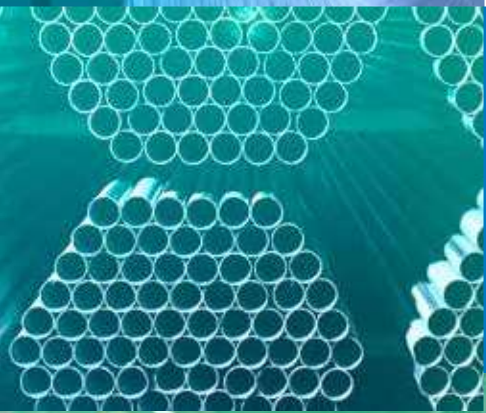
MELEWAR INDUSTRIAL GROUP BERHAD

(8444-W)

ANNUAL REPORT

2018



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MELEWAR INDUSTRIAL GROUP BERHAD

NOTICE OF FORTY-NINTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the **49TH ANNUAL GENERAL MEETING** of the Company will be held at **Crystal Function Room, 4th Floor, Mutiara Complex, 3 ½ Miles, Jalan Ipoh, 51200 Kuala Lumpur** on **Thursday, 29 November 2018** 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 2018 together with the Reports of the Directors and the Auditors thereon.
   [Please refer to Explanatory Note A]

2. To approve the payment of Directors' fees amounting to RM283,200.00 for the period from 1 January 2019 to 31 December 2019 to be payable quarterly in arrears to the Non-Executive Directors of the Company. **1**

3. To approve an amount of up to RM100,000.00 as benefits payable to the Non-Executive Directors of the Company for the period from 1 December 2018 until the conclusion of the next Annual General Meeting ("AGM") of the Company. **2**
   [Please refer to Explanatory Note B]

4. To re-elect the following Directors of the Company who are retiring in accordance with Article 113(1) of the Company's Articles of Association and who, being eligible, offer themselves for re-election:

   (i) Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah **3**
   (ii) General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) **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 nine (9) years on 30 May 2019, 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 and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") **8**

"THAT the mandate granted by the shareholders of the Company on 30 November 2017 pursuant to Paragraph 10.09 of the Listing Requirements of Bursa Securities, authorising the Company and its subsidiaries ("the MIG Group") to enter into the RRPTs which are necessary for the MIG Group's day-to-day operations as set out in Sections 4.3(A) and (B) of Part B of the Circular to Shareholders dated 31 October 2018 ("the Circular") with the related parties mentioned therein, be and is hereby renewed, AND THAT mandate be and is hereby granted by the shareholders of the Company to apply to the new RRPTs as set out in Section 4.3(C) of Part B of the Circular with the related party mentioned therein, provided that:-

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

(b) 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."

(d) Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Act **9**

"THAT, subject always to the Act, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, where such approval is necessary, the Directors be and are hereby authorised pursuant to Sections 75 and 76 of the Act, to issue and allot shares in the Company at any time until the conclusion of the next AGM, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed ten percent (10%) of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Securities for the listing of and quotation for the additional shares so issued."

By Order of the Board

LILY YIN KAM MAY (MAICSA 0878038)
Company Secretary

Kuala Lumpur
31 October 2018

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 49th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Articles 79(a), 79(b) and 79(c) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 23 November 2018. Only a depositor whose name appears on the Record of Depositors as at 23 November 2018 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 2018 until the conclusion of the next AGM to be held in 2019 of the Company.

    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 nine (9) years on 30 May 2019, 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 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.
(iii) He had fulfilled the criteria under the definition of Independent Director as stated in the Listing Requirement 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 25 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 and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") (Ordinary Resolution 8)

The Proposed Ordinary Resolution 8, if passed, will empower the Company to conduct recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, and will eliminate the need to convene separate general meetings from time to time to seek shareholders' approval. This will substantially reduce administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

(F) Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Act (Ordinary Resolution 9)

The Ordinary Resolution proposed under Resolution 9 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 9, 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 48th AGM held on 30 November 2017 and which will lapse at the conclusion of the 49th AGM to be held on 29 November 2018.

12. Poll Voting

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

The detailed information on Special Business of Agenda 6 except for Ordinary Resolution 9 as mentioned above is set out in the Circular to Shareholders of the Company dated 31 October 2018 which is despatched together with the Company's 2018 Annual Report.

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 49th AGM of the Company are set out in the Directors' Profile on pages 25 to 26 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 49th AGM of the Company.

On behalf of the Board of Directors, I am pleased to present the Annual Report of Melewar Industrial Group Berhad and its group of companies ("the Group" or "MIG") for the financial year ended 30 June 2018.

TUNKU DATO' YAACOB KHYRA
Executive Chairman

FINANCIAL RESULTS

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

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

For the year under review, total revenue of RM816.1 million was recorded by the Group, an increase of RM43.3 million or 5.6% over the preceding financial year. This is mainly due to higher contribution from the steel division (up by 10%) despite a 50% drop in the Engineering revenue which is nearing the tail end of its construction contracts.

The Group registered a Profit After Tax of RM4.0 million for the current financial year, as compared to a Loss After Tax of RM67.0 million in the preceding year, which is mainly attributed to the absence of the substantial losses from the Engineering Division's onerous contracts in the preceding year.

DIVIDEND

Given the small profit and rather weak cash flow for the year under review, the Directors do not recommend the payment of any dividend, for the financial year ended 30 June 2018.

STEEL DIVISION

For the period under review, the Steel Division under Mycron, had a weaker performance despite a higher revenue contribution.

For the financial year ended 30 June 2018, the Steel Division contributed positively to revenue with the CRC sales of RM546.9 million, compared to RM482.1 million in the preceding financial year, an increase of 13.4%. The CRC unit registered a Profit Before Tax of RM6.6 million, compared to RM15.8 million in the preceding financial year, representing a drop of 58.2% reflecting the prevailing competitive conditions and margin squeeze.

The margin squeeze was caused by cheap imports of CRC, which have been dumped into the country. To make matters worse, customers were also getting duty exemptions, from the Ministry of International Trade and Industries ("MITI") to import CRC, rather than buy from the domestic producers.

The Steel Tube unit, meanwhile recorded a revenue of RM274.2 million, compared to the preceding financial year's RM266.8 million, a small growth of 2.8%. However, Steel Tube sales tonnage decreased from 102,527 tonnes in the preceding financial year, to 90,823 tonnes, representing a decrease of 11.4%, reflecting the challenging task of competing with 30 other domestic Steel Tube manufacturers.

In terms of Profit Before Tax, the Steel Tube unit registered a poorer performance with a significant drop by 48.7% from RM30.0 million in the preceding financial year, to RM15.4 million in the current financial year.

The domestic steel market has turned bearish, partly due to the spillover effects, of the halt of various mega projects, of the previous Malaysian administration, amid a soft property and construction sector, which saw a shrinking of steel sales tonnage.

In addition to that, domestic steel manufacturers faced severe margin squeeze, due to underpriced imports of CRC, which were diversion from the United States ("US") and European Union ("EU"), when both territories imposed import duties on steel, of 25% respectively. Malaysia's weak border controls, have allowed these steel products to be dumped into the country, without the payment of import duties. While other ASEAN countries and Australia have also tightened their controls, to prevent the dumping of cheap steel into their countries, the Malaysian authorities appear to be not so effective in implementing this policy.

Some of the possible methods to by-pass paying Malaysian import duties, include:

(1) Adding Boron in the manufacture of CRC, which has zero metallurgical effect on steel, qualifying the CRC as an "Alloy", which allows the CRC to be imported on a duty-exempt basis.

(2) CRC for the automotive industry, having a width above 1.3 metres, are treated as duty-exempt steel, to support the automobile manufacturing industry. Unscrupulous importers have started to import CRC, with widths slightly above 1.3 metres, and have been dumping the CRC to the general steel industry, and not to the automotive industry, and have successfully avoided paying import duties.

(3) Vietnam has started the manufacture of HRC, which under the ASEAN Free Trade Agreement (AFTA), permits HRC, and therefore the CRC made from the HRC, to be exported in ASEAN on a duty-exempt basis. Currently, importers have been bringing in Vietnamese CRC into Malaysia, which are made from non-ASEAN HRC, under the pretense that they are made from Vietnamese HRC, and have been enjoying duty-exempt import status.

(4) Using smaller Malaysian port, which may not be as vigilant as Port Klang, to smuggle CRC into the country, usually at night, when security is more lax.

There are indeed many tricks to foil the Malaysian authorities, and the government needs to be vigilant and take proactive action, to put a stop to these activities. Indeed, more severe penal action against these culprits, needs to be undertaken, to ensure that they stop piercing every regulation, the authorities adopt.

Certainly, regular spot checks at factories that use CRC, need to be undertaken by the authorities, to check the authenticity of the CRC in question. A great deal of money, in terms of import-duties, are being lost by the government, and proactive action, will earn that revenue back, to fund the country's finances.

The industry has been in continued dialogue with MITI about these issues. We trust, that the Malaysian government will act quickly and decisively, and will stop the dumping of steel into the country, and will take action against the culprits who have been destroying Malaysian values.

ENGINEERING DIVISION

For the period under review, the Engineering Division under MIE has remained focused on the completion of the two loss-making Engineering, Procurement and Construction ("EPC") projects, for a material handling system for coal in Johor, and a material handling and ship loading system for silica in Terengganu. Through stringent cost management and control, the Loss Before Tax was reduced to RM3.4 million for this financial year.

The Johor coal handling project, was a large and complex brown field extension, of an existing coal handling system for a thermal power station, involving five units Stacker Reclaimer, and three units of Ship Unloaders, 3 km of new conveyor, and upgrade of 6 km of conveyor. During the reporting period, this project has successfully been completed and handed over to the client, in full compliance to the contract, and meeting all performance parameters. Following the successful completion of the works under this contract, MIE is now engaged in commercial settlement negotiations with the client, in a friendly and mutually supportive manner, so as to recover a part of the losses incurred. MIE maintains an expert team on site, to manage the Defects Liability Period, which will last until 12 August 2019.

The second project, in Terengganu, whilst physically completed, has yet to be handed over to the client. So far, 9 ships have successfully been loaded with Phase 1, but below the general contracted throughput rate. This issue is expected to be overcome, with the operation of Phase 2, which is presently being tested, after having required some structural modification, following its first operational testing in May 2018.

MIG remains committed to the successful completion of all its projects, so as to maintain its standing as a reliable, high quality partner, in all avenues of its business, and with that, is confident of recovering a substantial part of the losses incurred.

MIE has not entered into new projects, and is presently not bidding for any turnkey projects, but will re-focus its business, after the completion of these projects, on engineering, consultancy and project development, works and services, with higher margin and lesser risk.

Management has therefore decided, not to continue with the capital intensive telco tower and fibre optic business. MIE is in the process of handing over this business, including its staff, to a third party, and therewith, not carry any liabilities or operational risks.

LONG-TERM OUTLOOK

As in past years, the Steel Division is the major contributor, in terms of profit, to the Group. This was despite facing problems, ranging from dumping of steel in the country, local buyers of CRC getting duty exemption to import CRC rather than buying from local producers, and also the weak Malaysian Ringgit.

This scenario was exacerbated when both the US and the EU imposed a 25% tariff on steel imports. A direct result of these two actions, saw steel products, including CRC and Steel Tubes, being diverted to other parts of the world, including Malaysia.

Also adding to the fierce competition locally, increased CRC imports from Korea, Japan and India continued unabatedly, to the detriment of local CRC producers, thus significantly affecting their bottom lines. To counter this, the industry is in the midst of gathering data, to file Anti-Dumping ("AD") on Japan and India, and also file for a review on dumping duties, imposed on Korea and Vietnam, as the present AD duties imposed, are too low, and are not a deterrent, to stop price dumping.

The industry has approached MITI twice, to explain its situation, and has requested the authority, to not be too liberal, in granting duty exemption on imported CRC. After all, there are 4 local CRC producers, which manufacture high quality steel products, and who are operating, on average, at below 50% plant capacity utilisation. Instead, the industry is of the opinion, that the government, should instead, encourage CRC users, to buy locally manufactured goods.

PROSPECTS FOR THE NEW FINANCIAL YEAR

The new financial year, has thus far, proven to be very challenging, and it is expected that the prospects, for whole year will be equally, if not more, challenging. We are affected not only by local events and competition, but also by global events, which are beyond our control.

However, the Group will continue to persevere and weather the storm, to the best of our ability. Even though the losses of the Engineering Division have been fully accounted for, we are cautious to not undertake, similar major undertakings in the future, and will be looking at expanding MIG's business into other, less risky areas.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my heartfelt appreciation and thanks to all members of the management team, and their staff, for their hard work and tireless efforts, in contributing to the Group.

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

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

Tunku Dato' Yaacob Khyra
Executive Chairman

MANAGEMENT DISCUSSION & 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 2018 in supplement of other statements contained in this annual report such as the Chairman's statement, the Statement on Risk Management and Internal Controls, and the audited Financial Statements. Analytical disclosures made herein are based on available management information which may not have been specifically audited, and are made to the extent that these do not compromise competitively sensitive information. This section may contain opinions, judgement and forward-looking views, and as such readers' discretion is advised.

OVERVIEW

The Group's net profit for the current financial year at RM4.0 million is a turnaround compared to the net loss of RM67.0 million in the preceding financial year. The improved Group performance is mainly due to the significantly lower loss contribution from it engineering subsidiary (i.e. down from -RM99.7m in FYE 2017 to -RM2.3m in FYE 2018) as its' onerous construction contracts tail-end towards the current financial year. The steel businesses, being the sole profit contributors to the Group, delivered materially lower net profits in the current financial year (down by around 54% compared to the preceding FYE 2017) – primarily due to a combination of lower sales volume by 5% and lower gross margin by around 440 basis point. The lower sales volume and thinner gross margin achieved by the steel subsidiaries for the current financial year can be attributed to a combination of various domestic and external factors including weaker market conditions, extra festive period (i.e. two coinciding Ramadan festive periods in FYE 2018 instead of one), effects of the 14th General Election, unfair pricing from foreign imports, and fallout from USA-China trade war.

Consequently, the Group's key financial indicators for the current FYE 2018 as outlined in Table 1 below showed improvements in profitability, liquidity, and value measures from the lows achieved in FYE 2017.

Table 1

	FYE 2018	FYE 2017
Profitability		
a. Operational Return on Average Capital Employed (EBIT/Ave Cap)	7.71%	-9.82%
b. Return on Equity (Net Earnings/Ave Equity)	-0.17%	-18.90%
Liquidity		
c. Current Ratio (Current Assets/Current Liabilities)	1.15	1.10
d. Interest Cover Ratio (EBITDA/Net Interest Expense)	5.50	-1.81
Capital		
e. Debt to Equity Ratio (includes all interest bearing debt)	0.37	0.72
Value		
f. Net Tangible Asset per Share (RM/share)	1.29	1.25
g. Enterprise Value to Total Comprehensive Income Ratio	12.29	-4.70

SEGMENTS' PERFORMANCE

The Group's Steel Tube segment and the Cold Rolled Coil (CRC) segment's sales volume tonnage declined by 9.3% and 3.5% respectively, whilst gross margin per tonne declined by 27.0% and 23.4% respectively – both on the back of higher prices and costs. As summarised in Table 2 below, the Steel Tube segment's net tax profit for the current financial year at RM18.6 million continues to outpace the CRC segment's at RM10.3 million. However, the Steel Tube segment's declines in FYE 2018 are sharper compared to the CRC segment on the back of a record year in FYE 2017.

