the first half of the next financial year by these factors. The direction on the Group's performance in the second half of the next financial year remains opaque and largely depends on whether the pandemic crisis would succumbs or further deepens. The latter scenario would be devastating as fiscal and monetary stimulus-options would have ran thin; whilst, the former scenario with the reopening of borders and investment inflows would significantly improve outlook.

With the exit of the engineering segment, the Group will be on the lookout for new business opportunities which may arise with the gradual recovery of the COVID-19 pandemic. Regardless of the external factors, the Group remains steadfast in driving performance from within through its various cost rationalisation and operational efficiency programs. Barring another lock-down or outbreak of global-geopolitical tension, the Group could possibly deliver a breakeven or better performance for the next financial year.

SUSTAINABILITY STATEMENT

This Sustainability Statement is made in compliance with Bursa Malaysia's Listing Requirements as specified in Appendix 9C Paragraph 29, and Practice Note 9 Paragraph 6. This Statement contains contextualised information which are integral to the overall understanding of the Group's corporate governance practices and as such should be read in conjunction with the Group's Corporate Governance Overview Statement; and the Statement on Risk Management and Internal Control. In the making of this Statement, the Group applied the principles and standard disclosures specified in the Sustainability Reporting Guide issued by Bursa Malaysia, and some guidance from the Global Reporting Initiatives (GRI) standards issued by the Global Sustainability Standards Board.

A. OVERVIEW

The Group holds the view that the preservation of its economic existence is dependent on its long-term ability to provide value to customers in ways that conserve the eco-social environment in-which it operates whilst maintaining a win-win co-existence with various stakeholders. Illustration 1 below summarises the Group's view on sustainability and its dynamics.

OUR SUSTAINABLE BUSINESS PRACTICES ARE ATTUNED TOWARDS

- **Adding Value**
- **Responsible use of Finite Resources**
- **Stakeholders Engagement**

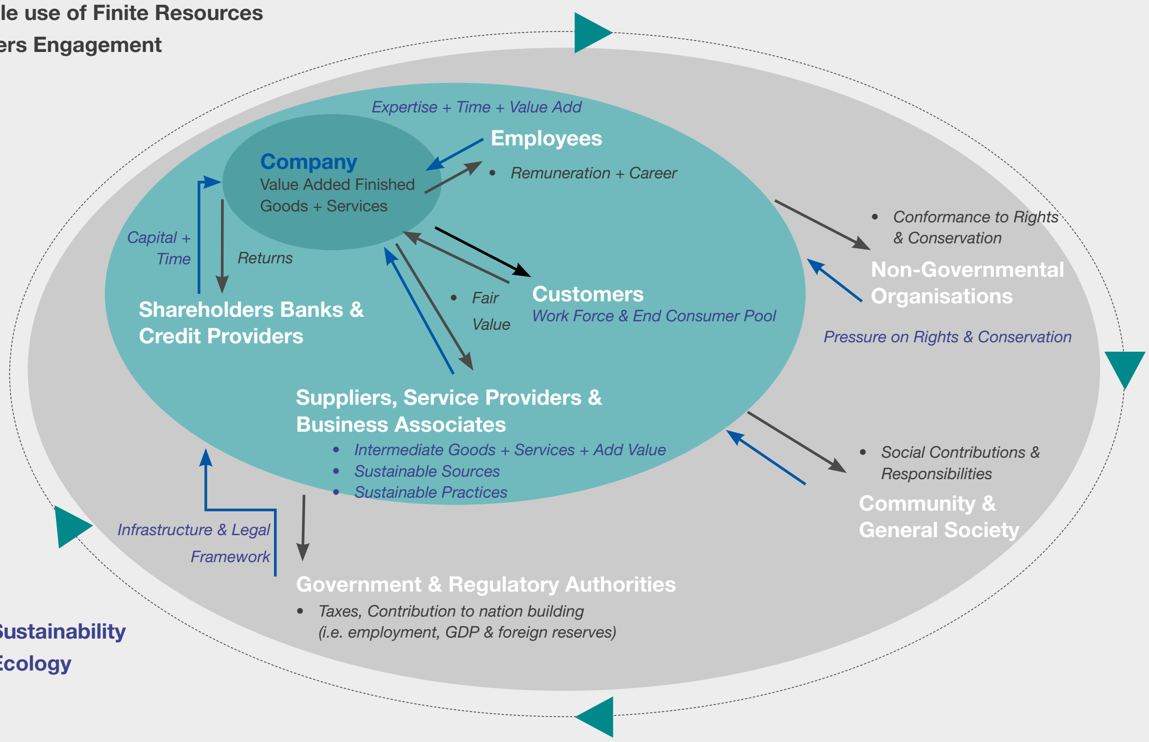

Illustration 1

The Group's sustainability faced its greatest test with the sudden COVID-19 pandemic outbreak in the 2nd half of the current financial year. Businesses were shutdown nationwide for six weeks and beyond, and the entire economy plunged into an unprecedentedly deep recession. The Group emerged from the shutdown shaken but comparatively unscathed to quickly normalise operations. Its ability to achieve business normalisation within a couple of months post-shutdown is a testimony on the resilience of its 'economic, social, and environmental' sustainability. With the pandemic unabated and threats continuing to loom, Group hopes its 'sustainability governance and best practices' would continue to help it ride-out the debacle.

The ensuing Parts (B) and (C) of this Statement discuss the Group's sustainability governance structure and sustainability framework – which remained much the same as reported in the preceding financial year. Readers already familiar with these should skip to Part (D) which discusses the Group's 'material sustainability matters' for the current financial year.

B. GOVERNANCE: STRUCTURE, ROLES, & RESPONSIBILIES

Sustainability effort in the Group extends to all subsidiary entities and business units, under a single governance structure (as shown in illustration 2 below) which is synonymous with its corporate governance structure. The Board is ultimately responsible for the Group's sustainability integration and compliance.

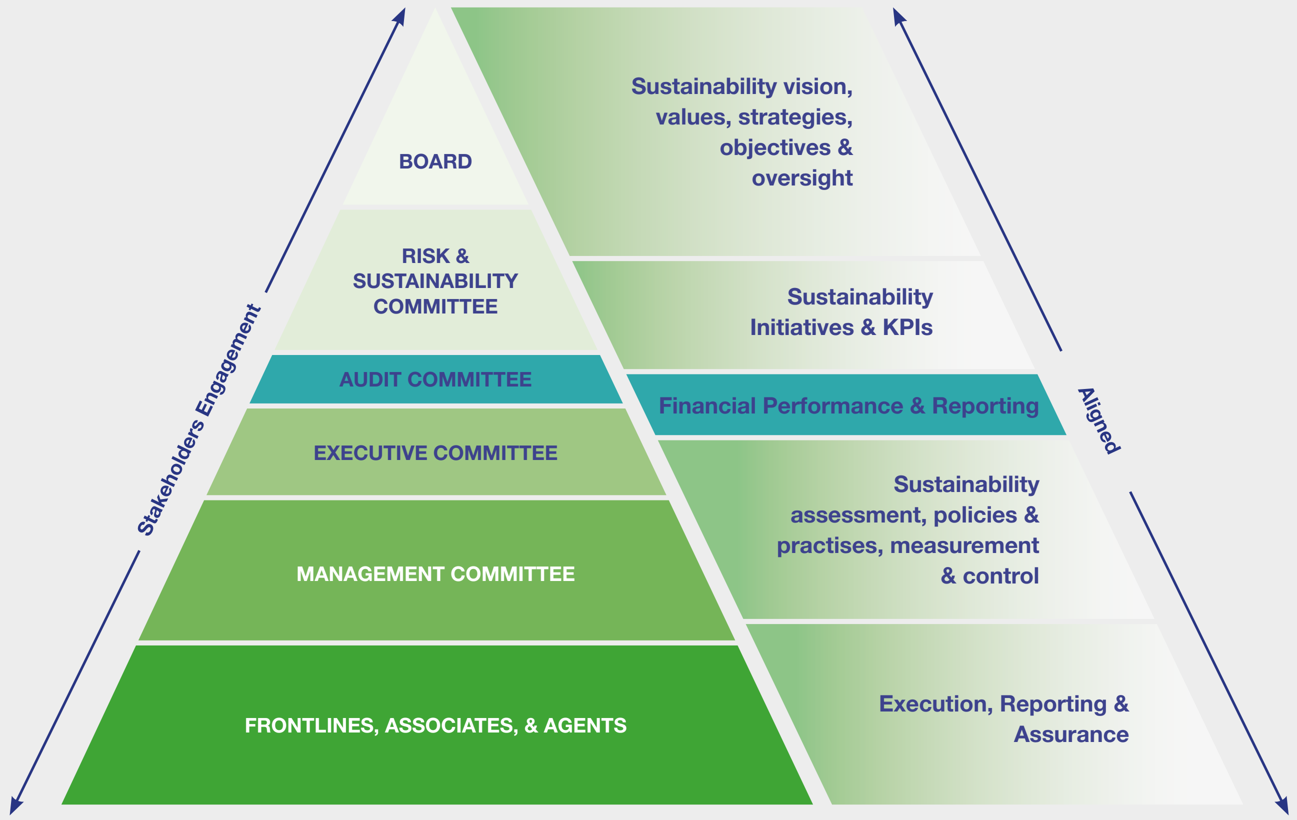

Illustration 2

Sustainability is an embedded component of the Group's corporate governance, and is driven from the top by the Board via a Risk and Sustainability Committee (RSC) helmed by a senior independent non-executive director.

The RSC plays an oversight role over both 'risk and sustainability management' undertaken by the Management. The RSC convenes quarterly together with the executive management represented through an Executive Committee (EXCO) to review principal risks and material sustainability matters along with internal audit findings.

The Internal audit (outsourced to an independent 3rd party) also provides a level of assurance on the adequacy and compliance of the Group's sustainability framework, policies, and procedures. To ensure proper linkage between risk and sustainability management with the Group's financial performance and reporting, the Audit Committee also plays an integral role in the governance structure to address the aforementioned with the EXCO.

The EXCO in-turn steers a whole range of strategic, business and organisational matters including "sustainability" with the key operations' respective Management Committee (MANCO). The MANCO in-turn drives frontline and functional units' management of 'sustainability matters' and their day-to-day administration of sustainable business best practices, in tandem with other strategic and operational undertakings. It is also at this level where most of the sustainability Key Performance Indicators (KPIs) are measured, reported, and managed.

The Group's top-down governance structure not only provides a mechanism for two-ways communication and feedback throughout the hierarchy of the organisation, but also empowers each layer to engage stakeholders relevant to its level in a manner which is coherent and aligned with its overall corporate and sustainability objectives.

The Group's governance structure has proven to be highly effective in the organisation's ability to coordinate with key stakeholders at relevant levels in a timely manner and response quickly to the Pandemic threats over the current financial year.

C. FRAMEWORK

The Group's sustainability management framework – as illustrated below- focuses on mitigating risks and taking advantage of opportunities on sustainability matters to further the achievement of its corporate and sustainability objectives.

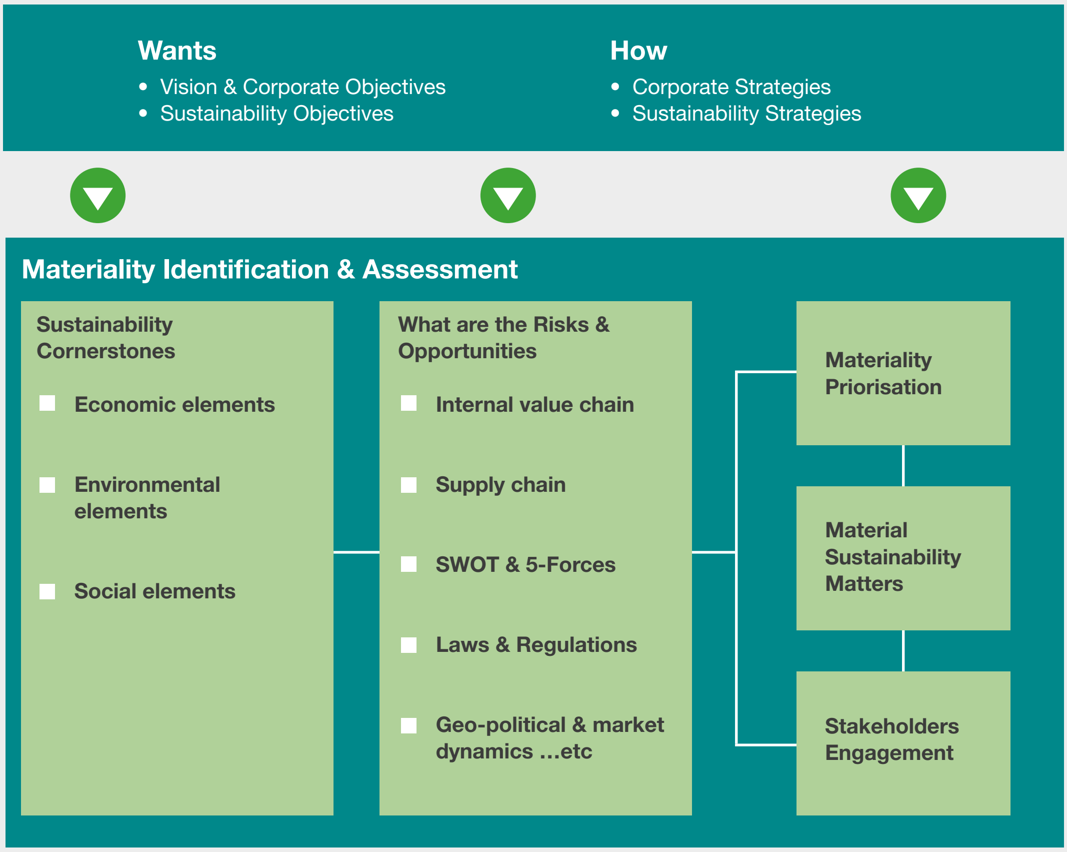

Illustration 3

The Group adopts the view that 'material sustainability matter' identification and assessment should be kept simple and agile for timely response – rather than turning it into an academic quantification exercise. The need to physically engage stakeholders during the "materiality assessment" stage rarely arises in today's information-age, as their wants in-relation to sustainability issues are often well promulgated and can be rapidly identified. In practise, the Group's steel businesses constantly engage stakeholders old and new in the course of their prioritised dealings – which provides a continuous loop of identification and management of material sustainability matters throughout the financial year. The framework has proven to be highly effective with the pandemic crisis, as the Group was able to quickly red-flag those material matters and immediately engage affected stakeholders with appropriate responses.

Illustration #4 below is a snapshot of the Group's materiality matrix where 'sustainability matters' are measured against its significance to the Group and to the stakeholders for the current financial year. While every mentioned 'matter' on the matrix is important to the Group's long-term sustainability, the top right-hand quadrant represents those of the highest significance of-which are prioritised for reporting hereinafter. The positioning of these 'sustainability matters' changes from time-to-time, and those in the top priority quadrant currently is consequential of the Pandemic and ensuing economic downturn.

MATERIALITY MATRIX

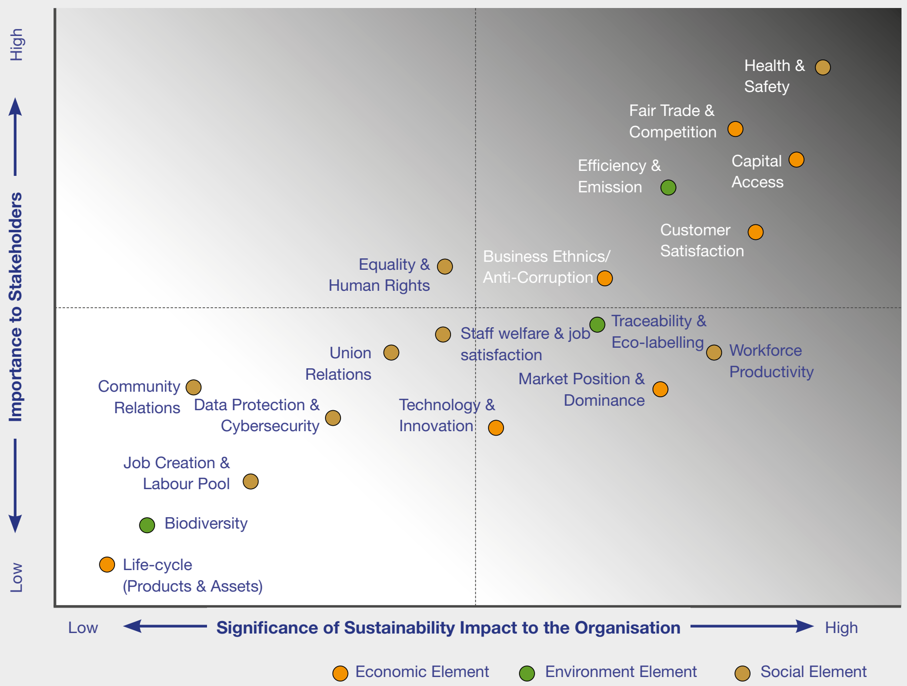

Illustration 4

In managing those sustainability matters, the Group would associate each sustainability matter with the relevant stakeholder groups; and then further profile stakeholders within that group in-order to refine the appropriate engagement strategy.

Illustration #5 below is a snapshot of the Group's nine main stakeholder groups, and how these cross-lapped the four quadrants of engagement strategies – determined by the position of the stakeholder's interest and influence on the organisation. For instance, the 'customers group' sits on all four quadrants, and the business units would need to profile and identify each customer's position in the Prioritisation Matrix to determine the engagement strategy that best applies.

STAKEHOLDER PRIORITISATION MATRIX

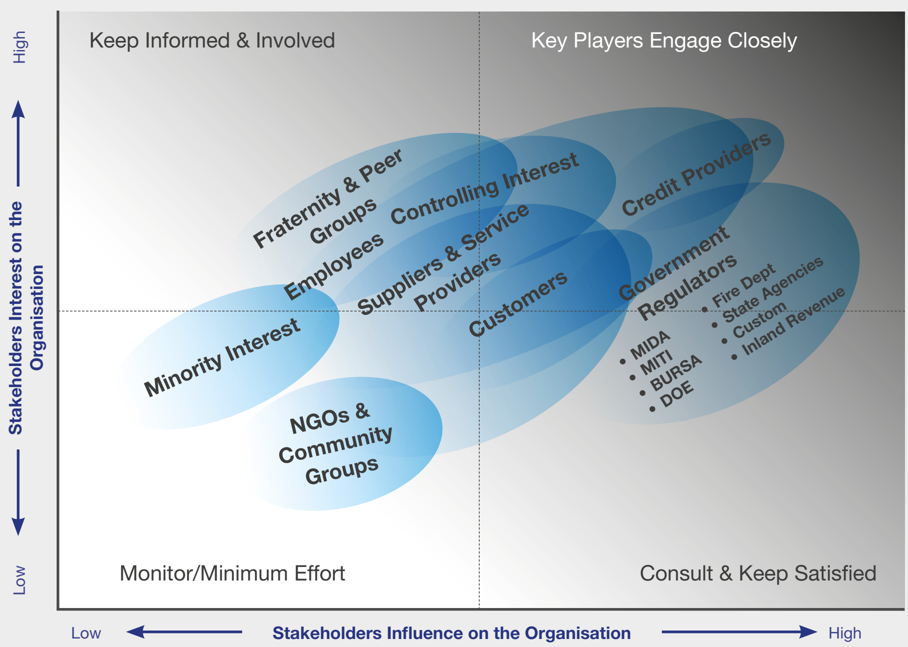

Illustration 5

The engagement approach and the frequency of engagement vary under each quadrant and for each stakeholder.

D. MATERIAL SUSTAINABILITY MATTERS

Set-out below are highlights of the Group's 'material' sustainability matters for the current financial year.

Economic-Environment & Social

1.0 Health & Safety

'Health & Safety' (H&S) has become the top priority sustainability matter with the Pandemic outbreak over the current financial year - not only from the perspective of staff well-being but also from the perspective of 'business continuity'.

The authority had set stringent Standard Operating Procedures (SOP) related to health and safety protocol as preconditions for business resumption, and the Group has since worked effortlessly to ensure continuous compliance with those. All foreign workers and high-risk individuals within the Group had undergone compulsory health screening prior to work resumption. Daily temperature screening, social distancing, facial-masking, and sanitising requirements are strictly enforced. The 'distancing rules' did not impact the Group's production capacity as its manufacturing lines are partially automated with ample distancing amongst workers on the factory floors.

Whilst the Group's stringent SOP compliance cannot guarantee that its staff would not get infected from elsewhere, it would help red-flag early symptoms and mitigate potential spread on its business premises. Nevertheless, the Group is fortunate to report zero incident of COVID-19 infection amongst its staff to-date; for-which if did, will result-in its business premises closure for disinfection and self-quarantine for others. Such a disruption will likely last a week or two with significant negative financial impact. In this regard, residue risk remains in this area. The Group is pleased to report that onsite inspections by the authorities on SOP compliance so far have been given a clean-bill.

Under ordinary times, regulatory H&S requirements for factory operations are already elaborate. The Group's manufacturing operations are regulated by the 'Occupational Safety and Health Act' and the 'Factories and Machinery Act', which combined covers wide ranging regulations covering licensing, machinery upkeep, environmental management, and staff welfare. The Group's operations work vigorously to comply with these, and its steel units each has established H&S committee aided by designated officer to oversee initiatives, awareness & training, incidents management, and compliance. The Group's H&S policies, processes, and procedures are duly incorporate into its quality management system, and Internal Control Procedures.

Group's factories have elaborate rules to ensure safe and conducive work environment for the staff. Factory floor staff are equipped with hardhats, safety attire, safety shoes, and face mask. Factory floor visitors must be guided and are required to attend a safety video debrief before being allowed access. The Group gives first priority to local hirings, and shortfalls are filled by foreign contract workers (averaging 24% of its factories' combined workforce). It is the Group's policy to hire legalised foreign workers through licensed channels devoid of any insinuation of force labour or human trafficking. All workers (local and foreign) are treated equally and given equal access to basic staff welfare and training; and no staff are allowed overtime work beyond the limits prescribed by the Employment Act. None of its workers were furloughed over the Pandemic.

Despite elaborate training on HSE rules and procedures, incidence (as per summary table below) still occurred due to staff's unsafe conduct and lapses in safety rules compliance:

Health & Safety

Table 1	Steel Tube		Cold Rolled	
	FYE 2020	FYE 2019	FYE 2020	FYE 2019
a. Number of recorded incidents or failures	19	16	4	2
b. Number of cases involving injury	19	16	4	1

Note: Data for Steel Tube is for 3 factories combined, whilst the Cold-Rolled is for a single factory

Incidences involving injuries were mainly light and were reported to DOSH where applicable. There has not been any compound or HSE audit failure with DOSH and DOE over the current financial year.

Economic

2.0 Fair Trade & Competition

The steel industry -being a strategic industry- is highly susceptible to unfair trade practices particularly from aboard, given that the domestic steel market is comparatively smaller and lagging in economic-scale advantage compared to some of its larger Asian neighbours. Any regional market disruption or down-cycles usually give rise to downside risk on the domestic market to varying degrees, depending on the type of steel products and the quantum of tariff or duties in-placed. As such, maintaining a 'fair and levelled' competitive environment is one of the Group's key focus on sustainability management; and this can only be achieved through working closely with the steel and trade governing bodies, and industrial organisations.

As disclosed in the Chairman's Statement and in the Management's Statement, the Group has made significant progress in levelling off unfair pricing on cold rolled coils from abroad particularly Vietnam in the current financial year. Nevertheless, there are still much follow-up work to be done to ensure all loop holes are plugged, and that the white paper on National Steel Policy presented to the Government would eventually get adopted. In the wake of the Pandemic, there were initial concerns that global downturn could re-incentivise steel dumping from aboard. On this, the steel units engaged government stakeholders to uphold the 'buy Malaysian first' policy and take preventive measures to halt importation of steel products that are produced locally. These interactions have contributed to the rebound in the Group's steel businesses.

The Group's uphold on 'fair trade' also extends to its suppliers and service providers. In this regard, the Group periodically assesses its major suppliers and service providers to ensure their trade practices are fair and not in violation of applicable Anti-Profiteering Regulations or Competition Act, especially in wake of the Pandemic. Top and mid-management engage major suppliers and service providers at various levels throughout the year in face-to-face interview, on-site inspection, mailer questionnaires, and peer feedback.

Social-Economic

3.0 Quality & Customers Satisfaction

More than 95% of the Group's steel customers have been with it for more than 5 years. The key to the Group's high customer's retention and long-term sustainability is its 'value proposition' on product quality and customer-service.

In the days following the end of the lockdown, the steel units faced much uncertainties with its business resumption as the customers themselves were either still shut or only getting started to meet safety protocols to resume their business. The management took steps to connect closely with each of its customers adopting personalised engagement strategy to support their business resumption and vis-versa to fulfil order books and sales collection. Two months later, the steel units and substantially all their customers are back on the path towards normalisation.

Despite the extensive quality systems and checks, product quality issues still exist sporadically, and these are diligently reported, assessed, and remedied. Outlined in Table 2 below is the steel operations' quality issue record for the current and preceding financial years.

Table 2	Steel Tube		Cold Rolled	
	FYE 2020	FYE 2019	FYE 2020	FYE 2019
a. Number of quality issues raised by customers (cases)	20	22	21	18
b. Technically justified quantity involved (tonnes)	7.33	10.32	188.04	36.48
c. Percentage of (b) over production volume -%	0.011%	0.013%	0.12%	0.02%

Whilst 'product quality' is one of the main customers' requirement, the steel operations also focus on three other performance yardsticks in the delivery of total customers' satisfaction. Outlined in table 3 below is a summary of the annual customer satisfaction survey for the current and the preceding financial years.

Table 3	Steel Tube		Cold Rolled	
	FYE 2020	FYE 2019	FYE 2020	FYE 2019
a. Product (Range & Quality)	78.75%	80.16%	77.31%	73.39%
b. Order Management (efficiency & experience)	77.43%	76.81%	80.09%	78.02%
c. Technical Service (support)	76.81%	77.45%	77.55%	72.78%
d. People (knowledge & service)	81.57%	81.87%	85.19%	81.45%

Economic

4.0 Access to Capital

The mid-stream steel manufacturing businesses of the Group are generally capital intensive. While intensive capital asset investments are one-off, its daily operations also require substantial short-term working capital to financing raw material procurement and credit sale. The Group taps on both equity and debt sources for capital depending on the nature of financing.

The pandemic has caused heighten anxiety amongst credit providers during the initial period given the surrounding uncertainties and serious potential economic impact. The banks went into total risk avoidance mode and were negative bias on all funded credit. The management took immediate steps to connect with all its credit providers to allay concerns and where necessary rescheduled timeline for near-term debt service. By the second month of post-resumption, the Group had gained sufficient momentum on its cash conversion to regularise its debt service. (See Note 4(b)).

The Group is pleased to report that all its credit lines remained intact as at the close for the financial period, and it has more than sufficient headroom to meet peak demand as shown in table 4 below.

Debt Capital

Table 4	Steel Tube		Cold Rolled	
	FYE 2020	FYE 2019	FYE 2020	FYE 2019
Banks				
a. Drawn (%)	31.47%	67.29%	32.49%	39.48%
b. Headroom (%)	68.53%	32.71%	67.51%	60.52%
Non-Banks				
a. Drawn (%)	26.83%	16.70%	47.00%	42.71%
b. Headroom (%)	73.17%	83.30%	53.00%	57.29%

Social-Economic

5.0 Business Ethics & Anti-Corruption

Amid the battered economy gaining some footing again, the amended section 17A of the Malaysian Anti-Corruption Commission Act introduced in 2009 - which enables commercial organisations and associated persons to be subjected to legal proceedings should the person associated with the commercial organisation commits corruption offences - took effect on 1 June 2020.

Even before the MACC Act 2019, the Group has always strived to maintain the highest standards of business integrity as institutionalised through-out its policies, and standard operating procedures. To realign with the finer requirements of the amended Act, the Group rolled out its elaborate 'anti-corruption compliance programme' in the current financial year.

There has not been any incidence of conduct violation or breach during the current financial period.

The Group also expects similar standard on ethical business practices from its suppliers and service providers. Prospecting suppliers and providers are subjected to comprehensive sustainable practice assessment covering the aforementioned areas and more, before being admitted into its panel. Existing suppliers and providers are required to comply with the Group's 'Suppliers Code of Conduct' covering its expectations on labour practices; health, safety, and environment; ethics; and management systems. Compliance assurance is enhanced through site-visits to key suppliers' operations on a random basis, and from annual sustainability questionnaire.

Environment-Economic

6.0 Efficiency & Emission

One of the Group's key sustainable strategies is to use the least input of scarce resources to product a unit of output with the least impact on the environment. It strives to achieve the aforementioned with the following means throughout all stages of its production-value-chain.

i) Sourcing

The primary input resource used is carbon steel Hot Rolled Coil (HRC) which is made from the most abundant element on Earth, iron ore. Iron and its steel derivatives are amongst the globe's most sustainable raw materials as these are merely transformed and recyclable. The Group's sustainability focus in this area is on the suppliers and the origin of supply. In this regard, the Group has a strict selection criteria to source its raw steel materials only from producers that meet world-class environmental and social sustainability practices. To ensure compliance, its management conduct annual survey and visits to all sourcing mills to review sustainability practices as requisite for continuous business.

ii) Production & Carbon Footprint

The conversion from raw HRC to Cold Rolled Coil (CRC) and/or steel tubes and pipes involves multiple processing stages which consume significant amount of energy (in the form of electricity and gas), water, and soluble lubricants. The conversion processes also result in steel scrap by-products, zinc ashes, waste water, and spent-acid. Noise emission are generally within permissible levels, whilst air pollution is minimal and confined to the zinc coating process. The Group's sustainability strategy in this area is to constantly seek ways to minimise the carbon footprint, waste and emission, and has established special committee to manage the aforementioned. Over the current financial year, the committee continued to work on various ways to reduce the carbon footprint of its operations.

Environment

Table 5	Steel Tube		Cold Rolled	
	FYE 2020	FYE 2019	FYE 2020	FYE 2019
a. Estimated CO_2 Emission (tonnes)	2,756	3,037	14,702	14,499
b. CO_2 Emission per tonne of steel output (tonnes)	0.0394	0.0383	0.095	0.101
c. Waste generation per tonne of steel output	n.a.	n.a.	32.05	35.67

iii) Waste & Emission

The sustainability objective in this area is to minimise waste and by-products whilst maximising recovery with minimum impact on the environment. The operations' primary waste by-product is steel scrap, and they have been working continuously to minimise scrap output (measured as 'yield loss') through numerous raw material optimisation and production-line refinement initiatives. Outlined below are records of its yield loss on raw coils, which are recovered through scrap aggregation and sales.

Environment

Table 6	Steel Tube		Cold Rolled	
	FYE 2020	FYE 2019	FYE 2020	FYE 2019
Steel scrap recovery (yield loss %)	3.16%	3.60%	4.67%	5.41%

The steel operations passed all environmental audits conducted by the DOE (Department on Environment) in the current financial year. There were no incidents of environmental violations or fines recorded.

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
Non-Independent Non-Executive Director

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

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

Datin Seri Raihanah Begum binti Abdul Rahman
Independent Non-Executive Director

Mr Kwo Shih Kang
Independent Non-Executive Director

Dato' Dr. Kili Ghandhi Raj A/L K R Somasundram
Independent Non-Executive Director

SECRETARY
Ms Lily Yin Kam May

AUDIT AND GOVERNANCE COMMITTEE
Mr Kwo Shih Kang
Chairman

En Shazal Yusuf bin Mohamed Zain
Member

Datin Seri Raihanah Begum binti Abdul Rahman
Member

REGISTRAR & TRANSFER OFFICE
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Suite 11.05, 11th Floor
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51200 Kuala Lumpur
Tel. No. : 03-6252 8880
Fax No. : 03-6252 8080

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51200 Kuala Lumpur
Tel. No. : 03-6252 8880
Fax No. : 03-6252 8080

PRINCIPAL PLACE OF BUSINESS
15th Floor
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51200 Kuala Lumpur
Tel. No. : 03-6250 6000
Fax No. : 03-6257 1555

SOLICITORS
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CCA @ LOKE MANSION
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273A, Jalan Medan Tuanku
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Fax No. : 03-2693 4475

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Damansara Heights
50490 Kuala Lumpur
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Fax No. : 03-2095 9881

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

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

AUDITORS
Messrs PricewaterhouseCoopers PLT
(LLP0014401-LCA & AF 1146)
Level 10, 1 Sentral
Jalan Rakyat
Kuala Lumpur Sentral
50706 Kuala Lumpur
Tel. No. : 03-2173 1188
Fax No. : 03-2173 1288

PRINCIPAL BANKERS (IN ALPHABETICAL ORDER)
Ambank (M) Berhad
Bangkok Bank Berhad
CIMB Islamic Bank Berhad
Malayan Banking Berhad
Maybank Islamic Berhad
OCBC Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING
Main Market of Bursa Malaysia Securities Berhad
Stock Number 3778

WEBSITE
www.melewar-mig.com

E-MAIL
enquiry@melewar-mig.com

CORPORATE GROUP STRUCTURE
AS AT 22 OCTOBER 2020

MELEWAR INDUSTRIAL GROUP BERHAD
(Reg. No. 196901000102 (8444-W))

Property Investment and Investment Holding
(Main Market Listed)

- 74.13% **Mycron Steel Berhad** – Investment Holding, Main Market Listed
  - 100% **Mycron Steel CRC Sdn Bhd** – Cold Rolled Coil Manufacturing
    - 100% **Silver Victory Sdn Bhd** – Trading of Steel Related Products
  - 100% **Melewar Steel Tube Sdn Bhd** – Steel Tube Manufacturing
- 100% **Ausgard Quick Assembly Systems Sdn Bhd** – Supply and Construct Quick Assembly Homes
- 100% **Melewar Imperial Limited** – Investment Holding
  - 100% **Jack Nathan Limited** – Wholesale and Distribution of Steel Tubes in United Kingdom
  - 100% **Melewar Steel UK Ltd** – Distribution of Steel Tubes in United Kingdom
- 100% **3Bumi Sdn Bhd** – Investment Holding
  - 80% (1) **3Bumi Oleo Sdn Bhd** – Trading of Foods
  - 100% (2) **3Bumi Trading Sdn Bhd** – Trading of Foods
  - 100% **3Dara Sdn Bhd** – Dormant
  - 100% **Maax Venture (Cambodia) Co., Ltd.** – Dormant
- 100% **Melewar Steel Services Sdn Bhd** – Property Investment
- 100% **Melewar Steel Mills Sdn Bhd** – Trading of Steel and Iron Products/Scrap
  - 50% **Melewar MycroSmelt Technology Ltd** – Dormant
- 100% **Melewar Steel Assets Sdn Bhd** – Dormant
- 100% **Melewar Ecology Sdn Bhd** – Dormant

(1) Formerly known as Myreve Sdn Bhd
(2) Formerly known as Melewar Steel Engineering Sdn Bhd

STEEL
OTHERS
NON-ACTIVE/DORMANT

QUALITY RECOGNITION

Melewar Industrial Group Berhad, via its main operating sub-subsidiaries, Mycron Steel CRC Sdn Bhd (“MCRC”) and Melewar Steel Tube Sdn Bhd (“MST”), constantly strives to improve operational excellence and meet customers’ expectations.

MCRC achieved its first ISO 9001 certification by SIRIM and IQ Net in 1996 followed by MST in 1997. Over the years, MCRC and MST have established a more effective Quality Management System to adapt to the latest global challenges.

SIRIM ISO 9001 : 2015

QUALITY RECOGNITION (CONTINUED)

In September 2016, MCRC obtained product certification by SIRIM in recognition of its product quality compliance against the Malaysian Standard (MS 2651 : 2015) and Japanese Industrial Standards (JIS G3141 : 2017). Our products are verified, tested and confirmed, in meeting the parameters covered by the two mentioned Quality Standards. These certifications are beneficial not only to MCRC, but also the industry as a whole, as they provide our customers with assurance of quality and reliability. We are continually raising the bar as far as quality is concerned, aligned with our mission, to be the highest Quality Cold Rolled Steel Sheets manufacturer in Malaysia.


LESEN PENSIJILAN BARANGAN
Product Certification Licence


SCHEDULE


LESEN PENSIJILAN BARANGAN
Product Certification Licence


SCHEDULE

On the environment front, MCRC plays a pivotal role in ensuring continual improvement of environmental performance in all its business operations. In June 2014, MCRC obtained the ISO 14001 : 2004 Environmental Management System certification and in June 2017, MCRC was certified with ISO 14001 : 2015.


CERTIFICATE


IQNet
CERTIFICATE

QUALITY RECOGNITION (CONTINUED)

MST on the other hand, is continuously improving the quality of its products and processes with a variety of certifications such as the EC Factory Production Control Certification and CE Marking from Lloyd's Register, Perakuan Pematuhan Standard (Bahan Binaan) from CIDB Malaysia, and EMAL certification from Cawangan Kejuruteraan Elektrik Jabatan Kerja Raya Malaysia. The conformity of the products and processes with these standards are periodically reviewed and confirmed by way of internal and external audits. The quality of MST's products meets the requirements of many international standards. In 2019, MST successfully obtained the LOGO BUATAN MALAYSIA certification from the Ministry of Domestic Trade and Consumer Affairs for its AURORA conduits and cold rolled products.

International Standards:


LESEN PENSIJILAN BARANGAN
Product Certification Licence

British Standard
- BS EN 10255 : 2004 for Welded Steel Tube


LESEN PENSIJILAN BARANGAN
Product Certification Licence

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


LESEN PENSIJILAN BARANGAN
Product Certification Licence

British Standard
- BS EN 39 : 2001 for Loose Steel Tubes for Tube and Coupler Scaffolds


LESEN PENSIJILAN BARANGAN
Product Certification Licence

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


LESEN PENSIJILAN BARANGAN
Product Certification Licence

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


LESEN PENSIJILAN BARANGAN
Product Certification Licence

Japanese Standard
- JIS G 3444 : 2010 for Carbon Steel Tube for General Structure


LESEN PENSIJILAN BARANGAN
Product Certification Licence

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


LESEN PENSIJILAN BARANGAN
Product Certification Licence

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

QUALITY RECOGNITION (CONTINUED)

Malaysian Standards:

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

MS 863 : 2010 for Welded Steel Pipe

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

MS EN 10219-1 : 2015 for Cold Formed Welded Structural Hollow Section of Non-alloys Steel

MS 1462-2-1 : 2010 for Steel Tubes for Tubular Scaffolding

Other Certifications:

IRON AND STEEL PRODUCTS
- Cold Formed Welded Structural Hollow Sections

IRON AND STEEL PRODUCTS
- Rigid Steel Conduit for Cable Management
- Steel Conduit for Electrical Wiring
- Steel Pipes for Water and Sewerage
- Steel Tube for Metal Scaffolding
- Welded Steel Pipes

Ministry of Domestic Trade and Consumer Affairs LOGO BUATAN MALAYSIA Certificate for AURORA Conduits and Cold rolled products

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

PROFILE OF DIRECTORS

TUNKU DATO' YAACOB KHYRA

Aged 60, Malaysian, Male | Executive Chairman

- 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 Life 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 ("KLB"), Yayasan Khyra, MAA Bancwell Trustee Berhad, Ithmaar Holding B.S.C., Ithmaar Bank 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. On 26 November 2019, Tunku Dato' Yaacob was appointed to the Board of Turiya Berhad as Non-Independent 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 KLB, being the holding company of Melewar Equities (BVI) Ltd and Melewar Khyra Sdn Bhd who are the major shareholders of the Company. Tunku Dato' Yaacob is also deemed to have interest in Avenue Serimas Sdn Bhd ("ASSB"). ASSB is a wholly owned subsidiary of Melewar QE Sdn Bhd who in turn is a wholly owned subsidiary of Melewar Equities Sdn Bhd ("MESB"). KLB is the holding company of MESB. His shareholding in the Company is disclosed on pages 37 and 39 of the Annual Report.