Key Business Segments

Table 2

	Steel Tube		Cold-Rolled		Engineering	
RM'million	FYE 2018	FYE 2017	FYE 2018	FYE 2017	FYE 2018	FYE 2017
External Revenue	272.39	265.23	519.15	454.50	24.14	48.09
Net Tax Profit	18.60	30.21	10.34	14.95	-2.29	-99.68

The Group's Steel Tube operation ranks second by market share in the domestic industry dominated by top four manufacturers (annual production volume exceeding 60,000 tonnes each) with many more small scale producers (annual production volume of 36,000 tonnes or less each) of limited product-range. Raw material coil's cost climbed in the 1st half of FYE 2018 and remained relatively flat at the highs for the 2nd half (see Chart 1 below) in tandem with risen cost on labor, gas, electricity and fuel compared with the preceding financial year. The pricing-cost pressure coupled with softer demand in tandem with the heightened uncertainties and cautious sentiments (due to the effects of the 14th General Election and the protracted trade war between the world's two largest economies) have negatively impacted sales and margins particularly in the 2nd half of the financial year. Nevertheless comparing the Steel Tube segment's performance for the last five years (see Chart 2), its EBITDA (Earnings Before Interest, Tax, Depreciation, and Amortisation) results for FYE 2018 was only eclipsed by FYE 2017- which was a record year.

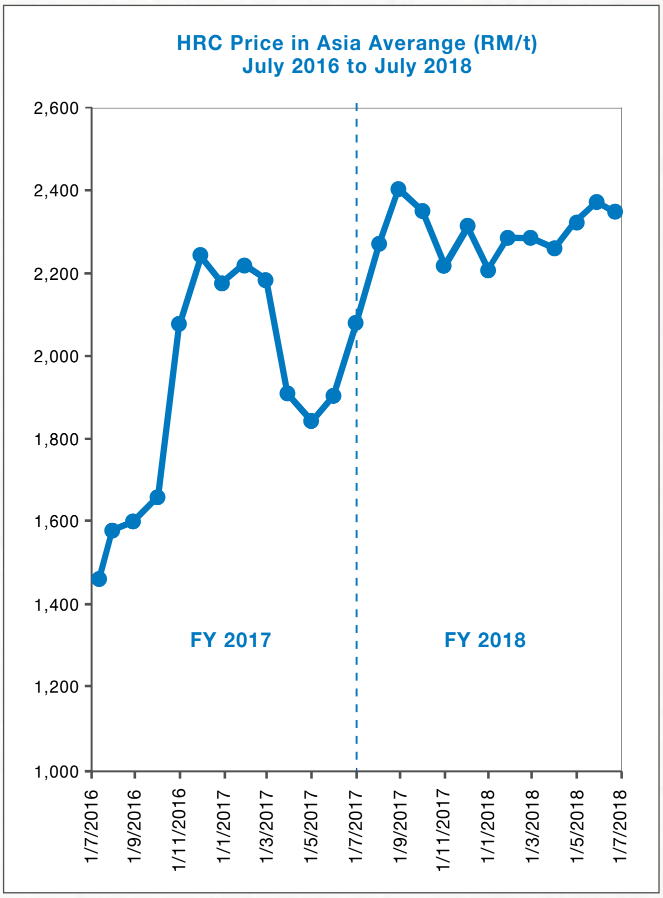

Chart 1

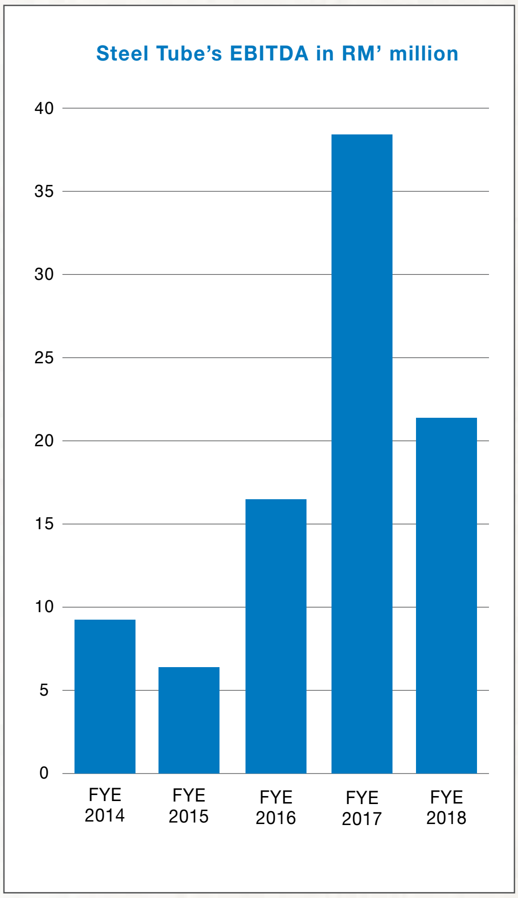

Chart 2

The Group's CRC operation ranks second by market share in the domestic industry dominated by only a handful of four manufacturers. In addition to facing similar softer market condition and higher production cost pressure like the steel tube segment, the CRC operation also has to deal with a surge of CRC imports into the Malaysian domestic steel industry by both legitimate and unlawful means – due to materially lower imported prices compared to domestically produced CRC. Whilst hard data on the transacted import-prices cannot be substantiated, analyses of published international HRC prices versus China's export CRC prices revealed narrow to negative manufacturing spreads (see Chart 3) especially towards the 2nd half of FYE 2018. This had resulted in severe squeeze on the CRC segment's sales volume and gross margin per unit which declined by 3.5% and 23.4% respectively compared to the preceding financial year.

Published statistics indicate that imported CRC as percentage of the Country's CRC consumption is on the rise at the expense of domestically produced CRC for the last three years. The impact can be clearly seen from the CRC Segment's EBITDA performance for the last 5 financial years as shown in Chart 4 below. The Group's CRC segment had achieved record profit performance for FYE 2016 when the authorities enforced a nation-wide-sweep on illegal CRC-imports in early 2016 and imposed anti-dumping duties on imported CRC from 3 countries by mid-2016.

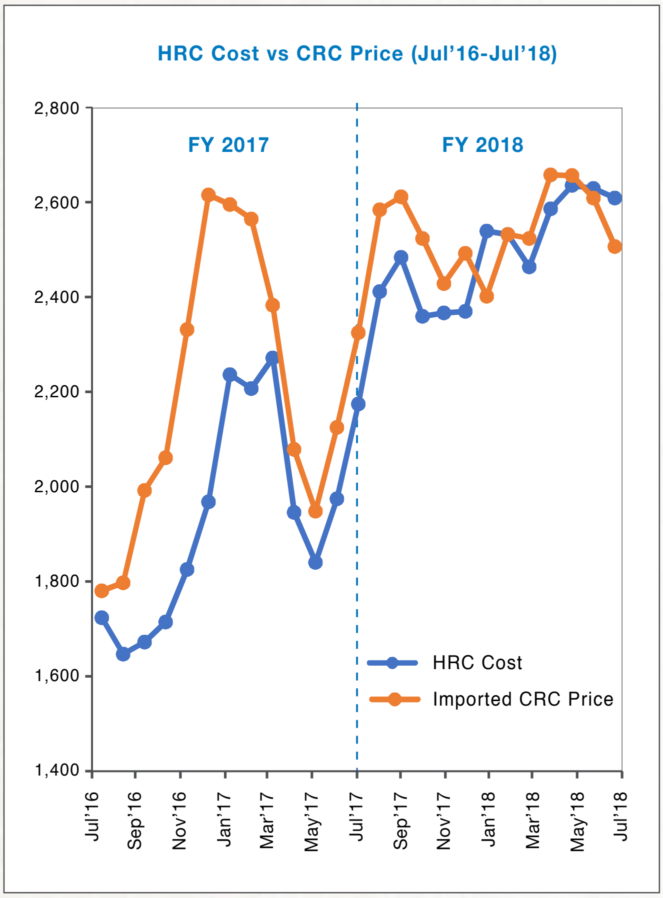

Chart 3

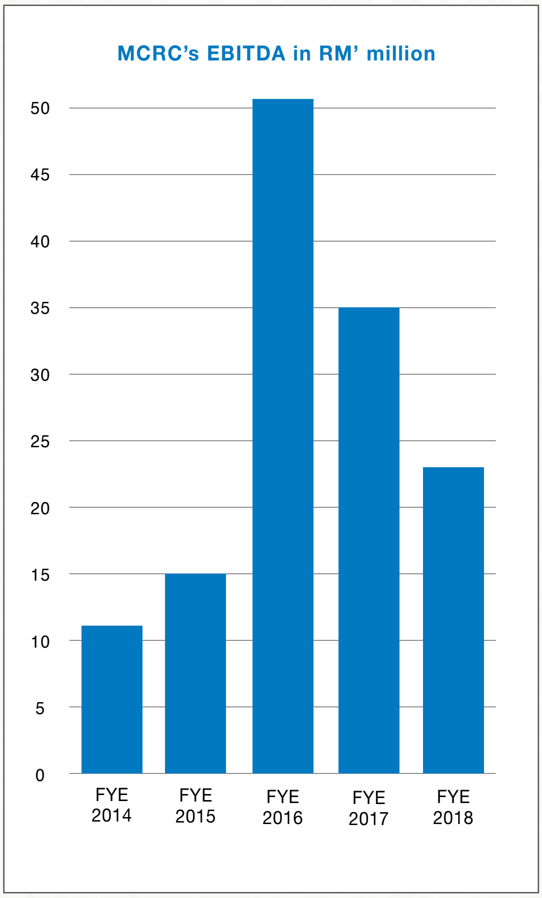

Chart 4

The Group's Engineering segment focused on completing its two outstanding onerous construction contracts reaching 99% and 95.5% completion respectively in the current financial year (compared to 77.4% and 73.2% completion in FYE 2017). The progression is shown in Chart 5 below.

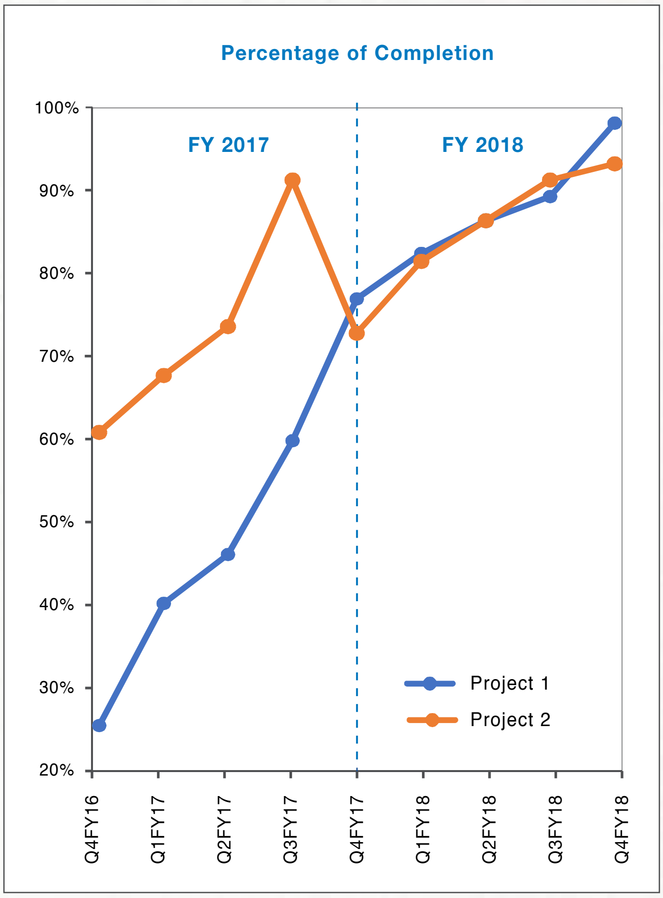

Chart 5

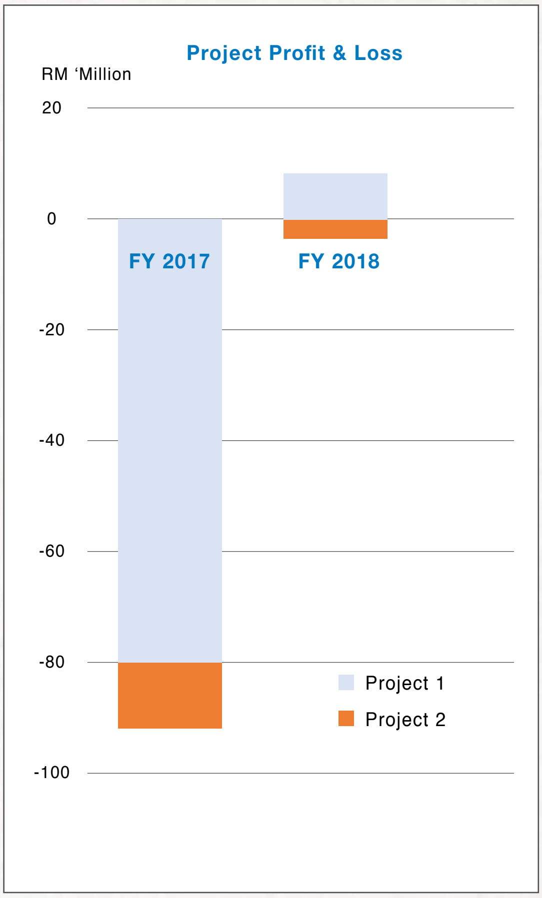

Chart 6

For the current financial year, the Engineering subsidiary's Project #1 has a net write-back of past losses of RM8.0 million, whilst Project#2 incurred further losses of RM4.5 million (including a RM1.4 million impairment charge on client receivables): effectively resulted in a net gain of RM3.5 million from the projects as summarised in Table 3 below before operational overheads, interest expense, and others (totalling around RM6.9 million).

Table 3

	RM 'Million	
Project Accounts		
Project#1		
Write-back on losses	11.3	
Defects Liability Provision	-3.3	8
Project#2		
Additional loss	-1.4	
Liquidated Ascertained Damages Provision	-1.3	
Defects Liability Provision	-0.4	
Impairment on Client receivables	-1.4	-4.5
		3.5

Consequently, the segment's performance ratios as outlined in Table 4 below (which are supplementary to the segmental analysis disclosed in Note 30 of the financial statements) showed all around weaker performance for the steel but improvement for the engineering.

Table 4

	Steel Tube		Cold-Rolled		Engineering	
	FYE 2018	FYE 2017	FYE 2018	FYE 2017	FYE 2018	FYE 2017
Segment's						
Revenue/Assets Employed	1.5	1.5	1.1	1.0	2.5	5.3
EBIT(LBIT)/Full Time Employee (RM'000/person)	136.7	221.1	70.8	120.4	26.0	-1,377.2
Net Profit/(Loss)/Assets Employed (Sens on RM)	10.1	17.1	2.2	3.3	-23.3	-1,097.8
Assets/Total Assets	23.75%	23.34%	60.96%	60.20%	1.27%	1.20%

CHALLENGES AHEAD

The Country is on a path of reform and fiscal consolidation amidst looming global economic slow-down and contagion threats on emerging-markets. The consensus outlook on the Country's economy is generally positive but visibly weaker. The challenges ahead will not be materially different from many of the economic troughs the Group had faced and emerged from the past. The Group's steel products have wide industrial and consumer applications in both domestic and foreign markets which provide a minimum level of demand support in the worst of times. The Group will step-up on-going effort with various stakeholders in the industry and the Government to address unfair trade practices and production-dumping from abroad; and will continue to build upon its competitive strength to deal with these challenges. As for the engineering segment, the subsidiary shall seek to optimise commercial settlement for both onerous projects with the respective clients in the next twelve months. The potential recovery in-relation to the aforementioned from submitted variation claims of RM74 million; provisions made for Liquidated Ascertained Damages totalling RM9.7 million; and Defects Liability Provisions totalling RM3.7 million remains uncertain. Any recovery shall go towards improving the bottom-line in that period.

GENERAL SUSTAINABILITY STATEMENT

This General Sustainability Statement is made in compliance with Bursa Malaysia's sustainability listing rules for listed companies with market capitalisation below RM1 billion in-relation to annual report issued for financial year ending before 31 December 2018.

The Group firmly advocates the adoption of sustainable business practices as the key to ensuring its long term continuity - way before sustainability reporting and its precursor "corporate social responsibility" reporting became mandatory. The Group's steel businesses have been in uninterrupted continuous operations for more than forty years for its steel tube manufacturing, and more than twenty five years for its Cold Rolled Coil manufacturing - subsisting numerous economic down cycles and crises in an industry generally regarded as difficult. The Group's recent past power business and the current engineering business however fell short on the intended economic objectives as originally set-out, but these shortfalls may not entirely be attributed to sustainability issues - although the adopted business models may beget contemplation. Nevertheless, past record may not necessarily be an extension of the future as the Group adjusts from past experiences and undertakes the necessary changes to proactively manage sustainability.

The Group's management of non-financial resources, threats and opportunities in-relation to sustainability goes beyond philanthropic considerations as it constantly calibrate to strike a balance in meeting conflicting needs of various stakeholders; between costs versus benefits; and between short-term-pain versus long-term-gain - to ensure its long term continuity. Sustainability can only be assured with mutually beneficial economic co-existence of the various stakeholders, and their common responsibility towards environmental and social factors in the ecology in-which they operate. Outlined below are some of the Group's embedded sustainable business practices and measures in that regard.

A. Economic Elements

1. Customers

The Group focuses on "customers' retention and loyalty" through the provision of quality/superior value-added products and services in-ways that are better and more economical than competitors, such as through a combination of the following:

1.1 *Product quality certification*
Besides quality certification of its steel production operations (such as ISO 9001 and ISO 14001), the Group also has extensive product quality certification that meets domestic and global standards.

1.2 *One-stop centre*
The Group's listed steel subsidiary is the only entity in the country which has a combination of CRC, steel tube, and zinc-coated product offerings of the most extensive range. The Group has technical advisory service and is able to work with clients for specific needs or project requirements, and even toll-processing. The Group's engineering arm offers cross-selling opportunities with the steel businesses to the benefit of clients for both segments.

1.3 *Product traceability*
The Group's steel production system tracks raw materials origin, and is able to identify for each output to the production batch, materials type and composition, and source. This greatly appeals to customers with sustainable-sourcing requirements.

1.4 *Industry 4.0*
Besides automation and computerisation of the production floor, the Group's steel operations increasingly seek ways to adopt ICT (information communication technology) and IP (internet protocol) on client interaction and order fulfilment. This cuts processing time and even help clients reduce inventory carrying costs.

Relevant non-financial measures include annual customers' satisfaction survey; customers' retention & attrition rate; statistics on customers' complaints & claims; and market-share.

	Years as Customer		
	0 to 2	3 to 6	7 & >
Number of customers			
Steel Tube	19	23	159
CRC	8	9	35
Engineering	2	3	0
Total (%)	11%	14%	75%

2. Capital Providers

The Group aims to provide a "fair" economic return to both its equity and debt Capital Providers, and in-ways where the capital providers understand the Group's businesses and risk-return profile thus ensuring the adequacy of capital in the leanness of times through a combination of the following:

2.1 *Active Engagement*
The Group's engagement with equity providers goes beyond listing and securities-exchange rules compliances, as it also engages with analyst and institutional-investors to facilitate securities coverage and to ensure its longer-term value proposition is conveyed. Debt-capital providers are also engaged periodically to facilitate annual credit review.

2.2 *Proper governance*
The Group ensures transparent and responsible deployment of its capital and these are appropriately disclosed in its quarterly and annual financial reports. The Group maintains a clean debt-service record with strict compliance of covenants & capital-market-rules.

2.3 *Fair Return*
The Group aims to give its equity-capital-providers a return in the long run that would commensurate with its capital asset market pricing. On this, the Group acknowledges the setback due to the consolidated losses of its engineering business and the past power business, but it hopes to get back on track moving forward. Debt-capital-providers are given a fixed return (commensurable with the market) above their cost of funds.

Relevant non-financial measures include:
Credit ratings; equity securities coverage & ratings; frequency and quality of engagements with debt and equity capital providers; diversity on the sources of capital providers; and headroom in undrawn capital reserves.

	Debt Capital in RM' million			
	FYE 2018		FYE 2017	
	Drawn	Headroom	Drawn	Headroom
Steel Tube	42.3	14.4	81.5	102.1
CRC	77.9	58.4	167.8	131.3
Engineering	26.9	0	30.6	2.6
Total (%)	67%	33%	54%	46%

3. Supply-Chain Providers

The Group aims for a panel of "reliable" value-added service/goods providers, and in-ways that are mutually beneficial and sustainable such as through a combination of the following:

3.1 *Requisites*
Vendors to the Group undergo due-diligent checks - including sustainability practices - before been admitted into its panel. Sustainability requirements cover sources of raw materials, labour-practices, fair-trade, and quality products/services.

3.2 *Arm's-length*
The Group maintains a transparent procurement process, and practices open tender/bidding process for procurement above certain value. For lesser-value common procurement, prices are appropriately benchmarked, negotiated, and reviewed periodically.

3.3 *Long-haul*
Most of the Group's key suppliers have been with it for more than 10 years. The long-haul business relationship builds trust and ensures consistent and undisrupted supplies-which is key for manufacturing outfits like its steel segments.

Relevant non-financial measures include: Sustainability survey on suppliers; market feedback; annual review & rating.

B. Social-Economic Element

4. Employees

Employees are viewed as both human capital and consumer pool: the social fabric of the nation. The Group-being a mix of manufacturing and professional services outfit comprising both blue & white-collar workers aims to promote a "close-knitted" work environment that would enhance productivity and loyalty (as primary); and that would enhance the nation's human capital and consumer pool (as secondary). This is achieved through a combination of the following that covers human resource welfare, development, and work environment:

4.1 *Welfare*
Besides health-care and medical benefits, workers are given free uniforms or attire allowance, overtime-meal allowance, and various other incentive and allowances – such as relating to travelling, safety campaigns, attendance, and long-service awards. The Group also arrange for yoga-classes, extracurricular sports, family-days and other fellowship activities.

4.2 *HR development*
Human resource at all level of the organisation are subject to continuous personal development in the form of training, or on-job-rotational learning. The Group is a contributor to the national HRD (human resource development) funds and participates actively in its programmes.

4.3 *Work environment*
The Group is committed to provide a safe, healthy, and quality working environment especially at its various factories and project sites. In this regard, various capital investment, initiatives, campaigns, and training in these areas have been carried out.

4.4 *General policies*
The Group strictly adheres to local employment and labour laws, and adopts a non-discriminatory hiring policy with regards to gender, age, ethnicity, or religion.

Relevant non-financial measures include: employee attrition & retention rate; employees years-in-service profile; employees' certifications & skill profile; factory injury or accident statistics; disciplinary statistics.

	Years in-Service				Total
	0 to 3	4 to 9	10 to 19	20 & >	%
Number of employees					
Male	129	79	53	108	80%
Female	34	20	12	26	20%
Total (%)	35%	21%	14%	29%	100%

C. Environmental Elements

5. Along the Value-Chain

Steel and its derivatives are entirely recyclable, whilst iron (being the raw material) is the most common element on Earth. Engineering works mostly involve requisite environmental-impact-assessment (EIA) and approval, environmental-friendly engineering solutions, and regulatory checks. Regardless the business segment, the Group's aim is to minimise impact on the environment at all stages of its value-chain, such as through a combination of the following:

5.1 *Input-level*
For the steel segments, the Group ensures that the supplies of raw materials are from sustainable sources and obtained/produced with environmental consideration and best practices. Its management visits all up-steam sourcing mills and review their environmental sustainability practices as requisite for continuous business relation. For the engineering segment, the Group ensures that necessary EIA approval are in-place and the engineering solutions meet or exceed the EIA requirements.

5.2 *Production-level*
The Group considers the carbon-footprint of its energy and gas consumption (which comprised roughly 22% of its steel conversion cost) and constantly find ways to reduce it. In countering the carbon-footprint, the Group also ensures its factory premises and project sites are properly landscaped with lush trees and plants. The Group's steel production lines emit minimum noise and air pollutant, and are generally within permissible limits with annual DoE (Department of Environment) checks being carried out. Rainwater are harnessed for operational use, whilst waste water and soluble are treated before being discharged. Its manufacturing and back-end operations are computerised and generally paperless. On engineering projects, the Group ensures all environmental regulations are met especially with regards to soil erosion, noise emission, and air contamination. Ingress and egress from site are regulated to negate impact on the surrounding communities.

5.3 *Output-level*
The Group ensures at all waste and by-products (of all segments) are economically channelled for recyclers and/or are disposed by professional handlers with minimum impact on the environment. All its steel scraps, waste-acids, and zinc-ashes are systematically aggregated and sold to recyclers.

Relevant non-financial measures include: Quarterly reported environmental measures to the DoE; energy-saving initiatives and usage measurements; waste or scrap recovery rates; environmental complaints; annual sustainability review of key suppliers.

D. Social Elements

6. Community

The Group's philanthropic activities are unstructured and generally limited by its resources and financial performance. The Group works with a related-party charitable foundation on a non-profit basis to build modular children libraries in rural villages at 12 locations throughout the country; of-which, 6 units have been completed in the last 3 years. This project also serves as a platform for the Group to test its modular designs and construction using its own steel tubes - with the aim to spin-off as a viable business in the future. During the current financial year, the Group made a few corporate advertisement sponsorship for events or publications involving various communities. In the preceding financial year, the Group's steel listed subsidiary sponsored a pro-cycling team under the National Sports Council of Malaysia.

To make-up for its minimal outlay for direct charitable contributions, the Group's steel segment also contributes its time and labour to set-up Emergency Response Teams (who are trained by the local Bomba) to serve the communities in the vicinity of its operations. The steel units also run practical-training programmes with local technical institutions to promote work-experience and employability of its graduating students.

The Group's sustainability practices are never static and continues to evolve to meet corporate and sustainability strategies. In that regard, the Group adopts a framework to ensure the alignment of materiality assessment, and sustainability initiatives and measurements with its overall sustainability vision. These would be duly discussed in future detailed sustainability statements.

CORPORATE INFORMATION

Domicile : Malaysia

Legal Form & Place of Incorporation : A public listed company incorporated in Malaysia under the Companies Act 1965 and limited by shares

Directors :

Tunku Dato' Yaacob Khyra
- *Executive Chairman*

En Azlan bin Abdullah
- *Managing Director*

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

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

Mr Muk Sai Tat
- *Independent Non-Executive Director*

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

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

Secretary : Ms Lily Yin Kam May

Audit and Governance Committee :

Mr Muk Sai Tat
- *Chairman*

En Shazal Yusuf bin Mohamed Zain
- *Member*

Dato' Indera Naresh Mohan
- *Member*

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

Registrar & Transfer Office :

Trace Management Services Sdn Bhd
Suite 11.05, 11th Floor
No. 566 Jalan Ipoh
51200 Kuala Lumpur
Telephone No. : 03-6252 8880
Telefax No. : 03-6252 8080

Registered Office :

Suite 11.05, 11th Floor
No. 566 Jalan Ipoh
51200 Kuala Lumpur
Telephone No. : 03-6252 8880
Telefax No. : 03-6252 8080

Principal Place of Business :

15th Floor, No. 566 Jalan Ipoh
51200 Kuala Lumpur
Telephone No. : 03-6250 6000
Telefax No. : 03-6257 1555

Solicitors :

Chooi & Company + Cheang & Ariff
Level 5, Menara BRDB
No. 285, Jalan Maarof
Bukit Bandaraya
59000 Kuala Lumpur
Telephone No. : 03-2055 3888
Telefax No. : 03-2055 3880

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

Deol & Gill
Suite 19-03-03
3rd Floor, Wisma Tune
No.19, Lorong Dungun
Damansara Heights
50490 Kuala Lumpur
Telephone No. : 03-2095 9980
Telefax No. : 03-2095 9881

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

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

Auditors :

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

Principal Bankers (In alphabetical order) :

- Bangkok Bank Berhad
- 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

MELEWAR INDUSTRIAL GROUP BERHAD

Property Investment and Investment Holding
(Main Market Listed)

- **71.3% 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 Tube in United Kingdom
- **100% Melewar Steel Mills Sdn Bhd** — Trading of Steel and Iron Products/Scrap
  - **50% Melewar MycroSmelt Technology Ltd** — Smelting/Billet Making Technology Owner
- **100% Melewar Integrated Engineering Sdn Bhd** — Engineering
  - **50% Melewar MycroSmelt Technology Ltd**
- **100% Melewar Ecology Sdn Bhd** — Dormant
- **100% Melewar Steel Services Sdn Bhd** — Property Investment
- **100% Melewar Steel Assets Sdn Bhd** — Investment Holding
- **100% Melewar Steel Engineering Sdn Bhd** — Investment Holding

STEEL DIVISION
ENGINEERING DIVISION
OTHERS
NON-ACTIVE/DORMANT

QUALITY RECOGNITION

QUALITY MANAGEMENT SYSTEM (QMS)

Melewar Industrial Group Bhd (MIGB) strives to improve its operations and has always endeavoured to meet its customer's expectation. In 1997, MIGB achieved its ISO 9002 certification. Over the years, the effectiveness of the quality management system itself has been improved in order to adapt to the latest global challenges. In 2017, MIGB upgraded its Quality Management System to ISO 9001:2015 and this was accredited by SIRIM with IQNet certification.