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

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

AZLAN BIN ABDULLAH

Aged 62, Malaysian, Male | Non-Independent Non-Executive Director

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 as an 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.

On 11 August 2018, he was redesignated as Managing Director of the Company. Subsequently, on 11 February 2019, he was redesignated to Non-Independent Non-Executive Director of the Company. He currently sits on the Boards of the Company's subsidiaries, Mycron Steel Berhad, 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 37 of the Annual Report.

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

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

PROFILE OF DIRECTORS (CONTINUED)

TUNKU YAHAYA @ YAHYA BIN TUNKU TAN SRI ABDULLAH

Aged 59, Malaysian, Male | Non-Independent Non-Executive Director

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, 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 he 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 49, Malaysian, Male | Senior Independent Non-Executive Director

- Chairman of the Risk and Sustainability Committee
- Chairman of the Nomination and Remuneration Committee
- Member of the Audit and Governance 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. On 13 September 2019, En Shazal was redesignated as the Chairman of the Nomination and Remuneration Committee of the Company. He currently sits on the Boards 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 he has had no conviction for any offences within the past five (5) years, other than traffic offences, if any, and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

DATIN SERI RAIHANAH BEGUM BINTI ABDUL RAHMAN

Aged 58, Malaysian, Female | Independent Non-Executive Director

- Member of the Risk and Sustainability Committee
- Member of the Audit and Governance Committee
- Member of the Nomination and Remuneration Committee

Datin Seri Raihanah Begum Binti Abdul Rahman was appointed to the Board of Directors of the Company on 8 April 2019 as an Independent Non-Executive Director. Datin Seri Raihanah is a Member of the Audit and Governance Committee, Risk and Sustainability Committee and Nomination and Remuneration Committee of the Company. She currently sits on the Boards of MAA Group Berhad, Mycron Steel Berhad and several other private limited companies.

Datin Seri Raihanah is an Associate of the Chartered Insurance Institute (UK) and the Malaysian Insurance Institute. As a scholar of American Malaysian Insurance Sdn Bhd (later known as CIMB Bank Insurance) she started her insurance career with the company immediately after successfully completing her course in 1984 and has held various positions in the Underwriting and Marketing Departments before leaving in 1988 to join Malene Insurance Brokers Sdn Bhd ("Malene").

During her 10-year service at Malene, she was exposed to various aspects of the oil and gas industry and was involved in the Insurance programmes for Petronas, Shell, Esso (now known as Exxon-Mobil) and various other oil and gas-related companies such as Gas Malaysia Sdn Bhd and MISC Berhad. Her experience also included an attachment with a London-based Lloyds broker.

She left Malene in 1997 when she was the Acting Chief Executive Officer, to dedicate more time in bringing up her three young children. To ensure that she was in touch with the insurance industry and coupled with her experience and knowledge in insurance underwriting and broking, she made time, from 1998 to 1999, while being a homemaker, to be a part-time lecturer with the Malaysian Insurance Institute who conducted short courses for those in the insurance industry to obtain a more in-depth knowledge of the business.

In August 2005, Datin Seri Raihanah was appointed as a Non-Executive Director to the board of a public-listed fibre-based manufacturing company called Wang Zheng Berhad ("Wang Zheng"). She served as an active board member at Wang Zheng for 8 years.

She was also appointed as a member of the Board of Trustees for the Malaysian Medical Association ("MMA") Foundation for a three-year term from 2007. MMA Foundation is a non-profit organisation which provides financial assistance for undergraduate medical students, continuing professional development, public health education and donations to charities.

Datin Seri Raihanah has no family ties with any of the Directors and/or major shareholders of the Company nor any shareholding in the Company.

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

Datin Seri Raihanah does not have any conflict of interest with the Company and she 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.

KWO SHIH KANG

Aged 60, Malaysian, Male | Independent Non-Executive Director

- Chairman of the Audit and Governance Committee
- Member of the Risk and Sustainability Committee

Mr Kwo Shih Kang was appointed to the Board of Directors of the Company on 23 August 2019 as an Independent Non-Executive Director. Mr Kwo Shih Kang is the Chairman of the Audit and Governance Committee and a Member of the Risk and Sustainability Committee of the Company. He currently sits on the Boards of Mycron Steel Berhad and several other private limited companies.

Mr Kwo is a qualified actuary with more than 30 years of experience in the insurance industry which include stints in various South East Asian countries, in positions such as Chief Executive Officer, Appointed Actuary and Chief Financial Officer in a number of multinational insurers, such as AXA Affin Life Insurance Berhad, Allianz Life Insurance Malaysia Berhad, Aetna Universal Insurance Berhad, Gibraltar BSN Life Berhad and American International Assurance Berhad. Mr Kwo was also the Chief Operating Officer of Malaysian Assurance Alliance Berhad.

Mr Kwo was the President of the Life Insurance Association of Malaysia (LIAM) from 2012 to 2015. He is also the President of the Malaysian Financial Planning Council (MFPC) and was the President of the Actuarial Society of Malaysia.

Mr Kwo holds a Bachelor's degree in Actuarial Science from City University London and a Master of Business Administration, majoring in Finance, from CASS Business School, London. He is a Fellow of the Society of Actuaries, USA, and is also a Registered Financial Planner (RFP).

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

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

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

PROFILE OF DIRECTORS (CONTINUED)

DATO' DR. KILI GHANDHI RAJ A/L K R SOMASUNDRAM

Aged 65, Malaysian, Male | Independent Non-Executive Director

- Member of the Nomination and Remuneration Committee

Dato' Dr. Kili Ghandhi Raj A/L K R Somasundram was appointed to the Board of Directors of the Company on 3 September 2019 as an Independent Non-Executive Director. Dato' Dr. Ghandhi is a Member of the Nomination and Remuneration Committee of the Company.

Dato' Dr. Ghandhi is currently a Senior Consultant Cardiothoracic Surgeon for Prince Court Medical Centre and Head of Department of Cardiothoracic Surgery of Gleneagles Hospital Kuala Lumpur. He is also a recognised member of the Society of Thoracic Surgeons of U.S.A., European Association for Cardiothoracic Surgery, Association of Thoracic and Cardiovascular Surgeons of Asia and the Malaysian Association for Thoracic and Cardiovascular Surgery.

Dato' Dr. Ghandhi is the Chairman of Medical Advisory Committee and Deputy Chairman of Board of Governors of MAA Medicare Cardiac Diagnostic Centre. He is also a Member of the Board of Trustees of MAA Medicare Charitable Foundation.

Dato' Dr. Ghandhi holds a MBBS degree from Mysore University, India. Addition he was trained and accredited in Cardiothoracic surgery in the United Kingdom. He was also trained in the University of Vienna, Austria and had received a Diploma in Cardiovascular Surgery. He has worked as a Consultant Cardiothoracic Surgeon in the UK before returning to Malaysia. Dato' Dr. Ghandhi also holds a Primary Fellowship from the Royal College of Surgeons of Edinburgh and a Diploma of Fellowship from the Royal College of Surgeons of Glasgow.

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

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

Dato' Dr. Ghandhi does not have any conflict of interest with the Company and he has had no convictions 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 60, 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 re-designated as the Executive Chairman on 26 August 2008. His personal profile is listed in the Profile of Directors on page 24 of this Annual Report.

CHOO KAH YEAN

Malaysian, Aged 55, 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 33 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 a Chartered Management Accountant of ICMA and is a 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.

PROFILE OF KEY SENIOR MANAGEMENT (CONTINUED)

MOHD SILAHUDDIN BIN JAMALUDDIN

Malaysian, Aged 60, 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 in trading and distribution in selected markets in the international arena, through Melewar Imperial Limited (Labuan) and 3Bumi Sdn Bhd, wholly owned subsidiaries 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 to food industries.

Encik Silahuddin has more than 25 years of work experience in developing business in the local corporate world that started in 1994, after returning to Malaysia from the United States of America. He has been in the Building Materials Sector since then. Prior to this, during the initial 10 years of his working experience, he was in Regional Management 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 throughout his working experience.

Encik Silahuddin has no family ties with any of the Directors and/or major shareholders of the Company and currently has a minor shareholding in 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.

PROFILE OF KEY SENIOR MANAGEMENT (CONTINUED)

MUK SAI TAT

Malaysian, Aged 57, Male | Vice President – Business Development

Mr Muk Sai Tat has been the Business Development Vice President at Melewar Industrial Group Berhad since 13 April 2020. He was formerly an Independent Non-Executive Director of Melewar Industrial Group Berhad from February 2013 until April 2019.

Mr Muk commenced his working career in 1983 with PricewaterhouseCoopers as an Audit Assistant and progressed to Audit Senior upon completion of the 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 Partner 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 as Consulting Partner and in 2019, Mr Muk joined the Property & Development division of MAA Group 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 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.

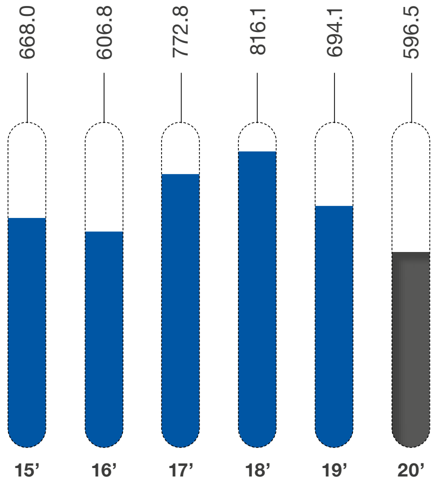
GROUP FINANCIAL HIGHLIGHTS

		2015	2016	2017	2018	2019	2020
1.	**Results of Operations**						
	Revenue (RM mil)	668.0	606.8	772.8	816.1	694.1	596.5
	Profit/(Loss) Before Tax (RM mil)	(35.9)	23.1	(55.2)	11.2	29.8	(3.7)
	Profit/(Loss) After Tax (RM mil)	(29.5)*	8.2*	(78.2)*	(0.7)*	30.8*	(1.4)*
2.	**Statement of Financial Position**						
	Share Capital (RM mil)	226.8	226.8	227.0@	227.0	250.2	250.2
	Shareholders' Fund (RM mil)	292.9	311.5	241.9	247.9	325.4	325.5
	Total Assets (RM mil)	699.6	695.3	769.1	777.6	732.6	692.5
3.	**Financial Ratio**						
	Return on Equity (%)	(10.1)	2.6	(32.3)	(0.3)	9.5	(0.4)
	Debts#/Equity (Times)	0.91	0.61	1.16	0.59	0.37	0.31
	Current Assets/Current Liabilities (Times)	1.1	1.2	1.1	1.1	1.4	1.5
	Pre-Tax Profit/(Loss)/Average Shareholders' Fund (%)	(12.5)	7.6	(19.9)	4.6	10.4	(1.1)
	Pre-Tax Profit/(Loss)/Revenue (%)	(5.4)	3.8	(7.1)	1.4	4.3	(0.6)
4.	**Per Share**						
	Gross Earnings/(Loss) per share (sen)	(15.9)	10.2	(24.5)	5.0	8.3	(1.0)
	Net Earnings/(Loss) per share (sen)	(13.1)	3.7	(34.7)	(0.3)	8.6	(0.4)
	Net Assets per share (RM)	1.30	1.38	1.07	1.10	0.91	0.91
5.	**Dividends**						
	Ordinary Dividend (sen)	-	-	-	-	-	-

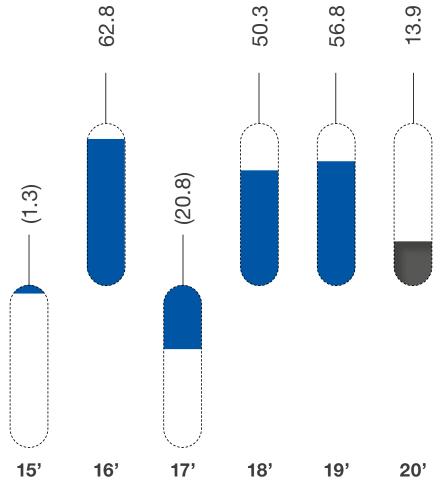
* *Profit After Tax and After Non-Controlling Interests*
^ *Include both continuing and discontinued operations*
# *Debts include interest bearing trade payables*
@ *Impact from the new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017*

GROUP FINANCIAL HIGHLIGHTS (CONTINUED)

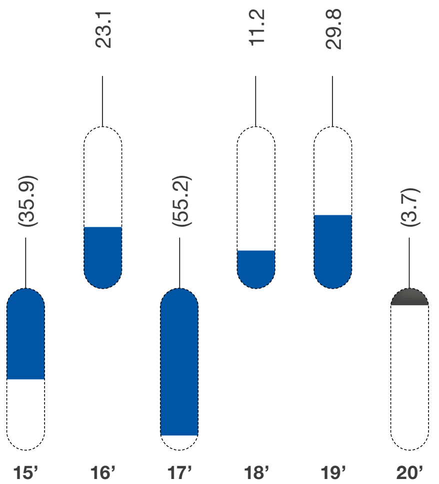
REVENUE RM (Million)



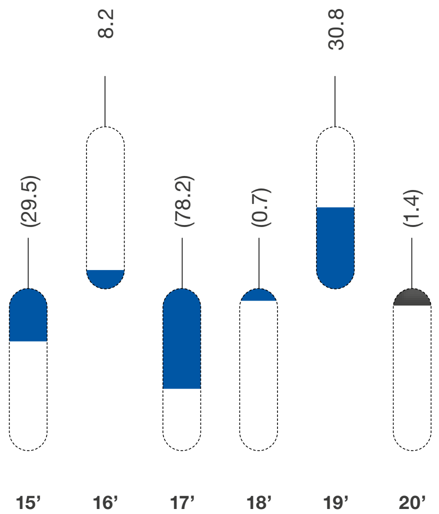
(LBITDA)/EBITDA RM (Million)



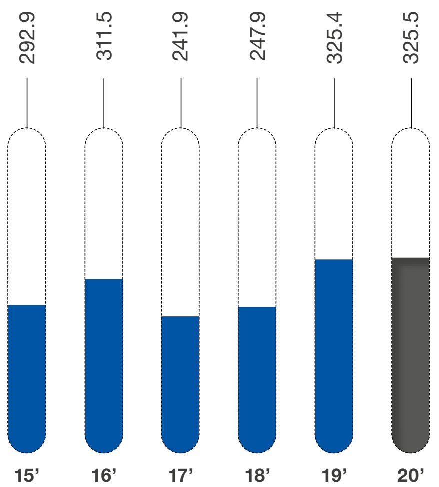
PROFIT/(LOSS) BEFORE TAX RM (Million)



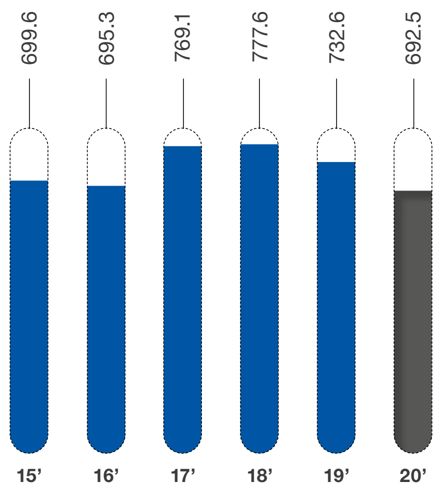
PROFIT/(LOSS) AFTER TAX RM (Million)



SHAREHOLDERS' FUNDS RM (Million)



TOTAL ASSETS RM (Million)



ANALYSIS OF SHAREHOLDINGS
AS AT 1 OCTOBER 2020

Total Number of Issued Shares	-	359,417,703
Class of Shares	-	Ordinary Shares
No. of Shareholders	-	7,406
Voting Rights	-	One (1) vote per ordinary share

No. of Size of Holdings	No. of Holders	% of Holders	No. of Shares	% of Shares
Less than 100	879	11.87	29,572	0.01
100 - 1,000	819	11.06	499,602	0.14
1,001 - 10,000	3,718	50.20	17,320,100	4.82
10,001 - 100,000	1,770	23.90	56,065,754	15.60
100,001 and below 5% of issued shares	218	2.94	120,740,211	33.59
5% and above of issued shares	2	0.03	164,762,464	45.84
TOTAL	**7,406**	**100.00**	**359,417,703**	**100.00**

THIRTY LARGEST SHAREHOLDERS AS AT 1 OCTOBER 2020

No.	Name	No. of Shares Held	[a] % of Shares
1.	Melewar Khyra Sdn Bhd	104,382,731	29.04
2.	Melewar Equities (BVI) Ltd	60,379,733	16.80
3.	DB (Malaysia) Nominee (Asing) Sdn Bhd (Beneficiary: Exempt an for Nomura PB Nominees Ltd)	11,800,000	3.28
4.	Araneum Sdn Bhd	10,915,732	3.04
5.	UOB Kay Hian Nominees (Asing) Sdn Bhd (Beneficiary: UOB Kay Hian Pte Ltd for Bradford Securities Ltd)	8,300,000	2.31
6.	Kong Kok Keong	7,394,700	2.06
7.	Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Wong Choo Mok)	7,031,000	1.95
8.	Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Wong Choo Mok)	5,019,400	1.40
9.	Maybank Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Lim Kim Ong)	4,273,500	1.19
10.	Avenue Serimas Sdn Bhd	3,810,300	1.06
11.	Geoffrey Lim Fung Keong	3,267,700	0.91
12.	Yeoh Phek Leng	2,960,000	0.82
13.	Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for See Tiau Kee)	2,010,000	0.56
14.	Mohamed Nizam bin Mohamed Jakel	1,317,600	0.37
15.	Maybank Securities Nominees (Asing) Sdn Bhd (Beneficiary: Exempt an for Maybank Kim Eng Securities Pte Ltd)	1,207,400	0.34
16.	RHB Capital Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Lee Kah Weng)	1,079,900	0.30
17.	Ong Teck Peow	1,014,000	0.28
18.	Kenanga Nominees (Asing) Sdn Bhd (Beneficiary: Pledged securities account for Wu Teng Siong)	910,300	0.25
19.	Lee Yew Hui	887,733	0.25
20.	CGS-CIMB Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Ng Tiong Sew)	770,000	0.21

ANALYSIS OF SHAREHOLDINGS
AS AT 1 OCTOBER 2020 (CONTINUED)

THIRTY LARGEST SHAREHOLDERS AS AT 1 OCTOBER 2020 (CONTINUED)

No.	Name	No. of Shares Held	[a] % of Shares
21.	Tan Ah Sim @ Tan Siew Wah	750,000	0.21
22.	Maybank Nominees (Tempatan) Sdn Bhd (Beneficiary: Ho Seow Ping)	720,000	0.20
23.	Thong Weng Tim	716,700	0.20
24.	Maybank Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Ting Liong Huong)	700,000	0.19
25.	CGS-CIMB Nominees (Tempatan) Sdn Bhd (Beneficiary: Exempt an for CGS-CIMB Securities (Singapore) Pte Ltd)	675,000	0.19
26.	Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Zet Enterprise Sdn Bhd)	673,333	0.19
27.	Maybank Nominees (Tempatan) Sdn Bhd (Beneficiary: Ho Keat Soong)	665,000	0.18
28.	Chu Ah Poi	600,000	0.17
29.	Neo Kim Thin	600,000	0.17
30.	Maybank Securities Nominees (Asing) Sdn Bhd (Beneficiary: Maybank Kim Eng Securities Pte Ltd for Hexacon Construction Pte Ltd)	587,733	0.16
	TOTAL	**245,419,495**	**68.28**

Note:

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

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 1 OCTOBER 2020

	Number of Shares Held			
Name	**Direct**	**%[a]**	**Indirect**	**%[a]**
Khyra Legacy Berhad (“KLB”)	-	-	168,572,764	46.90[1]
Melewar Equities (BVI) Ltd (“MEBVI”)	60,379,733	16.8	-	-
Melewar Khyra Sdn Bhd (“MKSB”)	104,382,731	29.04	-	-

DIRECTORS’ SHAREHOLDINGS AS AT 1 OCTOBER 2020

	Number of Shares Held			
Name	**Direct**	**%[a]**	**Indirect**	**%[a]**
Tunku Dato’ Yaacob Khyra (“TY”)	-	-	168,572,764	46.90[2]
Azlan bin Abdullah	133,333	0.04	-	-

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 issued shares.

[1] Deemed indirect interest by virtue of it being the holding company of MEBVI and MKSB who are the Major Shareholders of the Company. KLB is also deemed to have indirect interest in Avenue Serimas Sdn Bhd (“ASSB”) by virtue of it being the holding company of Melewar Equities Sdn Bhd (“MESB”). ASSB is a wholly owned subsidiary of Melewar QE Sdn Bhd who in turn is a wholly owned subsidiary of MESB.

[2] Deemed indirect interest 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 Shareholders of the Company. TY is also deemed to have indirect interest in ASSB by virtue of KLB being the holding company of MESB. ASSB is a wholly owned subsidiary of Melewar QE Sdn Bhd who in turn is a wholly owned subsidiary of MESB.

ANALYSIS OF WARRANT HOLDINGS
AS AT 1 OCTOBER 2020

Number of Warrants Issued	-	66,947,418
Number of Warrants Exercised	-	-
Number of Warrants Unexercised	-	66,947,418
Number of Warrants Holders	-	702
Exercise Price	-	RM0.40 per warrant
Exercise Period	-	20 August 2018 to 18 August 2023

No. of Size of Holdings	No. of Holders	% of Holders	No. of Warrants	% of Issued Warrants
Less than 100	22	3.13	949	0.00
100 - 1,000	100	14.25	69,323	0.10
1,001 - 10,000	301	42.88	1,547,016	2.31
10,001 - 100,000	245	34.90	9,462,381	14.13
100,001 and below 5% of issued warrants	33	4.70	14,677,133	21.92
5% and above of issued warrants	1	0.14	41,190,616	61.53
TOTAL	**702**	**100.00**	**66,947,418**	**100.00**

THIRTY LARGEST WARRANT HOLDERS AS AT 1 OCTOBER 2020

No.	Name	No. of Warrants Held	[(a)] % of Issued Warrants
1.	Melewar Khyra Sdn Bhd	41,190,616	61.53
2.	Araneum Sdn Bhd	2,728,933	4.08
3.	UOB Kay Hian Nominees (Asing) Sdn Bhd (Beneficiary: UOB Kay Hian Pte Ltd for Bradford Securities Ltd)	2,500,000	3.73
4.	TA Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Anitha binti Mohamed Haniffa)	1,201,400	1.79
5.	Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Wong Choo Mok)	1,054,300	1.57
6.	Maybank Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Nordin bin Latip)	641,000	0.96
7.	Nordin bin Latip	600,000	0.90
8.	Tan Khian Leong	600,000	0.90
9.	Lim Book Kooi	400,000	0.60
10.	Lim Hon Hing	400,000	0.60
11.	Mohamed Zaiman bin Mohd Noor	339,900	0.51
12.	Lee Eng Min	303,700	0.45
13.	Foon Mei Fong	300,000	0.45
14.	Wong Jia Yin	249,200	0.37
15.	Tan Yeh Yong	201,000	0.30
16.	Ang Ah Chua	200,000	0.30
17.	Chia Chu Foo	200,000	0.30
18.	Foon Mei Fong	200,000	0.30
19.	Lee Wai Mun	200,000	0.30
20.	Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Khushpall Singh A/L Waryam Singh)	200,000	0.30

ANALYSIS OF WARRANT HOLDINGS
AS AT 1 OCTOBER 2020 (CONTINUED)

THIRTY LARGEST WARRANT HOLDERS AS AT 1 OCTOBER 2020 (CONTINUED)

No.	Name	No. of Warrants Held	[a] % of Issued Warrants
21.	Wong Kam Hoong	200,000	0.30
22.	Yap Wee Fong	200,000	0.30
23.	Maybank Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Mohd Mansor bin Ismail)	190,000	0.28
24.	Maybank Nominees (Tempatan) Sdn Bhd (Beneficiary: Ng Peh Tee)	190,000	0.28
25.	Maybank Securities Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Chai Boon Eng)	180,000	0.27
26.	CGS-CIMB Nominees (Asing) Sdn Bhd (Beneficiary: Pledged securities account for Walter Wurtz)	152,900	0.23
27.	Eizu Azwandi bin Aziz	150,000	0.22
28.	Ho Chong Chen	150,000	0.22
29.	Chong Teck Lim	140,000	0.21
30.	Lim Kean Teik	136,600	0.20
	TOTAL	**55,399,549**	**82.75**

Note:

[a] The percentages of thirty largest warrant holders are calculated by dividing the warrants held by the respective warrant holders with the total number of issued warrants.

LIST OF SUBSTANTIAL WARRANT HOLDERS AS AT 1 OCTOBER 2020

	Number of Warrants Held			
Name	Direct	%[a]	Indirect	%[a]
Khyra Legacy Berhad (“KLB”)	-	-	41,190,616	61.53[1]
Melewar Khyra Sdn Bhd (“MKSB”)	41,190,616	61.53	-	-

DIRECTOR’S WARRANT HOLDINGS AS AT 1 OCTOBER 2020

	Number of Warrants Held			
Name	Direct	%[a]	Indirect	%[a]
Tunku Dato’ Yaacob Khyra (“TY”)	-	-	41,190,616	61.53[2]

Notes:

[a] The percentages of substantial warrant holders and Director’s warrant holdings are calculated by dividing the warrants held by the respective substantial warrant holders and Director with the total number of issued warrants.

[1] Deemed indirect interest by virtue of it being the holding company of MKSB who is the Major Shareholder of the Company.

[2] Deemed indirect interest by virtue of TY being a beneficiary of a trust known as KLB, being the holding company of MKSB who is the Major Shareholder of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") of Melewar Industrial Group Berhad ("MIG" or "the Company") is fully committed to maintain high standards of corporate governance throughout the Group to safeguard and promote the interests of the shareholders and to enhance the long term value of the Group.

The Malaysian Code on Corporate Governance 2017 ("MCCG 2017" or "the Code") aims to set out principles and best practices towards achieving excellent corporate governance framework. This statement sets out the manner in which the Group has applied the three (3) principles prescribed in the MCCG 2017 namely Principle A: Board Leadership and Effectiveness; Principle B: Effective Audit and Risk Management; and Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

The Corporate Governance Report ("CG Report") sets out in detail the manner in which the Board has applied each practice of the MCCG 2017 for the financial year ended 30 June 2020, which is available on the Company's website at www.melewar-mig.com/investorsinfo_annualrep.html

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

1. Board Responsibilities

The Board is collectively responsible to the Company's shareholders for the long-term success of the Group for its overall strategic direction, its values and its governance.

All members of the Board are aware of their responsibility to take decisions objectively to promote the success of the Group and to create long-term value for shareholders and other stakeholders. In performing its duties, the Board is guided by the Board Charter that sets out amongst others its roles, composition, responsibilities, powers, board committees and board meeting procedures including division of responsibilities between the Board, the Board Committees, the Executive Chairman and the Managing Director ("MD")/Group Chief Executive Officer ("GCEO"). The key elements of governance principles embedded in the Board Charter regulate the Board's conduct and guide the strategic initiatives of the Group.

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") which sets out the delegation of authority by our MD/GCEO/Executive Chairman 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 subject to Board's approval.

To facilitate the discharge of the Board's responsibility and oversight role, the Board is assisted by various Board Committees namely:

- Audit and Governance Committee ("AGC");
- Risk and Sustainability Committee ("RSC"); and
- Nomination and Remuneration Committee ("NRC").

The respective Board Committees operate within clearly defined Terms of Reference ("TOR") setting out their duties and responsibilities. All deliberations, recommendations and decisions of the Board Committees are recorded and minutes subsequently confirmed by the Board Committees at the next Board Committee meeting. During Board meetings, the Chairman of the various Board Committees provide reports of the decisions and recommendations made at the Committee meetings and highlight to the Board if any further deliberation is required at Board level.

The Board will review the TOR of Board Committees from time to time to ensure that they are relevant and updated in line with the new policies or regulatory requirements.

The ultimate responsibility for decision making, however, lies with the Board. These Board Committees are chaired by Independent Non-Executive Directors.

2. Chairman and Managing Director

The Board has elected Tunku Dato' Yaacob Khyra as the Company's Executive Chairman whose main role is to provide leadership and guidance to the Board as well as to achieve the Group's strategic vision and also lead the Board in its collective oversight of Management. He is to also ensure effectiveness of the Board by encouraging active participation of all Board members and allowing dissenting views to be freely expressed.

With the re-designation of En Azlan bin Abdullah from Managing Director of the Company to Non-Independent Non-Executive Director on 11 February 2019, the roles and responsibilities of the Managing Director is carried out by the Executive Chairman.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

3. Qualified and Competent Company Secretary

The Board is supported by a Company Secretary who is a member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") and therefore qualified to act as company secretary pursuant to Section 235(2) of the Companies Act 2016.

The Company Secretary plays an advisory role to the Board particularly with regard to the Company's Constitution, Board policies and procedures as well as its compliance with regulatory requirements and legislations.

The Company Secretary attends all Board and Committee meetings and ensures that discussions and deliberations of the Board and Committees are properly documented and recorded in a timely manner, and subsequently communicated to the Management for appropriate actions. The Company Secretary further ensures that outstanding action items are properly tracked and monitored until such items are addressed and where necessary, reported to the Board.

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 the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") 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 of Bursa Securities.

4. Access to Information and Meeting Materials

Prior to the scheduled Board and Committee meetings, a formal and structured agenda together with a set of Board and Committee papers are forwarded to all Directors at least five (5) working days before the relevant Board or Committee meetings to allow sufficient time for the Directors to review and analyse relevant information and if necessary, obtain further information on matters to be deliberated. The Board papers provide, among others, periodic financial information, operational issues and management proposals that require Board's approval.

Senior Management staff are invited to attend Board meetings to provide the Board detailed explanations and clarifications on certain matters that are tabled to the Board. The Directors may interact directly with Management, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from them. In this way the Board has full access to all information on the Company's affairs to enable them to properly discharge their duties.

The Directors may exercise their right to obtain independent professional advise in accordance with the steps set out in the Board Charter.

5. Board Charter

The Board understands the importance of the roles and responsibilities between the Board and Management. As part of the good corporate governance process, the Board has documented these roles and responsibilities in the Board Charter to ensure accountability of both parties and also to provide reference for Directors in relation to the Board's role, powers, duties and functions.

The Board reviews and updates its Board Charter regularly as to keep itself up to date with new changes in regulations and best practices and to ensure its effectiveness and relevance to the Board's objectives. The Board Charter was last reviewed and approved by the Board on 30 May 2018 to re-align the existing governance policies in the Company with the good standard of corporate governance practices prescribed by MCCG 2017 and the MMLR, where applicable or relevant.

The Board Charter is available on the Company's website at www.melewar-mig.com.

6. Code of Conduct and Ethics

The Company had adopted the Code of Conduct and Ethics that are applicable to all Directors, Management and employees of the Group, which set forth the ethical and professional standards of corporate and individual behaviour expected to enhance the standard of corporate governance and corporate behaviour.

The areas covered by the Code of Conduct and Ethics are Compliance with Laws, Conflicts of Interest, Honesty, Fair Dealing, Confidentiality, Insider Trading, Diversity, Integrity, Selflessness and Non-Compliance.

The Company's Code of Conduct and Ethics is available on the Company's website.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

7. Whistle-blowing Policy

As part of best practices in good corporate governance, the Group has established a "Whistle-blowing" Policy encoded in the Internal Control Procedure 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-blowing 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 AGC is committed to investigate and address all cases of reported misconduct and determine the channel for investigation and follow-up action.

For financial year 2020, the Company did not receive any report or complaint of misconduct from employees, management, public or stakeholders.

The Whistle-blowing Policy can be found on the Company's website at www.melewar-mig.com for easy access by the shareholders and the public.

8. Anti-Corruption Policy

The Board is aware of the new Corporate Liability Act via Section 17A of the Malaysian Anti-Corruption Commission Act 2009.

The Group has adopted a zero-tolerance stance against all forms of bribery and corruption and will not tolerate any acts which are in breach of the Company's policies. The Group strongly believes in acting professionally, fairly and with integrity in all business dealings and relationships.

Therefore, as part of the Group's efforts to support the implementation of the anti-bribery and corruption and ethical principles practiced in the Group and to uphold the highest standards of good governance, the Board has adopted an Anti-Corruption Framework and Policy.

The Anti-Corruption Policy can be found on the Company's website.

9. Board Composition

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

As at the date of this CG Overview Statement, the Board, consists of seven (7) members as follows:

- one (1) Executive Chairman;
- two (2) Non-Independent Non-Executive Directors; and
- four (4) Independent Non-Executive Directors.

The Independent Directors make up half of the Board, as recommended by the MCCG 2017. Details of the Directors are set out in the Board of Directors' Profiles section in this Annual Report.

Therefore, the following prescribed requirements have been fully complied by the Board: -

- Paragraph 3.04(1) of the MMLR which stipulates that at least 2 Directors or 1/3 of the Board of Directors, whichever is the higher, are Independent Directors; and
- Practice 4.1 of the MCCG 2017, where at least half of the Board comprises Independent Directors.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

9. Board Composition (continued)

The current composition of the Board is as set out below:

Directors	Designation
Tunku Dato' Yaacob Khyra	Executive Chairman
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	Non-Independent Non-Executive Director
En Azlan bin Abdullah	Non-Independent Non-Executive Director
En Shazal Yusuf bin Mohamed Zain	Senior Independent Non-Executive Director
Datin Seri Raihanah Begum binti Abdul Rahman	Independent Non-Executive Director
Mr Kwo Shih Kang	Independent Non-Executive Director
Dato' Dr. Kili Ghandhi Raj A/L K R Somasundram	Independent Non-Executive Director

The Group considers its complement of Non-Executive Directors provide an effective Board with a mix of knowledge and broad business and commercial experience. The Independent Non-Executive Directors of the Company are independent of management and free from any business relationship which could materially interfere with the exercise of their judgement.

They provide guidance, unbiased, fully balanced and independent views, advice and judgement to many aspects of the Group's strategy so as to safeguard the interests of minority shareholders and to ensure that the highest probable standards of conduct and integrity are maintained by the Group. 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.

The Board appointed En Shazal Yusuf bin Mohamed Zain as the Senior Independent Non-Executive 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.

Overall, the Board is satisfied with the current number and composition of its members and is of the view that the members represent a diverse set of academic background, skills, knowledge and experience that are necessary to support the Group's growth and success.

10. Tenure of Independent Director

The Board is aware that the tenure of an Independent Non-Executive Director should not exceed a cumulative term of nine (9) years as recommended by the MCCG 2017. Upon completion of the 9 years, the Independent Non-Executive Director concerned may:

- Continue to serve on the Board if deemed appropriate and suitable by the Board, subject to him/her being re-designated as Non-Independent Director; or
- Remain as an Independent Non-Executive Director if deemed appropriate and suitable by the Board, subject to the shareholders' approval. The Board must provide justification for the decision.

The Board is also mindful of Practice 4.2 of MCCG 2017 which require the Board to seek annual shareholders' approval through a two-tier voting process should the Board decide to retain the Independent Director after the twelfth (12th) year.

One (1) of the Independent Non-Executive Directors of the Company, En Shazal Yusuf bin Mohamed Zain would be attaining a tenure of eleven (11) years by 30 May 2021. As the next Annual General Meeting ("AGM") of the Company will only be held after that date in 2021, the NRC was requested to assess and evaluate the position of En Shazal Yusuf bin Mohamed Zain during this current financial year.

Approval of the shareholders will be obtained at the Company's AGM to be held on 30 November 2020 for En Shazal Yusuf bin Mohamed Zain to be retained as an Independent Non-Executive Director.

11. Diversity of Board and Senior Management

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 formalised the gender diversity policy on 25 October 2013.

The Company does not practice any form of gender, ethnicity and age group biasness as all candidates for either Board or Senior Management team shall be given fair and equal treatment.

Datin Seri Raihanah Begum binti Abdul Rahman was appointed as an Independent Non-Executive Director on 8 April 2019 which fulfilled the target set by the Board.

The Diversity Policy can be found on the Company's website at www.melewar-mig.com.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

12. Sourcing of Directors to the Board

The Board is responsible for the appointment of new Directors. The NRC is empowered to bring to the Board, recommendations as to the appointment of any new director or to fill board vacancies as and when they arise. In making its recommendation, the NRC will consider the required mix of skills, knowledge, expertise, experience and other qualities, including core competencies which Directors of the Company should bring to the Board.

The NRC is also guided by the Procedure for the Appointment and Removal of Directors which was approved by the Board on 30 May 2018. 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.

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

For financial year ended 30 June 2020, there has been no appointment of new Independent Director to the Board except for Mr Kwo Shih Kang and Dato' Dr. Kili Ghandhi Raj A/L K R Somasundram who were appointed on 23 August 2019 and 3 September 2019 respectively. 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 Code and the NRC continues to assess suitable candidates for recommendation to the Board.

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

13. NRC

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

The NRC is tasked by the Board to make independent recommendations for appointments to the Board. Appointment of Directors shall be based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

In making these recommendations, the NRC shall assess the suitability of candidates, taking into account the character, integrity, competence, professionalism, time commitment and other qualities of the candidates, before recommending their appointment to the Board for approval.

The NRC comprises of three (3) members, all of whom are Independent Non-Executive Directors. The members of the NRC are as follows:

Chairman:	En Shazal Yusuf bin Mohamed Zain - Senior Independent Non-Executive Director
Members:	Datin Seri Raihanah Begum binti Abdul Rahman - Independent Non-Executive Director
	Dato' Dr. Kili Ghandhi Raj A/L K R Somasundram - Independent Non-Executive Director

The NRC shall be chaired by an Independent Director or the Senior Independent Non-Executive Director. This is contained in the Terms of Reference of the NRC.