SIRIM ISO 9001 : 2015

QUALITY RECOGNITION
(continued)

PRODUCT CERTIFICATION

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

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

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

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

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

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

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

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

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

QUALITY RECOGNITION
(continued)

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

MS 863 : 2010
for Welded Steel Pipe

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

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

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

PERAKUAN PEMATUHAN STANDARD (BAHAN BINAAN) FROM CIDB MALAYSIA

IRON AND STEEL PRODUCTS
- Non-Alloy Steel Tubes Suitable For Welding and Threading
- Rigid Steel Conduit For Cable Management
- Steel Conduit for Electrical Wiring
- Steel Pipes For Water And Sewerage
- Welded Steel Pipes

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

IRON AND STEEL PRODUCTS
- Light Gauge Steel For General Purpose

Tunku Dato' Yaacob Khyra

Aged 58, Male, Malaysian
Executive Chairman
Member 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., IB Capital B.S.C. (Closed) and several private limited companies. He also sits on the Board of Altech Chemicals Limited which is listed in Australia as Non-Executive Director.

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

Tunku Dato' Yaacob is the brother to Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah. Tunku Dato' Yaacob is deemed interested in the Company by virtue of him being a beneficiary of a trust known as KLB, being the holding company of Melewar Equities (BVI) Ltd and Melewar Khyra Sdn Bhd who are the major shareholders of the Company. His shareholding in the Company is disclosed on pages 34 and 36 of the Annual Report.

Azlan bin Abdullah

Aged 60, Male, Malaysian
Managing Director
Chairman of the Executive Committee

En Azlan bin Abdullah was appointed to the Board of Directors of the Company on 23 September 2002 as an Independent Non-Executive Director of the Company. Subsequently, he was appointed Executive Director of the Company on 10 June 2003. On 1 June 2011, he was redesignated to Managing Director/Group Chief Executive Officer of the Company. On 11 August 2018, he was redesignated as Managing 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.

His shareholding in the Company is disclosed on page 34 of the Annual Report.

Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah

Aged 57, Male, Malaysian
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, The Melewar Corporation Berhad, Jat Acres Berhad, MAA Credit Berhad, MAA Bancwell Trustee Berhad, Mithril Berhad and several other private limited companies.

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

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

Tunku Yahaya is the brother to Tunku Dato' Yaacob Khyra, the Executive Chairman of the Company.

Shazal Yusuf bin Mohamed Zain

Aged 47, Male, Malaysian
Independent Non-Executive Director
Chairman of the Risk and Sustainability Committee
Member of the Audit and Governance Committee
Member of the Nomination and Remuneration Committee

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

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

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

PROFILE OF DIRECTORS
(continued)

Muk Sai Tat

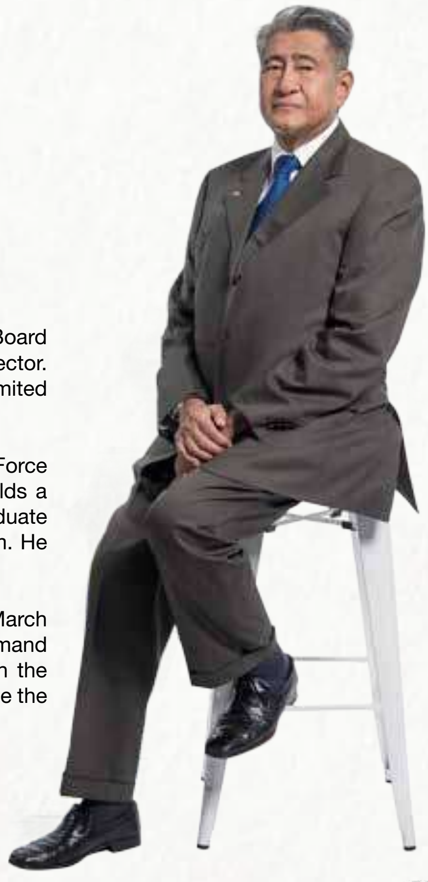
Aged 55, Male, Malaysian
Independent Non-Executive Director
Chairman of the Audit and Governance Committee
Member of the Risk and Sustainability Committee
Member of the Nomination and Remuneration Committee

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

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

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

In 2003, Mr Muk joined Mangium Industries Bhd as the Group Chief Executive Officer/ Executive Director and later joined WaKa Parter AG/Forestry Investment Trust (F.I.T.) and WaKa-Forest Investment Services AG (WaKa-FIS) in 2007 as a Representative for Asia (F.I.T.) and as a Director in Asia Pacific for WaKa-FIS in 2009. In 2010, he joined TT Resources Bhd as an Executive Director. In 2011, he joined Asian Business Solutions Sdn Bhd as a Partner/ Consultant. In 2016, Mr Muk joined Mahzan Sulaiman as consulting partner.



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

Aged 71, Male, Malaysian
Senior Independent Non-Executive Director
Chairman of the Nomination and Remuneration Committee
Member of the Risk and Sustainability Committee
Member of the Audit and Governance Committee

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

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

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

Dato' Indera Naresh Mohan

Aged 53, Male, Singaporean / Malaysian Permanent Resident
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

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

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

ADDITIONAL INFORMATION :-

1) *Except for Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah, who is the brother to Tunku Dato' Yaacob Khyra, none of the other directors has any family relationship with any director and/or major shareholder of the Company.*

2) *None of the directors has any conflict of interest with the Company.*

3) *None of the directors has any convictions for offences (other than traffic offences) within the past five (5) years, and no public sanction or penalty was imposed on any of them by the relevant regulatory bodies during the financial year.*

PROFILE OF KEY SENIOR MANAGEMENT

Tunku Dato' Yaacob Khyra

Malaysian, Aged 58, Male | Executive Chairman

Tunku Dato' Yaacob Khyra is the Executive Chairman of the Company and was appointed to the Board of Directors of the Company on 7 October 2002. He was the Group Managing Director/Chief Executive Officer of the Company since 11 October 2002 before being redesignated as the Executive Chairman on 26 August 2008. His personal profile is listed in the Profile of Directors on page 24 of this Annual Report.

Azlan bin Abdullah

Malaysian, Aged 60, Male | Managing 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 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 and further redesignated to Managing Director of the Company on 11 August 2018. His personal profile is listed in the Profile of Directors on page 24 of this Annual Report.

Soon Leh Hong

Malaysian, Aged 58, Female | Group Chief Treasury Officer

Ms Soon Leh Hong joined the Company on 9 October 2006 as a Group Chief Financial Officer. She was also appointed as Joint Secretary of the Company on 27 February 2007 and resigned on 24 October 2017. On 1 November 2008, she was redesignated to Group Chief Treasury Officer of the Company.

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

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

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

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

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

Choo Kah Yean

Malaysian, Aged 53, 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 30 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 functions 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.

Datuk Uwe Ahrens

German, aged 53, Male | Chief Technical Officer

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

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

Upon graduation, Datuk Ahrens joined the international engineering and industrial plant supplier, KOCH Transporttechnik GmbH in Germany, now belonging to FLSmidth Group, where he held a senior management position for 12 years, working mainly in Germany, USA and South Africa. In 1997, he was based in Kuala Lumpur as General Manager of KOCH in South East Asia and became its Managing Director in 1999. He is currently the Chief Executive Officer of Melewar Integrated Engineering Sdn Bhd.

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

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

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

PROFILE OF KEY SENIOR MANAGEMENT

(continued)

Mohd Silahuddin bin Jamaluddin

Malaysian, Aged 58, Male | Vice President – Business Development

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

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

Encik Silahuddin has more than 24 years of work experience in developing business in the 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. 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.

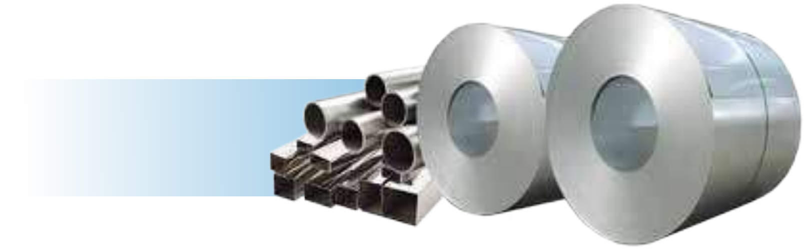
Encik Silahuddin does not have any conflict of interest with the Company and has had no conviction for any offences within the past five (5) years, other than traffic offences, if any and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

GROUP FINANCIAL HIGHLIGHTS

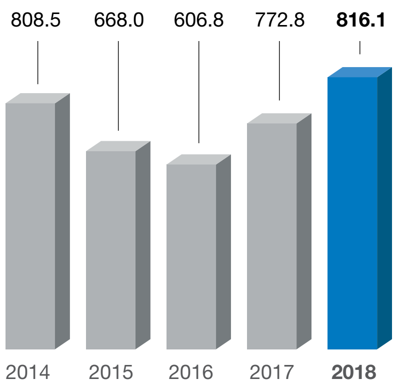
	2013	2014	2015	2016	2017	2018
1. Results of Operations						
Revenue (RM mil)	977.5	808.5^	668.0	606.8	772.8	816.1
(Loss)/Profit Before Tax (RM mil)	(208.4)	62.9^	(35.9)	23.1	(55.2)	11.2
(Loss)/Profit After Tax (RM mil)	(215.0)*	74.6*^	(29.5)*	8.2*	(78.2)*	(0.7)*
2. Balance Sheet						
Share Capital (RM mil)	226.8	226.8	226.8	226.8	227.0@	227.0
Shareholders' Funds (RM mil)	205.4	283.4	292.9	311.5	241.9	247.9
Total Assets (RM mil)	1,424.3	690.2	699.6	695.3	769.1	777.6
3. Financial Ratio						
Return on Equity (%)	(104.6)	26.3^	(10.1)	2.6	(32.3)	(0.3)
Debts#/Equity (Times)	4.06	0.85	0.91	0.61	1.16	0.59
Current Assets/Current Liabilities (Times)	0.36	1.04	1.1	1.2	1.1	1.1
Pre-Tax (Loss)/Profit/Average Shareholders' Fund (%)	(67.6)	25.7^	(12.5)	7.6	(19.9)	4.6
Pre-Tax (Loss)/Profit/Revenue (%)	(21.3)	7.8^	(5.4)	3.8	(7.1)	1.4
4. Per Share						
Gross (Loss)/Earnings per share (sen)	(92.4)	27.9^	(15.9)	10.2	(24.5)	5.0
Net (Loss)/Earnings per share (sen)	(95.3)	33.1^	(13.1)	3.7	(34.7)	(0.3)
Net Assets per share (RM)	0.91	1.26	1.30	1.38	1.07	1.10
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*

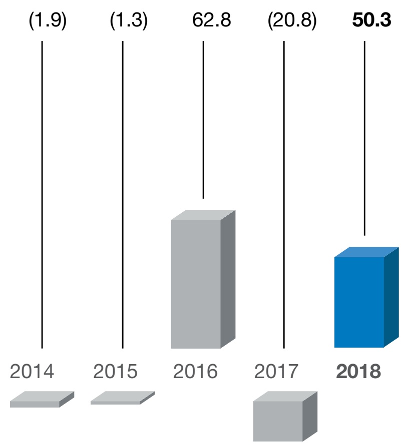
GROUP FINANCIAL HIGHLIGHTS
(continued)



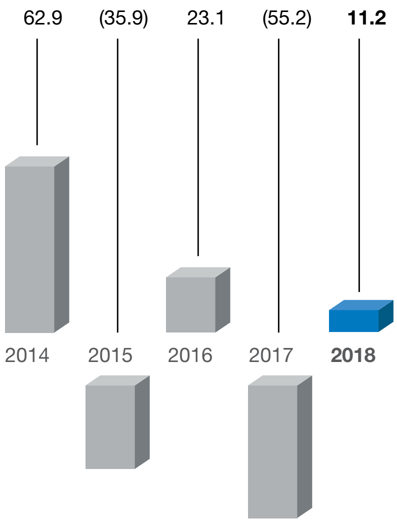
REVENUE
RM (Million)



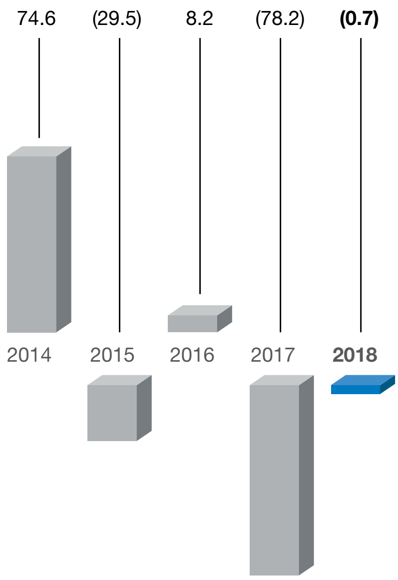
(LBITDA)/EBITDA
RM (Million)



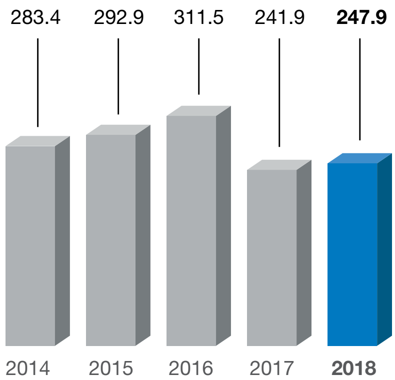
PROFIT/(LOSS) BEFORE TAX
RM (Million)



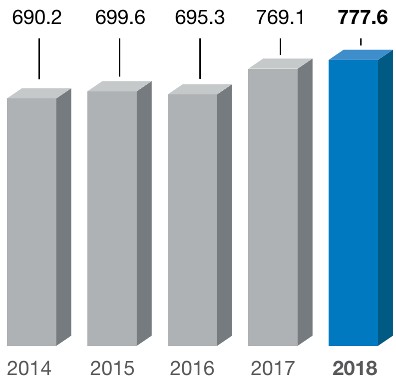
PROFIT/(LOSS) AFTER TAX
RM (Million)

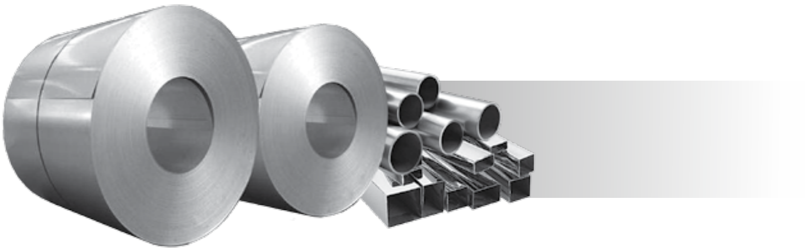


SHAREHOLDERS' FUNDS
RM (Million)