14. Annual assessment of the Directors, Board as a whole and Board Committees

The Board recognises the importance of assessing the effectiveness of individual Directors and the Board on an annual basis. During the financial year, the Board, through the NRC conducted a self-assessment 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 Executive Chairman's performance and Board governance. There were no major concerns from the results of the assessments.

All the assessments and evaluations 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.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

14. Annual assessment of the Directors, Board as a whole and Board Committees (continued)

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 2020.

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.

15. Summary of Activities Undertaken by the NRC in respect of Financial Year 2020

The NRC had discussed, inter alia, the following matters in respect of financial year 2020:

(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, characters, experiences, integrity and competencies to effectively discharge the role as a Director for the financial year ended 30 June 2020 and reported the findings in the Board meeting.

Based on 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 the individual Directors 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 the Company's Constitution at the forthcoming 51st 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 Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah.

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

(e) Assessed and evaluated the independence of En Shazal Yusuf bin Mohamed Zain, who had attained the tenure of ten (10) years by 30 May 2020 to support the resolution to be tabled for shareholders' approval at the forthcoming 51st AGM of the Company.

(f) Reviewed the terms of office and performance of the AGC and its members to determine whether the AGC and its members have carried out their duties in accordance with their Terms of Reference.

(g) Reviewed the remuneration policies applicable to Directors, Executive Chairman and Senior Management.

(h) Reviewed the performance bonuses for the Executive Director/Senior Management.

(i) 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.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

16. Time Commitment of the Directors

The Board meets at least once on a quarterly basis to consider all matters relating to the overall control, business performance and strategy of the Company. Additional meetings will be called when and if necessary.

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.

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 Board met five (5) times during the financial year ended 30 June 2020. The attendance of each Director at the Board meetings held during the financial year ended 30 June 2020 was as follows:

Executive Director	**No. of Attendance**	**%**
1. Tunku Dato' Yaacob Khyra (Executive Chairman)	5/5	100
Non-Independent Non-Executive Directors	**No. of Attendance**	**%**
1. Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	4/5	80
2. En Azlan bin Abdullah	5/5	100
Independent Non-Executive Directors	**No. of Attendance**	**%**
1. En Shazal Yusuf bin Mohamed Zain	5/5	100
2. Datin Seri Raihanah Begum binti Abdul Rahman	5/5	100
3. Mr Kwo Shih Kang *(Appointed on 23 August 2019)*	5/5	100
4. Dato' Dr. Kili Ghandhi Raj A/L K R Somasundram *(Appointed on 3 September 2019)*	4/4	100
5. Dato' Indera Naresh Mohan *(Resigned on 29 August 2019)*	1/1	100
6. General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) *(Vacated office as director on 4 September 2019)*	0/1	0

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.

None of the Directors was absent for more than 50% of the total Board meetings held under the financial year under review, hence complying with Paragraph 15.05(3) of the MMLR of Bursa Securities.

17. Continuing Education and Training of Directors

As at the date of this CG Overview Statement, all the Directors have attended the Mandatory Accreditation Programme as required under the MMLR of Bursa Securities.

In line with Paragraph 15.08 of the MMLR, the Directors acknowledge the importance and value of attending conferences, training programmes and seminars in order to keep themselves abreast of the latest developments in areas related to their duties and to be equipped with the necessary skills and knowledge to meet the challenges faced by the Board.

All Directors have complied with the Continuous Training Programme prescribed by Bursa Securities. Every Director is encouraged to evaluate their own training needs and undergo continuous training to equip himself with enhanced knowledge and effectively contribute to the Board.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

17. Continuing Education and Training of Directors (continued)

During the financial year ended 30 June 2020, the following training programmes and seminars were attended by the Directors:

Members of the Board	List of Training Programmes/Seminars/Conferences Attended
Tunku Dato' Yaacob Khyra	• MICG- Corporate Liability Section 17A of the MACC Act 2009. • Sustainability.
En Azlan bin Abdullah	• MICG- Members' Breakfast Talk on Whistleblowing. • Sustainability.
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	• MICG- Corporate Governance Compliance Expectations. • Sustainability.
En Shazal Yusuf bin Mohamed Zain	• IERP- Directors' Networking Session (DING) Corporate Liability, is your company prepared?. • ICLIF- Raising Defences: Section 17A, MACC Act. • Sustainability.
Datin Seri Raihanah Begum binti Abdul Rahman	• MICG- Members' Breakfast Talk on Whistleblowing. • Sustainability.
Mr Kwo Shih Kang	• ICLIF- Raising Defences: Section 17A, MACC Act. • Sustainability.
Dato' Dr. Kili Ghandhi Raj A/L K R Somasundram	• Sustainability Inspired Innovations : Enablers of the 21st Century. • Sustainability.

Board meetings were 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.

In addition, the Directors were briefed by the Senior Management, Company Secretary, External Auditors, and Internal Audit Consultants on any updates or changes to the relevant guidelines on the regulatory and statutory requirements at Board Meetings and AGC Meetings.

18. Remuneration Policies and Remuneration of Directors and Senior Management

The Board recognises that the level and composition of remuneration of Directors and Senior Management should take into account the Company's desire to attract and retain the right talent in the Board and Senior Management to drive the Company's long-term objectives.

The Board has in place Procedure for determining the remuneration of the Directors, Executive Chairman/Group MD/GCEO and Key Senior Officers and believes that the levels of remuneration offered by the Group are sufficient to attract directors of calibre with sufficient experience and talent to contribute to the performance of the Group.

The determination of remuneration packages of Executive Directors and Non-Executive Directors including Executive Chairman as well as Senior Management, 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.

As such, the Procedure for determining the remuneration of Executive Directors and Non-Executive Directors as well as Senior Management were endorsed and approved by the Board on 30 May 2018 in line with the MMLR of Bursa Securities and MCCG 2017.

In compliance with the provisions of the Companies Act 2016, the fees and any benefits payable to Directors are subject to annual approval at general meetings. The process of reviewing and recommending matters relating to the remuneration of the Board is undertaken by the NRC.

The Non-Executive Directors are remunerated based on fixed annual Director's fees and fixed meeting allowances. All Non-Executive Directors are paid Directors' fees of RM37,200 per annum each for serving as members of the Board. The Directors who serve on the AGC and RSC will also receive additional RM6,000 per annum for each committee that they serve in, in recognition of their commitment and additional time contributed. The Directors' fees are appropriate to their contribution, taking into consideration effort, commitment and time spent as well as the responsibilities of the Directors.

The Non-Executive Directors are paid a meeting allowance of RM500 for each meeting attended. The Executive Directors are not entitled to any meeting allowance.

Each of the Executive Director abstained from deliberating and voting on his/her own remuneration.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

18. Remuneration Policies and Remuneration of Directors and Senior Management (continued)

For the FY2020, the NRC had performed its duty to assess the remuneration package of its Executive Directors and Senior Management.

In addition, the NRC had also deliberated on the Directors' fees for the financial year ending 30 June 2021 which is subject to the shareholders' approval at the forthcoming AGM. Further to the deliberations, the NRC had reported to the Board its recommendation and findings.

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.

For the year 2021, the Board of Directors decided that the Directors' fees be maintained as the previous year for each Director and will recommend to the shareholders for approval at the forthcoming 51st AGM.

In addition, the Directors are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their capacity as Directors and Officers of the MIG Group as their benefit, provided that such Director or Officer has not acted negligently, fraudulently or dishonestly, or is in breach of his/her duty of trust.

The relevant resolutions in relation to the Directors' fees and benefits payable to the Directors will be presented to the shareholders for approval at the forthcoming 51st AGM.

The Company notes that payments made to Executive Directors pursuant to a service contract need not be approved by shareholders as it is governed by Section 231 of the Companies Act 2016. As such, the Company will not be tabling any resolution on payment to the Executive Chairman at the AGM of the Company.

The detailed remuneration of the Directors for the financial year ended 30 June 2020 is set out below:

Received from Company

Name	Salary (RM'000)	Bonus (RM'000)	Benefits-in-Kind* (RM'000)	Fees (RM'000)	Meeting Allowance (RM'000)	Others** (RM'000)
Executive Director						
Tunku Dato' Yaacob Khyra	1,080	90	28.7	-	-	175.5
Non-Independent Non-Executive Directors						
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	-	-	2.6	37.2	2.5	-
En Azlan bin Abdullah	-	-	2.6	37.2	3	-
Independent Non-Executive Directors						
En Shazal Yusuf bin Mohamed Zain	-	-	2.6	49.2	9	-
Datin Seri Raihanah Begum binti Abdul Rahman	-	-	2.6	49.2	8.5	-
Mr Kwo Shih Kang *(Appointed on 23 August 2019)*	-	-	2.2	42	6.5	-
Dato' Dr. Kili Ghandhi Raj A/L K R Somasundram *(Appointed on 3 September 2019)*	-	-	2.1	30.8	3	-
Dato' Indera Naresh Mohan *(Resigned on 29 August 2019)*	-	-	0.4	7.8	2	-
General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) *(Vacated office as director on 4 September 2019)*	-	-	-	8.6	0.5	-

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

18. Remuneration Policies and Remuneration of Directors and Senior Management (continued)

Received from Group

Name	Salary (RM'000)	Bonus (RM'000)	Benefits-in-Kind* (RM'000)	Fees (RM'000)	Meeting Allowance (RM'000)	Others** (RM'000)
Executive Director						
Tunku Dato' Yaacob Khyra	300	25	48.5	-	-	48.8
Non-Independent Non-Executive Directors						
En Azlan bin Abdullah	-	-	-	48	3	-
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	-	-	-	-	-	-
Independent Non-Executive Directors						
En Shazal Yusuf bin Mohamed Zain	-	-	-	60	7.5	-
Datin Seri Raihanah Begum binti Abdul Rahman	-	-	-	60	8.5	-
Mr Kwo Shih Kang *(Appointed on 23 August 2019)*	-	-	-	51.3	7	-
Dato' Dr. Kili Ghandhi Raj A/L K R Somasundram *(Appointed on 3 September 2019)*	-	-	-	-	-	-
Dato' Indera Naresh Mohan *(Resigned on 29 August 2019)*	-	-	-	-	-	-
General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) *(Vacated office as director on 4 September 2019)*	-	-	-	-	-	-

* Benefits-in-kind include company car, driver, club membership subscription and medical insurance benefits.
** Others include car allowance, provision for Directors' leave pay, travelling allowances and EPF.

The remuneration of the Senior Management (excluding the Executive Chairman) in bands of RM50,000 is disclosed below:

Remuneration Bands	Number of Key Senior Management
RM50,001 to RM100,000	1
RM350,001 to RM400,000	1
RM450,001 to RM500,000	1
RM550,001 to RM600,000	2
RM700,001 to RM750,000	2
RM800,001 to RM850,000	1

In determining the remuneration packages of the Senior Management, factors that were taken in consideration included their individual responsibilities, skills, expertise and contributions to the Group's performance and whether the remuneration packages are competitive and sufficient to ensure that the Group is able to attract and retain executive talents.

The remuneration of the Senior Management which is a combination of annual salary, bonus and benefits-in-kind are determined in a similar manner as other employees of the Company. The basis of determination has been consistently applied and is based on individual performance, the overall performance of the Company and benchmarked against other companies operating in similar industry.

The Board believes it may not be in its best interest to disclose the information on the remuneration on named basis of each member of the Senior Management, having considered the highly competitive human resource environment for personnel with the requisite knowledge, expertise and experience in the Group's business activities.

Thus, the Company does not intend to adopt the recommendation to disclose the detailed remuneration of each member of Senior Management in bands of RM50,000 on a named basis.

The Board will continuously undertake a robust internal process to ensure that the remuneration of Senior Management is competitive and fair.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

1. AGC

The Board established the Audit and Governance Committee ("AGC") since 15 April 1994 to provide assistance to the Board of Directors in fulfilling its statutory and fiduciary responsibilities with regards to the accounting and financial reporting practices. The AGC also reviews the scope and results of internal and external auditing processes and monitors the effectiveness of the internal controls and risk management to ensure the Board makes properly informed decisions.

During the financial year, the AGC comprised of three (3) members, all of whom are Independent Non- Executive Directors.

The AGC is chaired by an Independent and Non-Executive Director, Mr Kwo Shih Kang, who is not the Chairman of the Board which therefore is in compliance with Practice 8.1 of the Code which stipulates that the Chairman of the AGC is not the Chairman of the Board.

All AGC members are financially literate and the composition and their performance are reviewed by the NRC annually and recommended to the Board for approval.

The composition and summary of activities of the AGC during the financial year under review are disclosed in the AGC Report as set out on pages 60 to 65 of this Annual Report.

2. Oversight of External Auditors by the AGC

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

During the financial year, the AGC had met the External Auditors three (3) times without the Executive Board members present. In compliance with Malaysian Institute of Accountants ("MIA") by-laws, the Audit Partners are rotated every seven (7) years to ensure objectivity, independence and integrity of the audit opinions. Such assurance was also given by the External Auditors in the Audit Plan and Audit Report presented to the AGC. The last audit partner rotation was in 2018.

The AGC had carried out the assessment on the level of service provided by the External Auditors against a set of assessment criteria that has been approved by the Board. The scope of assessment which is described in the Audit and Governance Committee Report in this Annual Report includes, amongst others, an assessment on the suitability, objectivity and independence of the External Auditors. All findings from the AGC are then reported to the Board for further action, if any.

The AGC was satisfied with the competence and independence of the External Auditors and had recommended the re-appointment of the External Auditors for shareholders' consideration at the forthcoming 51st AGM.

3. Qualification of the AGC

Collectively, the members of the AGC have the relevant experience and expertise in finance and accounting, and have carried out their duties in accordance with the Terms of Reference of the AGC. The qualification and experience of the individual AGC members are disclosed in the Directors' Profiles on pages 27 to 29 of this Annual Report.

Directors including the AGC members continue to undergo training periodically during the financial year, based on individual learning requirements as well as financial and corporate developments.

4. Establishment of Risk Management and Internal Control Framework

The Board undertakes overall responsibility for risk oversight and risk management. In view of this, the RSC has adopted a Risk Management Framework for the Group in 2005.

The objective of this framework is to provide guidance to the Group to facilitate a structured approach in identifying, evaluating and managing significant risks and to achieve a level of adequacy and standard reporting by the operating subsidiaries and business divisions to the holding company in a timely manner.

The internal audit activities of the Group are carried out according to an annual internal audit plan approved by the AGC. The internal audit function of the Company and the Group has been outsourced to an independent party, Messrs Deloitte Risk Advisory Sdn Bhd who reports directly to the AGC. The internal audit function is expected to meet the standard set by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

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

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

4. Establishment of Risk Management and Internal Control Framework (continued)

None of the internal audit personnel has any relationship or conflict of interest that could impair their objectivity and independence in conducting their internal audit functions.

The Internal Audit Consultants adopt a risk-based approach towards the planning and conduct of audits, which are consistent with the Group's framework in designing, implementing and monitoring its internal control system.

The internal audit function is guided by Internal Audit Charter which was approved by the AGC and Board of Directors on 30 May 2017. Audit engagement is focused on areas of priority according to their risk assessment and in accordance with the annual audit plans approved by the AGC.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

1. Communication with Stakeholders

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.

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 which is made available on the Company's website at www.melewar-mig.com as well as Bursa Malaysia Securities Berhad's corporate website at www.bursamalaysia.com.

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

(i) En Shazal Yusuf bin Mohamed Zain can be contacted as follows:
Telephone number: +603-6250 6000 Facsimile number: +603-6257 1555
Email address: shazalyusuf@gmail.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) Ms Lily Yin Kam May (Company Secretary, for shareholders' enquiries)
Telephone number: +603-6252 8880 Facsimile number: +603-6252 8080

2. Conduct of General Meetings

General Meeting serves as the principal platform for the Board and Management to engage with shareholders and encourage effective shareholders' communication on the Company's performance, corporate and business developments and any other matters affecting shareholder interests. The Company Secretary, by order of the Board, serve a notice of AGM to all shareholders of the Company at least 28 days prior to its forthcoming AGM to provide the shareholders sufficient time to consider the proposed resolutions that will be discussed and decided at the AGM.

If a member is unable to attend and vote in person at the General Meetings, the Company allows him/her to appoint proxies to attend and vote at the General Meetings on his/her behalf. A member may appoint any person, who may but need not be a member of the Company, to be his/her proxy without limitation and the proxy shall have the same rights as the member to speak at the General Meetings.

Notices of General Meetings, the related Circulars and the Annual Reports of the Company are sent to the shareholders in accordance with the regulatory and statutory provisions. Where special business items appear in the Notices of General Meetings, an explanatory note will be included as a footnote to enlighten shareholders on the significance and impact when shareholders deliberate on such resolution. The Notices of General Meetings are advertised in a national English newspaper within the prescribed deadlines.

All Directors attend the General Meetings. The Senior Management is also present at the General Meetings to respond to shareholders' queries addressed to them during the meetings. The external auditors and advisers of corporate exercises, where applicable, attend General Meetings upon invitation and are available to answer questions or clarify queries from shareholders relating to the subject matter.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONTINUED)

2. Conduct of General Meetings (continued)

In accordance with the MMLR, a summary of the key decisions and discussions arising from the AGM in November 2020 will also be posted on our website.

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.

3. Encourage Poll Voting

Pursuant to Paragraph 8.29A of the MMLR of Bursa Securities, any resolution set out in the notice of any general meeting or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, must be voted by poll. At least one (1) independent scrutineer must be appointed to validate the votes cast at the general meeting.

The Company's General Meeting is not held in a remote location. At the previous AGM of the Company held on 29 November 2019, a poll voting was conducted on all resolutions as set out in the Notice of the 50th AGM and for the interest of all shareholders a summary of key matters discussed at the AGM was posted on the Company's website.

As for voting in absentia and remote shareholders' participation, the existing proxy form authorising proxies or Chairman of meeting is an alternative measure adopted by the Company.

COMPLIANCE STATEMENT

The Board has deliberated, reviewed and approved this Corporate Governance Overview Statement. The Board considers that the Statement on Corporate Governance Overview 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 MCCG 2017, the MMLR of Bursa Securities and all applicable laws and regulations throughout the financial year ended 30 June 2020.

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 or Chief Executive who is not a director and major shareholder.

2. MATERIAL CONTRACTS RELATED TO LOAN

There were no material contracts related to loans entered into by the Company and/or its subsidiaries 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 2020 amounted to RM632,790 and RM217,400 respectively.

4. NON-AUDIT FEES

The amount of non-audit fees charged for services rendered to the Group and the Company by the External Auditors for the financial year ended 30 June 2020 amounted to RM27,210 and RM13,850 respectively.

OTHER BURSA SECURITIES COMPLIANCE INFORMATION (CONTINUED)

5. RECURRENT RELATED PARTY TRANSACTIONS ("RRPTs") ENTERED INTO DURING THE FINANCIAL YEAR ENDED 30 JUNE 2020

On 29 November 2019, the Company sought approval for a shareholders' mandate for MIG Group to enter into RRPTs (as defined in the Circular to Shareholders dated 31 October 2019) 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 2020 in accordance with the Shareholders' Mandate obtained at the last AGM were as follows:

A. RRPTs with Trace Management Services Sdn Bhd ("Trace")

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Parties		Value of Transaction (01/07/2019 – 30/06/2020) (RM)
				Director	Major Shareholder	
1.	Trace	Provision of corporate secretarial services by the Related Party 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 holding company of Trace; TMC is the family owned investment holding company.	Nil	438,825
2.	Trace	Office rental charged by MIG Group to the Related Party	**Interested Directors** TY and TYY	TY and TYY are deemed interested in Trace by virtue of their major interests in TMC, who in turn is the holding company of Trace; TMC is the family owned investment holding company.	Nil	121,707

Note:

* TMC had transferred its equity in Trace to Melewar Group Berhad, which is also a family owned investment holding company w.e.f. 30 September 2020.

OTHER BURSA SECURITIES COMPLIANCE INFORMATION (CONTINUED)

5. RECURRENT RELATED PARTY TRANSACTIONS ("RRPTs") ENTERED INTO DURING THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

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

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Parties		Value of Transaction (01/07/2019 – 30/06/2020) (RM)
				Director	Major Shareholder	
1.	MAA Corporation Sdn Bhd ("MAA Corp")	Office rental charged by the Related Party 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.	87,017
2.	MAA Corp	Office service charged by the Related Party 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.	20,081
3.	MAACA Legal Advisory Sdn Bhd ("MAACA Legal Advisory")	Provision of corporate consultancy services by the Related Party to MIG Group	**Interested Director** TY **Interested Major Shareholders** MEBVI, MKSB and KLB	TY is deemed interested in MAACA Legal Advisory. TY is a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB.	MAACA Legal Advisory is a wholly owned subsidiary of MAA Corp who in turn is a wholly owned subsidiary of MAAG whose ultimate Major Shareholder is KLB.	Nil

OTHER BURSA SECURITIES COMPLIANCE INFORMATION (CONTINUED)

5. RECURRENT RELATED PARTY TRANSACTIONS ("RRPTs") ENTERED INTO DURING THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

(C) Financial assistance between MIG Group and the classes of related parties

Type of Financial Assistance	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Parties		Value of Transaction (01/07/2019 – 30/06/2020) (RM)
			Director	Major Shareholder	
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 Shareholders of MIG.	Nil	Nil
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 Shareholders of MIG.	Nil	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 financial 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 Chief Financial Officer that the financial records have been properly maintained and the financial statements for the financial year ended 30 June 2020 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 judgements 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to Rule 15.26(b) of the Listing Requirements of Bursa Securities and Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, the Board is pleased to present the Statement on Risk Management and Internal Control ("Statement") which outlines the governance policies, key elements, nature and scope of risk management and internal control of the Group during financial year ended 30 June 2020.

BOARD RESPONSIBILITY

The Board reaffirms its overall responsibility for the Group's system of internal controls, including an assurance of its adequacy, integrity, and its alignment with business objectives. The Board is also of the view that, the risk management framework and internal control system in place are designed and have the capacity to manage the Group's risks within the accepted risk appetite thresholds. The Board does not claim nor believes that the controls will totally eliminate the risks emanating from the exercise of poor judgment in decision making, human error, deliberate circumvention of control processes by employees, and unforeseeable circumstances. It can therefore only provide reasonable, rather than absolute assurance against material misstatement, fraud or loss.

Whilst the Board has the ultimate responsibility for the Group's risk management and internal control systems, it has delegated the immediate oversight and implementation of these internal controls to the Management who make regular submissions to the Audit and Governance Committee ("AGC") and Risk and Sustainability Committee ("RSC") on the status of actions taken to mitigate and/or minimise identified risks.

The risk management and internal control system is subject to the Board's regular review via the independent Internal Audit function with a view towards appraising and ascertaining the relevancy, adequacy and effectiveness of the controls in place in key operational and business areas as identified in the annual Audit Plan.

From time to time, the Board receives assurances from the Heads or the Chief Executive Officers ("CEO") of the operating subsidiaries and the Chief Financial Officer ("CFO") on the efficacy of the risk management and internal control system and that it sufficiently safeguards the interests of the Group.

RISK MANAGEMENT

The main components of the Group's risk governance and structure consists of the Board, the AGC and the RSC. The adequacy and effectiveness of risk management and internal controls are reviewed by the AGC and RSC through internal audits conducted. The internal audits are outsourced to external service provider, Messrs Deloitte Risk Advisory Sdn Bhd ("Deloitte"). Internal control issues as well as actions taken by Management to address these issues are tabled by the outsourced service providers for deliberation during the AGC meetings.

The Group has also in place Standard Operating Policies ("SOP") and Internal Control Procedures ("ICP") for its main business highlighting the control objectives, policies, procedures, authority and responsibility. Each business unit and their supporting departments have implemented its own control processes under the leadership of the Executive Chairman/Managing Director, who is responsible for business and regulatory governance.

The CEO of the operating subsidiaries, Senior Management, Division Heads and Departmental Heads are responsible for identifying, assessing and managing the risks of their respective business units, operational units and departments. The specific business risks identified encompasses risks on finance, operations, regulatory compliance and cyber security, including respective internal controls in place to manage the risks. It assures the Board that the Group's risks are effectively managed based on the Risk Management Framework adopted by the Group and the Internal Controls System are operating adequately and effectively, in all material aspects. Regular Management and operational meetings are held to deliberate key risks and the appropriate mitigating controls. This ongoing process is undertaken at all active subsidiaries of the Group.

On a quarterly basis, Management reports to the AGC and RSC on all risk areas faced by the Group and findings identified from the internal audit reviews conducted by Deloitte as well as the actions taken by the Management to address those high risks areas and audit findings. Minutes of the meetings of the AGC and RSC which recorded these deliberations were presented to the Board.

In compliance with the Guidelines for Directors of Listed Issuers which was issued by the Bursa Securities, the Board shall re-evaluate the Group's existing risk management process to ensure it is appropriate for the Group's requirements.

RISK AND SUSTAINABILITY COMMITTEE

The RSC was established by the Board on 18 December 2003. The members of the RSC as at the date of this Annual Report are as follows:

Chairman : En Shazal Yusuf bin Mohamed Zain
Members : Datin Seri Raihanah Begum binti Abdul Rahman
: Mr Kwo Shih Kang

During the financial year ended 30 June 2020, four (4) RSC meetings were held. The details of attendance of each Committee member are as follows:

Name of Committee Members	Total Meetings Attended
En Shazal Yusuf bin Mohamed Zain (Chairman, Senior Independent Non-Executive Director)	4/4
Datin Seri Raihanah Begum binti Abdul Rahman (Independent Non-Executive Director)	4/4
Mr Kwo Shih Kang (Independent Non-Executive Director) *(Appointed on 28 August 2019)*	3/3
Dato' Indera Naresh Mohan (Independent Non-Executive Director) *(Resigned on 29 August 2019)*	1/1
General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) (Independent Non-Executive Director) *(Vacated office as director on 4 September 2019)*	0/1

RISK MANAGEMENT FRAMEWORK

The Board confirms that there is an ongoing process for identifying, assessing and responding to risks to achieve the objectives of the Group for the financial year under review. The process is in place for the period under review and up to the date of issuance of this Statement.

The RSC had formally adopted a Risk Management Framework for the Group to provide guidance to the Group and 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 in accordance with the overall risk appetite of the Group.

The roles of the Board of Directors, RSC and the respective Heads of Division/Department 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 recognises that Risk Management involves a structured approach, combining the efforts of all functions within the Group, to minimise the possibility and impact of unexpected damages so as to contribute towards greater efficiency and better decision making.

The RSC 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 RSC to invite the relevant Heads of Division/Department to attend the RSC 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 Chief Operating Officer 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 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 framework is reviewed and revised as and when necessary to ensure it remains relevant and adequate to manage the MIG Group's risks, which continue to evolve along with the changing business environment.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

INTERNAL CONTROL

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 2020 are summarised as follows:

1. Authority and Responsibility

(a) Responsibilities are delegated to Board Committees through clearly defined Terms of Reference ("TOR") which are reviewed and revised when necessary. The TOR of the RSC was last reviewed and updated on 30 May 2018.

(b) The Group has a clear organisation structure with well-defined lines of reporting and appropriate levels of responsibility.

(c) The Authority Limits is reviewed and revised when necessary to reflect the authority and authorisation limits of Management.

2. Internal Control Procedures

To ensure the uniformity and consistency of practices and controls within the Group, Internal Control Procedures ("ICPs") have been formalised and documented which were endorsed by both the Management and the Board which cover:

- Internal Control Procedure
- Petty Cash Procedure
- Staff Transport Allowances
- Organisation's Motor Vehicles
- Outstation & Overseas Travel
- Staff Expense Reimbursement
- Employee Advance Control Procedure
- Capital Asset Acquisition Procedure
- Capital Asset Disposal Procedure
- Investment Procedure
- Credit Control Procedure
- Procurement 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
- FX Risk Management
- Manual Journal Transaction Procedure
- Miscellaneous Payments Procedure
- Tendering Procedure
- Tendering 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-to-day activities and to ensure compliance with internal controls and relevant laws and regulations. The policies and procedures are documented in the ICPs and are reviewed and updated when applicable.

The manufacturing subsidiaries that implement risk-based ISO 9001:2015 Quality Management System ("QMS") benefit from determining the risks and opportunities, planning actions to address them, implementing them in QMS and evaluating their effectiveness to ensure their products or services are consistently meeting customer requirement and expectation. The QMS is reviewed on a quarterly basis to maintain its relevancies to meet changes in business, operational and statutory needs.

4. Internal Audit Function

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 by adopting a risk-based approach and focusing on the key risks areas to determine the auditees and auditable areas.

Audit issues and actions taken by the Management to address the shortcomings raised by Deloitte were deliberated and accepted during the AGC meetings. Additionally, the AGC 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 AGC meetings which recorded these deliberations and decisions were subsequently presented to the Board for notation.

5. Managers Meeting ("MANCO")

The Company is the holding company of Mycron Steel Berhad who in turn is the holding company of all the active subsidiaries within the Group. These subsidiaries have their regular MANCO Meetings which therefore forms part of the internal control function of the Group.

6. Risk Management Process

As part of the Risk Management process, the Company adopted the implementation of a Risk Register with which the principal business risk is identified and regularly updated to reflect on-going changes in the risk profile.

On-going monitoring and reviews of the risk register are undertaken on a quarterly basis by the Management to assess the continued applicability and relevance of the risks already identified and to re-rate these risks where necessary; as well as to identify emerging risks or new risk factors, if any, faced by the Group as a whole based on a consistent risk likelihood and impact criteria applied across the Group.

The other key elements of the Group's Internal Controls are as follows:

(i) A Whistle-blowing Policy to assist stakeholders to raise concerns on any malpractices they may observe in the Group, without fear of retaliation;

(ii) An Anti-Corruption Policy to prohibit all forms of bribery and corruption practices, and the Group is committed to conducting business free from any acts of bribery or corruption in upholding high standards of ethics and integrity;

(iii) The operations and any significant changes in the business and external environment are reported to the Board on quarterly basis.

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 Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG 3 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.

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 line with the Guidelines, the Board has received assurance from the Heads or CEO from the various operating subsidiaries and the CFO that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management 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 Executive Director, CFO and the Management which may render the financial results presented and the information provided to be misleading in any material respect.

The Board is of the view that the risk management and internal control system of the Group is adequate and effective to safeguard the shareholders' investments, Group's assets and the interests of other stakeholders. There were no adverse compliance events or material control failures that could cause material losses to the Group. Nevertheless, taking into account the rapid changing environment and circumstances, the Board continues to evaluate and take precautionary measures and steps to further strengthen the control environment.

AUDIT AND GOVERNANCE COMMITTEE REPORT

The Board of Directors ("Board") of Melewar Industrial Group Berhad ("MIG" or "the Company") is pleased to present the Audit and Governance Committee Report including a summary of the activities of the Audit and Governance Committee ("AGC") which provides insights into the manner in which the AGC discharged its function for the Group for the financial year ended 30 June 2020 in the areas of corporate governance, internal controls and financial reporting.

TERMS OF REFERENCE

The Terms of Reference ("TOR") of the AGC are aligned with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and recommendations of the Malaysian Code on Corporate Governance 2017 ("MCCG 2017"). The TOR will be revised accordingly, to cater for changes, if any.

The TOR of the AGC is available on the Company's website at www.melewar-mig.com.

COMPOSITION

As at the date of this Annual Report, the AGC comprises of three (3) members, all of whom are Independent and Non-Executive Directors in compliance with the requirements of Paragraph 15.09(1)(a) and (b) of the MMLR of Bursa Securities. No Alternate Director is appointed as a member of the AGC.

The current composition of the AGC, their respective designations and directorate are as follows:

Designation	Name	Directorship
Chairman	Mr Kwo Shih Kang	Independent Non-Executive Director
Members	En Shazal Yusuf bin Mohamed Zain	Senior Independent Non-Executive Director
	Datin Seri Raihanah Begum binti Abdul Rahman	Independent Non-Executive Director

The AGC Chairman, Mr Kwo Shih Kang, is a graduate from CASS Business School, London with a Master of Business Administration, majoring in Finance. He is also a Fellow of the Society of Actuaries, USA. Mr Kwo Shih Kang is also a Registered Financial Planner. Thus, the Company has complied with Paragraph 15.09(1)(c) of the MMLR of Bursa Securities. The Members' profiles are set out on pages 27 to 29 in the Annual Report.

The Chairman of the AGC is not the Chairman of the Board. This is in line with Practice 8.1 under the MCCG 2017.

All members of the AGC are financially literate and are able to analyse and interpret financial statements to effectively discharge their duties and responsibilities as members of the AGC.

MEETINGS AND ATTENDANCE

The AGC shall meet at least four (4) times annually or more frequently as circumstances dictate. The Chief Executive Officers of the operating subsidiaries were invited to all AGC meetings to provide further clarification on the operations of the Group, the risk management and internal control system. The Chief Financial Officer ("CFO") attended all meetings of the AGC to present all financial results and to clarify any issues relating to financial reporting. Other Board members, employees, a representative of the External Auditors and Internal Audit Consultants attended meetings upon the invitation of the AGC.

The Internal Audit function of the Group was outsourced to an independent external professional firm, Deloitte Risk Advisory Sdn Bhd ("Deloitte" or "Internal Audit Consultants"). Deloitte reports directly to the AGC and assists the Board in monitoring the risks and reviewing the internal controls system to ensure a sound internal control system is established and continue to function effectively and satisfactorily within the Group.

The Company Secretary shall be the secretary to the AGC. Minutes of each AGC meeting are recorded and tabled for confirmation and approval at the following meeting and subsequently presented to the Board for notation. The AGC Chairman also conveys to the Board key matters deliberated at the AGC meetings and matters of significant concerns as and when raised by the External Auditors or Internal Audit Consultants and those matters which require the decision or approval of the Board.

MEETINGS AND ATTENDANCE (CONTINUED)

During the financial year ended 30 June 2020, there were five (5) AGC meetings held. The number of meetings attended by each AGC member are as follows:

Members	No. of Meetings Attended	%
Kwo Shih Kang *(Appointed on 28 August 2019)*	4/4	100
Shazal Yusuf bin Mohamed Zain	5/5	100
Datin Seri Raihanah Begum binti Abdul Rahman	5/5	100
Dato' Indera Naresh Mohan *(Resigned on 29 August 2019)*	1/1	100
General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) *(Vacated office as director on 4 September 2019)*	0/1	0

The AGC meetings of the Company were convened with proper notices and agenda and these were distributed to all members of the AGC about five (5) days before the meetings. At the meeting, matters to be addressed by Management raised at the meetings are issued by the Company Secretary on the decisions made and action required. These are then circulated to Management for their onward action.

The External Auditors were also invited to present to the AGC the audit plan, the audit findings, the independent auditors' report as well as any other matters which they considered were important for the AGC's attention. During the financial year under review, the AGC had conducted three (3) private meetings with the External Auditors, to give opportunity to the External Auditors to raise any matters without the presence of the executive board members and the Management.

Other Senior Management staff may be invited to attend certain AGC 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 operations of the Company. Conversely, the External Auditors and Internal Audit Consultants may also respectively request a meeting with the AGC if they consider it necessary.

The composition of the AGC is reviewed by the Nomination and Remuneration Committee ("NRC") annually and appropriate recommendations are made to the Board.

The NRC had on 28 August 2020 reviewed the terms of office and performance of the AGC members. The Board, through its NRC, reviewed the performance of the AGC and the skills, experience and competencies possessed by the members of the AGC through an annual AGC effectiveness assessment.

The Board was satisfied with the performance of the AGC and its members based on the assessment carried out.

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR 2020

In line with the TOR, the AGC held five (5) meetings during the financial year and carried out the following activities:

Financial Reporting	(a) The AGC reviewed the unaudited quarterly financial results and audited financial statements of the Group with the aim to ensure that the interim financial reports and financial statements were prepared in accordance with the approved Malaysian Financial Reporting Standards ("MFRSs"), the International Financial Reporting Standards ("IFRSs"), the Companies Act 2016 and other statutory requirements. In reviewing the interim financial report, the CFO provided explanations on the analysis of the quarterly results and major variances. The AGC was also briefed on the Group's business operations, factors affecting the Group's performance and market outlook. (b) Sought clarification from Management especially from the CFO 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. (c) 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.

AUDIT AND GOVERNANCE COMMITTEE REPORT (CONTINUED)

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR 2020 (CONTINUED)

In line with the TOR, the AGC held five (5) meetings during the financial year and carried out the following activities: (continued)

Financial Reporting (continued)	(d) 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. (e) The AGC discussed the impact of any changes to the accounting policies and adoption of new accounting standards as well as accounting treatments used in the financial statements in particular with regards to MFRS 16 “Leases”.
External Audit and Interim Review	(a) 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. (b) 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. (c) Evaluated the External Auditors’ independence, objectivity and terms of engagement before recommending their re-appointment and remuneration. In ensuring independence, the AGC:- • took into consideration the criteria stipulated under Paragraph 15.21 of the MMLR when deciding on the External Auditors; • ensured audit partner responsible for external audit of MIG is subject to rotation at least every seven (7) financial years in accordance with the MIA By-Laws which requires that the engagement partner involved in the external audit should not remain in a key audit role beyond seven (7) years. The last audit partner rotation was in 2018. (d) 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. (e) Reviewed with the External Auditors the Statement on Risk Management and Internal Control which provides an overview of the state of internal controls and risk management within the Group and also the AGC’s Report prior to the Board’s approval for inclusion in the Annual Report. (f) 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 on the financial statements. (g) Conducted three (3) private sessions with the External Auditors, without the presence of Executive Directors and Management, to review the adequacy and effectiveness of the system of internal control and any other areas of concern arising from their interim and final audit. No major concerns were raised by the External Auditors.

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR 2020 (CONTINUED)

In line with the TOR, the AGC held five (5) meetings during the financial year and carried out the following activities: (continued)

Internal Control and Internal Audit	(a) Reviewed and approved the Internal Audit Consultants' Annual Internal Audit Plan and ensured principal risks, key entities, scope and functions were adequately identified and covered in the plan. (b) 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 Audit Consultants and External Auditors and discussions with the Management. (c) Reviewed the internal audit reports presented by the Internal Audit Consultants at each AGC 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, investigation 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, competency and resources of the internal audit function; and • Reviewed and recommended to the Board the re-appointment of the external service provider for internal audit services. (d) Reviewed and debated on the recommendations made by the Internal Audit Consultants on the auditable areas where further improvements are required with subsequent recommendation to the Board the steps to improve the system of internal control derived from the findings of the Internal Audit Consultants and External Auditors. (e) Reviewed and discussed the steps to address the issues in relation to the Terengganu Silica Project undertaken by *Melewar Integrated Engineering Sdn Bhd ("MIE") including: • Reviewed and discussed the cashflow and funding resources for the completion of the project; • Regular updates on the progress of the project. (f) Undertook the performance appraisal of the Internal Audit Consultant.
Corporate Governance	(a) 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. (b) Reviewed the following draft Statement/Circular to Shareholders and recommended the same to the Board for approval: (i) Proposed share buy-back of up to ten percent (10%) of the total number of issued shares of the Company subject to the Company fulfilling the conditions for the share buy-back; (ii) Proposed renewal of shareholders' mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and Provision of Financial Assistance; and (iii) Proposed amendments to the Constitution of the Company. (c) Reviewed the AGC Report, Corporate Governance Overview Statement, Corporate Governance Report, 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.