TOTAL ASSETS
RM (Million)





ANALYSIS OF SHAREHOLDINGS
As At 1 October 2018

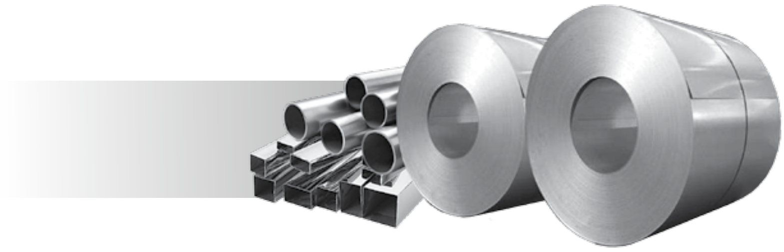
Total Number of Issued Shares	-	359,417,703
Class of Shares	-	Ordinary Shares
No. of Shareholders	-	7,042
Voting Rights	-	One (1) vote per ordinary share

No. of Size of Holdings	No. of Holders	% of Holders	No. of Shares	% of Shares
Less than 100	823	11.69	28,264	0.00
100 - 1,000	700	9.94	461,669	0.13
1,001 - 10,000	3,589	50.96	15,907,026	4.43
10,001 - 100,000	1,655	23.50	53,374,137	14.85
100,001 and below 5% of issued shares	273	3.88	124,884,143	34.75
5% and above of issued shares	2	0.03	164,762,464	45.84
TOTAL	**7,042**	**100.00**	**359,417,703**	**100.00**

THIRTY LARGEST SHAREHOLDERS AS AT 1 OCTOBER 2018

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.	Araneum Sdn Bhd	10,915,732	3.04
4.	Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Wong Choo Mok)	10,328,400	2.87
5.	UOB Kay Hian Nominees (Asing) Sdn Bhd (Beneficiary: UOB Kay Hian Pte Ltd for Bradford Securities Ltd)	8,300,000	2.31
6.	Amsec Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Avenue Serimas Sdn Bhd)	3,710,300	1.03
7.	Geoffrey Lim Fung Keong	3,390,000	0.94
8.	Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Wong Choo Mok)	3,203,800	0.89
9.	Yeoh Phek Leng	2,960,000	0.82
10.	Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Quek Phaik Im)	2,704,500	0.75
11.	Cimsec Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Ng Geok Wah)	2,560,800	0.71
12.	Quek Phaik Im	1,980,700	0.55
13.	Wong Soo Chai @ Wong Chick Wai	1,458,000	0.41
14.	Maybank Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Lim Kim Ong)	1,400,000	0.39
15.	Mohamed Nizam bin Mohamed Jakel	1,317,600	0.37
16.	Tan Bee Yook	1,249,800	0.35
17.	Maybank Nominees (Tempatan) Sdn Bhd (Beneficiary: Ho Keat Soong)	850,000	0.24
18.	Kenanga Nominees (Asing) Sdn Bhd (Beneficiary: Pledged securities account for Wu Teng Siong)	837,300	0.23
19.	Kwo Kim Hoe	835,000	0.23
20.	Cimsec Nominees (Tempatan) Sdn Bhd (Beneficiary: CIMB for Lee Soi Gek)	800,000	0.22

ANALYSIS OF SHAREHOLDINGS
As At 1 October 2018
(continued)



THIRTY LARGEST SHAREHOLDERS AS AT 1 OCTOBER 2018 (continued)

No	Name	No. of Shares Held	[a]% of Shares
21.	Lim Seng Chee	794,000	0.22
22.	Tan Poh Hwa	780,000	0.22
23.	Chim Luang Eng	770,700	0.21
24.	Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Li Cheng Thong @ Lee Chen Thu Ng)	720,000	0.20
25.	Cheng Hon Sang	718,700	0.20
26.	Ong Teck Peow	714,000	0.20
27.	Cimsec Nominees (Tempatan) Sdn Bhd (Beneficiary: CIMB Bank for Wan Hazreek Putra Hussain Yusuf)	712,000	0.20
28.	Chia Beng Tat	700,000	0.20
29.	Kenanga Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Koh Boon Poh)	700,000	0.20
30.	Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Zet Enterprise Sdn Bhd)	673,333	0.19
	TOTAL	**230,847,129**	**64.23**

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 2018

	Number of Shares Held			
Name	**Direct**	**%[a]**	**Indirect**	**%[a]**
Tunku Dato' Yaacob Khyra ("TY")	-	-	164,762,464	45.84[1]
Khyra Legacy Berhad ("KLB")	-	-	164,762,464	45.84[2]
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 2018

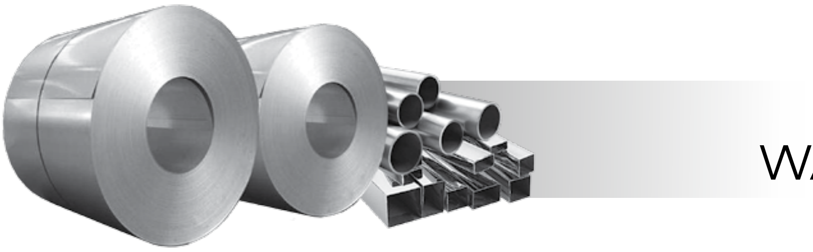
	Number of Shares Held			
Name	**Direct**	**%[a]**	**Indirect**	**%[a]**
TY	-	-	164,762,464	45.84[1]
Azlan bin Abdullah	133,333	0.04	-	-

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 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.

[2] Deemed indirect interest by virtue of it being the holding company of MEBVI and MKSB who are the Major Shareholders of the Company.



ANALYSIS OF WARRANT HOLDINGS
As At 1 October 2018

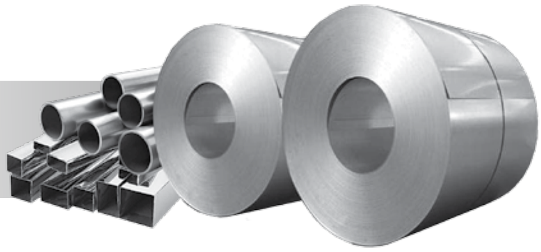
Number of Warrants Issued	-	66,947,418
Number of Warrants Exercised	-	-
Number of Warrants Unexercised	-	66,947,418
Number of Warrants Holders	-	696
Exercise Price	-	RM0.40 per warrant
Exercise Period	-	20 August 2018 to 18 August 2023

No. of Size of Holdings	No. of Holders	% of Holders	No. of Warrants	% of Issued Warrants
Less than 100	8	1.15	382	0.00
100 - 1,000	106	15.23	72,633	0.11
1,001 - 10,000	329	47.27	1,576,150	2.35
10,001 - 100,000	217	31.18	7,547,654	11.27
100,001 and below 5% of issued warrants	35	5.03	16,559,983	24.74
5% and above of issued warrants	1	0.14	41,190,616	61.53
TOTAL	**696**	**100.00**	**66,947,418**	**100.00**

THIRTY LARGEST WARRANT HOLDERS AS AT 1 OCTOBER 2018

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.	Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Wong Choo Mok)	1,312,500	1.96
5.	Kenanga Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Ng Tiam Ming)	1,050,000	1.57
6.	Cimsec Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Ng Geok Wah)	750,000	1.12
7.	Kenanga Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Kwong Ming Kwei)	720,000	1.08
8.	Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Wong Choo Mok)	661,200	0.99
9.	Mohamed Zaiman bin Mohd Noor	615,700	0.92
10.	Affin Hwang Investment Bank Berhad (Beneficiary: Ivt)	575,100	0.86
11.	Tham Pei Yee	500,000	0.75
12.	Kenanga Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Tan Bee Yook)	468,200	0.70
13.	Tan Bee Yook	463,300	0.69
14.	Walter Wurtz	400,000	0.60
15.	Cimsec Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Demudu a/l Naganaidu)	250,000	0.37
16.	Cimsec Nominees (Tempatan) Sdn Bhd (Beneficiary: CIMB Bank for Wan Hazreek Putra Hussain Yusuf)	237,500	0.36
17.	Alliancegroup Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Tan Eng Hock)	230,000	0.34
18.	Tan Poh Hwa	230,000	0.34

ANALYSIS OF WARRANT HOLDINGS
As At 1 October 2018
(continued)



THIRTY LARGEST WARRANT HOLDERS AS AT 1 OCTOBER 2018 (continued)

No	Name	No. of Warrants Held	[a]% of Issued Warrants
19.	Alliancegroup Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Sak Kam Wah)	200,000	0.30
20.	Andie bin Mohamed Yusoff	200,000	0.30
21.	Lim Bian Huat	200,000	0.30
22.	Maybank Securities Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Chieng Kok Tung)	200,000	0.30
23.	Norpa'izah bte Abu Samah	200,000	0.30
24.	Chin Kok Leong	199,900	0.30
25.	Kwo Kim Hoe	183,750	0.27
26.	Nicecomp Sdn Bhd	167,500	0.25
27.	Maybank Securities Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Mohd Zaffrey bin Zainal)	162,900	0.24
28.	Maybank Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Zakariah bin Yahya)	150,000	0.22
29.	Neo Kim Thin	150,000	0.22
30.	Maybank Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Sim Chai Luan)	134,200	0.20
	TOTAL	**57,031,299**	**85.19**

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 2018

	Number of Warrants Held			
Name	**Direct**	**%[a]**	**Indirect**	**%[a]**
Tunku Dato' Yaacob Khyra ("TY")	-	-	41,190,616	61.53 [1]
Khyra Legacy Berhad ("KLB")	-	-	41,190,616	61.53 [2]
Melewar Khyra Sdn Bhd ("MKSB")	41,190,616	61.53	-	-

DIRECTORS' WARRANT HOLDINGS AS AT 1 OCTOBER 2018

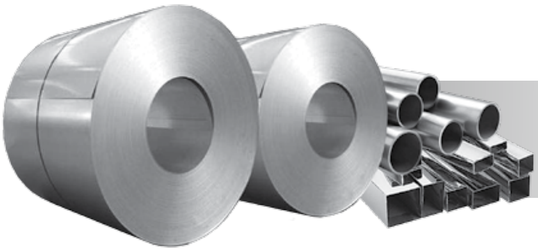
	Number of Warrants Held			
Name	**Direct**	**%[a]**	**Indirect**	**%[a]**
TY	-	-	41,190,616	61.53 [1]

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 TY being a beneficiary of a trust known as KLB, being the holding company of MKSB who is the Major Shareholder of the Company.

[2] Deemed indirect interest by virtue of it 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") acknowledges the importance of good corporate governance and is committed in ensuring that the Company and its subsidiaries ("the Group") practice good corporate governance in line with the new Malaysian Code on Corporate Governance 2017 ("MCCG 2017") issued by the Securities Commission of Malaysia ("the Code").

This statement, which is made pursuant to paragraph 15.25 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), sets out the manner in which the Group has applied the three (3) principles prescribed in the MCCG 2017:

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 detailed application by MIG Group for each practice as set out in the MCCG 2017 during the financial year 2018 is disclosed in the Corporate Governance Report ("CG Report") which is available on the Company's corporate website at www.melewar-mig.com/investorsinfo_annualrep.html

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

1. Roles and Responsibilities

The Board is responsible for the leadership, oversight and overall management of the Company. The Board is made up of a combination of Executive Director(s) with intimate knowledge of the business and Non-Executive Directors from diversified industry/business background to bring broad business and commercial experience to the Group.

The Board has the overall responsibility for corporate governance, establishing goals, strategies and direction, reviewing the Group's performance and critical business issues and ultimately the enhancement of long term shareholders' value. It monitors and delegates the implementation of the strategic direction to the management.

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

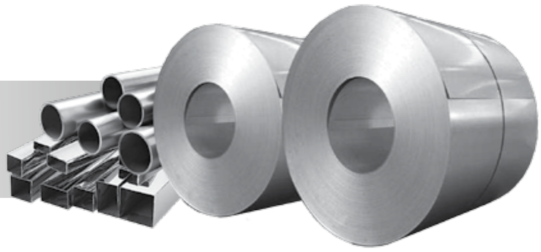
To facilitate the discharge of the Board's responsibility and oversight role, the Board is assisted by various Board Committees namely:

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

At the Board Meeting held in August 2018, the Board agreed that going forward, the EXCO will no longer be a Committee of the Board but will function as a management committee comprising of Executive Directors and Heads of Department/Division.

The respective Committees have been established with terms of reference setting out their duties and responsibilities. The Chairman of the respective Committees report regularly to the Board on the key findings of their review and/or make recommendations to the Board. The ultimate responsibility for decision making, however, lies with the Board.

These Board Committees are chaired by Independent Non-Executive Directors, except for the EXCO, who exercise skillful leadership with in-depth knowledge of the relevant industry and who have committed time and effort as members. As explained earlier, the EXCO comprises executive directors who are non-independent of which the MD is the Chairman of the EXCO as well as Heads of Department/Division with the primary objective to review and approve subject to thresholds as provided in the TAL, besides determining whether changes, improvements or other actions are needed to ensure that the Company's strategies and practises are aligned with shareholders' interests.



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. He is also responsible in leading the Board in its collective oversight of Management and ensure effectiveness of the Board.

On 11 August 2018, En Azlan bin Abdullah's position was redesignated from Managing Director/Group Chief Executive Officer to Managing Director of the Company.

The roles of the Executive Chairman and MD of MIG remain separate and distinct and held by different individuals. There is a clear division of responsibilities between the Chairman and the MD of the Company to ensure a balance of power and authority.

The roles and responsibilities of both the Executive Chairman and the MD are more particularly set out in the Board Charter which is available at the Company's website.

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 attends all Board and Committee meetings and ensures that all Board procedures are followed. The Company Secretary also ensures that the Company complies with all applicable statutory and regulatory rules.

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 MMLR and the resultant implications to the Company and the Board in discharging their duties and responsibilities.

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

4. Access to Information and Meeting Materials

Prior to the scheduled meeting, Directors will be provided a structured agenda together with management reports and proposal papers, if any, in a timely manner prior to the meeting. All Directors have full access to information through the Board papers distributed in a timely manner prior to the Board meetings. The Board papers provide, among others, periodic financial information, annual budget, operational and corporate issues, investment proposals 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 the proper discharge of 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 recently reviewed and approved the revisions made to the Board Charter on 30 May 2018 to re-align the existing governance policies in the Company with the good standard of corporate governance practices prescribed by the MCCG 2017 and MMLR, where possible or relevant.

The Board Charter clearly sets out the functions, responsibilities, and processes of the Board and ensures that all Board members are aware of their roles and responsibilities. The Board Charter is available at MIG's website www.melewar-mig.com.

6. Code of Conduct and Ethics

The Board recently reviewed and approved the Code of Conduct and Ethics for Company Directors on 30 May 2018. This Code of Ethics provides good guidance for a standard of ethical behaviour for Directors based on trustworthiness and values that can be accepted and to uphold the spirit of responsibility and social responsibility in line with the legislation, regulations and guidelines for administrating a company.