Note:
* MIE has since been disposed on 14 August 2020.

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The Internal Audit function adopts a risk based audit methodology, which is aligned with the risks of the Group to ensure that the relevant control addressing those risks are reviewed on timely basis. As part of the audit work, the Internal Audit function would review the adequacy and effectiveness of the internal control system, compliance with rules, regulations, policies and procedures and also evaluates efficiency of key business processes.

These processes provide reasonable assurance that such internal control system would continue to operate satisfactorily and effectively in the Group.

The Internal Audit Consultants submits the internal audit report with audit findings and recommendations on areas of concern to the AGC for its review and deliberation on a quarterly basis.

During the financial year ended 30 June 2020, the Internal Audit Consultants had carried out a review on the Group's policies, procedures, processes and controls covering the following areas based on the approved audit plan 2018/2020:

Companies	Key Areas	Activities
• MIG • Mycron Steel Berhad ("MSB") • Mycron Steel CRC Sdn Bhd ("MCRC") • Melewar Steel Tube Sdn Bhd ("MST") • MIE	Human Resource ("HR") Management and Management of Foreign Labour	Reviewed the process and controls pertaining to the following: • Compliance with established policies and procedures in relation to HR management; • Adequacy of internal control procedures and supporting documents for hiring and termination of personnel; • Reviewed the internal control procedures for the processing of payroll; • Reviewed the approval and disbursement of payroll, overtime and staff claim; • Reviewed the controls over maintenance of payroll master files; • Reviewed the adequacy and effectiveness of training and development established for the employees; • Reviewed the performance appraisal conducted for each employee; • Monitored the recording of staff leave applications; and • Reviewed the controls over foreign worker management, e.g. coordination of the foreign worker application and quota, compliance with the government rules and regulations.
• MIG	(i) Corporate Governance ("CG") Review	Reviewed the process and controls pertaining to the following: • CG structure and framework; • Monitoring and reporting mechanism; • Risk management; • Succession planning; and • Whistle blowing.
	(ii) Investment Management	Reviewed the process and controls pertaining to the following: • Compliance with the investment policies and procedures; • Alignment of investment to company strategy; • Governance relating to investment portfolio management i.e. investment decision making process, asset/property management, fund management, forex management; • Risk assessment for investment management; • Establishment of investment annual plan i.e. short term plan to long term plan; • Approval process for investment management; • Periodic reporting to Investment Committee/Board of Directors; • Monitoring of investment performance; and • Disclosure in financial statement in accordance with accounting standards.

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION (CONTINUED)

Companies	Key Areas	Activities
• MCRC • MST • MIE • Silver Victory Sdn Bhd ("SVSB")	Revenue Recognition, Billing, Collection, Credit Control and Petty Cash Management	• Reviewed the billing and collection internal control procedure and identify areas of improvement where applicable; • Reviewed the compliance with debt collection internal control procedure; • Reviewed the accuracy and timeliness of revenue recognition; • Assessed the adequacy of revenue collection process and whether all collections have been received in a timely manner; • Reviewed the governance over any discount or rebates given to the customer; • Assessed the controls over revenue collection, closing process and recognition of revenue in the system; • Reviewed the monitoring process for debtors ageing and collection process; • Reviewed the controls and validity for any debtors' provision made; and • Reviewed the adequacy of tracking, segregation of duties, disbursement and monitoring of petty cash management.
• MCRC • MST • MIE • SVSB	Procurement to Payment Management	• Reviewed the existence and completeness of internal control procedure in relation to procurement activities and identify areas of improvement within the internal control procedure where applicable; • Ascertained the existence on the procurement limits of authority to govern the purchasing activities; • Ascertained all purchases and payments made are in accordance with the procurement limits of authority; • Reviewed the controls in place for any urgent purchase made (i.e. valid/ documented justification and approval); • Reviewed the controls in the appointment of vendors or sub-contractors process (i.e. quotations, review and approval process); • Reviewed if there are periodic reviews performed on the maintenance and update of the Vendor Master Listing; • Assessed the controls and governance in place for procurement activities performed (i.e. issuance of Purchase Requisition, Purchase Order/ blanket Purchase Order, etc.); • Performed analysis of the turnaround time of procurement activities performed, circumvention of authority limits and rationalisation of authority limits; and • Reviewed the processing of payments to vendors (Accounts Payable).

The AGC had noted the overall findings covering the above auditable areas as well as the recommendations made by the Internal Audit Consultants on the areas where further improvements were required.

The AGC was generally satisfied with the results of the audit.

The costs incurred in respect of the internal audit reviews performed by the professional services firm was RM97,750 for the financial year ended 30 June 2020.

DIRECTORS' REPORT

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 2020.

DIRECTORS

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

Tunku Dato' Yaacob Khyra
Azlan bin Abdullah
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah
Shazal Yusuf bin Mohamed Zain
Datin Seri Raihanah Begum binti Abdul Rahman
Kwo Shih Kang (Appointed on 23 August 2019)
Dato' Dr. Kili Ghandhi Raj A/L K R Somasundram (Appointed on 3 September 2019)
Dato' Indera Naresh Mohan (Resigned on 29 August 2019)
General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) (Vacated office on 4 September 2019)

In accordance with Article 96(1) of the Company's Constitution, Tunku Dato' Yaacob Khyra and Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah are to retire by rotation from the Board at the forthcoming Annual General Meeting, and being eligible, offers 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. There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group	Company
	RM	RM
Net (loss)/profit for the financial year	(4,149,054)	5,727,271
Attributable to:		
- Equity holders of the Company	(1,446,964)	5,727,271
- Non-controlling interests	(2,702,090)	-
Net (loss)/profit for the financial year	(4,149,054)	5,727,271

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 2020.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than these benefits shown under Directors' Remuneration section below) 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' INTERESTS IN SHARES AND DEBENTURES

According to the register of Directors' Shareholdings, required to be kept under Section 59 of the Companies Act 2016 in Malaysia, none of the Directors who held office at the end of the financial year held any interest in shares in or debentures of the Company and every other body corporate, being the Company's subsidiaries during the financial year except as follows:

	Number of ordinary shares in the Company			
	At 01.07.2019	**Bought**	**Sold**	**At 30.06.2020**
Tunku Dato' Yaacob Khyra				
- deemed indirect interest [(i)]	164,762,464	-	-	164,762,464
Azlan bin Abdullah				
- direct interest	133,333	-	-	133,333

	Number of ordinary shares			
Mycron Steel Berhad (Related corporation)	**At 01.07.2019**	**Bought**	**Sold**	**At 30.06.2020**
Tunku Dato' Yaacob Khyra				
- deemed indirect interest [(ii)]	242,523,025	-	-	242,523,025
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah				
- deemed indirect interest [(iii)]	62,760	-	-	62,760
Azlan bin Abdullah				
- direct interest	100,000	-	-	100,000

(i) Deemed indirect interest by virtue of Tunku Dato' Yaacob Khyra 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.

(ii) Deemed indirect interest by virtue of Tunku Dato' Yaacob Khyra 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, a Major Shareholder of Mycron Steel Berhad.

(iii) Deemed indirect interest by virtue of Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah being a shareholder with 12.5% shareholdings in Melewar Group Berhad ("MGB") which is the family owned investment holding company. MGB holds 0.02% of the issued share capital of Mycron Steel Berhad.

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 since the end of the Company's previous financial year. The Directors do not recommend the payment of any dividend for the financial year ended 30 June 2020.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 9 to the financial statements.

The names of Directors of subsidiaries where the shares are held by the Company are listed below (excluding those who are also Directors of the Company):

Tan Sri Datuk Seri Razman Md Hashim bin Che Din Md Hashim
Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah
Roshan Mahendran bin Abdullah
Datuk Uwe Ahrens
Soo Teong Chuan
Dato' Seri Lim Ewe Chye
Mohd Silahuddin bin Jamaluddin
Ahmad Hamdan bin Jamaluddin
Brayn White
Alexius Lim Chong Jin
Muk Sai Tat
Kamarul Ariffin bin Mansor

INDEMNITY AND INSURANCE COSTS

The Directors and Officers of the Group and of the Company are covered by Directors and Officers Liability Insurance ("D&O") for any liability incurred in the discharge of their duties that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The sum insured was determined by the Company after taking into account the diversified nature of the Group's businesses. The premium borne by the Company and the Group for the D&O coverage during the financial year was approximately RM30,000 and RM50,000 (2019: RM30,000 and RM50,000) respectively.

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.

(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.

(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 STATUTORY INFORMATION (CONTINUED)

(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; 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, other than disclosed in Note 33 to the financial statements.

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 7 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 22 October 2020. Signed on behalf of the Board of Directors:

TUNKU DATO' YAACOB KHYRA
EXECUTIVE CHAIRMAN

KWO SHIH KANG
INDEPENDENT NON-EXECUTIVE DIRECTOR

Kuala Lumpur

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Tunku Dato' Yaacob Khyra and Kwo Shih Kang, two of the Directors of Melewar Industrial Group Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 75 to 172 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 2020 and the 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.

Signed on behalf of the Board of Directors in accordance to their resolution dated 22 October 2020.

TUNKU DATO' YAACOB KHYRA
EXECUTIVE CHAIRMAN

KWO SHIH KANG
INDEPENDENT NON-EXECUTIVE DIRECTOR

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 75 to 172 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
MIA No.24018

Subscribed and solemnly declared by the abovenamed Choo Kah Yean, at Kuala Lumpur in Malaysia on 22 October 2020, before me.

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MELEWAR INDUSTRIAL GROUP BERHAD
(Incorporated in Malaysia)
(Registration No. 196901000102 (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 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 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 2020 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 75 to 172.

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' International Code of Ethics for Professional Accountants (including International Independence Standards) ("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 of 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 judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MELEWAR INDUSTRIAL GROUP BERHAD
(Incorporated in Malaysia)
(Registration No. 196901000102 (8444-W)) (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Valuation of land and buildings, plant, machinery and electrical installation Refer to Note 2(d) Property, plant and equipment - Summary of significant accounting policies, Note 2(g) Leases - Summary of significant accounting policies, Note 3 Critical accounting estimates and judgements, Note 12 Property, plant and equipment and Note 13 Leases to the financial statements. The Group carries its land and buildings, plant, machinery and electrical installation at their fair values. As at 30 June 2020, the carrying amount of the Group's land and buildings, plant, machinery and electrical installation classified under property, plant and equipment, and leasehold land under right-of-use assets are approximately RM297.2 million and RM79.4 million respectively. The valuation of the Group's land and buildings, plant, machinery and electrical installation are carried out by an independent professional valuer 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. Management has substantiated the carrying amount of the plant, machinery and electrical installation by performing an impairment assessment based on the VIU method which involved significant estimates of the future results of the business, in particular, the key assumptions on sales volume growth rates and discount rates used in the future cash flow forecasts. 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 checked 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 2020. 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 financial 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 buildings were determined based on open market basis by reference to observable prices in the market or recent market transactions of comparable properties in close proximity and are adjusted for differences in key attributes such as property size (Level 3). The valuers have considered the impact of COVID-19 when performing the valuations. The most significant input into this valuation approach is selling price per square foot. We tested a sample of land and buildings by comparing the fair value per square foot 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 the valuer on the basis of their estimates and inspected minutes of meetings to corroborate the key judgement applied by management. With respect to the reliability of management's use of key assumptions in cash flow projections to determine the VIU calculations for the purpose of impairment assessment, we performed the following procedures: • Assessed the sales volume growth rates used by management by comparing to industry forecasts provided by reliable sources, which included the possible impact caused by COVID-19 pandemic;

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MELEWAR INDUSTRIAL GROUP BERHAD
(Incorporated in Malaysia)
(Registration No. 196901000102 (8444-W)) (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
	• Checked the discount rate used by comparing the rate to independent computation by auditors' expert; and • Evaluated the sensitivity analysis performed by management on the sales volume growth rates to corroborate that any reasonable changes on these key assumptions would not give rise to an impairment. Based on the above procedures performed, no exception was noted from the results of management's impairment assessment.

There are no key audit matters to report for the Company.

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 Directors' Report and all other sections of the 2020 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MELEWAR INDUSTRIAL GROUP BERHAD
(Incorporated in Malaysia)
(Registration No. 196901000102 (8444-W)) (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

(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 of 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 on 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.

(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, actions taken to eliminate threats or safeguards applied.

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 financial 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 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 PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

MANJIT SINGH A/L HAJANDER SINGH
02954/03/2021 J
Chartered Accountant

Kuala Lumpur
22 October 2020

STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Revenue	6	596,502,617	694,070,551	8,065,860	8,613,328
Cost of sales/services provided		(559,702,205)	(614,739,198)	(1,754,514)	(2,419,660)
Gross profit		36,800,412	79,331,353	6,311,346	6,193,668
Other operating (expenses)/income		(2,282,321)	1,558,563	14,400	-
Net foreign currency loss	4(e)	(208,493)	(293,461)	-	-
Fair value (loss)/gain on investment properties	14	(707,000)	700,000	-	6,400,000
Fair value loss on derivatives	20	-	-	(101,025)	(38,390)
(Impairment)/Write back on:					
- property, plant and equipment	12	(2,413,326)	(1,928,576)	(555)	(1,483)
- other receivables	4(c)(iv)	6,497,770	(31,800)	1,102,470	-
- amounts owing by subsidiaries	4(c)(iv)	-	-	1,411,969	(37,864,781)
Selling and distribution costs		(5,580,603)	(5,652,826)	-	-
Administrative and general expenses		(30,703,409)	(38,566,727)	(2,352,178)	(3,102,032)
		1,403,030	35,116,526	6,386,427	(28,413,018)
Finance income	8	1,407,961	1,589,019	64,016	131,091
Finance costs	8	(6,519,547)	(6,903,851)	(17,132)	-
(Loss)/Profit before tax	7	(3,708,556)	29,801,694	6,433,311	(28,281,927)
Taxation	10	(440,498)	(2,186,838)	(706,040)	(2,474,988)
Net (loss)/profit for the financial year		(4,149,054)	27,614,856	5,727,271	(30,756,915)
Attributable to:					
- Equity holders of the Company		(1,446,964)	30,757,145	5,727,271	(30,756,915)
- Non-controlling interests		(2,702,090)	(3,142,289)	-	-
		(4,149,054)	27,614,856	5,727,271	(30,756,915)
(Loss)/Profit per share attributable to equity holders of the Company during the financial year:					
- Basic and diluted (sen)	11	(0.40)	9.02		

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

		Group		Company	
	Note	**2020 RM**	**2019 RM**	**2020 RM**	**2019 RM**
Net (loss)/profit for the financial year		(4,149,054)	27,614,856	5,727,271	(30,756,915)
Other comprehensive income:					
Item that maybe reclassified subsequently to profit or loss:					
Currency translation differences		4,715	34,411	-	-
Item that will not be reclassified to profit or loss:					
Asset revaluation reserve:					
- Deferred tax effects on reclassification of assets used		-	(461,703)	-	-
- Revaluation surplus on property, plant and equipment, net of tax	28	610,222	12,548,148	48,515	41,590
- Revaluation surplus on right-of-use assets, net of tax	28	1,045,284	-	-	-
Total comprehensive (loss)/income for the financial year		(2,488,833)	39,735,712	5,775,786	(30,715,325)
Attributable to:					
- Equity holders of the Company		52,720	42,035,667	5,775,786	(30,715,325)
- Non-controlling interests		(2,541,553)	(2,299,955)	-	-
		(2,488,833)	39,735,712	5,775,786	(30,715,325)

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
NON-CURRENT ASSETS					
Property, plant and equipment	12	315,545,844	379,572,282	778,851	847,873
Right-of-use assets	13	80,720,500	-	264,235	-
Investment properties	14	11,870,000	12,533,000	69,400,000	69,400,000
Net investment in subleases	13	288,006	-	-	-
Investments in subsidiaries	15	-	-	88,514,867	88,514,865
Deferred tax assets	17	1,008,698	1,272,224	-	-
		409,433,048	393,377,506	158,957,953	158,762,738
CURRENT ASSETS					
Inventories	18	157,121,730	187,529,354	-	-
Trade and other receivables	19	76,359,907	94,017,654	175,842	195,464
Contract assets	16	2,799,320	2,786,752	-	-
Derivatives	20	2,122,531	799,892	1,515,377	1,616,402
Amounts owing by subsidiaries	21	-	-	10,147	9,563
Tax recoverable		374,019	424,214	-	-
Deposits with licensed financial institutions	22	36,398,969	42,378,888	8,750,000	-
Cash and bank balances	22	7,867,588	11,309,078	203,689	2,955,391
		283,044,064	339,245,832	10,655,055	4,776,820
LESS: CURRENT LIABILITIES					
Trade and other payables	24	145,600,240	146,460,924	1,263,644	1,223,825
Contract liabilities	16	1,851,050	2,254,593	-	-
Amounts owing to subsidiaries	21	-	-	1,800	24,660
Derivatives	20	8,301	230,010	-	-
Borrowings	25	45,458,088	88,463,881	-	-
Lease liabilities	13	513,323	-	74,048	-
Tax payable		196,566	190,983	129,743	120,808
		193,627,568	237,600,391	1,469,235	1,369,293
NET CURRENT ASSETS		89,416,496	101,645,441	9,185,820	3,407,527

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2020 (CONTINUED)

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
LESS: NON-CURRENT LIABILITIES					
Trade and other payables	24	207,300	226,488	-	-
Deferred tax liabilities	17	45,506,828	47,109,166	17,035,141	17,017,074
Borrowings	25	28,517,680	21,675,127	-	-
Lease liabilities	13	1,102,151	-	183,137	-
		75,333,959	69,010,781	17,218,278	17,017,074
		423,515,585	426,012,166	150,925,495	145,153,191
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
Share capital	26	250,207,537	250,207,537	250,207,537	250,207,537
Warrant reserve	27	3,568,297	3,568,297	3,568,297	3,568,297
Retained earnings/(Accumulated losses)		2,322,895	3,777,607	(103,080,238)	(108,804,027)
Asset revaluation reserve	28	69,320,269	67,825,300	229,899	181,384
Foreign currency translation reserve		61,781	57,066	-	-
		325,480,779	325,435,807	150,925,495	145,153,191
Non-controlling interests		98,034,806	100,576,359	-	-
TOTAL EQUITY		423,515,585	426,012,166	150,925,495	145,153,191

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	← Attributable to equity holders of the Company →							
	Share capital	Warrant reserve	Foreign currency translation reserve	Assets revaluation reserve	Retained earnings/ (Accumulated losses)	Total	Non-controlling interests	Total
	RM	RM	RM	RM	RM	RM	RM	RM
At 1 July 2019 – previously reported	250,207,537	3,568,297	57,066	67,825,300	3,777,607	325,435,807	100,576,359	426,012,166
Effects from adoption of MFRS 16 (Note 2(a))	-	-	-	-	(7,748)	(7,748)	-	(7,748)
At 1 July 2019 - restated	250,207,537	3,568,297	57,066	67,825,300	3,769,859	325,428,059	100,576,359	426,004,418
Net loss for the financial year	-	-	-	-	(1,446,964)	(1,446,964)	(2,702,090)	(4,149,054)
Other comprehensive income:								
Currency translation differences			4,715	-	-	4,715	-	4,715
Revaluation surplus on:								
- property, plant and equipment, net of tax	-	-	-	521,831	-	521,831	88,391	610,222
- right-of-use assets, net of tax	-	-	-	973,138	-	973,138	72,146	1,045,284
Total comprehensive loss for the financial year	-	-	4,715	1,494,969	(1,446,964)	52,720	(2,541,553)	(2,488,833)
At 30 June 2020	250,207,537	3,568,297	61,781	69,320,269	2,322,895	325,480,779	98,034,806	423,515,585

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

	Attributable to equity holders of the Company							
	Share capital	Warrant reserve	Foreign currency translation reserve	Assets revaluation reserve	Retained earnings/ (Accumulated losses)	Total	Non-controlling interests	Total
	RM	RM	RM	RM	RM	RM	RM	RM
At 1 July 2018	226,996,855	-	22,655	56,887,413	(36,000,900)	247,906,023	110,660,822	358,566,845
Net profit for the financial year	-	-	-	-	30,757,145	30,757,145	(3,142,289)	27,614,856
Other comprehensive income:								
Currency translation differences	-	-	34,411	-	-	34,411	-	34,411
Realisation of asset revaluation surplus on disposal of non-current asset held-for-sale	-	-	-	(306,224)	306,224	-	-	-
Deferred tax effects on reclassification of assets used	-	-	-	(461,703)	-	(461,703)	-	(461,703)
Revaluation surplus on property, plant and equipment, net of tax	-	-	-	11,705,814	-	11,705,814	842,334	12,548,148
Total comprehensive income for the financial year	-	-	34,411	10,937,887	31,063,369	42,035,667	(2,299,955)	39,735,712
Transactions with owners:								
Rights issue with warrants (Note 26 and 27)	23,210,682	3,568,297	-	-	-	26,778,979	-	26,778,979
Change in effective interest:								
Non-controlling interest	-	-	-	-	8,715,138	8,715,138	(7,784,508)	930,630
Total transactions with owners of the company	23,210,682	3,568,297	-	-	8,715,138	35,494,117	(7,784,508)	27,709,609
At 30 June 2019	250,207,537	3,568,297	57,066	67,825,300	3,777,607	325,435,807	100,576,359	426,012,166

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

		Non-distributable			
	Share capital	Warrant reserve	Assets revaluation reserve	Accumulated losses	Total
	RM	RM	RM	RM	RM
At 1 July 2019 – previously reported	250,207,537	3,568,297	181,384	(108,804,027)	145,153,191
Effects from adoption of MFRS 16 (Note 2(a))	-	-	-	(3,482)	(3,482)
At 1 July 2019 – restated	250,207,537	3,568,297	181,384	(108,807,509)	145,149,709
Net profit for the financial year	-	-	-	5,727,271	5,727,271
Other comprehensive income:					
Revaluation surplus on property, plant and equipment, net of tax	-	-	48,515	-	48,515
Total comprehensive income for the financial year	-	-	48,515	5,727,271	5,775,786
At 30 June 2020	250,207,537	3,568,297	229,899	(103,080,238)	150,925,495
At 1 July 2018	226,996,855	-	139,794	(78,047,112)	149,089,537
Net loss for the financial year	-	-	-	(30,756,915)	(30,756,915)
Other comprehensive income:					
Revaluation surplus on property, plant and equipment, net of tax	-	-	41,590	-	41,590
Total comprehensive loss for the financial year	-	-	41,590	(30,756,915)	(30,715,325)
Rights issue with warrants (Note 26 and 27)	23,210,682	3,568,297	-	-	26,778,979
At 30 June 2019	250,207,537	3,568,297	181,384	(108,804,027)	145,153,191

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/Profit before tax	(3,708,556)	29,801,694	6,433,311	(28,281,927)
Adjustments for:				
Property, plant and equipment:				
- depreciation	14,476,075	20,299,445	143,007	156,758
- impairment	2,413,326	1,928,576	555	1,483
- write-offs	-	4,971	-	-
- net loss/(gain) on disposals	73,185	(1,370,219)	-	-
Depreciation on right-of-use assets	1,675,506	-	77,338	-
Impairment/(Write back) on:				
- investment in subsidiaries	-	-	-	5
- amounts owing by subsidiaries	-	-	(1,411,969)	37,864,781
- trade receivables	25,119	84,693	-	-
- other receivables	(6,497,770)	31,800	(1,102,470)	-
- inventories	-	(454)	-	-
Net gain on waiver of amount owing to client on Project #1	-	(40,615,839)	-	-
Waiver on retention sum due from client on Project #1	-	2,098,004	-	-
Provision for onerous contract - reversed during the year	(99,722)	(5,135,630)	-	-
Write back of cost provision on Project #1	-	(57,238)	-	-
Additional provision made on Project #2	-	4,249,068	-	-
Write back of provision for liquidated ascertained damages	-	(8,392,016)	-	-
Write back of provision for defects liability period	-	(3,223,009)	-	-
Fair value loss/(gain) on investment properties	707,000	(700,000)	-	(6,400,000)
Fair value loss on derivatives assets	-	-	101,025	38,390
Dividend income	-	-	(1,380,000)	(1,200,000)
Net unrealised gain on foreign exchange	(101,364)	(193,251)	-	-
Net gain on waiver of amount owing to a supplier	(65,500)	-	-	-
Finance income:				
- interest on deposits with financial institutions	(1,382,698)	(1,589,019)	(64,016)	(131,091)
- interest income from net investment in subleases	(25,263)	-	-	-
Finance costs:				
- borrowings	6,397,550	6,903,851	-	-
- lease liabilities	121,997	-	17,132	-
	14,008,885	4,125,427	2,813,913	2,048,399

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Changes in working capital:				
- inventories	30,407,624	17,833,707	-	-
- trade and other receivables	23,340,924	35,576,927	1,107,590	81,129
- trade and other payables	(2,346,890)	(52,957,259)	39,819	108,779
- intercompany balances	-	-	15,866	(423,417)
- contract assets	(12,568)	(2,786,752)	-	-
- contract liabilities	(403,543)	2,254,593	-	-
Cash generated from operations	64,994,432	4,046,643	3,977,188	1,814,890
Interest paid:				
- borrowings	(5,483,039)	(7,038,528)	-	-
- lease liabilities	(121,997)	-	(17,132)	-
Interest received:				
- deposits with financial institutions	1,502,932	1,468,785	64,016	131,091
- net investment in subleases	25,263	-	-	-
Tax paid	(2,995,087)	(5,064,078)	(697,840)	(1,460,512)
Tax refunded	740,964	23,156	-	-
Net cash generated from/(used in) operating activities	58,663,468	(6,564,022)	3,326,232	485,469
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in subsidiary	-	-	(2)	(10,468,222)
Purchases of property, plant and equipment	(31,687,576)	(8,362,021)	(14,105)	(5,100)
Proceeds from disposal of property, plant and equipment	110,353	1,672,188	3,400	-
Proceeds from disposal of non-current assets held-for-sale	-	1,610,000	-	23,400,000
Principal received from net investment in subleases	233,851	-	-	-
Dividend received	-	-	1,380,000	1,200,000
Advances to subsidiaries	-	-	(3,109,751)	(35,679,660)
Expenses paid on behalf of subsidiaries	-	-	(453,553)	(449,556)
Repayment from subsidiaries	-	-	4,974,688	432,270
Subscription of new warrant	-	-	-	(1,654,791)
Net cash (used in)/generated from investing activities	(31,343,372)	(5,079,833)	2,780,677	(23,225,059)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of right shares with warrants	-	26,778,979	-	26,778,979
Proceeds from issuance of subsidiary's shares with warrants	-	930,630	-	-
Proceeds from borrowings	241,672,139	231,232,446	-	-
Repayment of borrowings	(275,306,689)	(244,896,755)	-	-
Repayment of hire purchase	(2,521,792)	(2,174,582)	-	-
Principal payment of lease liabilities	(589,878)	-	(69,885)	-
Advances from subsidiaries	-	-	(38,726)	1,000,000
Repayment to subsidiaries	-	-	-	(3,736,241)
Net cash (used in)/generated from financing activities	(36,746,220)	11,870,718	(108,611)	24,042,738
NET CHANGE IN CASH AND CASH EQUIVALENTS	(9,426,124)	226,863	5,998,298	1,303,148
CURRENCY TRANSLATION DIFFERENCES	4,715	34,411	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	53,687,966	53,426,692	2,955,391	1,652,243
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR (Note 22)	44,266,557	53,687,966	8,953,689	2,955,391

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

Cash-flow movement in-relation to 'changes in liabilities arising from financing activities' on a year-to-date basis is outlined below:

Group

2020	Bankers' acceptance	Term loan	Mortgage loan	Hire purchase creditors	Factoring	Lease liabilities	Total
	RM	RM	RM	RM	RM	RM	RM
At 1 July 2019 – previously reported	80,650,000	3,617,104	19,823,313	6,048,591	-	-	110,139,008
Effects of adoption of MFRS 16	-	-	-	-	-	2,199,503	2,199,503
At 1 July 2019 – restated	80,650,000	3,617,104	19,823,313	6,048,591	-	2,199,503	112,338,511
Cash flow:							
Proceeds from borrowings	219,028,000	18,202,054	-	-	4,442,085	-	241,672,139
Repayment of borrowings	(268,478,000)	(5,124,999)	(1,703,690)	-	-	-	(275,306,689)
Repayment of hire purchase	-	-	-	(2,521,792)	-	-	(2,521,792)
Interest paid	(3,915,179)	(12,154)	(1,040,965)	(273,988)	(41,866)	(121,997)	(5,406,149)
Principal payment of lease liabilities	-	-	-	-	-	(589,878)	(589,878)
Exchange differences	-	-	-	-	-	5,849	5,849
Non-cash:							
Interest charged (net of interest capitalised)	3,915,179	4,274	1,041,947	273,988	41,866	121,997	5,399,251
At 30 June 2020	31,200,000	16,686,279	18,120,605	3,526,799	4,442,085	1,615,474	75,591,242

2019	Bankers' acceptance	Term loan	Mortgage loan	Hire purchase creditors	Total
	RM	RM	RM	RM	RM
At 1 July 2018	87,060,000	30,726,914	-	1,521,347	119,308,261
Cash flow:					
Proceeds from borrowings	206,401,000	3,831,446	21,000,000	-	231,232,446
Repayment of borrowings	(212,811,000)	(30,909,068)	(1,176,687)	-	(244,896,755)
Repayment of hire purchase	-	-	-	(2,174,582)	(2,174,582)
Interest paid	(4,374,110)	(170,691)	(906,447)	(192,777)	(5,644,025)
Non-cash:					
Plant and equipment acquired via hire purchase arrangements	-	-	-	6,701,826	6,701,826
Interest charged	4,374,110	138,503	906,447	192,777	5,611,837
At 30 June 2019	80,650,000	3,617,104	19,823,313	6,048,591	110,139,008

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

Cash-flow movement in-relation to 'changes in liabilities arising from financing activities' on a year-to-date basis is outlined below:

Company

2020	**Lease liabilities**	**Amount owing to subsidiaries**	**Total**
	RM	**RM**	**RM**
At 1 July 2019 – previously reported	-	24,660	24,660
Effects of adoption of MFRS 16	327,070	-	327,070
At 1 July 2019 – restated	327,070	24,660	351,730
Cash flow:			
Repayment to subsidiaries	-	(38,726)	(38,726)
Interest paid	(17,132)	-	(17,132)
Principle payment of lease liabilities	(69,885)	-	(69,885)
Non-cash:			
Interest charged	17,132	-	17,132
Expenses paid on behalf by subsidiaries	-	15,866	15,866
At 30 June 2020	257,185	1,800	258,985

2019	**Amount owing to subsidiaries**
	RM
At 1 July 2018	2,704,317
Cash flow:	
Advances from subsidiaries	1,000,000
Repayment to subsidiaries	(3,736,241)
Non-cash:	
Expenses paid on behalf by subsidiaries	56,584
At 30 June 2019	24,660

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2020

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 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 11.05, 11th Floor
No. 566 Jalan Ipoh
51200 Kuala Lumpur

The principal place of business of the Company is:

15th Floor
No. 566 Jalan Ipoh
51200 Kuala Lumpur

As at 30 June 2020, 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 22 October 2020.

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 judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement 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.

Standards, amendments to published standards and interpretations that are effective

The Group has applied the following standards and amendments for the first time for the financial year beginning on 1 July 2019:

- MFRS 16 supersedes MFRS 117 'Leases' and the related interpretations.
- IC Interpretation 23 'Uncertainty over Income Tax Treatments' which provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.
- Amendments to MFRS 9 'Prepayment Features with Negative Compensation' allow companies to measure some prepayable financial assets with negative compensation at amortised cost.
- Annual Improvements to MFRSs 2015 – 2017 Cycle:
  - Amendments to MFRS 3 'Business Combinations'
  - Amendments to MFRS 112 'Income Taxes'
  - Amendments to MFRS 123 'Borrowing Costs'

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Standards, amendments to published standards and interpretations that are effective (continued)

Changes in accounting policies upon adoption of MFRS 16

The Group has adopted MFRS 16 for the first time in the 2020 financial statements with the date of initial application ("DIA") of 1 July 2019 by applying the simplified retrospective transition method. During the financial year, the Group changed its accounting policies on leases upon adoption of MFRS 16.

Under the simplified retrospective transition method, the 2019 comparative information was not restated and the reclassifications and adjustments arising from the new leasing rules are recognised in the opening balance of the statement of financial position as at 1 July 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 "Leases" and IC Interpretation 4 "Determining whether an Arrangement Contains a Lease".

As a lessor, the Group is not required to make any adjustment on transition, except for the reassessment of existing operating subleases at the date of initial application.

As permitted by the exemption under the standard, the Group has not applied the principles of MFRS 16 to short term leases (leases with lease terms of 12 months or less from dates of commencement) and leases for which the underlying assets are of low value.

In addition, the Group has elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying MFRS 117 and IC Interpretation 4.

The Group as a lessee

(i) Leases classified as operating leases under MFRS 117

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of MFRS 117. These liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's estimated incremental borrowing rate as of 1 July 2019.

The associated right-of-use ("ROU") assets for property leases were measured on a retrospective basis as if the new requirements has always been applied. Other ROU assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 30 June 2019.

In applying MFRS 16 for the first time, the Group has applied the following practical expedients permitted by the standard to leases previously classified as operating leases under MFRS 117:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessments on whether leases are onerous;
- The accounting for operating leases with remaining lease terms of less than 12 months as at 1 July 2019 as short-term leases;
- The exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application; and
- The use of hindsight in determining the lease terms where the contracts contain options to extend or terminate the leases.

The detailed impact of change in accounting policies are set out in Note 13 to the financial statements.

(ii) Leases classified as finance leases under MFRS 117

The Group's leases classified as finance leases under MFRS 117 are mainly its leasehold land on-which its factories were built, and these were duly recognised under the Property, plant and equipment in the Statements of Financial Position prior to the adoption of MFRS16. These lease assets were initially recognised at net investment cost, and subsequently measured at fair value. These lease assets are fully paid on acquisition and do not entail any lease liability.

The 'fair value' of these leasehold land assets represents their 'right-of-use' value in retrospect, and are revalued as such for the current financial year ended.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Standards, amendments to published standards and interpretations that are effective (continued)

Changes in accounting policies upon adoption of MFRS 16 (continued)

The effects arising from these changes on the statements of financial position of the Group and the Company are as follows:

Consolidated Statement of Financial Position

	As at 30 June 2019	Effects of adoption of MFRS 16	As at 1 July 2019
	RM	RM	RM
Non-current assets			
Property, plant and equipment	379,572,282	(79,400,000)	300,172,282
Right-of-use assets	-	81,200,883	81,200,883
Net investment in subleases	-	435,463	435,463
Current assets			
Trade and other receivables	94,017,654	(36,843)	93,980,811
Non-current liabilities			
Lease liabilities	-	1,609,607	1,609,607
Deferred tax liabilities	47,109,166	7,748	47,116,914
Current liabilities			
Lease liabilities	-	589,896	589,896
Shareholders' equity			
Retained earnings	3,777,607	(7,748)	3,769,859

Company Statement of Financial Position

	As at 30 June 2019	Effects of adoption of MFRS 16	As at 1 July 2019
	RM	RM	RM
Non-current assets			
Right-of-use assets	-	341,573	341,573
Current assets			
Trade and other receivables	195,464	(14,503)	180,961
Non-current liabilities			
Lease liabilities	-	257,185	257,185
Deferred tax liabilities	17,017,074	3,482	17,020,556
Current liabilities			
Lease liabilities	-	69,885	69,885
Shareholders' equity			
Retained earnings	(108,804,027)	(3,482)	(108,807,509)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Standards, amendments to published standards and interpretations that are effective (continued)

Changes in accounting policies upon adoption of MFRS 16 (continued)

The reconciliation between the operating lease commitments disclosed applying MFRS 117 at 30 June 2019 to the lease liabilities recognised at 1 July 2019 for the Group and the Company are as follows:

Group	**RM**
Operating lease commitments disclosed as at 30 June 2019	2,569,187
Discounted using the lessee's incremental borrowing rate as at 1 July 2019	(550,234)
Add:	
Adjustment from extension option	208,998
Less:	
Low value leases recognised on a straight-line basis as expense	(28,448)
Lease liabilities recognised as at 1 July 2019	2,199,503
Analysed as:	
Current lease liabilities	589,896
Non-current lease liabilities	1,609,607
Lease liabilities recognised as at 1 July 2019	2,199,503

Company	**RM**
Operating lease commitments disclosed as at 30 June 2019	151,721
Discounted using the lessee's incremental borrowing rate as at 1 July 2019	(5,201)
Add:	
Adjustment from extension option	208,998
Less:	
Low value leases recognised on a straight-line basis as expense	(28,448)
Lease liabilities recognised as at 1 July 2019	327,070
Analysed as:	
Current lease liabilities	69,885
Non-current lease liabilities	257,185
Lease liabilities recognised as at 1 July 2019	327,070

On date of initial application of 1 July 2019, the weighted average incremental borrowing rate applied to lease liabilities stood at 5.8%.

Other than those disclosed above, the adoption of 'other amendments' as listed did not have any impact on the current period or any prior period and is not likely to affect future periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Standards and amendments that have been issued but not yet effective

(i) A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 July 2020. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- The Conceptual Framework for Financial Reporting (Revised 2018)

  Key changes to the framework are as follows:

  - Objective of general purpose financial reporting - clarification that the objective of financial reporting is to provide useful information to the users of financial statements for resource allocation decisions and assessment of management's stewardship.
  - Qualitative characteristics of useful financial information - reinstatement of the concepts of prudence when making judgement of uncertain conditions and "substance over form" concept to ensure faithful representation of economic phenomenon.
  - Clarification on reporting entity for financial reporting - introduction of new definition of a reporting entity, which might be a legal entity or a portion of a legal entity.
  - Elements of financial statements - the definitions of an asset and a liability have been refined. Guidance in determining unit of account for assets and liabilities have been added, by considering the nature of executory contracts and substance of contracts.
  - Recognition and de-recognition - the probability threshold for asset or liability recognition has been removed. New guidance on de-recognition of asset and liability have been added.
  - Measurement - explanation of factors to consider when selecting a measurement basis have been provided.
  - Presentation and disclosure - clarification that statement of profit or loss ('P&L') is the primary source of information about an entity's financial performance for a reporting period. In principle, recycling of income/expense included in other comprehensive income to P&L is required if this results in more relevant information or a more faithful representation of P&L.