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 and Non-Compliance.

The Code of Conduct and Ethics is available at MIG's website at www.melewar-mig.com.

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.

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

8. Board Composition

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

The Board comprised of two (2) Executive Directors (including the Chairman), one (1) Non-Independent Non-Executive Director and four (4) Independent Non-Executive Directors.

The Company therefore complied with the following prescribed requirements :

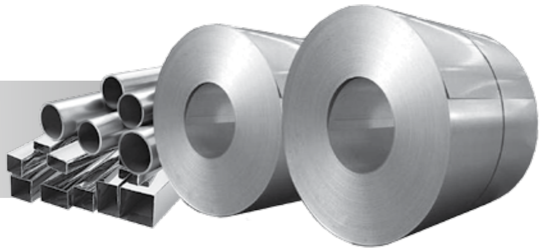
- Paragraph 3.04(1) of the MMLR which stipulates that at least 2 directors or 1/3 of the board of directors, whichever is the higher, are independent directors; and
- Practice 4.1 of the MCCG 2017, where at least half of the board comprises Independent Director.

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

Directors	Designation
Tunku Dato' Yaacob Khyra	Executive Chairman
En Azlan bin Abdullah	Managing Director
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	Non-Independent Non-Executive Director
En Shazal Yusuf bin Mohamed Zain	Independent Non-Executive Director
Mr Muk Sai Tat	Independent Non-Executive Director
General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd)	Senior Independent Non-Executive Director
Dato' Indera Naresh Mohan	Independent Non-Executive Director

The Group considers its complement of Non-Executive Directors provide an effective Board with a mix of industry specific knowledge and broad business and commercial experience. The 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 were 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 General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) 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.



The Board had reviewed the Board policies and processes to be in line with the MMLR of Bursa Securities and MCCG 2017 which have been endorsed and approved by the Board on 30 May 2018.

The main revisions to the Board's policies and processes were as follows :

(a) Enhancing the procedures for the appointment/removal of directors and the review of the effectiveness of the board and individual directors to include rigorous review process on the independence of any independent director who has served/ would be serving a cumulative term of nine (9) years and criteria for assessment includes diversity in skills, experience, age, cultural background and gender;

(b) Enhancing the criteria and processes for Annual Evaluation to determine the effectiveness of the board, its committees, each individual director and independent directors to include additional independent director evaluation which is a peer evaluation process by the Board to examine and assess the independence of independent directors who have been serving the Company for more than eight (8) years.

9. Tenure of Independent Director

As explained above, the Board is mindful of the recommendation in the Code on the tenure of an independent director which should not exceed a cumulative term limit of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the board as a non-independent director. If the Board intends to retain an independent director beyond nine (9) years, it should justify and seek annual shareholders' approval.

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

One of the Independent Non-Executive Directors of the Company, En Shazal Yusuf bin Mohamed Zain would be attaining a tenure of nine (9) years by 30 May 2019. As the next Annual General Meeting ("AGM") of the Company will only be held after that date in 2019, the NRC was requested to assess and evaluate the position of En Shazal Yusuf bin Mohamed Zain during this current financial year.

The NRC had assessed, reviewed and agreed that En Shazal Yusuf bin Mohamed Zain has remained objective and continued to be independent and unbiased in expressing his view and in participating in deliberations.

The Board is satisfied through the assessment and evaluation by the NRC and agreed to recommend him to be re-elected and continue to act as Independent Non-Executive Director of the Company.

The Board will seek annual shareholders' approval for his retention as independent director at the forthcoming AGM to be held on 29 November 2018.

10. 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.

The Company has not set any specific target for female directors on the Board as well as for age and ethnic diversity in the boardroom but will continue to review the composition of the Board with a view of having a well-balanced age diversity and multi-ethnicity representation to the Board.

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

11. 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 has been 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 2018, there has been no appointment of new Independent Director to the Board. Whilst the Board is of the view that the current directorship is adequate with the appropriate mix of skills and experience required for the Group, it is mindful of the recommendation 4.6 of the Code and the NRC continues to assess suitable candidates for recommendation to the Board.

The Terms of Reference of the NRC was last reviewed by the Board on 30 May 2018 and is made available for reference in the Company's corporate website at www.melewar-mig.com.

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

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

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

Dato' Indera Naresh Mohan
- Independent Non-Executive Director

Mr Muk Sai Tat
- Independent Non-Executive Director

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.

13. 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.

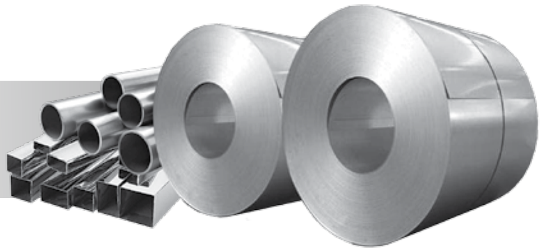
The assessment of the Board by Individual Directors was based on specific criteria, covering areas such as the Board composition and structure, principal responsibilities of the Board and the Board Committees, the MD's performance and Board governance. There were no major concerns from the results of the assessments.

All the assessment and evaluation carried out by the NRC are minuted and its minutes are included in the Board papers for Board's notification. The Board is satisfied with the overall performance of the individual Directors, Board and Board Committees for the financial year under review.

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 2018.

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.



14. Summary of Activities Undertaken by the NRC in respect of financial year 2018

The NRC held three (3) meetings during the financial year ended 30 June 2018 and discussed, inter alia, the following matters:

(a) The NRC conducted annual assessment on the effectiveness of the Board and Committees covering areas such as Board structure and operation, management relationship with the Board, Board's role and responsibilities, the required mix of skills and experience of the Directors, time commitments, skills, characters, experiences, integrity and competencies to effectively discharge the role as a Director for the financial year ended 30 June 2018 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 Company's Articles of Association at the forthcoming 49th AGM. The Directors standing for retirement by rotation and subject to re-election at the forthcoming AGM are Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah and General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd).

(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 would be attaining a tenure of nine (9) years by 30 May 2019.

(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, MD and Senior Management.

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

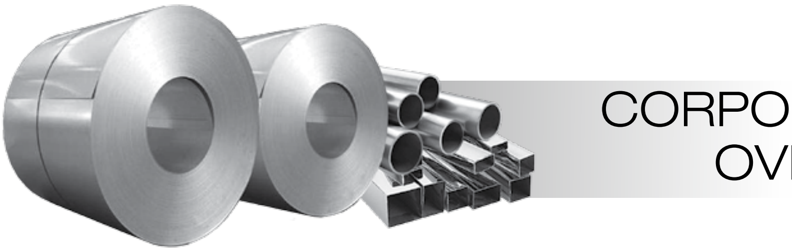
(i) Reviewed attendance of Directors at Board/Board Committees, to ensure compliance to minimum attendance requirement of Board meetings of not less than fifty percent (50%) of the total meetings held during the financial year.

15. 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 time commitment of the Directors was demonstrated by the full attendance and time spent at the Board and Board's Committee meetings during the financial year.



The Board met six (6) times during the financial year ended 30 June 2018. The attendance of each Director at the Board Meetings held during the financial year ended 30 June 2018 are as follows :

Executive Directors	No. of Attendance	%
1. Tunku Dato' Yaacob Khyra (Chairman)	6/6	100
2. En Azlan bin Abdullah	6/6	100
Non-Independent Non-Executive Directors	**No. of Attendance**	**%**
1. Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	6/6	100
2. Madam Ezurin Yusnita binti Abdul Malik (Resigned on 27 October 2017)	1/2	50
Independent Non-Executive Directors	**No. of Attendance**	**%**
1. En Shazal Yusuf bin Mohamed Zain	6/6	100
2. Mr Muk Sai Tat	6/6	100
3. General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd)	4/6	67
4. Dato' Indera Naresh Mohan	5/6	83

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.

16. Continuing Education and Training of Directors

The Directors are fully aware of the importance of keeping abreast with the latest changes and developments in the industries in which the Group operates as well as the economic, financial and governance issues in order to enhance the effectiveness in discharging their responsibilities as Directors.

All Directors have attended various training programmes during the financial year ended 30 June 2018 :

Members of the Board	List of Training Programmes/ Seminars/ Conferences Attended
Tunku Dato' Yaacob Khyra	1. CG Breakfast Series entitled : MCCG Reporting & CG Guide

Members of the Board	List of Training Programmes/ Seminars/ Conferences Attended
En Azlan bin Abdullah	1. Capital Market Director Programme : Directors as Gatekeepers of Market Participants 2. Capital Market Director Programme : Business Challenges and Regulatory Expectations – What Directors Need to Know (Equities & Futures Broking) 3. Capital Market Director Programme : Risk Oversight and Compliance : Action Plan for Board of Directors 4. CG Breakfast Series entitled : Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World 5. Malaysian Halal Standard, Certification & Auditing 6. Capital Market Director Programme : Current and Emerging Regulatory issues in the Capital Market 7. IERP's Board of Director's Networking Group : What Concerns Boards and How to Deal with it 8. CG Breakfast Series entitled : Leading Change @ The Brain 9. Internal Capital Adequacy Assessment Process (ICAAP) Workshop 10. Implementing the Companies Act 2016 & the Malaysian Code of Corporate Governance 2017 - What Every Director Needs to Know 11. Knowledge Sharing on Islamic Stockbroking Window 12. Dialogue Session on Cryptocurrency 13. Luncheon Talk on the Colour of Inequality : Ethnicity, Class, Income and Wealth in Malaysia
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	1. Highlights of the Companies Act 2016 – Changes & Implications
En Shazal Yusuf bin Mohamed Zain	1. IERP Tea Talk Event : Driving Value via Continual Improvement 2. IERP's Board of Director's Networking Group : What Concerns Boards and How to deal with it.
Mr Muk Sai Tat	1. IERP's Board of Director's Networking Group : What Concerns Boards and How to deal with it. 2. MIA International Accountants Conference 2017 3. New Malaysian Code of Corporate Governance 2017 - A Comprehensive & Actionable Work Plan 4. CG Breakfast Series entitled : Leading Change @ The Brain 5. CG Breakfast Series entitled : MCCG Reporting & CG Guide
General Tan Sri Dato' Sri Hj. Suleiman bin Mahmud RMAF (Rtd)	1. Digital Economy and Capital Market Series : Financial Technology (Fintech), Artificial Intelligence (AI), Big Data and Internet of Things (IOTs)
Dato' Indera Naresh Mohan	1. CG Breakfast Series entitled : MCCG Reporting & CG Guide

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 Company Secretary, External Auditors, and Internal Auditors on any updates or changes to the relevant guidelines on the regulatory and statutory requirements at Board Meetings and AGC Meetings.

17. 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 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, procedures for determining the remuneration of Directors and Executive Directors as well as Senior Management was endorsed and approved by the Board on 30 May 2018 in line with the MMLR of Bursa Securities and MCCG.

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.

All Non-Executive Directors are paid Directors' Fees of RM37,200 per annum each for serving as members of the Board. In recognition of their commitment and additional time contributed, the Directors will also receive annual AGC and RSC Fees of RM6,000 per annum. The Directors' fees are appropriate to their contribution, taking into consideration effort, commitment and time spent as well as the responsibilities of the Directors.

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

Each of the Executive Directors abstained from deliberating and voting on his own remuneration.

For the FY2018, the NRC had performed its duty to assess the remuneration package of its Executive Directors and Senior Management.

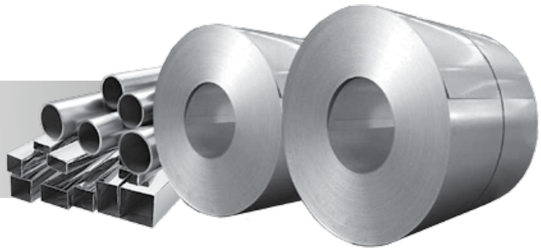
In addition, the NRC had also deliberated on the Directors' fees for the financial year ending 2019 ("FY2019") which is subject to the shareholders' approval at the forthcoming AGM. Further to the deliberations, the NRC had reported to the Board its recommendation and findings.

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 2019, 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 49th 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 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 49th AGM.



The Detailed Remuneration of the Directors for the financial year ended 30 June 2018 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 Directors						
Tunku Dato' Yaacob Khyra	1,080.0	180.0	25.2	-	-	189.0
Azlan bin Abdullah	660.0	121.0	19.8	-	-	240.6
Non-Independent Non-Executive Directors						
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	-	-	2.4	37.2	4.5	-
Ezurin Yusnita binti Abdul Malik (Resigned on 27 October 2017)	-	-	2.4	12.0	0.5	-
Independent Non-Executive Directors						
Shazal Yusuf bin Mohamed Zain	-	-	2.4	49.2	12.0	-
Muk Sai Tat	-	-	2.4	49.2	12.0	-
General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd)	-	-	0.6	47.7	6.0	-
Dato' Indera Naresh Mohan	-	-	2.4	49.2	10.5	-

Received from MSB Group:

Name	Salary (RM'000)	Bonus (RM'000)	Benefits in Kind* (RM'000)	Fees (RM'000)	Meeting Allowance (RM'000)	Others** (RM'000)
Executive Directors						
Tunku Dato' Yaacob Khyra	300.0	50.0	24.6	-	-	52.5
Azlan bin Abdullah	-	-	-	-	-	-
Non-Independent Non-Executive Directors						
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	-	-	-	-	-	-
Ezurin Yusnita binti Abdul Malik (Resigned on 27 October 2017)	-	-	-	-	-	-
Independent Non-Executive Directors						
Shazal Yusuf bin Mohamed Zain	-	-	-	54.6	8.5	-
Muk Sai Tat	-	-	-	54.6	10.0	-
General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd)	-	-	-	-	-	-
Dato' Indera Naresh Mohan	-	-	-	-	-	-

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

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

Remuneration Bands	Number of Senior Management
RM50,001 to RM100,000	1
RM450,001 to RM500,000	1
RM600,001 to RM650,000	1
RM700,001 to RM750,000	1
RM750,001 to RM800,000	1

The Company considers the remuneration of the Senior Management to be sensitive and proprietary in view of the competitive nature of human resource market. 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.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

1. AGC

The Board had at its meeting on 28 August 2018 agreed to change the name of the Audit Committee to Audit and Governance Committee.

The AGC is chaired by an Independent and Non-Executive Director, Mr Muk Sai Tat, 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 members of the AGC are Non-Executive Independent Directors.

The Chairman of the AGC is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants.

The Audit and Governance Committee Report is set out on Pages 56 to 62 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 twice without the Executive board members present. In compliance with Malaysian Institute of Accountants ("MIA") by-laws, the Audit Partners are rotated every five (5) 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 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 Advisors. 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 49th 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 25 to 27 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.