  Amendments to References to the Conceptual Framework in MFRS Standards

  The MASB also issued Amendments to References to the Conceptual Framework in MFRS Standards ('Amendments'), to update references and quotations to fourteen (14) Standards so as to clarify the version of Conceptual Framework these Standards refer to, for which the effective date above applies.

  The amendments should be applied retrospectively in accordance with MFRS 108 unless retrospective application would be impracticable or involve undue cost or effort.

- Amendments to MFRS 101 "Presentation of Financial Statements" and MFRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors" clarify the definition of materiality and use a consistent definition throughout MFRSs and the Conceptual Framework for Financial Reporting.

  The definition of "material" has been revised as "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The amendments also:

  - clarify that an entity assesses materiality in the context of the financial statements as a whole.
  - explain the concept of obscuring information in the new definition. Information is obscured if it has the effect similar as omitting or misstating that information.
  - clarify the meaning of "primary users of general purpose financial statements" to whom those financial statements are directed, by defining them as "existing and potential investors, lenders and other creditors" who must rely on general purpose financial statements for much of the financial information they need.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

(i) A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 July 2020. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below: (continued)

- Amendments to MFRS 3 'Definition of a Business' (effective 1 January 2020) revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

  The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

  In addition, the revised definition of the term 'outputs' is narrower, focusses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

  The amendments introduce an optional simplified assessment known as 'concentration test' that, if met, eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business.

  The amendments shall be applied prospectively.

(ii) A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 July 2022.

- Amendments to MFRS 116 "Proceeds before Intended Use"
- Amendments to MFRS 3 "Reference to the Conceptual Framework"
- Annual Improvements to Illustrative Example accompanying MFRS 16 Leases: Lease Incentives
- Annual Improvements to MFRS 9 "Fees in the '10 per cent' test for Derecognition of Financial Liabilities"
- Amendments to MFRS 137 "Onerous Contracts – Cost of Fulfilling a Contract"

(iii) Amendments to standards and interpretations are effective for financial year beginning after 1 July 2023.

- Amendments to MFRS 101 "Classification of liabilities as current or non-current"

These amendments to published standards will be adopted on the respective effective dates. The Group and the Company have started a preliminary assessment on the effects of the above amendments to published standards and the impact is still being assessed.

(b) Basis of consolidation

(i) 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.

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 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

(i) Subsidiaries (continued)

Intercompany 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.

(iv) Acquisitions

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 profit or loss.

Acquisition-related costs are expensed as incurred.

(c) Investments in subsidiaries in separate financial statements

In the Company's separate financial statements, investments in subsidiaries are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment

(i) Measurement basis

Property, plant and equipment are initially stated at cost. Freehold 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, import duties, non-refundable purchase taxes 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.

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 profit or loss during the period in which they are incurred.

Increases in the carrying amounts arising on revaluation of freehold 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 de-recognised.

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

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision of the residual values and useful lives are included in profit or loss for the 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(h) on impairment of non-financial assets.

(ii) Depreciation

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

Buildings	50 years
Plant, machinery and electrical installation	4 – 40 years
Motor vehicles, furniture, fittings and equipment	5 – 20 years

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

Accounting policies applied from 1 July 2019

From 1 July 2019, leased assets (including leasehold land) are presented as a separate line item in statement of financial position. See accounting policy Note 2(g) on right-of-use assets.

Accounting policies applied until 30 June 2019

Until 30 June 2019, leased assets (including leasehold land) under lease arrangement classified as finance lease (refer to accounting policy Note 2(g) on finance leases applied until 30 June 2019) were amortised in equal instalments over the period of the lease of 99 years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) 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 professional fees for legal services, property transfer taxes, other transaction costs and borrowing costs if the investment property meets the definition of qualifying asset.

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 profit or loss when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is de-recognised.

Changes in fair values are recognised in 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 profit or loss as a net gain/loss from fair value adjustment on investment property.

Right-of-use assets that meet the definition of investment property in accordance with MFRS 140 is presented in the statement of financial position as investment property. Subsequent measurement of the right-of-use asset is consistent with those investment properties owned by the Group.

If a valuation obtained for a property held by the Group (as lessee) as a right-of-use asset is net of all payments expected to be made, any related lease liability recognised separately in the statement of financial position is added back to arrive at the carrying value of the investment property for accounting purposes.

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 profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase credited directly to other comprehensive income in asset revaluation reserve. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss.

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

Non-current assets (or disposal groups) are classified as assets held-for-sale 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.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held-for-sale. Non-current assets classified as held-for-sale and the assets of a disposal group classified as held-for-sale are presented separately from the other assets in the statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leases

Accounting by lessee

Accounting policies applied from 1 July 2019

From 1 July 2019, leases are recognised as right-of-use ('ROU') asset and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group is a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

(i) Lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities (refer to Note 2(g)(iv) below).

(ii) ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs, if any.

ROU assets that are leasehold land properties are subsequently measured based on 'fair value' determination by independent certified real-estate valuers. The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss, if any. If the Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

The Group applies the fair value model to ROU assets that meet the definition of investment property of MFRS 140 consistent with those investment property owned by the Group. Refer to accounting policy Note 2(e) on investment property.

The Group presents ROU assets that meet the definition of investment property in the statement of financial position as investment property. ROU assets that are not investment properties are presented as a separate line item in the statement of financial position.

(iii) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase and extension options if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leases (continued)

Accounting by lessee (continued)

Accounting policies applied from 1 July 2019 (continued)

(iii) Lease liabilities (continued)

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in profit or loss in the statement of profit or loss.

(iv) Reassessment of lease liabilities

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When adjustments to lease payments take effect, the lease liability is remeasured and adjusted against the ROU assets.

(v) Short-term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise plant equipment and small items of office equipment. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Accounting policies on lessee accounting applied until 30 June 2019

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.

(i) Finance leases

Until 30 June 2019, leases of property, plant and equipment where the Group has substantially all the risks and rewards 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 finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases 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 profit or loss over the lease term on the same basis as the lease expense.

(ii) Operating leases

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leases (continued)

Accounting by lessor

As a lessor, the Group determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(i) Finance leases

The Group classifies a lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group derecognises the underlying asset and recognises a receivable at an amount equal to the net investment in a finance lease. Net investment in a finance lease is measured at an amount equal to the sum of the present value of lease payments from lessee and the unguaranteed residual value of the underlying asset. Initial direct costs are also included in the initial measurement of the net investment. The net investments is subject to MFRS 9 impairment (refer to Note 2(i) on impairment of financial assets). In addition, the Group reviews regularly the estimated unguaranteed residual value.

Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return. The Group revises the lease income allocation if there is a reduction in the estimated unguaranteed residual value.

(ii) Operating leases

The Group classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group recognises lease payments received under operating lease as lease income on a straight-line basis over the lease term.

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of underlying asset and recognised as an expense over the lease term on the same basis as lease income.

(iii) Sublease classification

Until the financial year ended 30 June 2019, when the Group was an intermediate lessor, the subleases were classified as finance or operating leases by reference to the underlying assets.

From 1 July 2019, when the Group is an intermediate lessor, it assesses the lease classification of a sublease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. If a head lease is short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

(iv) Separating lease and non-lease components

If an arrangement contains lease and non-lease components, the Group allocates the consideration in the contract to the lease and non-lease components based on the stand-alone selling prices in accordance with the principles in MFRS 15.

(h) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

(i) those to be measured subsequently at fair value (through profit or loss), and
(ii) those to be measured at amortised cost

Recognition and de-recognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ('FVTPL'), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment and principal and interest ('SPPI').

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

There are two measurement categories into which the Group classifies its debt instruments:

(i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on de-recognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

(ii) Fair value through profit or loss ('FVTPL')

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income ('FVOCI') are measured at FVTPL. The Group may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss and presented net within other gains/(losses) in the period which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the de-recognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other operating income in the statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

Subsequent measurement – Impairment

Impairment for debt instruments

The Group assesses on a forward looking basis the expected credit loss ('ECL') associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group has four types of financial instruments that are subject to the ECL model:

(i) Trade and other receivables
(ii) Amounts owing by subsidiaries
(iii) Contract assets
(iv) Net investment in subleases

Whilst cash and cash equivalents and derivative financial assets placed with licensed financial institutions are also subject to the impairment requirements of MFRS 9, the credit risks and any impetus for credit impairment has been determined to be immaterial.

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group and the Company expect to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

(i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(ii) the time value of money; and
(iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The ECL approach can be classified into the categories below:

(i) General 3 stage approach for other receivables, amounts owing by subsidiaries and net investment in subleases

At each reporting date, the Group measures ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

(ii) Simplified approach for trade receivables and contract assets

The Group applied the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. Note 4(d) sets out the measurement details of ECL. The Group's provision matrix is based on its historical credit loss experience with trade receivables of similar credit risk characteristics, adjusted for forward-looking factors specific to the category of debtors and the economic environment.

Significant increase in credit risk

The Group considers the probability of default upon initial recognition of financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- internal credit rating;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements;
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

Subsequent measurement – Impairment (continued)

Impairment for debt instruments (continued)

Significant increase in credit risk (continued)

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

Definition of default and credit-impaired financial assets

The Group defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

(i) Quantitative criteria:

The Group defines a financial instrument as default, when the counterparty fails to make contractual payment within 60 days of when they fall due.

(ii) Qualitative criteria:

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group considers the following instances:

- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the debtor is insolvent.

Financial instruments that are credit-impaired are assessed on individual basis.

Groupings of instruments for ECL measured on collective basis

(i) Collective assessment

To measure ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due in-relation to its 'overdue-days matrix'.

(ii) Individual assessment

Trade receivables which are in default or credit-impaired, other receivables and intercompany balances are assessed on individual basis for ECL measurement.

Write-off

(i) Trade receivables and contract assets

Trade receivables are written off from credit impairment allowance account when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables and contract assets are presented as net impairment within operating profit.

Subsequent recoveries of amounts previously impaired are credited against the 'credit impairment allowance account'.

(ii) Other receivables, amounts owing by subsidiaries and net investment in subleases

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in write back of impairment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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.

(k) 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(i) on financial assets.

Derivatives that qualify for hedge accounting are designated as either:

(i) Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
(ii) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
(iii) Hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the hedge relationship, the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 20. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Fair value hedge

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

The Group applies fair value hedge accounting for hedging forward contracts on purchases. The gain or loss relating to the effective and ineffective portion of both the hedging instrument and the hedged item are recognised in profit or loss.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

(l) 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 including import duties and other taxes 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 and discounts.

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.

(m) 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 and 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.

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangement entered into and definitions of a financial liability.

Financial liabilities, within the scope of MFRS 9 'Financial Instruments', are recognised in the statement of financial position when, and only when, the Group become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities which are subsequently measured at fair value through profit or loss or amortised cost.

(i) Financial liabilities subsequently measured at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group that do not meet the hedge accounting criteria. Derivative financial liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gain or losses on derivatives include exchange differences.

(ii) Financial liabilities subsequently measured at amortised cost

The Group's financial liabilities subsequently measured at amortised cost include trade payables, other payables, amounts owing to subsidiaries and borrowings.

These financial liabilities are recognised initially at fair value less transaction costs and thereafter, at amortised cost using the effective interest method. Amortisation is charged to profit or loss.

Financial liabilities are classified as current liabilities for those having maturity dates of no more than 12 months after the end of the reporting period, and the balance is classified as non-current.

A financial liability is de-recognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another form the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the Group expects a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provision is not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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) Warranties / Defect Liabilities

The Group recognises the estimated liability to repair or replace products when the underlying products or services are sold. This provision is calculated based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(ii) Onerous contracts / Liquidated ascertained damages

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Share capital

(i) Classification

Ordinary shares are classified as equity.

(ii) Share issue costs

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

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

(iv) Purchase of own shares

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

(q) Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation promised in the contract with customer when the Group transfer control of the goods or services promised in a contract and the customer obtains control of the goods or services.

Revenue from contracts with customers is measured at its transaction price, being the amount of consideration to which the Group expect to be entitled in exchange for transferring promised goods or services to a customer, returns, rebates and discounts. The transaction price is allocated to each distinct good or service promised in the contract. Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

(i) Sale of steel products (cold rolled coils, steel tube and pipes and scraps)

The Group manufactures and sells a range of steel products to customers. Sales from the sale of steel products are recognised when control of the products has been transferred (i.e. when the products are delivered to the customer); and when the customers has the full discretion to direct the use or movement over the products and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from sale of steel products is recognised based on terms specified in the contracts. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made on credit terms which are consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. The Group's obligation to transfer goods or services to a customer for which the Group has received consideration in advance from customer is presented as contract liability.

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Revenue recognition (continued)

Revenue from contracts with customers (continued)

(ii) Processing service and management fees income

The Group offers galvanising, slitting, toll-manufacturing service to its customers. Tolling services are where the customers provide steel products for further processing (e.g. galvanizing). Revenue from providing such service is recognised in the accounting period which services is rendered.

There is no element of financing present as the sales is made on credit terms of up to 90 days, which is consistent with industry practice.

The Company offers management service to its subsidiaries. Revenue from providing such service is recognised in the accounting period which services is rendered.

(iii) Consultancy, project management and construction contracts

This category comprises mostly of contracts where the transaction price is fixed and the revenue is determined and recognised over a period-of-time based on progression computed using the input method (i.e. percentage of cost-to-completion). If performance obligations in the contract distinguishes separately between goods and services, the transaction price would be allocated to the performance obligations based on observable methods, and the ensuing revenue would be recognised based on progress.

Construction costs are capitalised only to the extent that these are contractual fulfilment cost that relate to satisfying future performance obligations. Cost incurred in the current period that relates to the satisfaction of past performance obligations are expensed out.

In the determination of revenue over a period-of-time based on progression of input cost, those costs incurred on wasted materials and labour, and those cost of uninstalled materials shall be excluded as progression in percentage of completion computation.

A contract is determined to be ‘onerous’ when unavoidable cost to fulfil a contract exceeds the receivable economic benefits. In determining the ‘unavoidable cost’, the lower of (a) ‘costs to fulfil contract’ or (b) ‘compensation/penalties arising from failure to fulfil the contract’ applies. Unavoidable cost excludes overheads and indirect costs which would have to be incurred regardless.

In the negotiation for construction contracts, effort shall be made to separately identify performance obligations for ease of revenue recognition if the integration of goods and services is insignificant; if the level of customisation and modification work is insignificant; or if multiple performance obligations are not highly interrelated.

Revenue from other sources

(i) Dividend income

Dividend income is recognised when the Group’s right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. Dividend income are received from financial assets measured at FVTPL.

Dividend income from financial assets at FVTPL is recognised as part of revenue on these financial instruments.

(ii) Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(iii) Lease rental income

Lease payments received under operating leases are recognised as lease income on a straight-line basis over the lease term. Refer to accounting policy Note 2(g) on leases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Employees' benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, and bonuses 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 profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(s) 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 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 and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(t) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in Ringgit Malaysia, which is the 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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Foreign currencies (continued)

(ii) Transactions and balances (continued)

All foreign exchange gains and losses are presented in profit or loss on a net basis within 'net foreign currency (loss)/ gain'.

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

(iii) Group companies

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for statement of profit or loss and statement of comprehensive income are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

Goodwill and fair value adjustments arising on the acquisitions of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

(u) 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 unit heads and Executive Directors is responsible for allocating resources and assessing performance of the operating segments.

(v) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group 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.

(w) Contract assets and contract liabilities

Contract asset is the right to consideration for goods or services transferred to the customers when that right is conditioned on something other than the passage of time. In the case of engineering contracts, contract asset is the excess of cumulative revenue earned over cumulative billings to-date. The balance is classified as contract assets under current assets in the statement of financial position. Contract assets are subject to impairment based on the expected credit loss model, refer to Note 2(i) to the financial statements for ECL measurement.

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customers. The balance is classified as contract liabilities under current liabilities in the statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Government grant

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or losses other operating income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

The Group had received government grants relating to costs from the wage subsidiary programme introduced by the Malaysia Government due to the COVID-19 pandemic as disclosed in Note 7 to the financial statements.

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 certain property, plant and equipment / fair value of investment properties

As disclosed in Notes 12, 13 and 14 to the financial statements, the Group carries its freehold and leasehold land (classified as right-of-use assets) and buildings, plant, machinery and electrical installation and investment property at fair values. On an annual basis, the Group appoints independent professional firms to determine the fair values of these 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.

(b) Impairment of non-financial assets

In assessing the impairment of the cash-generating units ("CGU"), the Group and the Company compared the carrying amounts of these assets with its recoverable amount, measured at the higher of the fair value less cost to sell and the value-in-use. In measuring the value-in-use based on the CGU's discounted cash flows, certain estimates and assumptions are applied.

(c) Construction contracts

The Group's Engineering subsidiary accounts for its construction contracts over a period-of-time based on progression of completion using the input 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; in ascertaining contractual obligation/ liability provisions, and in determining the amounts to be recognised in the financial statements for the current financial year (Note 16).

(d) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences or unutilised tax losses and tax credits (including reinvestment allowance) can be utilised. This involves judgement regarding future taxable profits of a particular entities within the Group in which the deferred tax asset has been recognised. With effect from the tax assessment year 2019, the allowable carrying forward period on unutilised tax losses and reinvestment allowances has been limited to 7 years. Estimating future taxable profits and the utilisation of tax losses and reinvestment allowances over the allowed time-period involve significant assumptions. During the financial year, the Group has recognised deferred tax assets arising from unutilised tax losses and other deductible temporary differences as disclosed in Note 17 to the financial statements.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(e) Lease options

The Group considers all economic factors and circumstances in assuming whether renewal option and/or an early termination option under any lease/rental agreements are exercised or not in determining the lease duration. Where multiple renewal options are allowed, the management only includes the immediate next renewal period in computing the lease term-as opposed to assuming an infinite period. Management's judgements are exercised in affirming the aforementioned assumption.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The operations of the Group are subject to a variety of financial risks. The Group's overall financial risk management objective is to optimise value creation for shareholders whilst minimising 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 and Sustainability Committee which reports to the Board.

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 (total equity less intangibles including deferred tax) plus interest bearing debts (excluding lease liabilities) totalling to RM568.1 million (2019: RM591.5 million) as capital resources, and has a policy to maintain the debt-to-equity ratio below 1.5. Capital deployment amongst the Group's subsidiaries and/or business units is at the purview of the Board, but each of its subsidiaries and/or business units is primarily responsible for the management of its allocated capital subject to the oversight by the Executive Committee and the Board.

The Group's external borrowings are mainly incepted at the indirectly held Cold Rolled and the Steel Tube subsidiaries, with the Company itself being free from any debt gearing. The external borrowings of the Group's steel subsidiaries are subjected to specific 'capital' 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 financial reporting period, the Group's steel subsidiaries complied with all the aforementioned capital covenants, other than as disclosed in the liquidity risk and have been capital-sufficient in meeting peak business needs.

The Group's Engineering subsidiary capital deficiency remains pronounced with a negative shareholders' fund of RM72.3 million (2019: negative RM71.1 million), net current liabilities position of RM72.5 million (2019: negative RM71.0 million) and a net loss of RM1.2 million for the current financial year (2019: Net profit of RM42.1 million). The net current liabilities is mainly attributable to amount due to its holding company, Melewar Industrial Group Berhad, of RM67.8 million – which the Company has fully impaired.

Over the current reporting period, both the equity capital deployed in the Group and interest-bearing-debt capital have decreased by around RM3.8 million (or down 0.8%) and RM19.5 million (or down 16.3%) respectively. The Group's debt-equity ratio closed at 0.21 times for the current reporting period compared to 0.25 times at the preceding close.

The Group's invested capital and debt securities in its foreign UK subsidiary have been fully impaired by losses in the current financial year, and any further capital replenishment requirement in the next twelve months to expand the Group's steel tube sales to the UK market shall be closely managed.

Overall, the Board is of the opinion that the Group's capital deployed and available for deployment is adequate for the business purposes intended.

(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.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

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

The Group's financial obligations as shown in the tables below are mainly short-term (i.e. due within 12 months) largely due to the rolling trade financing facilities deployed by its indirectly held Cold Rolled and Steel Tube subsidiaries where their short-term-bank-debts to total-bank-debts ratio is 72.2% and 47.8% respectively. However, the said subsidiaries have adequate short-term assets to meet short-term liabilities as reflected in the Group's current-ratio of 1.43 times at the close of the current reporting period (compared to 1.46 times for the preceding period).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 USD38.5 million (RM164.9 million) and USD18.0 million (RM77.1 million) respectively for the Cold Rolled subsidiary and the Steel Tube subsidiary.

The Group's subsidiaries are subjected to a liquidity covenant on the minimum allowable 'Debt Service Cover Ratio'. For the reporting period, the Cold Rolled subsidiary could not comply with the 'Debt Service Cover Ratio' due to its operating loss position largely attributed to the six weeks of nationwide mandatory COVID-19 shutdown. The Cold Rolled subsidiary has obtained a waiver indulgence on the said covenant ratio for the affected period. The Steel Tube subsidiary managed to comply with the aforementioned liquidity covenant imposed despite the COVID-19 shutdown.

As mentioned in Note 4(a), the Group's Engineering subsidiary is in a deficit shareholders fund of RM72.3 million (2019: deficit RM71.1 million) and a net current liabilities position of RM72.5 million (2019: negative RM71.0 million). In this regard, the Company has extended a letter of undertaking to meet the Engineering subsidiary's financial obligations as and when they fall due should the subsidiary fails to do so for the next financial year. In this regard, the Engineering subsidiary does not have any bank borrowings at the close of the current financial period, and its external financial obligations would be limited to trade-debts to suppliers and sub-contractors totalling around RM2.7 million. For the current financial year, the Company has extended RM1.25 million in funding to the Engineering subsidiary to support its operation, and has taken an impairment charge on this same. As a subsequent event after the close of the current financial year, the said Engineering subsidiary was disposed for a gain. (See Note 33).

The COVID-19 pandemic has posted a significant liquidity risk to the Group as the nationwide shutdown for six weeks has not only halted production and sales but also on receivable collections. Unlike the SMEs which were automatically entitled to bank moratorium on debt service under the Government's aid programme, the Group has to apply to the banks for rescheduling. In this regard, the Cold Rolled subsidiary had sought deferments on trade-credit settlement for a total sum of RM22.6 million for periods ranging 60 days. Nevertheless, the Group managed to quickly regularize cash-flows by June following the resumption of business operations in May 2020.

On 22 May 2020, the Group also managed to recover RM6.6 million on a past impaired receivable relating to a divested associate involved in the 'power' business, and this has materially enhanced liquidity.

The total balance undrawn banking trade-line facilities for the subsidiaries at the reporting date is around RM139.9 million (2019: RM106.9 million).

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2020 (CONTINUED)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

Maturity analysis

The tables below summarise the maturity profile of the Group's financial liabilities as at the current financial year's reporting date based on undiscounted contractual payments:

Group

	Carrying amount	Contractual interest rate	Contractual cash flows	Within 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	> 5 years
	RM	% per annum	RM	RM	RM	RM	RM	RM	RM
30 June 2020									
Non-derivative financial liabilities									
Bankers' acceptance	31,200,000	3.61% - 5.15%	31,403,824	31,403,824	-	-	-	-	-
Term loan	16,686,279	4.49% - 5.54%	17,832,561	6,482,982	6,222,919	5,126,660	-	-	-
Factoring	4,442,085	8.00%	4,545,364	4,545,364	-	-	-	-	-
Mortgage loan	18,120,605	4.42% - 5.64%	22,124,361	2,690,997	2,680,464	2,680,464	2,680,464	2,680,464	8,711,508
Hire purchase creditors	3,526,799	2.29% - 2.85%	3,753,282	2,399,092	1,108,566	209,417	36,207	-	-
Trade payables	26,362,804	4.73%	26,625,917	26,625,917	-	-	-	-	-
Trade and other payables, excluding derivatives	117,450,606	-	117,450,606	117,243,306	207,300	-	-	-	-
Lease liabilities	1,615,474	-	2,107,208	597,839	255,731	233,262	100,593	78,839	840,944
Derivative financial liabilities									
Forward contracts	8,301	-	8,301	8,301	-	-	-	-	-
	219,412,953		225,851,424	191,997,622	10,474,980	8,249,803	2,817,264	2,759,303	9,552,452
30 June 2019									
Non-derivative financial liabilities									
Bankers' acceptance	80,650,000	4.58% - 5.70%	81,449,403	81,449,403	-	-	-	-	-
Term loan 2	3,617,104	5.54% - 6.50%	3,667,690	3,667,690	-	-	-	-	-
Mortgage loan	19,823,313	6.00%	25,691,989	2,777,512	2,777,512	2,777,512	2,777,512	2,777,512	11,804,429
Hire purchase creditors	6,048,591	2.29% - 2.85%	6,549,046	2,796,726	2,398,131	1,108,566	209,417	36,206	-
Trade payables	9,545,882	5.10%	9,668,244	9,668,244	-	-	-	-	-
Trade and other payables, excluding derivatives	135,115,500	-	135,115,500	134,889,012	226,488	-	-	-	-
Derivative financial liabilities									
Forward contracts	230,010	-	230,010	230,010	-	-	-	-	-
	255,030,400		262,371,882	235,478,597	5,402,131	3,886,078	2,986,929	2,813,718	11,804,429

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

Maturity analysis (continued)

The tables below summarise the maturity profile of the Company's financial liabilities as at the current financial year's reporting date based on undiscounted contractual payments:

Company	Carrying amount	Contractual interest rate	Contractual cash flows	Within 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years
	RM	% per annum	RM	RM	RM	RM	RM	RM
30 June 2020								
Non-derivative financial liabilities								
Other payables and accruals	1,263,644	-	1,263,644	1,263,644	-	-	-	-
Amounts owing to subsidiaries	1,800	-	1,800	1,800	-	-	-	-
Lease liabilities	257,185	-	282,805	87,017	87,017	87,017	21,754	-
	1,522,629		1,548,249	1,352,461	87,017	87,017	21,754	-
30 June 2019								
Non-derivative financial liabilities								
Other payables and accruals	1,223,825	-	1,223,825	1,223,825	-	-	-	-
Amounts owing to subsidiaries	24,660	-	24,660	24,660	-	-	-	-
	1,248,485		1,248,485	1,248,485	-	-	-	-

(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 exposure to credit risk arises primarily from cash and bank balances, trade and other receivables and related company (outside the Group) balances.

The Group has credit-control policies on credit sales, and the exposure to credit risk is monitored on a continuous basis through periodic review of the receivables' aging. Credit evaluations are performed on all customers and are reviewed annually. Credit terms and limits are assigned based on the financial strength of the customers; and where deemed appropriate, corporate guarantees and personal indemnities are obtained from customers.

At the reporting date, the Group has significant concentration of credit risk in its trade receivables where the top 10 corporate customers' outstanding of the Cold Rolled and the Steel Tube subsidiaries represent about 86% (2019: 88%) and 59% (2019: 43%) of their respective trade receivables. At the reporting date, the Group has 2 (2019: 2) external customers that contributes to more than 10% of the Group's revenue. The revenue contributed by the said customers amounted to RM105.2 million (2019: RM164.0 million).

The Group's and the Company's major classes of financial assets are as disclosed in Note 32 to the financial statements. The Group and the Company has four types of financial instruments that are subject to the ECL model under MFRS 9:

- Trade and other receivables
- Amounts owing by subsidiaries
- Contract assets
- Net investment in subleases

Whilst cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the credit risks and any impetus for credit impairment has been determined to be immaterial.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (continued)

(i) Trade receivables and contract assets using the simplified approach

The Group adopts MFRS 9 prescribed 'simplified approach' in measuring ECL which estimates a lifetime expected credit loss allowance for all trade receivables. Information on the Group's accounting policy on impairment of trade receivables using the 'simplified approach' basing on aging brackets in estimating ECL is disclosed in Note 2(i) to the financial statements.

(ii) Other receivables, amounts owing by subsidiaries and net investment in subleases using the general 3 stage approach

The Group uses four categories to reflect their credit risk and how the loss allowance is determined for each of those categories. A summary of the assumptions underpinning the Group's expected credit loss is as follows:

Category	Definition of category	Basis for recognition of expected credit loss provision
Performing	Debtors have a low risk of default and a strong capacity to meet contractual cash flows.	12 months expected losses. Where the expected lifetime on an asset is less than 12 months, expected losses are measured at its expected lifetime.
Underperforming	Debtors for which there is a significant increase in credit risk due to actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligation.	Lifetime expected losses
Non-performing	There is evidence indicating the assets are credit-impaired.	Lifetime expected losses
Write-off	There is evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.	Asset is written off

Based on the above, loss allowance is measured on either 12 months ECL or lifetime ECL, by considering the likelihood that the debtor would not be able to repay during the contractual period, the percentage of contractual cash flows that will not be collected if default happens and the outstanding amount that is exposed to default risk. In addition, forward looking information such as the macroeconomic conditions has been incorporated into the determination of expected credit losses.

For the amounts owing by subsidiaries that are repayable on demand, the calculation of ECL is based on the following assumptions:

- If the borrower has sufficient accessible highly liquid assets to repay the loan if demanded at the reporting date, the ECL is likely to be immaterial;
- If the borrower could not repay the loan if demanded at the reporting date, the Company considers the expected manner of recovery to measure the ECL. The recovery manner could be either through 'repayment over time' or a fire sale of less liquid assets by the borrower; and
- If the recovery strategies indicate that the Company would fully recover the outstanding balance of the loan, the ECL would be limited to the effect of the discounting of the amount due on the loan, at the loan's effective interest rates, over the period until the amount is fully recovered.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (continued)

(iii) The Group's collateral at the end of the reporting period is summarised as follows:

2020	Net exposure	Collateral and credit enhancement	Maximum exposure (Net of impairment)
	RM	RM	RM
Trade receivables	25,358,451	45,714,722	71,073,173
Other receivables	1,539,606	-	1,539,606
Refundable deposits	1,272,738	-	1,272,738
Contract assets	2,799,320	-	2,799,320
Derivative financial assets	2,122,531	-	2,122,531
Deposits with licensed financial institutions	36,398,969	-	36,398,969
Cash and bank balances	7,867,588	-	7,867,588
Net investment in subleases	288,006	-	288,006
	77,647,209	45,714,722	123,361,931
2019			
Trade receivables	29,173,511	55,967,503	85,141,014
Other receivables	1,534,728	-	1,534,728
Refundable deposits	4,099,729	-	4,099,729
Contract assets	2,786,752	-	2,786,752
Derivative financial assets	799,892	-	799,892
Deposits with licensed financial institutions	42,378,888	-	42,378,888
Cash and bank balances	11,309,078	-	11,309,078
	92,082,578	55,967,503	148,050,081

Certain trade receivables of the Group are secured by financial guarantees given by corporates, shareholders or Directors of the receivables. There were no instances during the year whereby loss allowances were not recognised due to the utilisation of these collaterals and credit enhancements.

The Company's maximum exposure to credit risk for each class of financial assets is the carrying amount of each class of financial assets presented in the statement of financial position.

(iv) Financial assets that are impaired

Group

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

At 30 June 2020	Trade receivables	Other receivables	Total
	RM	RM	RM
At gross amounts	72,939,624	2,479,247	75,418,871
Less: Accumulated impairment	(1,866,451)	(939,641)	(2,806,092)
	71,073,173	1,539,606	72,612,779
Accumulated impairment:			
At 1 July	1,841,332	7,437,411	9,278,743
Impairment charge for the financial year (Note 7)	127,305	128,343	255,648
Write back of impairment for the financial year (Note 7)	(102,186)	(6,626,113)	(6,728,299)
At 30 June	1,866,451	939,641	2,806,092

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (continued)

(iv) Financial assets that are impaired (continued)

Group (continued)

During the current financial year (based on the lifetime expected credit loss assessment):

- The Group's Steel Tube subsidiary made an impairment charge on a single trade debtor as the customer was determined to be non-performing, in default and credit impaired. Accordingly, ECL amounting to RM127,305 was recorded;
- The Group's Engineering subsidiary also made a write back of impairment on trade receivables of RM102,186 upon settlement of outstanding debts;
- On 22 May 2020, the Group recovered an impaired debt of RM6,626,113 from Mperial Power Ltd - which was fully divested as an associate of the Group back in February 2018;
- Another subsidiary of the Group involved in the construction of children library made an impairment charge on other receivables amounting to RM128,343 due to the trigger of a financial difficulty event and was determined to be irrecoverable.

Despite the COVID-19 shutdown and the ensuing CMCO, the Group's trade debtors have generally normalised payment within their respective approved credit period towards the close of the current financial year and crossing into the next. No major ECL was deemed required other than the aforementioned.

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

At 30 June 2019	Trade receivables	Other receivables	Total
	RM	RM	RM
At gross amounts	86,982,346	8,972,139	95,954,485
Less: Accumulated impairment	(1,841,332)	(7,437,411)	(9,278,743)
	85,141,014	1,534,728	86,675,742
Accumulated impairment:			
At 1 July	1,778,050	7,405,611	9,183,661
Impairment charge for the financial year (Note 7)	84,693	31,800	116,493
Write-off	(21,411)	-	(21,411)
At 30 June	1,841,332	7,437,411	9,278,743

In the preceding financial year (based on the expected credit loss assessment):

- The Group's Engineering subsidiary made an impairment provision of RM63,282 as this late-aging debt above 60 days is not expected to be recovered;
- The Group's Steel Tube made an impairment provision and subsequently written off a debt of RM21,411 due to the trigger of a loss event, and determined to be irrecoverable. The Group's Steel Tube also made an impairment provision on other receivables of RM31,800 due to excessive late-aging.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (continued)

(iv) Financial assets that are impaired (continued)

Company

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

At 30 June 2020	Other receivables	Amounts owing by subsidiaries	Total
	RM	RM	RM
At gross amounts	1,252	73,393,203	73,394,455
Less: Accumulated impairment	-	(73,383,056)	(73,383,056)
	1,252	10,147	11,399
Accumulated impairment:			
At 1 July	1,102,470	74,795,025	75,897,495
Impairment charge for the financial year (Note 7)	-	3,100,505	3,100,505
Write back of impairment for the financial year (Note 7)	(1,102,470)	(4,512,474)	(5,614,944)
At 30 June	-	73,383,056	73,383,056

During the current financial year (based on the expected credit loss assessment):

- On 22 May 2020, the Company recovered an impaired debt of RM1,102,470 from Mperial Power Ltd - which was fully divested as an associate of the Group back in February 2018;
- The Company made additional impairment charge on the advances made to its wholly owned Engineering subsidiary of RM1,251,754 and other subsidiaries of RM1,848,751, as these were determined to be non-performing;
- The Company also recovered a previously impaired amount of RM4,512,474 from another fellow subsidiary tied to similar recovery from Mperial Power Ltd.

At 30 June 2019	Other receivables	Amounts owing by subsidiaries	Total
	RM	RM	RM
At gross amounts	1,102,470	74,804,588	75,907,058
Less: Accumulated impairment	(1,102,470)	(74,795,025)	(75,897,495)
	-	9,563	9,563
Accumulated impairment:			
At 1 July	1,102,470	36,930,244	38,032,714
Impairment charge for the financial year (Note 7)	-	37,864,781	37,864,781
At 30 June	1,102,470	74,795,025	75,897,495

In the preceding financial year, the Company made a full impairment charge on the advances made to its wholly owned Engineering subsidiary of RM34,924,921 and other subsidiaries of RM2,939,860, as these were determined to be non-performing.

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 to revision of the lender's cost of funds in computing the interest rate. The short-term fixed rate trade and credit instruments are subject to re-pricing upon frequent rollover every 3 to 4 months.

Over the current financial year, Bank Negara Malaysia has reduced the Overnight Policy Rate four times by a total of 125 basis points to a record low of 1.75% in response to the recessionary COVID-19 threat. Lenders followed through with rate-cuts, and the Group benefited from the lower borrowing costs on floating instruments and on rollover re-pricing of fixed rate instruments.

The Directors of the Company are of the view that the prevailing low interest rate environment will persist in the short-to-medium term, and may possibly rise gradually in tandem with the pace of economic recovery although this remains uncertain at this juncture.

The Group also have interest bearing asset instruments, comprised mainly of fixed interest bearing short-term deposits subject to frequent re-pricing. Similarly, the Group recorded lower interest income from these. 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	
	2020 RM	2019 RM
Current		
Fixed rate borrowings, denominated in RM	37,889,119	83,172,754
Floating rate borrowings, denominated in RM	7,568,969	5,291,127
Fixed rate credit from supplier, denominated in RM (Note 24)	26,362,804	9,478,060
Non-current		
Fixed rate borrowings, denominated in RM	1,279,765	3,525,837
Floating rate borrowings, denominated in RM	27,237,915	18,149,290
	100,338,572	119,617,068

The risk impact for the floating rate financial liability instruments had the overall interest rates being 1% higher, is that the Group's loss after tax for financial year 2020 would increase by RM264,532 (2019: RM178,147). 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 Malaysia which are their functional currencies. The Cold Rolled and the Steel Tube subsidiaries' raw material coils are however mostly imported from abroad and denominated in USD. The Steel Tube operation derives a small portion of its revenue (around 10.4%) 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.

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-offset' ratio method. On Steel Tube's affirmed export sales in foreign currencies, the Group would sell forward around 25% 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.

FX was particularly volatile during the 2nd half of current financial year as the Ringgit weakened by more than 180 basis point against the USD with the onset-of the COVID-19 pandemic and the ensuing sharp economic contraction. The Group's FX risk management activities have significantly hedged against FX losses over the current financial year as shown in the table below. Further disclosures are made in Note 20 on derivatives.