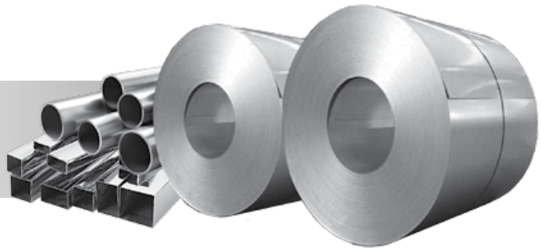
The objective of this framework is to provide guidance to the Group to facilitate a structured approach in identifying, evaluating and managing significant risks and to achieve a level of adequacy and standard reporting by the operating subsidiaries and business divisions to the holding company in a 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 (formerly known as Deloitte Enterprise Risk Services 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 Statement on Risk Management and Internal Control and Audit and Governance Committee Report of this Annual Report respectively.

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

(i) General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) can be contacted as follows:
Telephone number: +603-6250 6000 Facsimile number: +603-6257 1555
Email address: suleiman.mahmud@melewar-mig.com

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

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

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

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

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.

In accordance with the revisions to the MMLR, a summary of the key decisions and discussions arising from the AGM in November 2018 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.

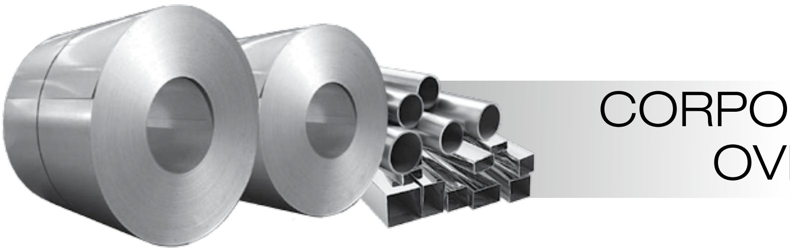
3. Encourage Poll Voting

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 30 November 2017, a poll voting was conducted on all resolutions as set out in the Notice of the 48th AGM and for the interest of all shareholders a summary of key matters discussed at the AGM was posted on the Company's website.

Shareholders are allowed to appoint any person(s) as their proxies to attend, participate, speak and vote in his/her stead at a general meeting.

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 Corporate Governance Overview Statement 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 new MCCG, the MMLR of Bursa Securities and all applicable laws and regulations throughout the financial year ended 30 June 2018.

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 shareholders.

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 2018 amounted to RM659,740 and RM210,000 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 2018 amounted to RM26,010 and RM13,250 respectively.

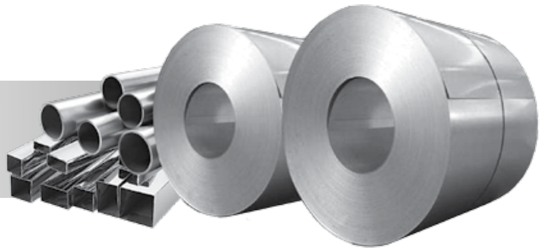
5. RECURRENT RELATED PARTY TRANSACTIONS ("RRPTs") ENTERED INTO DURING THE FINANCIAL YEAR ENDED 30 JUNE 2018

On 30 November 2017, 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 2017) 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 2018 in accordance with the Shareholders' Mandate obtained at the last AGM were as follows :

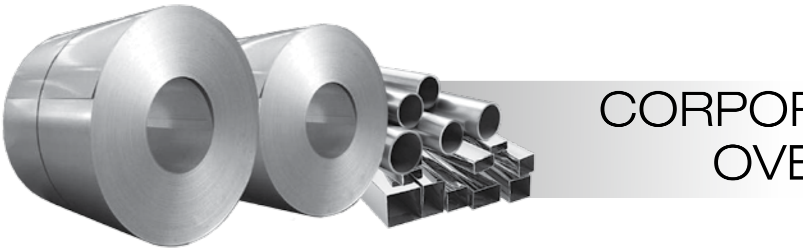
A. RRPT with Melewar Group of Companies

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Parties		Value of Transaction (1/07/2017 – 30/06/2018) (RM)
				Director	Major Shareholder	
1.	Trace Management Services Sdn Bhd ("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	540,492



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

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Parties		Value of Transaction (1/07/2017 – 30/06/2018) (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.	86,236
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.	19,844
3.	MAA Corporate Advisory Sdn Bhd ("MAACA")	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. TY is a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB.	MAACA is a wholly owned subsidiary of MAA Corp who in turn is a wholly owned subsidiary of MAAG whose ultimate Major Shareholder is KLB.	Nil



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

Type of Financial Assistance	Related Party	Interested Related Parties	Manner of relationship with the Related Parties		Value of Transaction (1/07/2017 – 30/06/2018) (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	500,845
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

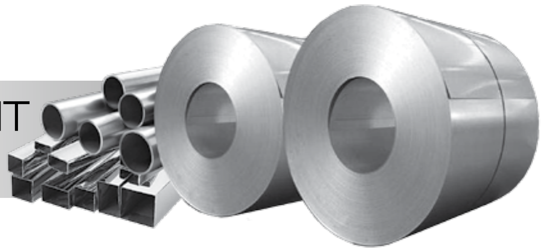
The Companies Act 2016 ("the Act") requires the Directors to cause the preparation of the financial statements for each financial year in accordance with the provisions of the Act and applicable approved accounting standards to give a true and fair view of the state of affairs of the Group and the Company 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 year, the impact of these new treatments would be stated in the notes to the financial statements, accordingly.

The Board has received assurance from the Managing Director and the Chief Financial Officer that the financial records have been properly maintained and the financial statements for the financial year ended 30 June 2018 give a true and fair view of the Company's operations and finances; and of the effectiveness of the Company's risk management and internal control systems. In preparing the financial statements, the Directors have:

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

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

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



INTRODUCTION

This Statement on Risk Management and Internal Control has been prepared in accordance with the "Statement on Risk Management and Internal Control - Guidance for Directors of Listed Issuers", Paragraph 15.26(b) and Practice Note 9 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Practice 9.2 of the Malaysian Code on Corporate Governance 2017.

BOARD RESPONSIBILITY

The Board of Directors ("Board") of Melewar Industrial Group Berhad ("MIG" or "the Company") affirms its overall responsibility for the Group's system of internal control and risk management and for reviewing the adequacy and integrity of the system. The system of internal control covers governance, risk management, financial and organisational, operational, regulatory and compliance control. Notwithstanding, the Group's system is designed to manage rather than eliminate the risks of failure to achieve the Group's business objectives. Accordingly, such systems can only provide a reasonable but not absolute assurance against material misstatement, loss or fraud, and that any adverse impact arising from a foreseeable future event or situation on the Group's objectives is mitigated and managed.

RISK MANAGEMENT

The main components of the Group's risk governance and structure consists of the Board, the Audit and Governance Committee ("AGC") and the Risk and Sustainability Committee ("RSC"). The Board had at its meeting of 30 May 2018 agreed to change the name of the Committee to Risk and Sustainability Management Committee and subsequently at the 28 August 2018 after further review, the name of the Committee was again changed to Risk and Sustainability Committee on the basis that the Committee is tasked to look into risk issues which to a large extent are to ensure the sustainability of the businesses and realising the business resilience of the Company.

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 (formerly known as Deloitte Enterprise Risk Services Sdn Bhd) ("Deloitte"). Internal control issues as well as actions taken by Management to address these issues are tabled by the outsourced service provider for deliberation during the AGC meetings.

The Group has also in place Standard Operating Policies and Procedures 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 Managing Director ("MD"), who is responsible for business and regulatory governance.

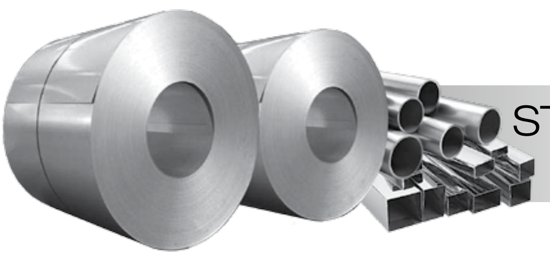
Chief Executive Officers of the operating subsidiaries, Senior Management, Division Heads and Department Heads are responsible for identifying, assessing and managing the risks of their respective business units, operational units and departments. The specific business risks identified encompasses risks 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.

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.

RISK AND SUSTAINABILITY COMMITTEE

The RSC was established by the Board on 18 December 2003. The RSC had met five (5) times during the financial year. The members of the RSC as at the date of this Annual Report are as follows:

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



During the financial year ended 30 June 2018, five (5) RSC meetings were held. The details of attendance of each Committee member are as follows:

Name of Committee Members	Total Meetings attended
Shazal Yusuf bin Mohamed Zain (Chairman, Independent Non-Executive Director)	5/5
Muk Sai Tat (Independent Non-Executive Director)	5/5
General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) (Senior Independent Non-Executive Director)	3/5
Dato' Indera Naresh Mohan (Independent Non-Executive Director)	5/5

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 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. Recognising that the framework requires enhancement based on the current business operating environment, the Company will be reviewing the framework with the assistance of Deloitte who was recently engaged as the new outsourcing provider to undertake the internal audit requirements of the Group.

The roles of the Board, 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 MD and the respective Chief Executive Officers of the main operating companies, who are accountable for the conduct and performance of their subsidiaries within agreed business strategies. Local management sits at various management and operations meetings, and review financial and operations reports, in order to monitor the performance and profitability of the business of their respective subsidiaries. Paramount to this process is the role played by the Group's Executive Directors and Senior Management personnel who, by virtue of their presence on the Boards of both listed and unlisted subsidiaries of the Group, supervise the subsidiaries' activities, and regularly update the Board of Directors of the Company.

The 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.

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 2018 are summarised as follows:

1. Authority and Responsibility

   (a) Responsibilities are delegated to Board Committees through clearly defined Terms of Reference which are reviewed and revised when necessary.

   (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:

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

   In addition, the manufacturing subsidiaries that implement ISO 9001:2015 Quality Management System ("QMS") benefit from the improved risk management and operational effectiveness and efficiency as the standard provides guidance and tools to the subsidiaries to ensure their products or services are consistently meeting customer requirement and expectation. Audit of the QMS is carried out regularly to ensure continual improvement and governing of its effectiveness. The QMS is reviewed from time to time 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.

   During the financial year ended 30 June 2018, the adequacy and effectiveness of internal controls were reviewed by the AGC in relation to the internal audits conducted by Deloitte on a quarterly basis. 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.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, 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.

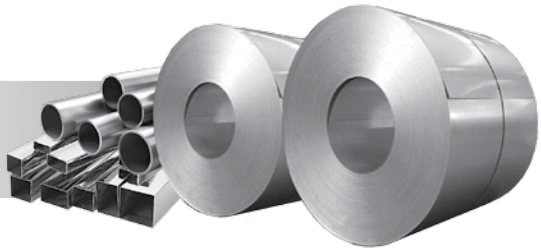
CONCLUSION

For the financial year under review and up to the date the of 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.

The Managing Director ("MD") and the Chief Financial Officer ("CFO") have given assurance to the Board that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management adopted by the Group and the declarations made by the respective Heads of each Division. To the best of knowledge, nothing has come to the attention of the MD, CFO and the Management which may render the financial results presented and the information provided to be misleading in any material respect.

There were significant improvements in risk management and internal control system of Melewar Integrated Engineering Sdn Bhd compared to previous years. As such, 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. 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 for the financial year ended 30 June 2018.

The Board had at its meeting on 28 August 2018 agreed to change the name of the Audit Committee to Audit and Governance Committee ("AGC").

The AGC is an independent Board Committee which assists the Board of MIG in the discharge of its responsibilities for corporate governance, internal controls and financial reporting.

TERMS OF REFERENCE

The Board had on 30 May 2018 reviewed and approved the revised terms of reference of the AGC ("TOR") to further enhance corporate governance by taking into account provisions of the Malaysian Code on Corporate Governance 2017 ("MCCG 2017").

The Company has uploaded the TOR onto the Company's website at www.melewar-mig.com.

COMPOSITION

The AGC comprises four (4) 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 Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") as follows:

Designation	Name	Directorship
Chairman	Mr Muk Sai Tat	Independent Non-Executive Director
Members	En Shazal Yusuf bin Mohamed Zain	Independent Non-Executive Director
	Dato' Indera Naresh Mohan	Independent Non-Executive Director
	General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd)	Senior Independent Non-Executive Director

The Chairman of the AGC, Mr Muk Sai Tat is a member of the Malaysian Institute of Accountants and therefore meets the requirements of paragraph 15.09(1)(c) of the MMLR, which stipulates that at least one member of the AGC must be a qualified accountant. The Directors' profiles are set out on pages 25 to 27 in the Annual Report.

Our AGC members have considerable financial and business experience and are able to analyse and interpret financial statements to effectively discharge their duties and responsibilities as members of the AGC.

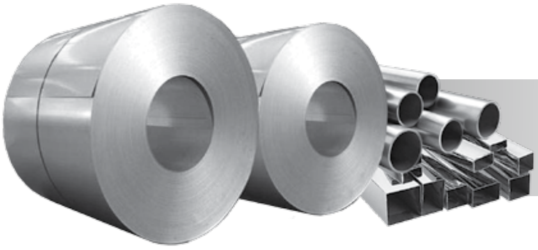
MEETINGS AND ATTENDANCE

The AGC shall meet at least four (4) times annually or more frequently as circumstances dictate. The Managing Director ("MD") was invited to all AGC meetings to provide further clarifications on the operations of the Group, the risk management and internal control systems. 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 except for the AGC meeting held on 25 September 2017 which was called to approve the statements to be incorporated into the Annual Report 2017. Other Board members, employees, a representative of the External Auditors and External Independent Professional Advisers attended meetings upon the invitation of the AGC.

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 or Internal Auditors.

During the financial year ended 30 June 2018, nine (9) AGC meetings were held. The details of attendance of each Committee member are as follows:

Members	No. of Meetings Attended	%
Mr Muk Sai Tat (Chairman)	9/9	100
En Shazal Yusuf bin Mohamed Zain	9/9	100
Dato' Indera Naresh Mohan	6/9	67
General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) *(Appointed as member on 29 September 2017)*	2/5	40



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. The minutes of each AGC meeting were recorded and tabled for confirmation at the next AGC meeting and tabled at the Board meeting for the Directors' notation.

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 two (2) 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 operation of the Company. Conversely, the External Auditors and Internal Auditors may also respectively request a meeting with the AGC if they consider it necessary.

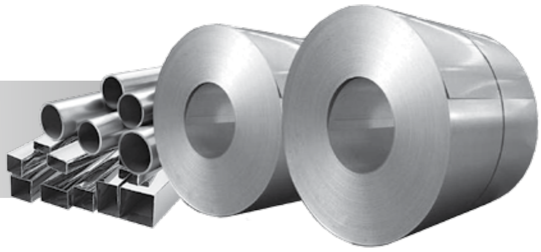
The Nomination and Remuneration Committee ("NRC") had on 28 August 2018 reviewed the terms of office and performance of the AGC members. The Board, through its NRC, reviewed the performance of the AGC and the skills, experience and competencies possessed by the members of the AGC through an annual AGC effectiveness assessment.