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:

	2020			2019		
	Unrealised RM'000	Realised RM'000	Total RM'000	Unrealised RM'000	Realised RM'000	Total RM'000
FX Fair Value						
FX Hedging Instrument						
Not hedge accounted	(7)	15	8	(4)	245	241
Hedge accounted	2,122	916	3,038	574	1,736	2,310
	2,115	931	3,046	570	1,981	2,551
FX Hedged Items						
Not hedge accounted	109	(325)	(216)	197	(731)	(534)
Hedge accounted	(2,122)	(916)	(3,038)	(574)	(1,736)	(2,310)
	(2,013)	(1,241)	(3,254)	(377)	(2,467)	(2,844)
Net FX gain/(loss)	102	(310)	(208)	193	(486)	(293)

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 GBP	Total
As at 30 June 2020					
Financial assets					
Trade and other receivables	18,042	-	3,261,277	45,066	3,324,385
Cash and bank balances	119,339	-	1,565,870	128,545	1,813,754
	137,381	-	4,827,147	173,611	5,138,139
Less: Financial liabilities					
Trade and other payables	(102,006,789)	(54,681)	-	-	(102,061,470)
Net financial (liabilities)/assets	(101,869,408)	(54,681)	4,827,147	173,611	(96,923,331)
Off balance sheet					
Contracted commitments	(16,194,656)	-	-	-	(16,194,656)
Less: Forward foreign currency contracts at notional value at closing rate	102,539,555	-	(1,199,676)	-	101,339,879
Net currency exposure	(15,524,509)	(54,681)	3,627,471	173,611	(11,778,108)
As at 30 June 2019					
Financial assets					
Trade and other receivables	105,170	-	5,193,607	70,206	5,368,983
Cash and bank balances	85,468	-	388,897	74,566	548,931
	190,638	-	5,582,504	144,772	5,917,914
Less: Financial liabilities					
Trade and other payables	(115,790,517)	(54,681)	-	-	(115,845,198)
Net financial (liabilities)/assets	(115,599,879)	(54,681)	5,582,504	144,772	(109,927,284)
Off balance sheet					
Contracted commitments	(47,953,227)	-	-	-	(47,953,227)
Less: Forward foreign currency contracts at notional value at closing rate	145,278,995	-	(1,102,884)	-	144,176,111
Net currency exposure	(18,274,111)	(54,681)	4,479,620	144,772	(13,704,400)

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

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 2020.

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

	Increase/(decrease)	
	2020 RM	**2019 RM**
Group		
RM appreciates against USD by 3%	353,959	416,650
RM appreciates against EURO by 3%	1,247	1,247
RM appreciates against SGD by 3%	(82,706)	(102,135)
RM appreciates against GBP by 3%	(3,958)	(3,301)

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). The determination of the fair value for other financial assets and liabilities may require the application of certain valuation methods.

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).

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:

Group

	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM
2020				
Assets				
Foreign currency exchange forward contracts	-	2,122,531	-	2,122,531
Liabilities				
Foreign currency exchange forward contracts	-	(8,301)	-	(8,301)
2019				
Assets				
Foreign currency exchange forward contracts	-	799,892	-	799,892
Liabilities				
Foreign currency exchange forward contracts	-	(230,010)	-	(230,010)

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.

The Group does not hold any financial assets where fair values are assessed at Level 1 and Level 3.

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

Company

	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM
2020				
Assets				
Free detachable warrants	1,515,377	-	-	1,515,377
2019				
Assets				
Free detachable warrants	1,616,402	-	-	1,616,402

5 FAIR VALUE (CONTINUED)

Fair value estimation (continued)

The Company had fully subscribed for its entitlement of renounceable rights issue of 40,410,044 new ordinary shares in its subsidiary Mycron Steel Berhad at 30 sens per rights share (on the basis of 1 Rights Share for every 5 Mycron Shares held) together with 20,205,022 free detachable warrants which were listed on Bursa Malaysia Main Market on 31 January 2019. The number of warrants held by Company at the close of the current financial year remains the same, as none was traded nor exercised over that period. The Company's holding of these warrants are fair valued at assessment 'Level 1' at initial recognition and at the end of each reporting period by way of marking-to its published market closing price on Bursa Malaysia. Changes in fair value from period to period are charged to profit or loss.

The Company does not hold any financial assets where fair values are assessed at Level 2 and Level 3.

6 REVENUE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Revenue from contracts with customers:				
Sales of goods	592,814,724	689,584,636	-	-
Construction contracts	965,229	1,268,915	-	-
Processing service income	1,948,287	2,452,840	-	-
Management fees	-	-	3,240,000	3,720,000
	595,728,240	693,306,391	3,240,000	3,720,000
Revenue from other sources:				
Dividend income	-	-	1,380,000	1,200,000
Lease rental income:				
- investment properties	764,160	764,160	3,445,860	3,693,328
- others	10,217	-	-	-
	774,377	764,160	4,825,860	4,893,328
Total revenue	596,502,617	694,070,551	8,065,860	8,613,328

6 REVENUE (CONTINUED)

Further disaggregation of revenue from contracts with customers by timing and sub-categories for the current financial year are as follows:

Group

	Timing of Revenue Recognition			
	At a point in time		Over time	Total
	Local	Abroad	Local	
2020	RM	RM	RM	RM
Segments				
Steel tube	179,210,348	21,167,166	1,546,819	201,924,333
Cold rolled	388,793,788	3,564,660	401,468	392,759,916
Engineering	-	-	703,849	703,849
Others	261,380	78,762	-	340,142
	568,265,516	24,810,588	2,652,136	595,728,240
Major goods & service lines				
Sales of primary goods				
- Steel tubes and pipes	178,854,794	21,245,928	-	200,100,722
- Cold rolled coils	379,547,954	3,564,660	-	383,112,614
Sales of steel scrap and by-products	9,601,388	-	-	9,601,388
Processing service income	-	-	1,948,287	1,948,287
Construction contracts	261,380	-	703,849	965,229
	568,265,516	24,810,588	2,652,136	595,728,240
2019				
Segments				
Steel tube	236,540,070	18,782,089	1,903,223	257,225,382
Cold rolled	429,450,062	4,788,895	549,617	434,788,574
Engineering	254,004	-	1,014,911	1,268,915
Others	23,520	-	-	23,520
	666,267,656	23,570,984	3,467,751	693,306,391
Major goods & service lines				
Sales of primary goods				
- Steel tubes and pipes	229,907,815	18,782,089	-	248,689,904
- Cold rolled coils	417,386,205	4,788,895	-	422,175,100
Sales of steel scrap and by-products	18,719,632	-	-	18,719,632
Processing service income	-	-	2,452,840	2,452,840
Construction contracts	254,004	-	1,014,911	1,268,915
	666,267,656	23,570,984	3,467,751	693,306,391

6 REVENUE (CONTINUED)

On the revenue derived from foreign sources, around 73% are from Singapore, 17% are from United States of America, with the balance in negligible proportion from United Kingdom, Indonesia, Kuwait and Sri Lanka.

There are no costs incurred to obtain contracts with customers.

Details on revenue from construction contracts recognised over time, and judgements made in-relation to these are disclosed in Note 16.

Company

	2020 RM	2019 RM
Revenue from contracts with customers:		
Management fees		
- recognised over time	3,240,000	3,720,000

7 (LOSS)/PROFIT BEFORE TAX

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
The following expenses have been charged/(credited) in arriving at (loss)/profit before tax:				
Auditors' remuneration:				
- statutory audit	632,790	641,840	217,400	213,700
- non-audit services	27,210	26,810	13,850	13,650
Professional fees	1,014,116	2,004,989	347,749	644,385
Changes in inventories of finished goods and work in progress	(3,455,790)	11,760,249	-	-
Raw materials consumed	516,280,982	595,940,253	-	-
Consumables (inventories) consumed	13,889,110	13,252,189	-	-
Property, plant and equipment (Note 12):				
- depreciation	14,476,075	20,299,445	143,007	156,758
- write-offs	-	4,971	-	-
- impairment	2,413,326	1,928,576	555	1,483
- net loss/(gain) on disposal	73,185	(95,119)	-	-
Depreciation on right-of-use assets [(a)]	1,675,506	-	77,338	-
Fair value loss/(gain) on				
- investment properties (Note 14)	707,000	(700,000)	-	(6,400,000)
- derivative assets (Note 20)	-	-	101,025	38,390
Staff costs - excluding Directors' remuneration				
- salaries, bonuses and allowances	27,810,139	31,601,899	692,394	956,885
- defined contribution plan	3,699,167	4,429,895	165,930	164,608
- others	1,426,648	2,721,933	33,033	22,965
Shutdown overheads [(b)]	3,634,276	-	-	-
Government wage subsidies	(685,237)	-	(14,400)	-

7 (LOSS)/PROFIT BEFORE TAX (CONTINUED)

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
The following expenses have been charged/(credited) in arriving at (loss)/profit before tax: (continued)				
Compensation received for acquisition of land by government	(340,611)	(1,275,100)	-	-
Rental expense [(a)]	33,937	434,840	20,081	138,170
Maintenance of plant and machinery	6,246,620	7,186,754	-	-
Net impairment /(write back of impairment):				
- investment in subsidiaries	-	-	-	5
- amounts owing by subsidiaries (Note 4(c)(iv))	-	-	(1,411,969)	37,864,781
- trade receivables (Note 4(c)(iv) and Note 19)	25,119	84,693	-	-
- other receivables (Note 4(c)(iv))	(6,497,770)	31,800	(1,102,470)	-
- inventories	-	(454)	-	-
Net foreign exchange loss/(gain)				
- realised	309,857	486,712	-	-
- unrealised	(101,364)	(193,251)	-	-
Provision for onerous contract reversed during the year (Note 24)	(99,722)	(5,135,630)	-	-
Write back of cost provision on Project #1 (Note 24)	-	(57,238)	-	-
Additional provision made on Project #2 (Note 24)	-	4,249,068	-	-
Provision reversed for liquidated ascertained damages (Note 24)	-	(8,392,016)	-	-
Provision reversed for defects liability period (Note 24)	-	(3,223,009)	-	-
Waiver of amount owing to client for Project #1 (Note 16)	-	(40,615,839)	-	-
Waiver on retention sum due from client for Project #1	-	2,098,004	-	-

(a) On adoption of MFRS 16, the rental expense on the rented land and buildings deemed as an operating lease is now represented through the depreciation of the rights-of-use assets on the aforementioned lease and the implicit interest charge on the corresponding lease liabilities. (See Notes 8 and Note 13). The remaining 'rental expense' for the current financial year relates to rentals of low value assets which are exempted from lease accounting under MFRS 16.

(b) Shutdown overheads in the current financial year comprise of its factories' fixed overheads and direct labour costs incurred during the mandatory nationwide COVID-19 shutdown period where production capacity was totally incapacitated for six weeks.

8 FINANCE INCOME AND COSTS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Finance income:				
Interest on deposits with financial institutions [a]	(1,382,698)	(1,589,019)	(64,016)	(131,091)
Interest income from net investment in subleases [b]	(25,263)	-	-	-
Total finance income	(1,407,961)	(1,589,019)	(64,016)	(131,091)
Finance costs on:				
Borrowings	5,418,047	5,419,060	-	-
Hire purchase	273,988	192,777	-	-
Suppliers' credit	1,120,296	1,292,014	-	-
Lease liabilities [c]	121,997	-	17,132	-
	6,934,328	6,903,851	17,132	-
Less: Interest expense capitalised in property, plant and equipment (Note 12)	(414,781)	-	-	-
Total finance costs	6,519,547	6,903,851	17,132	-
Net finance costs/(income)	5,111,586	5,314,832	(46,884)	(131,091)

[a] Interest income from fixed-deposits and money-market REPO (repurchase agreement) placements with Banks for very short tenure.

[b] Interest income from net investment in subleases is an implicit income derived from lease receivables representing the discounted lease commitment streams over the remaining term of the leases, pursuant to the adoption of MFRS 16. See Note 13.

[c] Interest expense on lease liabilities is an implicit charge on lease liabilities representing the discounted lease commitment streams over the remaining term of the leases, pursuant to the adoption of MFRS 16. See Note 13.

9 DIRECTORS' REMUNERATION

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Non-Executive Directors:				
- fees	632,390	566,158	262,035	247,615
- allowances	73,500	60,500	35,000	33,500
- estimated monetary value of benefits-in-kind	20,416	9,899	14,999	6,599
Executive Directors:				
- salaries, bonuses and other emoluments	4,334,681	4,887,669	1,170,000	1,562,388
- allowances	82,721	101,349	-	45,614
- estimated monetary value of benefits-in-kind	126,380	130,602	28,682	40,418
- defined contribution plan	548,800	629,198	175,500	243,009
	5,818,888	6,385,375	1,686,216	2,179,143

9 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	
	2020	2019
Executive Directors:		
RM400,001 – RM450,000	-	1
RM1,350,001 – RM1,400,000	1	-
RM1,450,001 – RM1,500,000	-	1
Non-Executive Directors:		
Less than RM50,000	5	4
RM50,001 – RM100,000	3	3

During the current financial year, two new Non-Executive Directors have been appointed, one Non-Executive Director has vacated office and one Non-Executive Director has resigned.

10 TAXATION

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Current Malaysia tax:				
- current year	2,477,515	3,383,595	698,993	706,641
- (over)/under accrual in the prior year	(167,665)	(113,142)	7,782	(6,152)
	2,309,850	3,270,453	706,775	700,489
Real property gain tax ('RPGT')	-	839,202	-	786,702
Deferred taxation (Note 17):				
- origination and reversal of temporary differences	(1,869,352)	(1,922,817)	(735)	987,797
Tax expense	440,498	2,186,838	706,040	2,474,988

10 TAXATION (CONTINUED)

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

	Group		Company	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
(Loss)/Profit before tax	(3,708,556)	29,801,694	6,433,311	(28,281,927)
Tax calculated at the Malaysian tax rate of 24% (2019: 24%)	(890,053)	7,152,407	1,543,995	(6,787,662)
Tax effects of:				
- expenses not deductible for tax purposes	2,119,771	2,203,962	860,075	9,433,660
- income not subject to tax	(2,192,372)	(1,999,291)	(1,705,812)	(951,560)
- (over)/under accrual in the prior year	(167,665)	(113,142)	7,782	(6,152)
- reversal of deferred tax due to RPGT impact	-	839,202	-	786,702
- difference in tax rate	94,580	-	-	-
- change in tax rate	-	886,502	-	-
- tax losses and reinvestment allowance not recognised as deferred tax	1,332,096	(6,782,802)	-	-
- reversal of previously recognised deferred tax	144,141	-	-	-
Tax expense	440,498	2,186,838	706,040	2,474,988

11 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

	Group	
	2020 RM	**2019 RM**
(Loss)/profit attributable to owners of the Company	(1,446,964)	30,757,145
Weighted average number of ordinary shares in issue (net of treasury shares)	359,417,703	341,046,560
Basic (loss)/earnings per share (sen)	(0.40)	9.02

(b) Diluted (loss)/earnings per share

No diluted (loss)/earnings per share is presented given that the issued and listed warrants are in an anti-dilutive position since its exercisable price (at 40 sens) is above the market price of the listed mother share at the close of the current financial year. Accordingly, the diluted (loss)/earnings per share is the same as basic (loss)/earnings per share.

12 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land	Leasehold land	Buildings	Plant, machinery and electrical installation	Motor vehicles, furniture, fittings and equipment	Spare parts	Construction work-in-progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM
2020								
Cost/Valuation								
At 1 July 2019								
- Cost	-	-	-	-	15,302,421	642,521	6,422,910	22,367,852
- Valuation	60,000,000	79,400,000	69,111,322	181,373,904	-	-	-	389,885,226
	60,000,000	79,400,000	69,111,322	181,373,904	15,302,421	642,521	6,422,910	412,253,078
Reclassification to ROU assets upon adoption of MFRS 16	-	(79,400,000)	-	-	-	-	-	(79,400,000)
At 1 July 2019 - restated	60,000,000	-	69,111,322	181,373,904	15,302,421	642,521	6,422,910	332,853,078
Additions	-	-	-	2,058,148	819,825	-	28,809,603	31,687,576
Currency translation differences	-	-	-	-	738	-	-	738
Disposals	-	-	-	-	(319,205)	-	-	(319,205)
Write-offs	-	-	-	(3,370,595)	(136,418)	-	-	(3,507,013)
Revaluation during the financial year	-	-	269,547	533,377	-	-	-	802,924
Effects of elimination of accumulated depreciation on revaluation	-	-	(2,483,504)	(10,527,721)	-	-	-	(13,011,225)
Asset classified as investment property (Note 14)	-	-	-	(44,000)	-	-	-	(44,000)
Reclassification	-	-	13,957	23,427,660	389,889	(468,537)	(23,362,969)	-
At 30 June 2020	60,000,000	-	66,911,322	193,450,773	16,057,250	173,984	11,869,544	348,462,873
Less: Accumulated depreciation								
At 1 July 2019	-	-	-	-	8,872,256	-	-	8,872,256
Charge for the financial year (Note 7)	-	-	2,483,504	10,918,520	1,074,051	-	-	14,476,075
Currency translation differences	-	-	-	-	(470)	-	-	(470)
Disposals	-	-	-	-	(134,460)	-	-	(134,460)
Write-offs	-	-	-	(390,799)	(132,434)	-	-	(523,233)
Effects of elimination of accumulated depreciation on revaluation	-	-	(2,483,504)	(10,527,721)	-	-	-	(13,011,225)
At 30 June 2020	-	-	-	-	9,678,943	-	-	9,678,943
Less: Accumulated impairment loss								
At 1 July 2019	-	-	-	23,708,266	100,274	-	-	23,808,540
Charge for the financial year (Note 7)	-	-	-	2,413,326	-	-	-	2,413,326
Write-offs	-	-	-	(2,979,796)	(3,984)	-	-	(2,983,780)
At 30 June 2020	-	-	-	23,141,796	96,290	-	-	23,238,086
Net book value								
At 30 June 2020	60,000,000	-	66,911,322	170,308,977	6,282,017	173,984	11,869,544	315,545,844
Representing:								
- Cost	-	-	-	-	6,282,017	173,984	11,869,544	18,325,545
- Valuation	60,000,000	-	66,911,322	170,308,977	-	-	-	297,220,299
	60,000,000	-	66,911,322	170,308,977	6,282,017	173,984	11,869,544	315,545,844

Included in the Group's additions to property, plant and equipment is finance cost amounting to RM414,781 capitalised at an average capitalisation rate of 5.31% (2019: Nil) for the financial year ended 30 June 2020.

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land	Leasehold land	Buildings	Plant, machinery and electrical installation	Motor vehicles, furniture, fittings and equipment	Spare parts	Construction work-in-progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM
2019								
Cost/Valuation								
At 1 July 2018								
- Cost	-	-	-	-	14,226,071	637,810	3,421,740	18,285,621
- Valuation	57,100,000	81,400,000	72,511,322	185,941,091	-	-	-	396,952,413
	57,100,000	81,400,000	72,511,322	185,941,091	14,226,071	637,810	3,421,740	415,238,034
Additions	-	774,000	623,776	4,937,960	2,090,858	260,792	6,376,461	15,063,847
Disposals	-	-	-	(3,041,472)	(1,008,260)	-	-	(4,049,732)
Write-offs	-	-	-	(4,971)	(6,641)	-	-	(11,612)
Revaluation during the financial year	2,900,000	8,230,174	4,323,104	523,233	-	-	-	15,976,511
Effects of elimination of accumulated depreciation on revaluation	-	(1,204,174)	(6,346,880)	(10,579,916)	-	-	-	(18,130,970)
Asset classified as investment property (Note 14)	-	(9,800,000)	(2,000,000)	(33,000)	-	-	-	(11,833,000)
Reclassification	-	-	-	3,630,979	393	(256,081)	(3,375,291)	-
At 30 June 2019	60,000,000	79,400,000	69,111,322	181,373,904	15,302,421	642,521	6,422,910	412,253,078
Less: Accumulated depreciation								
At 1 July 2018	-	-	-	-	8,578,130	-	-	8,578,130
Charge for the financial year (Note 7)	-	1,204,174	6,346,880	11,705,474	1,042,917	-	-	20,299,445
Disposals	-	-	-	(1,125,558)	(742,150)	-	-	(1,867,708)
Write-offs	-	-	-	-	(6,641)	-	-	(6,641)
Effects of elimination of accumulated depreciation on revaluation	-	(1,204,174)	(6,346,880)	(10,579,916)	-	-	-	(18,130,970)
At 30 June 2019	-	-	-	-	8,872,256	-	-	8,872,256
Less: Accumulated impairment loss								
At 1 July 2018	-	-	-	23,659,745	100,274	-	-	23,760,019
Charge for the financial year (Note 7)	-	-	-	1,928,576	-	-	-	1,928,576
Disposals	-	-	-	(1,880,055)	-	-	-	(1,880,055)
At 30 June 2019	-	-	-	23,708,266	100,274	-	-	23,808,540
Net book value								
At 30 June 2019	60,000,000	79,400,000	69,111,322	157,665,638	6,329,891	642,521	6,422,910	379,572,282
Representing:								
- Cost	-	-	-	-	6,329,891	642,521	6,422,910	13,395,322
- Valuation	60,000,000	79,400,000	69,111,322	157,665,638	-	-	-	366,176,960
	60,000,000	79,400,000	69,111,322	157,665,638	6,329,891	642,521	6,422,910	379,572,282

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Building	Plant, machinery and electrical installation	Motor vehicles, furniture, fittings and equipment	Total
2020	**RM**	**RM**	**RM**	**RM**
Cost/Valuation				
At 1 July 2019				
- Cost	-	-	1,645,801	1,645,801
- Valuation	111,322	845,285	-	956,607
	111,322	845,285	1,645,801	2,602,408
Additions	-	-	14,105	14,105
Disposals	-	-	(5,100)	(5,100)
Revaluation during the financial year	-	63,835	-	63,835
Elimination of accumulated depreciation on revaluation	-	(103,280)	-	(103,280)
Write-offs	-	-	(10,926)	(10,926)
At 30 June 2020	111,322	805,840	1,643,880	2,561,042
Less: Accumulated depreciation				
At 1 July 2019	-	-	1,385,655	1,385,655
Charge for the financial year (Note 7)	-	103,280	39,727	143,007
Disposals	-	-	(1,700)	(1,700)
Elimination of accumulated depreciation on revaluation	-	(103,280)	-	(103,280)
Write-offs	-	-	(10,926)	(10,926)
At 30 June 2020	-	-	1,412,756	1,412,756
Less: Accumulated impairment loss				
At 1 July 2019	-	288,285	80,595	368,880
Charge for the financial year (Note 7)	-	555	-	555
At 30 June 2020	-	288,840	80,595	369,435
Net book value				
At 30 June 2020	111,322	517,000	150,529	778,851
Representing:				
- Cost	-	-	150,529	150,529
- Valuation	111,322	517,000	-	628,322
	111,322	517,000	150,529	778,851

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Building	Plant, machinery and electrical installation	Motor vehicles, furniture, fittings and equipment	Total
2019	**RM**	**RM**	**RM**	**RM**
Cost/Valuation				
At 1 July 2018				
- Cost	-	-	1,681,485	1,681,485
- Valuation	111,322	873,802	-	985,124
	111,322	873,802	1,681,485	2,666,609
Additions	-	-	5,100	5,100
Disposals	-	-	(37,389)	(37,389)
Revaluation during the financial year	-	54,724	-	54,724
Elimination of accumulated depreciation on revaluation	-	(83,241)	-	(83,241)
Write-offs	-	-	(3,395)	(3,395)
At 30 June 2019	111,322	845,285	1,645,801	2,602,408
Less: Accumulated depreciation				
At 1 July 2018	-	-	1,352,922	1,352,922
Charge for the financial year (Note 7)	-	83,241	73,517	156,758
Disposals	-	-	(37,389)	(37,389)
Elimination of accumulated depreciation on revaluation	-	(83,241)	-	(83,241)
Write-offs	-	-	(3,395)	(3,395)
At 30 June 2019	-	-	1,385,655	1,385,655
Less: Accumulated impairment loss				
At 1 July 2018	-	286,802	80,595	367,397
Charge for the financial year (Note 7)	-	1,483	-	1,483
At 30 June 2019	-	288,285	80,595	368,880
Net book value				
At 30 June 2019	111,322	557,000	179,551	847,873
Representing:				
- Cost	-	-	179,551	179,551
- Valuation	111,322	557,000	-	668,322
	111,322	557,000	179,551	847,873

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(i) Valuation of certain property, plant and equipment and ROU assets

At the start of the current financial year, leasehold land has been reclassified out from PPE to 'Right-of-Use' (ROU) assets on initial adoption of MFRS 16 as disclosed in Note 13 on Leases.

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 3 of the fair value hierarchy. Land and buildings of the Group were revalued in June 2020 by an independent firm of professional valuers, PA International Property Consultants (KL) Sdn Bhd based on the sales comparison approach in combination with other market value indicators. The leasehold land reclassified to ROU assets continues to be measured using the same revaluation model by the aforementioned valuer-firm.

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 12(vi) for the details of fair value measurements using significant unobservable input (Level 3).

The Group's revaluation surplus on property, plant and equipment of RM802,924 (2019: RM15,976,511) and ROU assets amounting to RM1,375,374 was credited directly to asset revaluation reserve account and its related deferred taxation arising from the revaluation was provided accordingly (Note 17). The net revaluation deficit amounting to RM2,413,326 (2019: RM1,928,576) was taken up as impairment in profit or loss.

The Company's revaluation surplus of RM63,835 (2019: RM54,724) was credited directly to asset revaluation reserve account and its related deferred taxation arising from the revaluation was provided accordingly (Note 17). The net revaluation deficit amounting to RM555 (2019: RM1,483) was taken up as impairment in profit or loss.

At the start of the financial year, the Group's Cold Rolled subsidiary has a carrying impairment provision of around RM5 million for potential value displacement arising from the planned upgrading of the 'Continuous Pickling Line' (CPL) under 'Plant, machinery & electrical installation'. At the close of the current financial year, the CPL upgrading work is physically completed pending final technical certification, and the capitalised cost amounting to RM23.4 million has been reclassified from 'Construction Work-In-Progress' to 'Plant, Machinery and Electrical Installation'. Movement in the 'impairment account' arising from disposal and write-off on the displaced CPL parts are as follows:

	All in RM'000		
	Opening carrying provision	**Disposal/ write-off**	**Closing provision**
CPL Upgrade Project	4,941	(4,327)	614

Cost progression of the Group's major capital expenditure projects classified under 'Construction Work-In-Progress' are as follows:

	CPL	**ARP**	**Others**	**Total**
2020	**RM**	**RM**	**RM**	**RM**
At 1 July	3,612,113	2,314,063	496,733	6,422,909
Additions during the year	19,347,011	8,875,901	586,691	28,809,603
Reclassification	(22,959,124)	-	(403,846)	(23,362,970)
At 30 June	-	11,189,964	679,578	11,869,542
2019				
At 1 July	-	-	3,421,739	3,421,739
Additions during the year	3,612,113	2,314,063	450,285	6,376,461
Reclassification	-	-	(3,375,291)	(3,375,291)
At 30 June	3,612,113	2,314,063	496,733	6,422,909

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Progress of the above projects have been significantly delayed over the 2nd half of the current financial year due to the COVID-19 lockdown and ensuing border closure.

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	
	2020 RM	2019 RM	2020 RM	2019 RM
Freehold land	31,300,000	31,300,000	-	-
Leasehold land [(a)]	-	38,559,042	-	-
Buildings	56,206,538	59,545,241	111,322	111,322
Plant, machinery and electrical installation	164,129,820	177,252,770	386,971	437,160
	251,636,358	306,657,053	498,293	548,482

[(a)] On 1 July 2019, the leasehold land has been reclassified as ROU assets upon adoption of MFRS 16.

The fair value of ROU assets and property, plant and equipment are 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 – adjusted market comparison by reference to observable prices per square foot in an active market or recent market transactions on arm's length terms (Level 3).
- 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).

The valuers have considered the impact of COVID-19 when determining the fair values of the abovementioned assets.

(ii) Assets acquired under hire purchase arrangements

In the previous financial year, additions to property, plant and equipment of the Group during the financial year includes those acquired by means of hire purchase arrangements totalling RM6,701,826 for the acquisition of certain plant and machineries. There were no assets acquired by means of hire purchase during the current financial year.

(iii) Assets pledged as securities

Freehold land, buildings, plant, machinery and electrical installation of subsidiaries with a net book value of RM306.1 million (2019: RM312.5 million) are pledged as securities for certain banking facilities granted to the Group. Refer Note 25 to the financial statements for further details.

(iv) Impairment assessment

In assessing the reasonableness of the fair value of the land, building, plant, machinery and electrical installation which has been determined by the external valuer, management had separately assessed these plant, machinery and electrical installation as separate Cash-Generating Units ("CGU's"). Management had determined the recoverable amount of these plant, machinery and electrical installation based on the discounted cash flows of the CGU's using the value-in-use ("VIU") model which was built based on the expected value method.

It was determined that no impairment was necessary as the indicative recoverable amount is higher than its carrying amount.

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(iv) Impairment assessment (continued)

The VIU assessments included the following key assumptions:

Assumption	2020 rates	
	MCRC	MST
Projection period	25 years	18 years
Discount rate	9.5%	9.5%
Sales volume growth rate	2% - 4%	1% - 3%

The Directors and management have considered and assessed reasonable variations in the underlying key assumptions used in the computation of the recoverable amount and is satisfied with the headroom of the CGU's recoverable amount over its carrying amount.

(v) Assets classified as investment property

At the beginning of the preceding financial year, a piece of leasehold land and factory buildings thereon known as Lot 16, Jalan Pengapit 15/19, 40200 Shah Alam, Selangor (formerly rented to the steel tube company within the Group but vacated pursuant to a rationalisation exercise) was rented out to an external party. As a result of the change in the manner the asset is used and recovered, this piece of leasehold land and buildings thereon was reclassified from 'Property, plant and equipment' to 'Investment property' (see Note 14) in the preceding financial year.

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

	Plant, machinery and electrical installation	
	2020 RM	2019 RM
Group		
At 1 July	157,665,638	162,281,346
Additions	2,058,148	4,937,960
Disposals	-	(35,859)
Write-offs	-	(4,971)
Revaluation during the financial year	533,377	523,233
Impairment charge for the financial year	(2,413,326)	(1,928,576)
Depreciation charge for the financial year	(10,918,520)	(11,705,474)
Assets classified as investment property	(44,000)	(33,000)
Transfer from construction work-in-progress and spare part	23,427,660	3,630,979
At 30 June	170,308,977	157,665,638
Company		
At 1 July	557,000	587,000
Revaluation during the financial year	63,835	54,724
Impairment charge for the financial year	(555)	(1,483)
Depreciation charge for the financial year	(103,280)	(83,241)
At 30 June	517,000	557,000

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

Description	Fair value as at 30 June 2020 RM	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Plant, machinery and electrical installation	170,308,977	Depreciated replacement cost method	Useful life	1 year – 40 years (21)	The longer the useful life, the higher the fair value

The external valuation of the Level 3 plant, machinery and electrical installation 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, machinery and electrical installation.

As at 30 June 2020, if the unobservable input based on the useful life of the plant, machinery and electrical installation increases/decreases by one year, the fair value of the plant, machinery and electrical installation will increase/decrease by approximately RM10.9 million (2019: RM11.7 million) respectively.

	Land and buildings	
	2020 RM	**2019 RM**
Group		
At 1 July	208,511,322	211,011,322
Effect of MFRS 16 (Note 13)	(79,400,000)	-
At 1 July - restated	129,111,322	211,011,322
Additions	-	1,397,776
Revaluation during the financial year	269,547	15,453,278
Depreciation charge for the financial year	(2,483,504)	(7,551,054)
Assets classified as investment property	-	(11,800,000)
Transfer from construction work-in-progress and spare part	13,957	-
At 30 June	126,911,322	208,511,322
Company		
At 1 July / 30 June	111,322	111,322

The unobservable inputs used to determine the fair value of land and buildings, which includes leasehold land classified under ROU assets, is the adjusted price per square foot ("psf") (ranging from RM126 to RM149 psf) which are adjusted by key attributes such as property size and location. The higher the price per square foot, the higher the fair value of the subject property.

13 LEASES

With the adoption of MFRS 16, all qualifying leases previously classified as operating leases under MFRS 117 are now taken up in the accounts together with finance leases (except for those categorised under 'Investment properties') as 'Right-of-Use' ("ROU") assets and its corresponding 'Lease Liabilities'. The changes in the Group's accounting policies with regard to the aforementioned are detailed in Note 2(a).

Information on the Group's leases and accounting changes over the current financial year are outlined below:

A) Group

Leases as lessee

	Footnote	ROU assets 2020 RM	ROU assets 2019 RM	Lease liabilities 2020 RM	Lease liabilities 2019 RM
At 1 July					
ROU assets					
- leasehold lands	(a)	79,400,000	-	-	-
- rented properties	(b)	1,800,883	-	2,199,503	-
Total		81,200,883	-	2,199,503	-
Changes to assets					
Revaluation during the year	(c)	1,375,374	-	-	-
Depreciation during the year:	(d)				
- leasehold lands (Note 7)		(1,375,374)	-	-	-
- rented properties (Note 7)		(300,132)	-	-	-
Transfer of ROU assets to net investment in subleases		(187,860)	-	-	-
Exchange difference		7,609	-	-	-
Total		(480,383)	-	-	-
Changes to liabilities					
Lease payment	(e)	-	-	(711,875)	-
Interest expense (Note 8)	(f)	-	-	121,997	-
Exchange differences		-	-	5,849	-
Total		-	-	(584,029)	-
At 30 June					
ROU assets					
- leasehold lands		79,400,000	-	-	-
- rented properties		1,320,500	-	1,615,474	-
Total	(g)	80,720,500	-	1,615,474	-

13 LEASES (CONTINUED)

A) Group (continued)

<u>Leases as lessee</u> (continued)

(a) The Group's leasehold lands comprise of the following properties, on-which its factory plants were erected. These 'finance leases' have been reclassified from 'Property, Plant and Equipment' to 'ROU assets' on 1 July 2019. The property lessor is the Selangor State Government with no corresponding lease liabilities to the lessor. The leasehold land under the Group's Steel Tube subsidiary is pledged against a banking facility.

	Description	Registered title owner	Lease expiry date	Remaining leasehold period	Value
					(RM)
i.	Lot 53, Persiaran Selangor	MST	22.05.2078	58	21,500,000
ii.	Lot 49, Jalan Utas 15/17	MIG	13.04.2072	52	33,300,000
iii.	Lot 10, Persiaran Selangor	MIG	11.05.2085	65	24,600,000
					79,400,000

The total net book value of these leasehold land that would have been included in the financial statements had these assets been carried at deemed costs less accumulated depreciation is RM37,891,905.

(b) The Group rents two pieces of land and buildings abroad for its steel business in UK, and an office space for its corporate-office and a domestic wholly owned subsidiary. As a tenant, the subsidiaries do not have ownership rights to full 'risk and reward' of the property, typical of operating lease. The rental details are:

	Description	Monthly fixed rent	Deposits paid	Next expiry date	Next renewal option period
i.	15 & 17 White Lion Road, Amersham	£1,250	-	24.02.2036	Nil
ii.	Membury Airfield, Lambourn	£1,425	£4,275	31.03.2023	Nil
iii.	Level 15, No. 566 Jalan Ipoh	RM7,251	RM14,503	30.11.2020	3 years
iv.	Level 11, No. 566 Jalan Ipoh	RM38,012	-	31.03.2021	Nil

The lease liabilities are derived from the stream of fixed rent commitments over the remaining term of the tenancy with the economic assumption on whether the next renewal option is exercised, and discounted using the tenant or lessee's estimated incremental borrowing rate at 5.8% p.a. The ROU assets comprised of this lease liabilities sum adjusted for any pre-payments and restoration cost where contractually applicable. This lease liabilities or ROU assets for rental properties in isolation is excluded from any financial covenant ratios computation unless the netting effect from both is included.

(c) This amount represents the revaluation gain on the leasehold lands which are subject to monthly depreciation based on its balanced lease-life, and re-measured at fair value towards the close of the financial year. The assumptions used in the valuation of ROU assets is consistent with the assumptions used for land and building as disclosed in Note 12(vi) to the financial statements.

(d) This amount represents the depreciation of the ROU assets on straight-line basis over the term of the lease and assumed renewal period where applicable.

(e) This amount represents the contractual rent payments for the rented properties which denotes as settlement of the amortised lease liabilities and corresponding interest expense over the current financial year.

(f) This amount represents the implicit effective interest charged on the carrying lease liabilities on a reducing balance monthly rest basis. This implicit interest expense, equivalent to the assumed discount rate used, is excluded from any financial ratio covenants computation.

13 LEASES (CONTINUED)

A) Group (continued)

Leases as lessee (continued)

(g) The ROU assets and net investment in subleases are classified under non-current assets in the Statements of Financial Position, whilst the lease liabilities are segregated into current and non-current liabilities as follows.

	2020 RM	2019 RM
Current	513,323	-
Non-current	1,102,151	-
	1,615,474	-

Leases as lessor

The Group rents out a piece of leasehold land with factory buildings erected thereon known as Lot 16, Jalan Pengapit, Shah Alam to an external party. This is lessor-accounted as 'Investment property' and is disclosed in Note 14.

The net investment in subleases (also known as lease receivables) comprise of a few sub-tenants occupying the main lease on Level 11, No. 566 Jalan Ipoh with the terms matching the main lease. The carrying value represents the corresponding lease liability subsumed under the main lease.

	Footnote	2020 RM	2019 RM
At 1 July		435,463	-
Changes to assets			
Additional sublease during the year		187,860	-
Sublease received	(a)	(360,580)	-
Interest income (Note 8)	(b)	25,263	-
		(147,457)	-
At 30 June		288,006	-

(a) This amount represents the contractual rent received from sub-leases on the rented properties which denotes as settlement of the depreciated lease receivables and corresponding implicit interest income over the current financial year.

(b) This amount represents the implicit effective interest income from the carrying sub-lease receivables on a reducing balance monthly rest basis. This implicit interest income, equivalent to the assumed discount rate used, is excluded from any financial ratio covenants computation.

(c) Net investment in subleases with carrying amount of RM288,006 are receivable on a monthly basis and the maturity analysis are as follows:

	2020 RM
Within 1 year	295,011
Total undiscounted lease payments receivable	295,011
Unearned finance income	(7,005)
Net investment in subleases	288,006

13 LEASES (CONTINUED)

B) Company

Leases as lessee

	Footnote	ROU assets 2020 RM	ROU assets 2019 RM	Lease liabilities 2020 RM	Lease liabilities 2019 RM
At 1 July					
ROU assets					
- Rented office space	(a)	341,573	-	327,070	-
Changes to assets					
Depreciation during the year (Note 7)	(b)	(77,338)	-	-	-
Changes to liabilities					
Lease payment	(c)	-	-	(87,017)	-
Interest expense (Note 8)	(d)	-	-	17,132	-
		-	-	(69,885)	-
At 30 June					
ROU assets					
- Rented office space	(e)	264,235	-	257,185	-

(a) The Company rents an office space as its head office at Level 15, No. 566 Jalan Ipoh. As a tenant, the Company does not have ownership rights to full 'risk and reward' of the property, typical of operating lease. The rental detail is as follow:

Description	Monthly fixed rent	Deposits paid	Next expiry date	Next renewal option period
	(RM)	**(RM)**		
Level 15, No. 566 Jalan Ipoh	7,251	14,503	30.11.2020	3 years

The lease liability is derived from the stream of fixed rent commitments over the remaining term of the tenancy with the economic assumption whether the next renewal option is exercised, and discounted using the tenant or lessee's estimated incremental borrowing rate at 5.8% p.a. The ROU assets comprised of the lease liability sum adjusted for any pre-payments and restoration cost where contractually applicable.

(b) This amount represents the depreciation of the ROU assets on straight-line basis over the term of the lease and the assumed renewal period.

(c) This amount represents the contractual rent payments for the rented properties which denotes settlement of the depreciated lease liabilities and corresponding implicit interest expense over the current financial year.

13 LEASES (CONTINUED)

B) Company (continued)

Leases as lessee (continued)

(d) This amount represents the implicit effective interest charged on the carrying lease liabilities based on reducing balance on monthly rest. This implicit interest expense equivalent to the assumed discount rate used is excluded from any financial ratio covenants computation.

(e) The ROU assets is classified under non-current asset in the Statements of Financial Position, whilst the lease liabilities are segregated into current and non-current liabilities as follows.

	2020 RM	2019 RM
Current	74,048	-
Non-current	183,137	-
	257,185	-

The Company does not have any lease arrangement to report as a 'Lessor'.

14 INVESTMENT PROPERTIES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Leasehold land and buildings				
At 1 July	12,533,000	-	69,400,000	63,000,000
Reclassification - Property, plant and equipment (Note 12)	44,000	11,833,000	-	-
Fair value (loss)/gain during the financial year (Note 7)	(707,000)	700,000	-	6,400,000
At 30 June	11,870,000	12,533,000	69,400,000	69,400,000

The Group's and the Company's closing fair values on their investment properties are determined based on methods within Level 3 of the fair value hierarchy by independent valuers. Level 3 fair values of the Company's properties were derived using the sales comparison approach in combination with other market value indicators. 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 foot. The fair values of the properties at the close of the current financial year have been determined by Oregeon Property Consultancy Sdn Bhd and PA International Property Consultants (KL) Sdn Bhd – independent professional valuation firms.

Group

The Group's investment property comprise of a piece of leasehold land (with a balance of 58 years lease) and factory buildings erected thereon at Lot 16, Jalan Pengapit, Shah Alam. The said Property was previously classified under 'property, plant & equipment' for internal usage, but has since 1 July 2018 been reclassified to 'Investment properties' upon it been rented out to an external party. The tenancy recently expired on 30 June 2020 without being renewed by the tenant.

The Group in mid-June 2020 received a conditional offer from a Real Estate Investment Trust (REIT) to buy the said investment property for RM11,870,000 subject to contract (Note 33). For the purpose of fair value accounting the Property for the financial year ended 30 June 2020, the lower of the aforesaid offered value versus the latest independent valuation (dated 15 March 2020) of RM13,577,000 was used as the indicative 'fair value'. Given that the carrying fair value of the Property was RM12,577,000, a fair value loss of RM707,000 was recognised in the Statement of Profit or Loss for the current financial year. However, should the property be disposed to the REIT at the stated sum equivalent to the written down fair value in the next financial year, a write back of carrying deferred tax liabilities of around RM1 million giving rise to a gain in Profit & Loss would occur considering that such disposal to a REIT is exempted from RPGT.

14 INVESTMENT PROPERTIES (CONTINUED)

Group (continued)

During the current financial year the fair value of electrical installations of the buildings amounting to RM44,000 was reclassified from 'Property, plant & equipment'.

Direct operating expenses attributable to the rental income generated from the investment properties at Group level totaled RM68,081 (2019: RM63,979).

Company

At the close of the current financial year, the Company continues to hold the following two investment properties being leasehold land with factory buildings erected thereon which are rented out to its Steel Tube subsidiary.

	Description	Lease expiry date	Remaining leasehold period	Value
				(RM)
i.	Lot 49, Jalan Utas 15/17	13.04.2072	52	40,000,000
ii.	Lot 10, Persiaran Selangor	11.05.2085	65	29,400,000
				69,400,000

Direct operating expenses attributable to the rental income generated from the investment properties at Company level totaled RM399,163 (2019: RM550,941)

15 INVESTMENTS IN SUBSIDIARIES

	Company	
	2020 RM	**2019 RM**
Investment in subsidiaries at cost:		
- Quoted shares	87,844,865	87,844,865
- Unquoted shares	26,472,822	26,472,820
	114,317,687	114,317,685
Less: Accumulated impairment losses	(25,802,820)	(25,802,820)
	88,514,867	88,514,865
Market value of quoted shares	69,101,176	72,738,080

Investments in Mycron Steel Berhad ("MSB")

The cost of investment in MSB amounting to RM87.8 million has been assessed for impairment based on a value-in-use ("VIU") model which was built based on an expected value method to determine its recoverable amount. The indicative recoverable amount (based on its VIU) of the respective investments is higher than its carrying amount.

The VIU assessments were performed based on a 5-year cashflow projection extrapolated to perpetuity using a terminal growth rate which was based on the following key assumptions:

Assumption	**2020 rates**
Terminal growth rate	3%
Discount rate	13.99%
Sales volume growth rate	1% - 4%

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Investments in Mycron Steel Berhad ("MSB") (continued)

The Directors and management have considered and assessed reasonable variations in the underlying key assumptions used in the computation of the recoverable amount and is satisfied with the headroom of the cost of investments' recoverable amount over its carrying amount.

The details of the subsidiaries are as follows:

Name	Principal activities	Group's effective interest	
		2020 %	2019 %
Mycron Steel Berhad ("MSB") (1)	Investment holding and provision of management services to subsidiaries	74.1	74.1
Melewar Steel Services Sdn Bhd ("MSS") (1)	Property investment	100.0	100.0
Melewar Steel Assets Sdn Bhd ("MSA") (1)	Dormant	100.0	100.0
Melewar Steel Mills Sdn Bhd ("MSM") (1)	Trading of steel and iron products/scrap	100.0	100.0
Melewar Integrated Engineering Sdn Bhd ("MIE") (1)	Provision of engineering and technical consultancy services	100.0	100.0
3Bumi Trading Sdn Bhd (Formerly known as Melewar Steel Engineering Sdn Bhd ("MSE")) (1)	Dormant	100.0	100.0
Melewar Ecology Sdn Bhd ("MEco") (1)	Dormant	100.0	100.0
Ausgard Quick Assembly Systems Sdn Bhd ("Ausgard") (1)	Supply and construct quick assembly homes	100.0	100.0
Melewar Imperial Limited ("MIL") (1)	Investment holding	100.0	100.0
3Bumi Sdn Bhd ("3Bumi") (5)	Dormant	100.0	-
Subsidiaries of MSB			
Mycron Steel CRC Sdn Bhd ("MCRC") (1)	Manufacturing and trading of steel cold rolled coiled sheets	74.1	74.1
Melewar Steel Tube Sdn Bhd ("MST") (1)	Manufacturing, distribution and trading of steel tubes and pipes	74.1	74.1
Subsidiary of MCRC			
Silver Victory Sdn Bhd ("SV") (1)	Trading of steel related products	74.1	74.1
Subsidiary of MSM			
Melewar Mycrosmelt Technology Ltd ("MMTL") (2)	Dormant	100.0	100.0

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name	Principal activities	Group's effective interest 2020 %	Group's effective interest 2019 %
Subsidiary of MIL			
Melewar Steel UK Ltd ("MSUK") [3]	Distribution of steel tubes in the United Kingdom	100.0	100.0
Jack Nathan Limited ("JNL") [3][4]	Wholesale and distribution of steel tubes in the United Kingdom	100.0	100.0
Subsidiary of 3Bumi			
3Dara Sdn Bhd ("3Dara") [6]	Dormant	70.0	-

(1) The entity is incorporated in Malaysia and audited by PricewaterhouseCoopers PLT Malaysia.
(2) The entity is incorporated in British Virgin Islands and has no statutory audit requirement.
(3) The entity is incorporated in England and Wales which exempts it from statutory audit requirement.
(4) JNL is exempted from audit under the UK laws for small private limited companies.
(5) The entity was incorporated on 19 May 2020 in Malaysia with an issued paid up capital of 2 ordinary shares at RM1 each. The planned principal activity of 3Bumi is as an investment holding to businesses in the production and trading of food produces. The entity has yet to commence business at the close of the financial year.
(6) The entity was incorporated on 19 May 2020 in Malaysia with an issued paid up capital of 10 ordinary shares at RM1 each. The entity has yet to commence business at the close of the financial year.

(a) Mycron Steel Berhad's ("MSB") Rights issue with warrant

The Company has fully subscribed for its entitlement of renounceable rights issue of 40,410,044 new ordinary shares in MSB ("Mycron Shares") ("Rights Shares") at 30 sens per rights share (on the basis of 1 Rights Share for every 5 Mycron Shares held) together with 20,205,022 free detachable warrants (on the basis of 1 Warrant for every 2 Rights Shares subscribed) for a total outlay of RM12,123,013 (Rights issue of RM10,468,221 and free detachable warrants of RM1,654,791) which were listed on 31 January 2019 in the Main Market under the "Industrial Products & Services" sector of Bursa Malaysia.

As at the close of the current financial year, the Company has not exercise any of its entitlement under the rights share with warrants (Note 20).

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

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

	MSB Group 2020 RM	MSB Group 2019 RM
Statements of Comprehensive Income		
Revenue for the financial year	596,101,390	694,483,673
Net loss for the financial year	(10,561,593)	(11,985,498)
Total comprehensive loss	(9,932,762)	(8,728,992)

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

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

	MSB Group	
	2020 RM	**2019 RM**
Statements of Financial Position		
Current assets	269,719,977	329,082,712
Non-current assets	364,294,100	337,815,066
Current liabilities	(188,413,947)	(225,561,737)
Non-current liabilities	(59,745,101)	(45,439,291)
Net assets	385,855,029	395,896,750
Statements of Cash Flows		
Net cash generated from operating activities	53,965,079	7,681,778
Net cash used in investing activities	(30,728,381)	(11,678,836)
Net cash (used in)/generated from financing activities	(38,859,322)	3,151,596
Net change in cash and cash equivalents	(15,622,624)	(845,462)
Non-controlling interests effective equity interest	25.9%	25.9%
Carrying amount of non-controlling interests	98,034,806	100,576,359
Net loss for the financial year attributable to non-controlling interests of the Group	(2,702,090)	(3,142,289)
Total comprehensive loss attributable to non-controlling interests of the Group	(2,541,553)	(2,299,955)

(c) Indirect subsidiaries acquired after the reporting date

On 14 July 2020, the Company's newly incorporate subsidiary 3Bumi acquired 50,000 ordinary shares of USD1 each representing 100% of the share capital of MAAX Venture (Cambodia) Co., Ltd from MAA Corporation Sdn Bhd, a related party at a cash consideration of USD48,830 (RM205,967) representing its carrying net asset value. The acquired dormant company's intended principal activity is to enter into retail convenience stores chain business, focusing on the Muslim market segment in Cambodia.

3Bumi has on 15 September 2020 acquired 90,000 ordinary shares representing 80% of the share capital of Myreve Sdn Bhd from two individuals for a cash consideration of RM90,000 representing the proportionate carrying net asset value. Myreve Sdn Bhd was subsequently renamed to 3Bumi Oleo Sdn Bhd with effect from 16 October 2020. The intended principal activity of the entity is in the bottling and distribution of edible palm oil for the domestic and export markets.

(d) Disposal of the Engineering subsidiary

Subsequent to the close of the financial year end, MIE was disposed by the Company to its subsidiary's chief executive officer cum director (Datuk Uwe Ahrens) for a cash consideration of RM750,000 pursuant to the latter's management buyout offer (Note 33).

16 CONTRACT WITH CUSTOMERS

A) Contract assets/(liabilities)

Group	2020 RM	2019 RM
Contract assets	2,799,320	2,786,752
Contract liabilities	(1,851,050)	(2,254,593)

The contract assets reflect the Group's rights to consideration for work performed on contracts but not billed at the reporting date.

The contract liabilities reflect the Group's outstanding obligations in relation to consideration received or receivable from contracts.

Significant changes to contract assets/(liabilities) during the financial year are as follows:

	2020 RM	2019 RM
Contract assets		
At 1 July	2,786,752	5,100,403
- progress billings issued	(779,502)	(5,296,526)
- increases as a result of work progress	792,070	2,982,875
At 30 June	2,799,320	2,786,752
Composition of closing contract assets:		
- work performed and not billed	2,799,320	2,786,752
Contract liabilities		
At 1 July	(2,254,593)	(38,204,276)
- deposit received during the financial year	(45,131,414)	(14,197,391)
- payment received beyond billable contract sum	-	(4,119,008)
- waiver of amount owing to client Project #1	-	40,615,839
- revenue recognised during the financial year	45,534,957	13,650,243
At 30 June	(1,851,050)	(2,254,593)
Composition of closing contract liabilities:		
- payment received or receivable for work not performed	(1,851,050)	(2,254,593)
Revenue from construction contracts		
Revenue recognised in the current period from:		
- performance obligations satisfied in current period	965,229	966,942
- performance obligations satisfied in previous period	-	301,973
	965,229	1,268,915

The unsatisfied performance obligations of RM1,851,050 (2019: RM2,254,593) at the end of the reporting are expected to be recognised within 1 year.

Revenue from contract with customers of the Group of RM1,862,523 (2019: RM1,387,191) recognised in the current year relates to carried forward contract liabilities.

16 CONTRACT WITH CUSTOMERS (CONTINUED)

B) Construction contracts-in-progress

The remaining construction contracts-in-progress undertaken by the Group's wholly owned subsidiary, Melewar Integrated Engineering Sdn Bhd ("MIE") are shown below:

All in RM'000	Project #1		Project #2	
	2020	**2019**	**2020**	**2019**
Contract revenue recognised to-date	-	83,920.1	25,658.7	25,404.4
Less: Contract costs recognised to-date	-	(112,709.2)	(43,270.9)	(42,841.9)
Less: Expected losses recognised	-	-	(1,919.3)	(2,093.9)
Recognised losses	-	(28,789.1)	(19,531.5)	(19,531.4)
Percentage of completion based on cost incurred	-	100%	98.7%	97.7%

(a) Project #1

Project #1 was duly completed since the preceding financial year.

(b) Project #2

Over the current financial year, there were no material changes to the contract budget estimates. Its last on-going engineering construction contract remains outstanding at around 98.7% (with little change from the preceding financial year) as the project sign-off by the Client has yet to be attained at the end of the current financial year.

Past provisions made for Liquidated Ascertained Damages and Defects Liability Provisions on Project #2 totalling RM1.69 million could only be reassessed upon the signed-off and release of the final Phase 2.

17 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	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
Deferred tax assets	1,008,698	1,272,224	-	-
Deferred tax liabilities				
- deferred tax liabilities to be settled after more than 12 months	(45,506,828)	(47,109,166)	(17,035,141)	(17,017,074)
	(44,498,130)	(45,836,942)	(17,035,141)	(17,017,074)
At 1 July	(45,836,942)	(43,869,693)	(17,017,074)	(16,016,143)
Effect of adoption of MFRS 16	(7,748)	-	(3,482)	-
At 1 July – restated	(45,844,690)	(43,869,693)	(17,020,556)	(16,016,143)

17 DEFERRED TAX (CONTINUED)

The following amounts, determined after appropriate offsetting, are shown in the statements of financial position: (continued)

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Credited/(Charged) to the profit or loss (Note 10):				
- property, plant and equipment	3,193,672	5,359,902	22,728	19,560
- investment properties	66,300	(1,086,636)	(23,783)	(1,794,059)
- right-of-use assets	32,432	-	18,562	-
- net investment in sublease	(69,121)	-	-	-
- lease liabilities	45,509	-	(16,772)	-
- non-current assets held-for-sale	-	-	-	786,702
- unutilised tax losses	(755,778)	(2,350,449)	-	-
- unutilised reinvestment allowance	(488,187)	-	-	-
- reversal of deferred tax assets	(155,475)	-	-	-
	1,869,352	1,922,817	735	(987,797)
Debited to asset revaluation reserve:				
- property, plant and equipment	(192,702)	(3,890,066)	(15,320)	(13,134)
- right-of-use assets	(330,090)	-	-	-
	1,346,560	(1,967,249)	(14,585)	(1,000,931)
At 30 June	(44,498,130)	(45,836,942)	(17,035,141)	(17,017,074)
Subject to income tax:				
Deferred tax assets (before offsetting):				
- lease liabilities	336,499	-	61,724	-
- unutilised reinvestment allowance	17,816,157	18,304,344	-	-
- unutilised tax losses	4,120,969	5,045,192	-	-
- unutilised capital allowances	2,818,460	2,099,604	-	-
	25,092,085	25,449,140	61,724	-
Offsetting	(24,083,387)	(24,176,916)	(61,724)	-
Deferred tax assets (after offsetting)	1,008,698	1,272,224	-	-
Deferred tax liabilities (before offsetting):				
- property, plant and equipment	(63,653,425)	(65,618,420)	(108,228)	(115,636)
- investment properties	-	-	(16,925,221)	(16,901,438)
- right-of-use assets	(266,307)	-	(63,416)	-
- net investment in sublease	(69,121)	-	-	-
	(63,988,853)	(65,618,420)	(17,096,865)	(17,017,074)
Offsetting	24,083,387	24,176,916	61,724	-
	(39,905,466)	(41,441,504)	(17,035,141)	(17,017,074)
Subject to real property gains tax				
Deferred tax liabilities:				
- property, plant and equipment	(4,581,026)	(4,581,026)	-	-
- investment property	(1,020,336)	(1,086,636)	-	-
Deferred tax liabilities (after offsetting)	(45,506,828)	(47,109,166)	(17,035,141)	(17,017,074)

17 DEFERRED TAX (CONTINUED)

In accordance with the Malaysia Finance Act 2018 gazetted on 27 December 2018, the Group's unutilised tax losses and reinvestment allowance will be imposed with a time limit of utilisation where any accumulated unutilised tax losses brought forward from year of assessment 2019 can only be carried forward another 7 consecutive years of assessment. Similarly, any unutilised reinvestment allowance can be carried forward another 7 consecutive years of assessment upon expiry of qualifying period.

As such, the amount of unutilised tax losses and unused reinvestment tax allowance for which no deferred tax asset is recognised in the statement of financial position will expire in the following financial years:

	Group	
	2020 RM	**2019 RM**
Deductible temporary differences	17,044,473	16,944,056
Unutilised capital allowances	13,098,887	13,118,233
Unutilised tax losses		
2025	28,876,651	22,484,573
2026	38,130,415	41,481,557
2027	994,868	-
Unutilised reinvestment allowance		
2031	2,034,113	-
	100,179,407	94,028,419
Deferred tax assets not recognised at 24% (2019: 24%)	24,043,058	22,566,821

Deferred tax assets were not recognised as the Group does not have foreseeable taxable profits against which the deductible temporary differences, unutilised tax losses, unutilised capital allowances and unutilised reinvestment allowance can be utilised.

18 INVENTORIES

	Group	
	2020 RM	**2019 RM**
Raw materials	93,903,995	127,987,471
Work-in-progress	7,645,120	6,776,655
Finished goods	53,050,749	50,463,424
Consumables	2,521,866	2,301,804
	157,121,730	187,529,354

Inventories expensed to 'cost of sales' during the current financial year amounted to RM526,714,302 (2019: RM620,952,691).

There was no impairment on inventories during the current financial year (2019: write back of impairment amounting to RM454) in stating the inventories at net realisable value.

19 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Current				
Trade receivables [a]	72,939,624	86,982,346	-	-
Less: Accumulated impairment	(1,866,451)	(1,841,332)	-	-
	71,073,173	85,141,014	-	-
Other receivables [b] [c]	2,479,247	8,972,139	1,252	1,102,470
Less: Accumulated impairment	(939,641)	(7,437,411)	-	(1,102,470)
	1,539,606	1,534,728	1,252	-
GST receivables	1,875,093	1,875,093	5,295	5,295
VAT claimable	-	5,475	-	-
Refundable deposits	1,272,738	4,099,729	82,240	96,743
Prepayments	599,297	1,361,615	87,055	93,426
	3,747,128	7,341,912	174,590	195,464
Total current trade and other receivables	76,359,907	94,017,654	175,842	195,464

[a] Based on the Expected Credit Loss ('ECL') model assessment, the Steel Tube subsidiary made an impairment provision on its trade receivable of RM127,305 which has been determined to be irrecoverable in the current financial year. On the positive side, the Engineering subsidiary recovered an impaired debts of RM102,186 during the current financial year. See Note 4(c)(iv).

[b] The Group recovered an impaired debt of RM6,626,113 (Company: RM1,102,470) from Mperial Power Ltd which was fully divested as an associate of the Group back in February 2018, during the current financial year.

[c] The Group's 'modular assembly' subsidiary made an impairment charge on 'other receivables' owing by a contractor amounting to RM128,343 based on the ECL model assessment for the current financial year.

20 DERIVATIVES

GROUP

The Group's derivatives comprise solely of Currency Exchange Forward Contracts incepted to hedge its foreign currency exposures arising mainly from purchases of raw materials in USD and to a lesser extent export sales in SGD as disclosed in Note 4(e) in the financial statements. 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 MFRS 9 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 Statements of Comprehensive Income, and closing fair values are recognised in the Statements of Financial Position as either current financial assets or liabilities.

	Group			
	2020		2019	
	Assets RM	Liabilities RM	Assets RM	Liabilities RM
Forward foreign currency exchange contract - fair value through profit and loss (not designated)	987	(8,301)	252	(15,223)
Forward foreign currency exchange contract - fair value through profit and loss (designated	2,121,544	-	799,640	(214,787)
	2,122,531	(8,301)	799,892	(230,010)

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

(i) Derivatives designated and fair value hedge accounted as at 30 June 2020

Forward foreign currency exchange contracts as hedge instrument

Maturity period of contract	Notional value long USD	Average contracted rate USD/RM	Fair value: Financial assets RM	Fair value: Financial liabilities RM
July 2020	8,786,300	4.1807	966,692	-
August 2020	8,949,079	4.1896	945,507	-
September 2020	3,170,300	4.2440	185,543	-
October 2020	61,000	4.3060	-	-
November 2020	1,477,000	4.2980	8,419	-
December 2020	1,424,400	4.3011	15,383	-
Total	23,868,079		2,121,544	-

Contracted payment obligation and/or account payables as hedge item

Maturity period of contract	Notional value short USD	Average basis rate USD/RM	Fair value: Financial assets RM	Fair value: Financial liabilities RM
July 2020	8,786,300	4.1807	-	(966,692)
August 2020	8,949,079	4.1896	-	(945,507)
September 2020	3,170,300	4.2440	-	(185,543)
October 2020	61,000	4.3060	-	-
November 2020	1,477,000	4.2980	-	(8,419)
December 2020	1,424,400	4.3011	-	(15,383)
Total	23,868,079		-	(2,121,544)

Net fair value gain from the hedging instruments of RM2.1 million and the corresponding net fair value loss from the hedged item of RM2.1 million are taken-up in the statement of profit or loss.

20 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 2019

Forward foreign currency exchange contracts as hedge instrument

Maturity period of contract	Notional value long USD	Average contracted rate USD/RM	Fair value: Financial assets RM	Fair value: Financial liabilities RM
July 2019	5,362,000	4.1301	98,200	(17,304)
August 2019	6,606,570	4.1065	307,134	(34,163)
September 2019	14,141,700	4.1228	386,945	(4,730)
October 2019	2,404,500	4.1500	7,361	-
November 2019	6,492,000	4.1800	-	(158,590)
Total	35,006,770		799,640	(214,787)

Contracted payment obligation and/or account payables as hedge item

Maturity period of contract	Notional value short USD	Average basis rate USD/RM	Fair value: Financial assets RM	Fair value: Financial liabilities RM
July 2019	5,362,000	4.1301	17,304	(98,200)
August 2019	6,606,570	4.1065	34,163	(307,134)
September 2019	14,141,700	4.1228	4,730	(386,945)
October 2019	2,404,500	4.1500	-	(7,361)
November 2019	6,492,000	4.1800	158,590	-
Total	35,006,770		214,787	(799,640)

Net fair value gain from the hedging instruments of RM0.6 million and the corresponding net fair value loss from the hedged item of RM0.6 million are taken-up in the statement of profit or loss.

(iii) Derivatives not designated and not hedge accounted

Forward foreign currency exchange contracts as undesignated hedge instrument

Maturity period of contract	Notional value short SGD	Average contracted rate SGD/RM	Fair value: Financial assets RM	Fair value: Financial liabilities RM
<u>As at 30 June 2020</u>				
July 2020	90,000	3.0346	210	(3,444)
August 2020	90,000	3.0000	213	(2,280)
September 2020	90,000	3.0482	-	(2,577)
October 2020	60,000	3.0851	291	-
November 2020	60,000	3.0878	273	-
Total	390,000		987	(8,301)
<u>As at 30 June 2019</u>				
July 2019	60,000	3.0190	-	(2,232)
August 2019	60,000	3.0266	-	(1,959)
September 2019	60,000	3.0418	-	(1,227)
October 2019	60,000	3.0555	252	(799)
November 2019	60,000	3.0538	-	(855)
December 2019	60,000	3.0540	-	(8,151)
Total	360,000		252	(15,223)

20 DERIVATIVES (CONTINUED)

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

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

These derivatives were not hedge accounted primarily due to the late inception of these hedging instruments which gave rise to timing and basis-rate mismatch between the intended hedge items and the contracted foreign exchange rate.

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 foreign exchange gain of around RM0.9 million (2019: RM2.0 million) from its foreign exchange forward contracts with a corresponding realised net foreign exchange loss of RM1.2 million (2019: RM2.5 million) on its hedge items over the current financial year. The Group's net gain/(loss) position on foreign exchange is disclosed in Note 7.

COMPANY

The Company's derivatives comprise solely of 20,205,022 free detachable warrants arising from the subscription of Mycron's Rights Issue (See Note 15(a)). These warrants are exercisable options listed on Bursa Malaysia and are tradable anytime over its 5 years' tenure to maturity. In that regard, these derivatives are fair valued at initial recognition and at each period's close base on the active market quoted closing price, with the changes in fair value charged to profit or loss (Note 5).

No warrants were exercised during the current financial year. Changes in carrying fair value of these derivatives are as follow:

	2020 RM	2019 RM
At 1 July	1,616,402	-
Free detachable warrants	-	1,654,792
Fair value loss on derivatives (Note 7)	(101,025)	(38,390)
At 30 June	1,515,377	1,616,402

The salient terms of the warrants are as follows:

(a) The warrants can be exercised any time during the tenure of 5 years commencing from the date of issue on 28 January 2019 to 26 January 2024 ("Exercise Period"). Warrants not exercised during the Exercise Period will lapse and cease to be valid; and

(b) Each warrant entitles holder to subscribe for one new ordinary share in the Company at the exercise price of RM0.60 at any time during the Exercise Period.

21 AMOUNTS OWING BY/(TO) SUBSIDIARIES

The amounts owing by/(to) subsidiaries are generally unsecured and interest free.

Intercompany balances which are trade in nature are subject to credit terms between 30 to 90 days (2019: 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.

	Company	
	2020 RM	**2019 RM**
Amounts owing by subsidiaries [(a)]:		
Non-trade	73,393,203	74,804,588
Less: Accumulated impairment (Note 4(c)(iv)) [(b)]	(73,383,056)	(74,795,025)
	10,147	9,563
Amounts owing to subsidiaries [(c)]:		
Non-trade	(1,800)	(24,660)
	(1,800)	(24,660)

(a) The 'amounts owing by subsidiaries' for the current financial year comprise mostly capital advances, and charge-back of payments made on behalf.

(b) During the current financial year, the Company made impairment charges on the advances made to its subsidiaries of RM3,100,505 due to non-performance. On the positive side, the Company was able to recover a previously impaired amount of RM4,512,474 from one of its subsidiary (Note 4(c)(iv)) over the same period.

(c) The 'amounts owing to subsidiaries' comprise mainly of non-trade related payments made by the steel subsidiaries on behalf of the Company.

22 CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
Deposits with licensed financial institutions	36,398,969	42,378,888	8,750,000	-
Cash and bank balances	7,867,588	11,309,078	203,689	2,955,391
Cash and cash equivalents	44,266,557	53,687,966	8,953,689	2,955,391

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

	Group		Company	
	2020 % per annum	**2019 % per annum**	**2020 % per annum**	**2019 % per annum**
Deposits with licensed financial institutions	1.68	2.97	1.60	-
Cash and bank balances	0.11	0.17	-	-

These unrestricted deposits with licensed financial institutions of the Group and the Company are mainly in the forms of short-term fixed deposits and money market REPO (repurchase agreements) having placement periods ranging between 1 and 53 days (2019: 1 and 49 days). The Company does not have any money market REPO at the close of the current financial year.

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2020 (CONTINUED)

23 NON-CURRENT ASSETS HELD-FOR-SALE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
At 1 July	-	1,878,845	-	26,000,000
Disposal during the financial year	-	(1,878,845)[(a)]	-	(26,000,000)[(b)]
At 30 June	-	-	-	-

(a) Disposal of a leasehold land and building at Alor Gajah, Melaka and plant and machinery located at Sg. Rasau, Shah Alam

In the preceding financial year, a subsidiary of the Company, Melewar Steel Mills Sdn Bhd ("MSM"), has duly completed a conditional sale and purchase agreement on 11 January 2019 to dispose of a leasehold land and building (with disused machinery and equipment) at a carrying book value of RM1,373,822 located at Alor Gajah, Melaka for a cash consideration of RM1,400,000.

MSM has also completed the disposal of disused machinery and electrical installation with a carrying fair value of RM505,023 located in Sg. Rasau, Shah Alam upon receipt of full payment of RM510,000 from the buyer.

(b) Disposal of Factory 1 to Steel Tube Subsidiary

The disposal of Factory 1 located at Lot 53, Persiaran Selangor, Seksyen 15, 40200 Shah Alam to its Steel Tube subsidiary for a total consideration of RM26 million was duly completed on 30 August 2018 upon fulfilling all its Conditions Precedent with the State's approval and consent for the transfer of title.

24 TRADE AND OTHER PAYABLES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Non-current				
Trade payables	207,300	226,488	-	-
Current				
Trade payables	130,215,998	130,136,605	-	-
Other payables	7,938,712	8,586,153	393,967	381,001
Accruals	4,724,040	4,916,954	302,177	275,324
Deposits received	727,360	727,360	567,500	567,500
Provision for construction contracts	1,994,130	2,093,852	-	-
Total - Current	145,600,240	146,460,924	1,263,644	1,223,825
Total	**145,807,540**	**146,687,412**	**1,263,644**	**1,223,825**

Trade payables include interest bearing suppliers' credit relating to the steel businesses amounting to RM26.4 million (2019: RM9.5 million), and amount owing by the Engineering subsidiary to project suppliers and sub-contractors amounting to RM2.7 million (2019: RM5.6 million). Those credit facilities relating to the steel suppliers have interest bearing credit periods of up to 150 days (2019: 150 days).

The remaining trade and other payables are generally interest free and within accorded interest free credit periods ranging between cash terms to 150 days (2019: 150 days).

24 TRADE AND OTHER PAYABLES (CONTINUED)

Provisions for construction contracts comprise of:

(i) The Engineering subsidiary - details on the movement of these provisions are as follows:

	2020 RM	2019 RM
At 1 July	2,093,852	14,652,677
Write back of cost provision on Project #1	-	(57,238)
Additional provision made on Project #2	-	4,249,068
Provision reversed during the financial year	(174,588)	(5,135,630)
Write back of provision for defects liability period	-	(3,223,009)
Write back of provision for liquidated ascertained damages	-	(8,392,016)
At 30 June	1,919,264	2,093,852

(ii) Ausgard Quick Assembly Systems Sdn Bhd ("AQAS")

A provision of RM74,866 was made on the construction of children library project during the financial year.

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 subsidiary level.

	Group	
	2020 RM	2019 RM
Current		
Bankers' acceptance	31,200,000	80,650,000
Factoring	4,442,085	-
Hire purchase creditors	2,247,034	2,522,754
Term loans	5,833,332	3,617,104
Mortgage loan	1,735,637	1,674,023
	45,458,088	88,463,881
Non-current		
Hire purchase creditors	1,279,765	3,525,837
Term loans	10,852,947	-
Mortgage loan	16,384,968	18,149,290
	28,517,680	21,675,127
Total		
Bankers' acceptance	31,200,000	80,650,000
Factoring	4,442,085	-
Hire purchase creditors	3,526,799	6,048,591
Term loans	16,686,279	3,617,104
Mortgage loan	18,120,605	19,823,313
	73,975,768	110,139,008

25 BORROWINGS (CONTINUED)

Borrowings totalling RM73.4 million are secured and incepted by its Cold Rolled and the Steel Tube subsidiaries under their respective debenture with fixed and floating charges. The mortgage loan taken by the Steel Tube subsidiary in the preceding financial year is to partly finance the acquisition of a factory leased land and building from the Company. In tandem with the lower total outstanding borrowings as at the close of the current financial year coupled with the lower average borrowing interest rates compared to the preceding period, the Group's total incurred interest cost is lower at RM5.0 million (2019: RM5.4 million).

During the financial year, the Group's Cold Rolled subsidiary had rescheduled with financial institution on near-term trade repayment obligations amounting to RM22.6 million with deferments up to 60 days due to the COVID-19 shut-down. At the date of this report, these have been fully settled and regularised.

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 2020									
Secured									
- Bankers' acceptance [a]	3.61% - 5.15%	RM	31,200,000	31,200,000	-	-	-	-	-
- Hire purchase creditors	2.29% - 2.85%	RM	3,526,799	2,247,034	1,058,805	188,498	32,462	-	-
- Term loan [a]	4.49% - 5.54%	RM	16,686,279	5,833,332	5,833,332	5,019,615	-	-	-
- Factoring	8.00%	RM	4,442,085	4,442,085	-	-	-	-	-
- Mortgage loan [b]	4.42% - 5.64%	RM	18,120,605	1,839,366	1,912,202	2,009,726	2,112,224	2,219,948	8,027,139
			73,975,768	45,561,817	8,804,339	7,217,839	2,144,686	2,219,948	8,027,139

(a) The securities provided under the Cold Rolled's subsidiary debenture cover fixed charge over its land, building and equipment, and floating charge over most of its current assets. The term loan to Cold Rolled subsidiary is also covered under the said debenture. The securities provided under the Steel Tube's subsidiary debenture cover fixed charge over its plant and equipment, and floating charge over most of its current assets (Note 12(iii)).

(b) Mortgage loan is taken by the Steel Tube subsidiary and secured against a corporate guarantee from its immediate holding company, Mycron Steel Berhad and a first party open charge on the leasehold land and building.

25 BORROWINGS (CONTINUED)

Contractual terms of borrowings (continued)

	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 2019									
Secured									
- Bankers' acceptance [(a)]	4.58% - 5.33%	RM	30,550,000	30,550,000	-	-	-	-	-
- Bankers' acceptance [(a)]	5.15% - 5.70%	RM	50,100,000	50,100,000	-	-	-	-	-
- Hire purchase creditors	2.29% - 2.85%	RM	6,048,591	2,522,754	2,246,072	1,058,805	188,498	32,462	-
- Term loan [(a)]	5.54% - 6.50%	RM	3,617,104	3,617,104	-	-	-	-	-
- Mortgage loan [(b)]	6.00%	RM	19,823,313	1,674,023	1,764,321	1,870,161	1,982,350	2,101,269	10,431,189
			110,139,008	88,463,881	4,010,393	2,928,966	2,170,848	2,133,731	10,431,189

(a) The securities provided under the Cold Rolled's subsidiary debenture cover fixed charge over its land, building and equipment, and floating charge over most of its current assets. The term loan to Cold Rolled subsidiary is also covered under the said debenture. The securities provided under the Steel Tube's subsidiary debenture cover fixed charge over its plant and equipment, and floating charge over most of its current assets (Note 12(iii)).

(b) Mortgage loan is taken by the Steel Tube subsidiary and secured against a corporate guarantee from its immediate holding company, Mycron Steel Berhad and a first party open charge on the leasehold land and building.

	Group 2020 RM	Group 2019 RM
Total carrying amount		
Secured	73,975,768	110,139,008

For the financial year 2020, all banks' covenants in relation to the Steel subsidiaries' borrowings have been complied, except for the Cold Rolled subsidiary on the 'debt-cover-ratio' covenant arising from its operating loss position largely due to the COVID-19 pandemic. The subsidiary has obtained waiver indulgence on the said covenant ratio for the current financial year. Refer to Notes 4(a) & (b).

25 BORROWINGS (CONTINUED)

At amortised cost

The carrying amount of the borrowings approximated their fair values at reporting date.

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

	Group	
	2020 % per annum	**2019 % per annum**
Bankers' acceptance	4.30	5.21
Hire purchase creditors	2.59	2.69
Term loans	5.31	6.02
Mortgage loan	5.18	6.00
Factoring	8.00	-

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

	Group	
	2020 RM	**2019 RM**
Future minimum lease payment of hire purchase creditors:		
Not later than 1 year	2,399,092	2,796,726
Later than 1 year but not later than 2 years	1,108,566	2,398,131
Later than 2 years but not later than 5 years	245,624	1,354,189
	3,753,282	6,549,046
Less: Future finance charges	(226,483)	(500,455)
Present value	3,526,799	6,048,591
Analysed as:		
Current	2,247,034	2,522,754
Non-current	1,279,765	3,525,837
Present value	3,526,799	6,048,591

26 SHARE CAPITAL

	Group/Company			
	2020		2019	
	Number of shares	RM	Number of shares	RM
Issued and fully paid:				
Ordinary shares with no par value				
At 1 July	359,417,703	250,207,537	225,522,808	226,996,855
Rights issue with warrants [(a)]	-	-	133,894,895	23,210,682
Ordinary shares with no par value				
At 30 June	359,417,703	250,207,537	359,417,703	250,207,537

(a) In the preceding financial year, the Company completed its 'Rights issue with warrant' exercise (on the basis of one Rights share for every one existing shares held at an issue price of RM0.20 per Rights share, together with free detachable warrants on the basis of one warrant for every two Rights shares subscribed) on 24 August 2018; and had raised RM26,778,979 ('Rights Proceeds') from valid acceptance and excess applications of 133,894,895 Rights share representing a 59.37% take-up rate over the total Rights share available for subscription. The 133,894,895 new shares and the corresponding 66,947,418 free detachable warrants were listed on 24 August 2018. The nominal value of the Rights shares is net of warrant reserves (Note 27).

27 WARRANT RESERVE

	Group/Company			
	2020		2019	
	Number of warrants	RM	Number of warrants	RM
At 1 July	66,947,418	3,568,297	-	-
Free detachable warrants issued	-	-	66,947,418	3,568,297
At 30 June	66,947,418	3,568,297	66,947,418	3,568,297

Pursuant to the 'Rights issue with warrant' exercise as mentioned in Note 26, 66,947,418 free detachable warrants with salient terms as outlined below were listed on 24 August 2018.

(a) The warrants can be exercised any time during the tenure of 5 years commencing from the date of issue on 24 August 2018 to 23 August 2023 ("Exercise Period"). Warrants which are not exercised during the Exercise Period will lapse and cease to be valid; and

(b) Each warrant entitles the holder to subscribe for one new ordinary share in the Company at the exercise price of RM0.40 at any time during the Exercise Period.

These issued warrants represent the obligation of the Company to issue new shares at the fixed exercise price upon election by the holder, normally under circumstances when the traded market price of the mother share exceeds the 'exercise price'.

The Company allocates a portion of the sum raised from the Rights issue to represent the fair value of these issued free warrants as reserves to meet the aforementioned obligation. The Company has determined the initial recognition value of the warrant reserves at RM0.0533 per warrant (or RM3,568,297) based on the Black-Scholes model which took into consideration of the underlying variables such as the mother share-price, time-to-maturity, exercise price, and risk free rate at the initial listing date.

The carrying value of the warrant reserves at the close of the current financial period remained the same at initial recognition, as no warrant was exercised during that period.

28 ASSET REVALUATION RESERVE

The asset revaluation reserve is used to record changes on fair value surplus of the Group's property, plant and equipment (see Note 12) and right-of-use assets (see Note 13) pursuant to its annual independent revaluation. In the event of a sale of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings. See accounting policy Note 2(d) for details.

	Group		Company	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
At 1 July	67,825,300	56,887,413	181,384	139,794
Revaluation surplus on:				
- property, plant and equipment	802,924	15,976,511	63,835	54,724
- right-of-use assets	1,375,374	-	-	-
Deferred tax:				
- property, plant and equipment	(192,702)	(3,428,363)	(15,320)	(13,134)
- right-of-use assets	(330,090)	-	-	-
Non-controlling interests share in revaluation surplus on:				
- property, plant and equipment	(88,391)	(842,334)	-	-
- right-of-use assets	(72,146)	-	-	-
Change of tax rate	-	(461,703)	-	-
Realisation of asset revaluation surplus on disposal of property, plant and equipment	-	(306,224)	-	-
At 30 June	69,320,269	67,825,300	229,899	181,384

29 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 Corporation Sdn Bhd
- MAAX Factor Sdn Bhd

(a) Transactions with related parties during the financial year based on agreed terms and prices are as follows (stated as debit or (credit) against the counterparty):

Entity	**Type of transaction**	**2020 RM**	**2019 RM**
Group			
Trade related – received/receivable			
Related company			
MAAX Factor Sdn Bhd	Factoring proceeds	4,442,085	-
Non-trade related – paid/payable			
Related companies			
Trace Management Services Sdn Bhd	Corporate secretarial services	(438,825)	(385,114)
MAA Corporation Sdn Bhd	Rental and utilities	(107,098)	(107,098)

29 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties during the financial year based on agreed terms and prices are as follows (stated as debit or (credit) against the counterparty): (continued)

Entity	Type of transaction	2020 RM	2019 RM
Company			
Trade related – received/receivable			
Subsidiaries			
Melewar Steel Tube Sdn Bhd	Rental income	3,445,860	3,693,328
Melewar Steel Tube Sdn Bhd	Management fee income	1,620,000	1,620,000
Melewar Steel Tube Sdn Bhd	Payment received	(5,065,860)	(5,313,328)
Mycron Steel CRC Sdn Bhd	Management fee income	1,620,000	1,620,000
Mycron Steel CRC Sdn Bhd	Payment received	(1,620,000)	(1,620,000)
Melewar Integrated Engineering Sdn Bhd	Management fee income	-	480,000
Melewar Steel Services Sdn Bhd	Dividend income	400,000	400,000
Melewar Steel Mills Sdn Bhd	Dividend income	-	800,000
3Bumi Trading Sdn Bhd (Formerly known as Melewar Steel Engineering Sdn Bhd)	Dividend income	980,000	-
Non-trade related – received/receivable			
Subsidiaries			
Melewar Integrated Engineering Sdn Bhd	Advances given	1,250,000	34,444,921
Melewar Steel Tube Sdn Bhd	Advances repaid	(451,214)	(373,219)
Melewar Steel Tube Sdn Bhd	Expenses paid on behalf	451,799	376,290
3Bumi Trading Sdn Bhd (Formerly known as Melewar Steel Engineering Sdn Bhd)	Advances repaid	(4,523,474)	-
3Bumi Trading Sdn Bhd (Formerly known as Melewar Steel Engineering Sdn Bhd)	Advances given	11,000	8,000
Melewar Steel Services Sdn Bhd	Advances repaid	(15,036)	(53,738)
Melewar Steel Services Sdn Bhd	Expenses paid on behalf	15,036	53,138
Melewar Steel Assets Sdn Bhd	Advances given	9,000	7,000
Melewar Ecology Sdn Bhd	Advances given	7,490	6,564
Melewar Imperial Limited	Advances given	1,687,261	1,124,133
Melewar Imperial Limited	Expenses paid on behalf	-	3,858
Ausgard Quick Assembly Systems Sdn Bhd	Advances given	145,000	100,000
Non-trade related – paid/payable			
Subsidiaries			
Mycron Steel CRC Sdn Bhd	Advances given	-	(500,000)
Mycron Steel CRC Sdn Bhd	Advances repaid	-	500,000
Melewar Steel Tube Sdn Bhd	Advances given	-	(500,000)
Melewar Steel Tube Sdn Bhd	Advances repaid	38,726	941,112
Melewar Steel Tube Sdn Bhd	Expenses paid on behalf	(15,866)	(56,584)
Related companies			
Trace Management Services Sdn Bhd	Corporate secretarial services	(175,606)	(162,515)
MAA Corporation Sdn Bhd	Rental and utilities	(107,098)	(107,098)

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2020 (CONTINUED)

29 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties during the financial year based on agreed terms and prices are as follows (stated as debit or (credit) against the counterparty): (continued)

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 the Executive Directors and Non-Director Executives are set out below.

	Group		Company	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
Salaries, bonuses and other emoluments	7,811,287	8,925,066	1,786,109	2,289,058
Allowances	455,934	426,702	25,200	45,614
Estimated monetary value of benefits-in-kind	152,806	167,633	40,282	57,018
Defined contribution plan	969,572	1,144,851	260,608	352,016
	9,389,599	10,664,252	2,112,199	2,743,706

Remuneration details on the Non-Executive Directors are disclosed in Note 9 to the financial statements.

30 SEGMENTAL ANALYSES

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 are 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 segments are strategic business units offering different products and services, and are managed separately. The Group's Executive Committee comprising 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.

30 SEGMENTAL ANALYSES (CONTINUED)

Current Reportable Segments (continued)

	Steel tube	Cold rolled	Engineering	Investment holding	Others	Total
	RM	RM	RM	RM	RM	RM
2020						
Revenue						
Total revenue	203,341,474	417,724,752	703,849	12,104,830	1,439,609	635,314,514
Inter segment	(1,417,141)	(24,964,836)	-	(11,340,670)	(1,089,250)	(38,811,897)
Total revenue	201,924,333	392,759,916	703,849	764,160	350,359	596,502,617
Segmented by steel product:						
- Cold rolled coils	-	383,112,613	-	-	-	383,112,613
- Steel tubes and pipes	196,017,867	-	-	-	78,762	196,096,629
- Scraps	4,359,647	9,245,835	-	-	-	13,605,482
Construction contracts	-	-	703,849	-	261,380	965,229
Processing service income	1,546,819	401,468	-	-	-	1,948,287
Lease rental income:						
- Investment properties	-	-	-	764,160	-	764,160
- Others	-	-	-	-	10,217	10,217
Total revenue	201,924,333	392,759,916	703,849	764,160	350,359	596,502,617
Segment results						
Profit/(loss) from operations	5,559,951	(10,461,668)	(1,199,373)	10,340,999	(961,740)	3,278,169
Finance income [(a)]	634,323	589,182	25,263	154,879	4,314	1,407,961
Finance costs [(b)]	(4,582,671)	(2,524,527)	(50,261)	(39,791)	(72,076)	(7,269,326)
Profit/(loss) before tax	1,611,603	(12,397,013)	(1,224,371)	10,456,087	(1,029,502)	(2,583,196)
Consolidation elimination *	7,420,068	3,764,591	958	(12,276,711)	(34,266)	(1,125,360)
	9,031,671	(8,632,422)	(1,223,413)	(1,820,624)	(1,063,768)	(3,708,556)
Taxation	(737,612)	1,161,927	471	(604,956)	(260,328)	(440,498)
Net profit/(loss) after tax	8,294,059	(7,470,495)	(1,222,942)	(2,425,580)	(1,324,096)	(4,149,054)

* Major items include reversal of impairment losses on amounts owing by subsidiaries of RM1.0 million, reversal of dividend paid by subsidiaries of RM1.4 million, and recognition of depreciation of RM1.3 million arising from conversion of IP to PPE at Group level and inter segment elimination.

(a) Includes interest income from net investment in subleases of RM25,263 (see Note 8).

(b) Includes interest expense on lease liabilities of RM121,997 (see Note 8).

30 SEGMENTAL ANALYSES (CONTINUED)

	Steel tube	Cold rolled	Engineering	Investment holding	Others	Total
	RM	RM	RM	RM	RM	RM
2020						
Segment assets						
Total segment assets	221,250,610	416,576,218	3,612,841	93,166,268	3,247,378	737,853,315
Consolidation elimination #	(39,564,247)	(8,641,968)	(64,852)	135,610	(745,994)	(48,881,451)
Total segment assets	181,686,363	407,934,250	3,547,989	93,301,878	2,501,384	688,971,864
Other information						
Depreciation:						
- property, plant and equipment	3,326,057	10,478,451	41,497	537,793	92,277	14,476,075
- right-of-use assets	366,998	-	89,999	1,085,713	132,796	1,675,506
Impairment / (write back):						
- property, plant and equipment	498,243	1,914,528	-	555	-	2,413,326
- trade receivables	127,305	-	(102,186)	-	-	25,119
- other receivables	-	-	-	(6,626,113)	128,343	(6,497,770)
Additions of property, plant and equipment	989,619	30,177,021	-	14,105	506,831	31,687,576

Relates to reversal of fair value gain of investment properties (IP) of RM69.4 million recognised as property, plant and equipment (PPE) at Group level, elimination of intercompany ROU assets of RM11.6 million at Group level, reversal of intangible assets of RM27.5 million, offset by recognition of net revaluation impact of RM60.8 million arising from conversion of IP to PPE at Group level.

30 SEGMENTAL ANALYSES (CONTINUED)

	Steel tube	Cold rolled	Engineering	Investment holding	Others	Total
	RM	RM	RM	RM	RM	RM
2019						
Revenue						
Total revenue	259,695,098	462,958,960	1,460,915	11,703,844	2,252,171	738,070,988
Inter segment	(2,469,716)	(28,170,386)	(192,000)	(10,939,684)	(2,228,651)	(44,000,437)
Total revenue	257,225,382	434,788,574	1,268,915	764,160	23,520	694,070,551
Segmented by steel product:						
- Cold rolled coils	-	422,175,100	-	-	-	422,175,100
- Steel tubes and pipes	248,666,384	-	-	-	23,520	248,689,904
- Scraps	6,655,775	12,063,857	-	-	-	18,719,632
Construction contracts	-	-	1,268,915	-	-	1,268,915
Processing service income	1,903,223	549,617	-	-	-	2,452,840
Lease rental income:						
- Investment properties	-	-	-	764,160	-	764,160
Total revenue	257,225,382	434,788,574	1,268,915	764,160	23,520	694,070,551
Segment results						
Profit/(loss) from operations	10,118,689	(13,752,567)	41,990,340	(31,156,056)	(79,420)	7,120,986
Finance income	467,522	759,504	120,234	234,125	7,634	1,589,019
Finance costs	(3,346,305)	(3,538,607)	-	(18,939)	-	(6,903,851)
Profit/(loss) before tax	7,239,906	(16,531,670)	42,110,574	(30,940,870)	(71,786)	1,806,154
Consolidation elimination *	4,610,677	3,850,969	980,249	18,575,684	(22,039)	27,995,540
	11,850,583	(12,680,701)	43,090,823	(12,365,186)	(93,825)	29,801,694
Taxation	(1,800,163)	(140,505)	-	63,317	(309,487)	(2,186,838)
Net profit/(loss) after tax	10,050,420	(12,821,206)	43,090,823	(12,301,869)	(403,312)	27,614,856

* Major items include reversal of fair value gain of investment properties (IP) of RM6.4 million recognised as property, plant and equipment (PPE) at Group level, reversal of impairment losses on amounts owing by subsidiaries of RM41.1 million, reversal of dividend paid by subsidiary of RM1.2 million, and recognition of depreciation of RM5.1 million arising from conversion of IP to PPE at Group level and inter segment elimination.

30 SEGMENTAL ANALYSES (CONTINUED)

	Steel tube	Cold rolled	Engineering	Investment holding	Others	Total
	RM	RM	RM	RM	RM	RM
2019						
Segment assets						
Total segment assets	212,503,641	443,382,980	7,176,553	95,385,289	2,110,792	760,559,255
Consolidation elimination #	(20,830,902)	(8,926,110)	(64,852)	135,610	(745,993)	(30,432,247)
Total segment assets	191,672,739	434,456,870	7,111,701	95,520,899	1,364,799	730,127,008
Other information						
Depreciation of property, plant and equipment	3,593,662	11,220,963	87,263	5,335,110	62,447	20,299,445
Impairment/(write back):						
- property, plant and equipment	74,498	1,598,906	-	255,172	-	1,928,576
- inventories	-	-	-	-	(454)	(454)
- trade receivables	21,411	-	63,282	-	-	84,693
- other receivables	31,800	-	-	-	-	31,800
Additions of property, plant and equipment	4,342,440	9,894,927	-	731,255	95,225	15,063,847

Relates to reversal of fair value gain of investment properties (IP) of RM69.4 million recognised as property, plant and equipment (PPE) at Group level, reversal of intangible assets of RM20.0 million, elimination of intercompany balances of RM0.5 million, offset by recognition of net revaluation impact of RM60.5 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	
	2020 RM	2019 RM
Segment assets	688,971,864	730,127,008
Derivatives	2,122,531	799,892
Deferred tax assets	1,008,698	1,272,224
Tax recoverable	374,019	424,214
	692,477,112	732,623,338

Information about major customers

Revenue from two major customers amounting to RM42.9 million and RM62.3 million (2019: RM74.1 million and RM89.9 million) contributed to more than 10% of the Group's revenue. These two major customers are each from the cold rolled segment and the steel tube segment.

31 LITIGATION, COMMITMENTS AND CONTINGENT LIABILITIES

(a) At the end of the financial year, the Group's Cold Rolled subsidiary has an outstanding capital commitment that has been approved and contracted for of around RM12.9 million. From this amount, around RM8.4 million has been committed for the remaining construction of the new Acid Regeneration Plant and RM4.5 million for the balance payment for the Continuous Pickling Line revamp. The Group's Steel Tube subsidiary has outstanding capital commitments that has been approved and contracted for of around RM1.6 million for the upgrading of its existing plant and machineries and digitalisation of its manufacturing system.

Other than these, there are no other material capital expenditures approved but not contracted for at the close of the current financial year.

(b) The Directors are not aware of any circumstances or developments giving rise to contingent liabilities or assets warranting disclosure.

(c) The Group is not engaged in any material litigation, either as a plaintiff or defendant, claims or arbitration which have a material effect on the financial position of the Group and the Board is not aware of any proceedings pending or threatened against the Group or of any other facts likely to give rise to any proceedings which may materially and/or adversely affect the financial position and business of the Group.

32 FINANCIAL INSTRUMENTS BY CATEGORY

	Group			
	2020		2019	
	Amortised cost	Fair value through profit or loss	Amortised cost	Fair value through profit or loss
	RM	RM	RM	RM
Financial assets per statement of financial position:				
Current				
Trade and other receivables (excluding prepayments, VAT claimable and GST receivables)	73,885,517	-	90,775,471	-
Derivative financial instruments	-	2,122,531	-	799,892
Deposits with licensed financial institutions	36,398,969	-	42,378,888	-
Cash and bank balances	7,867,588	-	11,309,078	-
Total financial assets	118,152,074	2,122,531	144,463,437	799,892
Financial liabilities per statement of financial position:				
Non-current				
Trade payables	207,300	-	226,488	-
Borrowings	28,517,680	-	21,675,127	-
Lease liabilities *a	1,102,151	-	-	-
Current				
Trade and other payables	143,606,110	-	146,460,924	-
Borrowings	45,458,088	-	88,463,881	-
Derivative financial instruments	-	8,301	-	230,010
Lease liabilities *a	513,323	-	-	-
Total financial liabilities	219,404,652	8,301	256,826,420	230,010

a) On adoption of MFRS16 in the current financial year, the Group's financial liabilities is exaggerated by RM1,615,474 with the inclusion of 'lease liabilities' whilst its corresponding ROU is deemed as a non-financial asset.

32 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Company			
	2020		2019	
	Amortised cost	Fair value through profit or loss	Amortised cost	Fair value through profit or loss
Financial assets per statement of financial position:	RM	RM	RM	RM
Current				
Trade and other receivables (excluding prepayments and GST receivables)	83,492	-	96,743	-
Derivative financial instruments	-	1,515,377	-	1,616,402
Amounts owing by subsidiaries	10,147	-	9,563	-
Deposits with licensed financial institutions	8,750,000	-	-	-
Cash and bank balances	203,689	-	2,955,391	-
Total financial assets	9,047,328	1,515,377	3,061,697	1,616,402
Financial liabilities per statement of financial position:				
Non-current				
Lease liabilities*b	183,137	-	-	-
Current				
Trade and other payables	1,263,644	-	1,223,825	-
Amounts owing to subsidiaries	1,800	-	24,660	-
Lease liabilities*b	74,048	-	-	-
Total financial liabilities	1,522,629	-	1,248,485	-

b) On adoption of MFRS16 in the current financial year, the Company's financial liabilities is exaggerated by RM257,185 with the inclusion of 'lease liabilities' whilst its corresponding ROU assets is deemed as a non-financial asset.

33 SIGNIFICANT EVENTS DURING AND AFTER REPORTING DATE

(i) Disposal of Melewar Integrated Engineering Sdn Bhd ("MIE")

The Company has on 14 August 2020 entered into a Share Sale Agreement to dispose the entire equity interest in its engineering subsidiary, Melewar Integrated Engineering Sdn Bhd comprising of 69,022,201 ordinary shares and 2,000 redeemable preference shares to the subsidiary's chief executive officer cum director (Datuk Uwe Ahrens) for a cash consideration of RM750,000 pursuant to the latter's management buyout offer. MIE is the engineering company which undertook the two onerous engineering construction contracts in 2015 and 2016 which resulted in the Group consolidating its aggregated losses of around RM75.5 million from financial years 2016 to 2020. The said buyout consideration was accepted after taking into consideration of the following factors:

a) MIE has been in a winding-down mode over the last four years without any new revenue source since the significant losses resulted from its two onerous engineering construction contracts. The limited current and future earning-prospects of MIE support its disposal.

33 SIGNIFICANT EVENTS DURING AND AFTER REPORTING DATE (CONTINUED)

(i) Disposal of Melewar Integrated Engineering Sdn Bhd ("MIE") (continued)

b) The onerous "Project #2" remains contractually outstanding with the Client deferring the 'acceptance' sign-off. The disposal will secure a closure on the matter for the Group.

c) Besides the cash proceeds, the disposal of MIE will help the Group conserve cash else needed to continue funding MIE's operating cost for the next financial year estimated to be around RM1.5 million.

d) The disposal of MIE will result in the Group taking a gain on the proceeds (e.g. RM750,000) as well as from the de-consolidation MIE's net liabilities (as represented by its unaudited deficit shareholders' fund of RM4.3 million at that juncture) upon completion of the transaction on 14 August 2020.

MIE had a net liabilities of around RM72.3 million as at 30 June 2020, but was reduced on 31 July 2020 to around RM4.3 million upon the capitalisation of the book debt of RM67.8 million owing to the Company. The aforesaid sum, which was advanced by the Company over a period of time from financial years 2017 to 2020 to sustain MIE's operations and financial obligations, had been impaired in the respective years those were made.

This transaction has been completed at the issuance date of this report.

(ii) Disposal of a leasehold property

The Company's wholly-owned subsidiary, Melewar Steel Services Sdn Bhd ("MSS") has on 3 September 2020 entered into a Sale and Purchase Agreement ("SPA") with RHB Trustees Berhad acting as the trustee for Axis Real Estate Investment Trust ("the Purchaser" or the "REIT") for the disposal of the leasehold property together with all the buildings erected thereon known as Lot 16, Jalan Pengapit 15/19, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan ("the Property") for a total disposal consideration of RM11,870,000.

The sale of the said Property shall be conditional upon the following being obtained or fulfilled or maintained within six (6) months from the date of the SPA:

(i) the approval from the relevant state authority for the consent to transfer the said land in favour of the Purchaser;

(ii) the Vendor and/or the Purchaser procuring a suitable tenant/lessee based on the salient terms and conditions as set out in the SPA and acceptable to the Purchaser.

The Property was previously rented out to an external party and has been accounted as an investment property. (See Note 14). However, the tenancy was not renewed by the tenant upon its expiry on 30 June 2020. With the securing of a new tenancy uncertain amid the COVID-19 pandemic, the Company accepted the REIT's conditional offer on the proviso that the real-property-gains-tax (RPGT) exemption on such a disposal to REIT applies.

The Group plans to utilise the disposal proceeds to shore-up its working capital especially if the COVID-19 pandemic prolongs and/or to secure any new suitable investment opportunities that may arise during the recovery phase of the COVID-19 pandemic.

Since the property's carrying fair value has been written down to the REIT's offer price in the current financial year (See Note 14), the disposal on completion in the next financial year will result in a gain of around RM1 million arising from the write back of deferred tax liabilities on RPGT provided previously.

This transaction has not been completed at the issuance date of this report.

33 SIGNIFICANT EVENTS DURING AND AFTER REPORTING DATE (CONTINUED)

(iii) Coronavirus (COVID-19) impact

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections in the Country. Measures taken by the Government of Malaysia and various governments where the Group has operations to contain the virus have affected economic activity and the businesses of the Group particularly over the six weeks of the nationwide mandatory business shutdown. The Group had considered the impact of COVID-19 and other market volatility in preparing the financial statements.

While the specific areas of judgement did not change, the impact of COVID-19 resulted in the application of further judgement within those identified areas. Given the dynamic and evolving nature of COVID-19; limited recent experience of the economic and financial impacts of such a pandemic; and the short duration between the declaration of the pandemic and the preparation of these financial statements, changes to the best estimates and outcomes that have been applied in the measurement of the Group's assets and liabilities may arise in the future. Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period if any will be accounted for in the future periods.

As a consequence of COVID-19 and in preparing the financial statements, management had:

- assessed carrying values of its assets and liabilities, with the consequential impact (if any) disclosed in the relevant notes to the financial statements;
- considered the impact of COVID-19 on the Group's financial statement disclosures.

The Group had taken a number of measures to monitor and prevent the effects of the COVID-19 virus such as safety and health measures of its people (like social distancing and working from home) and securing the supply of materials that are essential to the Group's production process. The Group's financial performance was affected by the six-week business shutdown which had caused a decline in sales volume as compared to the corresponding preceding period. At this stage, the full impact on the Group's businesses and results is disclosed in the relevant notes to the financial statements.

There is no material impact arising from developments after the reporting date on the carrying amount of its assets and liabilities. The Group will continue to abide by the government's various on-going policies on the pandemic, and in parallel will do its utmost to deliver performance to stakeholders.

PROPERTIES OWNED BY MELEWAR INDUSTRIAL GROUP BERHAD & 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, Seksyen 15, 40200 Shah Alam, Selangor	22.5.2078	Factory cum office building	196,301 sq. ft. (4.51 acres)	29	29,300,000
2	Lot 49, Jalan Utas 15/17, Seksyen 15, 40200 Shah Alam, Selangor	13.4.2072	Factory building	315,802 sq. ft. (7.25 acres)	46	40,000,000
3	Lot 10, Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor	11.5.2085	Factory building	232,262 sq. ft. (5.33 acres)	35	29,400,000
4	Lot 16, Jalan Pengapit 15/19, Seksyen 15, 40200 Shah Alam, Selangor	8.4.2078	Factory building	94,098 sq. ft. (2.16 acres)	38	11,870,000•
5	Lot 717, Jalan Sungai Rasau, Seksyen 16, 40200 Shah Alam, Selangor	Freehold	Factory cum office building	763,758 sq. ft. (17.53 acres)	30	107,500,000

The above properties were revalued in June 2020.

* Based on surveyed land area.
^ From the date of Certificate of Fitness for Occupation.
• See Note 14 to the financial statements.

NOTICE OF FIFTY-FIRST ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the **51ST ANNUAL GENERAL MEETING ("AGM")** of the Company will be held at **Crystal Function Room, 4th Floor, Mutiara Complex, 3 ½ Miles, Jalan Ipoh, 51200 Kuala Lumpur** on **Monday, 30 November 2020 at 11.30 a.m.** for the following purposes:

AGENDA

AS ORDINARY BUSINESS	**Resolution**
1. To receive the Audited Financial Statements for the year ended 30 June 2020 together with the Reports of the Directors and the Auditors thereon. ***[Please refer to Explanatory Note A]***	
2. To approve the payment of Directors' fees amounting to RM308,400.00 for the period from 1 January 2021 to 31 December 2021 to be payable quarterly in arrears to the Non-Executive Directors of the Company.	**1**
3. To approve an amount of up to RM110,000.00 as benefits payable to the Non-Executive Directors of the Company for the period from 1 December 2020 to 31 December 2021. ***[Please refer to Explanatory Note B]***	**2**
4. To re-elect the following Directors who are retiring in accordance with Article 96(1) of the Company's Constitution and who, being eligible, offer themselves for re-election:	
(i) Tunku Dato' Yaacob Khyra	**3**
(ii) Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	**4**
5. To re-appoint Messrs PricewaterhouseCoopers PLT 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 Continuation in Office as an Independent Non-Executive Director in accordance with Practice 4.2 of the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") — **6**

"THAT approval be and is hereby given for En Shazal Yusuf bin Mohamed Zain, who will have served as an Independent Non-Executive Director of the Company for a cumulative term of eleven (11) years on 30 May 2021, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next AGM of the Company."
[Please refer to Explanatory Note C]

(b) Proposed Renewal of Share Buy-Back Authority — **7**

"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 allocated for the Proposed Renewal of Share Buy-Back Authority shall not exceed the retained profits of the Company 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."

(c) Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Trace Management Services Sdn Bhd 8

"THAT approval be hereby given for the renewal of the mandate granted by the shareholders of the Company on 29 November 2019 pursuant to Paragraph 10.09 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"), authorising the Company and/or its subsidiaries to enter into the recurrent related party transactions ("RRPTs") of a revenue or trading nature as set out in Section 3.3(A)(i) of Part B of the Circular to Shareholders dated 30 October 2020 ("the Circular"), with Trace Management Services Sdn Bhd ("the Related Party") mentioned therein which are necessary, for the Company and/or its subsidiaries' for day-to-day operations which are carried out in the ordinary course of business on terms which are not more favourable to the Related Party than those generally available to the public and are not to the detriment of minority shareholders.

THAT the authority conferred by such mandate shall commence upon the passing of this resolution and continue to be in force until:-

(a) 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

(b) the expiration of the period within which the next AGM of the Company 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

(c) revoked or varied by a resolution passed by the shareholders in a general meeting of the Company;

whichever is the earlier.

THAT the Directors be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

(d) Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature 9

"THAT the mandate granted by the shareholders of the Company on 29 November 2019 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 of a revenue or trading nature which are necessary for the MIG Group's day-to-day operations as set out in Sections 3.3(A)(ii) and 3.3(B) of Part B of the Circular to Shareholders dated 30 October 2020 ("the Circular") with the related parties mentioned therein, be and are 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, authority conferred by such renewed and granted mandate shall continue to be in force (unless revoked or varied by the Company in general meeting) until:

a) 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

b) 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

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

whichever is the 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."

NOTICE OF FIFTY-FIRST ANNUAL GENERAL MEETING (CONTINUED)

(e) Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Act **10**

"THAT, subject always to the Act, the Constitution 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."

7. To consider and, if thought fit, to pass the following resolution as Special Resolution:-

(a) Proposed Amendments to the Constitution of the Company ("Proposed Amendments") **Special Resolution 1**

"THAT the Proposed Amendments to the Company's Constitution as set out in Part C of the Circular to Shareholders dated 30 October 2020 be and are hereby approved AND THAT the Directors be and are hereby authorised to do all such acts and things and to take such steps that are necessary to give effect to the Proposed Amendments to the Constitution of the Company."

By Order of the Board

LILY YIN KAM MAY (MAICSA 0878038)
Company Secretary

Kuala Lumpur
30 October 2020

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 more than one (1) proxy 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 more than one (1) proxy, 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 the hand of an officer or attorney duly authorised.

6. The instrument appointing a proxy must be deposited at the Company's Registered Office, Suite 11.05, 11th 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 51st AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Articles 72(4)(a), 72(4)(b) and 72(4)(c) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 20 November 2020. Only a depositor whose name appears on the Record of Depositors as at 20 November 2020 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 (Ordinary Resolution 2)

Section 230(1) of the Act 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.

The proposed Ordinary Resolution 2 is to seek shareholders' approval for payment of Directors' Benefits (excluding Directors' fees) to the Non-Executive Directors for the period from 1 December 2020 to 31 December 2021.

The benefits comprises the meeting allowances, benefits-in-kind and other emoluments payable to the Non-Executive Directors of the Company.

In determining the estimated total amount of remuneration (excluding Directors' fees) for the Non-Executive Directors of the Company, the Board considered various factors including the number of scheduled meetings for the Board and Board Committees as well as the number of Non-Executive Directors involved in these meetings.

The Board is of the view that it is just and equitable for the Non-Executive Directors to be paid the directors' remuneration (excluding Directors' fees) as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company and its subsidiaries throughout the relevant period.

11. Explanatory Notes to Special Business:

(C) Proposed Continuation in Office as an Independent Non-Executive Director in accordance with Practice 4.2 of the MCCG 2017 (Ordinary Resolution 6)

In line with the Practice 4.2 of the MCCG 2017, the Proposed Ordinary Resolution 6, if passed, will enable En Shazal Yusuf bin Mohamed Zain, who will have served as an Independent Non-Executive Director of the Company for a cumulative term of eleven (11) years on 30 May 2021, to continue to act as an Independent Non-Executive Director of the Company.

Both the Nomination and Remuneration Committee and the Board have assessed the independence of En Shazal Yusuf bin Mohamed Zain and recommended him to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next AGM based on the following justifications:

(i) The Group has benefited from the long serving Independent Non-Executive Director, who possessed detailed knowledge of the Group's business, standard operating procedures, internal controls and risks profile and has proven commitment, experience, competence and wisdom to effectively advise the Management from time to time.

(ii) He is independent in character and judgement, independent of management, more objective and free from any relationship or circumstances which are likely to affect or could affect his judgement or making of decisions in the best interest of the Company and brings different perspectives of issues tabled to the Board.

(iii) He had fulfilled the criteria under the definition of Independent Director as stated in the Listing Requirements of Bursa Securities, and thus he would be able to function as check and balance and bring an element of objectivity to the Board.

(iv) He has vast experience in banking and finance industry enabling him to provide the Board with a diverse set of experience, expertise and independent judgement.

(v) He had devoted sufficient time and attention to his professional obligations for an informed and balanced decision making.

(vi) He had consistently challenged management in an effective and constructive manner and provided an independent voice on the Board.

(vii) He had also exercised his due care and diligence during his tenure as an Independent Non-Executive Director of the Company and had carried out his professional duties in the best interest of the Company and shareholders.

The profile of En Shazal Yusuf bin Mohamed Zain is set out in the Directors' Profile on page 27 of the Annual Report.

(D) Proposed Renewal of Share Buy-Back Authority (Ordinary Resolution 7)

The Proposed Ordinary Resolution 7, if passed, would empower the Directors to exercise the power of the Company to purchase its own shares ("the Proposal") by utilising its financial resources not immediately required. The Proposal may have a positive impact on the market price of the Company's shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

(E) Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (Ordinary Resolutions 8 and 9)

The Proposed Ordinary Resolutions 8 and 9, if passed, will empower the Company to conduct RRPTs 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.

(F) Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Act (Ordinary Resolution 10)

The Ordinary Resolution proposed under Resolution 10 of the Agenda is a renewal of the General Mandate for the Directors to issue and allot shares pursuant to 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 10, if passed, will give authority to the Directors of the Company, from the date of the above AGM, to issue and allot shares in the Company up to an amount not exceeding in total ten percent (10%) of the 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 50th AGM held on 29 November 2019, which will lapse at the conclusion of the 51st AGM to be held on 30 November 2020.

(G) Proposed Amendments to the Constitution of the Company (Special Resolution 1)

The Proposed Amendments to the Company's Constitution under Special Resolution 1 are made mainly to have expressed constitutional provisions to allow remote participation at general meetings and to further enhance administrative efficiency of the Company.

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 Resolutions 6 and 10 as mentioned above is set out in the Circular to Shareholders of the Company dated 30 October 2020 which is despatched together with the Company's 2020 Annual Report.

Measures to Minimise Risk of COVID-19

In order to minimise the risk of community spread of COVID-19, the Company will be taking the following precautionary measures at the 51st AGM:

1. Members or proxies are encouraged to abide by the most current regulations in place and enforced by the Ministry of Health and Government of Malaysia at the time deciding on whether or not to attend the 51st AGM in person.

2. Members are encouraged to appoint the Chairman of the Meeting to act as proxy to attend and vote at the 51st AGM on their behalf by submitting the proxy form with predetermined voting instruction. The proxy form is attached to the Notice of AGM. If you have any questions in relation to any item of the Agenda of the 51st AGM, you may send them in advance via email at lily@crestcorp.com.my or shazalyusuf@gmail.com.

3. Members or proxies who are feeling unwell or have been placed on quarantine orders or stay-at-home notices, you are advised to refrain from attending the 51st AGM in person.

4. A health screening counter will be set up for the purpose of health screening and body temperature will be taken for all persons before entering the venue. A member or proxy who has temperature of 37.5°C or higher or exhibits flu-like symptoms will not be permitted to attend the Meeting.

5. In the interest of the public health including the well-being of our members, members must cooperate with the precautionary measures put in place by the Company should members (or your proxies) wish to attend the 51st AGM in person.

6. Members/proxies must sanitise their hands and are strongly advised to wear a face mask if they are attending the Meeting in person. Please note that no face mask will be provided at the Meeting venue.

7. Members or proxies are advised to observe/maintain social distancing of at least 1 meter from each other throughout the Meeting.

8. Members or proxies are advised to arrive early at the Meeting venue given that the above-mentioned precautionary measures may cause delay in the registration process.

9. **NO door gift nor meal vouchers will be provided** to the Members/proxies.

10. **NO refreshment will be served** at the Meeting venue.

In view of the constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our 51st AGM at short notice. Kindly check Bursa Securities's website at www.bursamalaysia.com, Share Registrar's website at www.tracemanagement.com.my and the Company's website at www.melewar-mig.com for the latest updates on the status of the said Meeting.

PERSONAL DATA POLICY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM 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 AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (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 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 51st AGM of the Company are set out in the Directors' Profile on pages 24 and 26 of this Annual Report. Their securities holdings in the Company are set out in the Directors' Shareholdings which appears on page 37 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 F of the Notice of the 51st AGM of the Company.

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FORM OF PROXY
(please refer to the notes below)

MELEWAR INDUSTRIAL GROUP BERHAD
(Reg. No. 196901000102 (8444-W))

No. of ordinary shares held

I/We ______________________________ NRIC No./Reg. 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 **51st Annual General Meeting ("AGM")** of the Company to be held at the **Crystal Function Room, 4th Floor, Mutiara Complex, 3 ½ Miles, Jalan Ipoh, 51200 Kuala Lumpur on Monday, 30 November 2020** at **11.30 a.m.** or at any adjournment thereof on the following resolutions referred to in the Notice of the 51st AGM. My/our proxy is to vote as indicated below:-

		FIRST PROXY		SECOND PROXY	
		For	Against	For	Against
Resolution	**Ordinary Business**				
1	To approve the payment of Directors' fees amounting to RM308,400.00 for the period from 1 January 2021 to 31 December 2021 to be payable quarterly in arrears to the Non-Executive Directors of the Company.				
2	To approve an amount of up to RM110,000.00 as benefits payable to the Non-Executive Directors of the Company for the period from 1 December 2020 to 31 December 2021.				
	To re-elect the following Directors of the Company who are retiring in accordance with Article 96(1) of the Company's Constitution:-				
3	(i) Tunku Dato' Yaacob Khyra				
4	(ii) Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah				
5	To re-appoint Messrs PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.				
	Special Business				
6	Approval for En Shazal Yusuf bin Mohamed Zain to continue in office as an Independent Non-Executive Director.				
7	To approve the Proposed Renewal of Share Buy-Back Authority.				
8	To approve the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions with Trace Management Services Sdn Bhd.				
9	To approve the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions.				
10	Authority to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016.				
	Special Resolution				
1	Proposed Amendments to the Constitution of the Company.				

(Please indicate with a "✓" or "X" in the spaces provided above on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy/proxies will vote or abstain 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 ______________ 2020

____
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 more than one (1) proxy 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 more than one (1) proxy, 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 11.05, 11th 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 51st AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Articles 72(4)(a), 72(4)(b) and 72(4)(c) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 20 November 2020. Only a depositor whose name appears on the Record of Depositors as at 20 November 2020 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. *Pursuant to Paragraph 8.29A of Bursa Malaysia Securities Berhad Main Market Listing Requirements, all resolutions set out in the Notice of 51st AGM will be put to vote on a poll.*

11. *The members are advised to refer to the Administrative Guide for the AGM on the registration process for the meeting.*

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

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STAMP

The Secretary
MELEWAR INDUSTRIAL GROUP BERHAD
Suite 11.05, 11th Floor
No. 566, Jalan Ipoh
51200 Kuala Lumpur

Fold Here

NOTICE

There will be no distribution of door gifts nor meal vouchers.

www.melewar-mig.com

Melewar Industrial Group Berhad
(Reg. No. 196901000102 (8444-W))

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