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

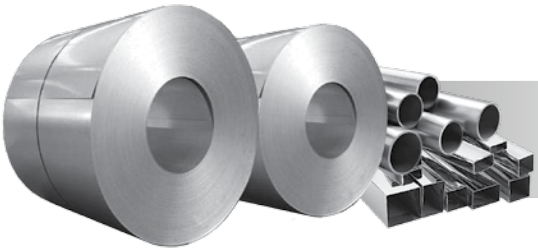
SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR 2018

In line with the TOR, the AGC held nine (9) meetings during the financial year and carried out the following activities:

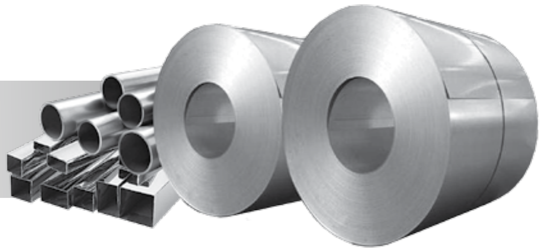
Financial Reporting	(a) The AGC reviewed the unaudited quarterly financial results and audited financial statements of the Group with the aim to ensure that the interim financial reports and financial statements were prepared in accordance with the approved Malaysian Financial Reporting Standards ("MFRSs"), 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. (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.



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. (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) Assessed the suitability and independence of External Auditors and obtained written assurance from the External Auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the Malaysian Institute of Accountants as well as other regulatory requirements. (h) Conducted two (2) 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. (i) In compliance with the By-Laws (On Professional Ethics, Conduct and Practice) of Malaysian Institute of Accountants which requires the key audit partner responsible for the Group's audit to rotate at least every five (5) years, the AGC at its meeting held on 30 May 2018 was informed that Mr Gary Lee was due for rotation as the Group's lead audit partner effective from the audit for the financial year 2018. The new audit partner, Mr Manjit Singh attended his first meeting with the AGC on 30 May 2018 to brief the AGC on the audit planning memorandum for the financial year ended 30 June 2018.



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 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 and performed 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. • 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 and External Auditors. (e) Reviewed and discussed the steps to address the issues in relation to the Tanjung Bin Project and 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 projects; • Regular updates on the progress of the projects. (f) Reviewed and discussed the impact on the financial statements of the Company arising from the disposal of a piece leasehold land known as Lot 53, Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan to Melewar Steel Tube Sdn Bhd ("MST"), a wholly-owned subsidiary of Mycron Steel Berhad ("MSB") for a total cash consideration of RM26.0 million.
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 new shareholders' mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature. (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. (d) Reviewed the TOR of the AGC to ensure it is in line with the MCCG 2017 and MMLR of Bursa Securities to the Board for approval.



Rights Issue with Warrants and Exemption	(a) Discussed the progress of the following exercise undertaken by the Company which was completed on 24 August 2018: (i) Renounceable rights issue of up to 225,522,808 new ordinary shares in the Company ("MIG Shares") ("Rights Share(s)") on the basis of one (1) Rights Share for every one (1) MIG Share held at 5.00 p.m. on 25 July 2018 at an issue price of RM0.20 per Rights Share, together with up to 112,761,404 free detachable warrants ("Warrants") on the basis of one (1) Warrant for every two (2) Rights Shares subscribed ("Rights Issue with Warrants"); and (ii) Exemption under Paragraph 4.08(1)(b) of the Rules on Take-Overs, Mergers and Compulsory Acquisitions ("Rules") to Melewar Khyra Sdn Bhd, Melewar Equities (BVI) Ltd and the persons acting in concert with them from the obligation to undertake a mandatory take-over offer for all the remaining MIG Shares not already held by them ("Exemption").

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

In August 2017, the Internal Audit ("IA") function of the Group was outsourced to an independent external professional firm, Deloitte Risk Advisory Sdn Bhd (formerly known as Deloitte Enterprise Risk Services Sdn Bhd) ("Deloitte") in place of Messrs Baker Tilly Monteiro Heng Governance Sdn Bhd ("BTMH") who has been the outsourced internal auditor since 2008. 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 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 IA 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.

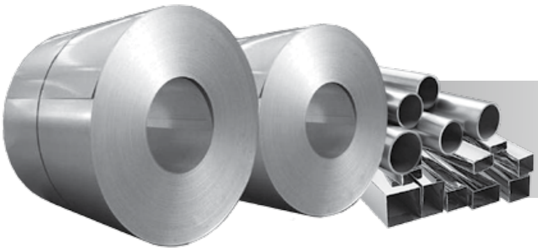
These processes provide reasonable assurance that such internal control system would continue to operate satisfactorily and effectively in the Group.

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 2018, 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 for 2018/2020:

A) Carried out by BTMH

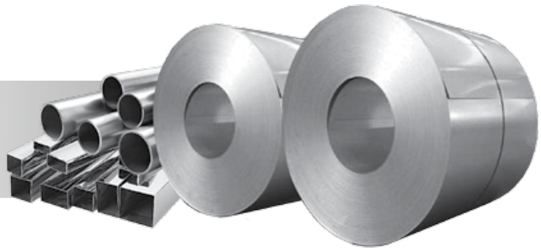
Companies	Key Areas	Activities
MIE	IT Management	• Carried out analysis via system mapping using flowcharts or narrative notes (where appropriate) to determine the adequacy and sufficiency of key internal controls.
MIG Group	Risk Management Procedures	• Traced through the documented system of internal controls to ensure the procedures are operating as documented.
• Mycron Steel CRC Sdn Bhd ("MSCRC") • MST	Quality Control and Assurance	• Collected and evaluated the audit evidence to determine the extent and course for weaknesses in the existing system of internal controls followed up with recommendations for improvement.



Companies	Key Areas	Activities
MIG	Corporate Governance Compliance	• Reviewed contents of the latest annual report specifically on information relating to governance compliance with MCCG guidelines. • Reviewed the minutes of the Committees and Board meetings to ascertain whether the required information have been minuted accordingly. • Reviewed the latest and updated Board Charter, relevant policies set by the Board for governance compliance, Terms of Reference for the Committees, evaluation forms and formats used for assessment of Board Committees as well as independence of Independent Directors. • Collected and evaluated the audit evidence to determine the extent and course for non-compliance with the MCCG guidelines, if any followed up with recommendations for improvement.
• MIG • MST • MSB • MSCRC	Follow up Review on Group IT Management and Controls	• Carried out review to confirm the implementation of agreed recommendations. • Carried out assessment to understand the justification for non-compliance.
• MSCRC • MST	Follow up Review on Inventory Management and Control	

B) Carried out by Deloitte

Companies	Key Areas	Activities
MIE	Project Management (Tanjung Bin Project and Terengganu Silica Project)	• Reviewed the internal control procedure for the management of project for MIE (i.e. provision for the defects liability cost, liquidated ascertain damages and provision for doubtful debts) and identified for improvement opportunities within the internal control procedure where applicable. • Assessed if there were valid written contract/ agreement being established for any sub-contract awarded to other sub-contractors. • Assessed the validity and relevancy of the contract developed and awarded to third party/sub-contractor. • Reviewed if there were any meeting minutes being taken during weekly project meeting. • Assessed the adequacy of controls in place to govern the monitoring of project cost against the budget. • Reviewed the timeliness, relevancy, adequacy and existence of monthly/ quarterly recording and reporting to the Management. • Assessed the documented approval for any variation order if there are additional or reduction during the construction phase. • Reviewed the invoices/variation orders received from the contractor to assess the validity of the work done are as per contract terms. • Assessed the budget against the actual cost up to date to ensure there is adequate justification and approval obtain for any additional cost incurred. • Reviewed the adequacy of the documentation on any cost overruns. • Reviewed and appraised the controls on the governance of any advances provided to the employee (i.e. review, maximum amount according to internal policy and written approval obtained). • Reviewed the completeness and documentation of the safekeeping for financial documents which include Purchase Order, Invoices, etc.



Companies	Key Areas	Activities
• MSCRC • MST • MIE • Silver Victory Sdn Bhd	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 were 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 review performed on the maintenance and update the Vendor Master Listing. • Assessed the control and governance in place on procurement activities performed (i.e. issuance of Purchase Requisition, Purchase Order/ blanket Purchase Order, etc.). • Performed analysis on the turnaround time of procurement activities performed, circumvention of authority limit and rationalisation of authority limit. • Reviewed the processing of payment 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 are required.

The costs incurred in respect of the internal audit reviews performed by the professional services firm was RM78,200 for the financial year ended 30 June 2018.

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 2018.

DIRECTORS

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

Tunku Dato' Yaacob Khyra
Azlan bin Abdullah
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah
Shazal Yusuf bin Mohamed Zain
Muk Sai Tat
General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd)
Dato' Indera Naresh Mohan
Ezurin Yusnita binti Abdul Malik (resigned on 27 October 2017)

In accordance with Article 113(1) of the Company's Articles of Association, Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah and General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) are to retire by rotation from the Board at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of property investment and investment holding. The principal activities of its subsidiaries are in mid-stream steel cold rolled coil and steel tube manufacturing, and in engineering services as disclosed in Note 15 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group	Company
	RM	RM
Net profit/(loss) for the financial year	4,021,672	(12,256,869)
Attributable to:		
- Equity holders of the Company	(667,999)	(12,256,869)
- Non-controlling interests	4,689,671	-
Net profit/(loss) for the financial year	4,021,672	(12,256,869)

RESERVES AND PROVISIONS

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

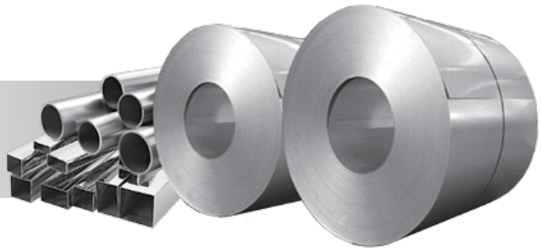
ISSUE OF SHARES AND DEBENTURES

The Company has not issued any shares or debentures for the financial year ended 30 June 2018. As a subsequent event on 20 August 2018, the Company allotted and issued 133,894,895 new ordinary rights shares together with 66,947,418 free detachable warrants, representing a subscription rate of 59.37% over the total number of rights shares available for subscription under the 1-for-1 rights issue with 1 free warrant for every 2 rights shares subscribed. These rights shares and warrants were listed on 24 August 2018. See Note 32.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits shown under Directors' Remuneration) by reason of a contract made by the Company or by a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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



DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Number of ordinary shares in the Company			
	At 01.07.2017	**Bought**	**Sold**	**At 30.06.2018**
Tunku Dato' Yaacob Khyra - deemed indirect interest [i]	82,381,232	-	-	82,381,232
Azlan bin Abdullah - direct interest	133,333	-	-	133,333

	Number of ordinary shares			
Mycron Steel Berhad (Related corporation)	**At 01.07.2017**	**Bought**	**Sold**	**At 30.06.2018**
Tunku Dato' Yaacob Khyra - deemed indirect interest [ii]	202,102,521	-	-	202,102,521
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah - deemed indirect interest [iii]	52,300	-	-	52,300
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 16.7% 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 by the Company since the end of the financial year ended 30 June 2017.

The Directors do not recommend the payment of any dividend for the financial year ended 30 June 2018.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 10 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):

Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah
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
Choo Kah Yean
Soo Teong Chuan
Dato' Seri Lim Ewe Chye
Mohd Silahuddin bin Jamaluddin
Ahmad Hamdan bin Jamaluddin
Brayn White
Alexius Lim Chong Jin

Total directors' remuneration paid by these subsidiaries during the financial year is RM3.6 million.

INDEMNITY AND INSURANCE COSTS

The Directors and officers of the Group and 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 RM48 thousand and RM72 thousand 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

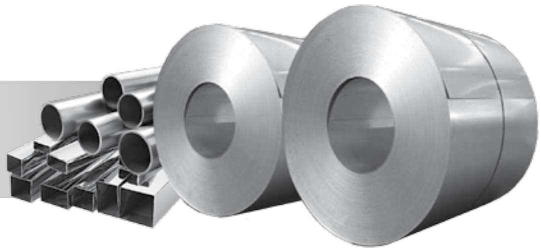
    (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(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 other than that disclosed in Note 32(b); and

    (ii) there are no contingent liabilities in the Group and in the Company which have arisen since the end of the financial year other than that disclosed in Note 31.

(d) No contingent or other liability of any company in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company and its subsidiaries to meet their obligations when they fall due other than that disclosed in Note 31.



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 other than those impairments made as disclosed in Notes 4(c)(iii) and 8 to the financial statements; and

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

SUBSIDIARIES

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

AUDITORS' REMUNERATION

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

AUDITORS

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

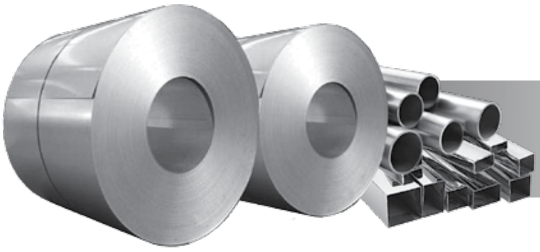
PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

This report was approved by the Board of Directors on 25 October 2018. Signed on behalf of the Board of Directors:

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

AZLAN BIN ABDULLAH
MANAGING DIRECTOR

Kuala Lumpur



STATEMENT BY DIRECTORS

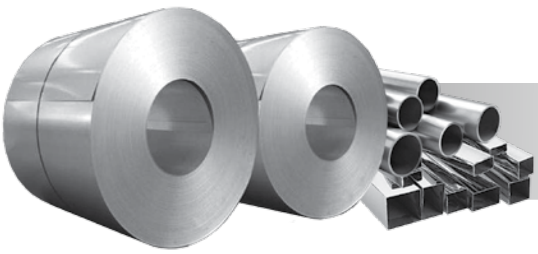
Pursuant To Section 251(2) Of The Companies Act 2016

We, Tunku Yahaya @ Yahya Bin Tunku Tan Sri Abdullah and Azlan bin Abdullah, two of the Directors of Melewar Industrial Group Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 74 to 153 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 2018 and financial performance of the Group and the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance to their resolution dated 25 October 2018.

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

AZLAN BIN ABDULLAH
MANAGING 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 74 to 153 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.

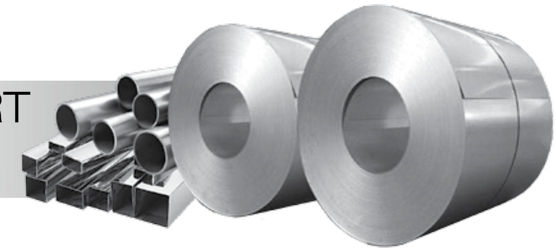
CHOO KAH YEAN
CHIEF FINANCIAL OFFICER
MIA No.24018

Subscribed and solemnly declared by the abovenamed Choo Kah Yean, at Kuala Lumpur in Malaysia on 25 October 2018, before me.

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

To The Members of Melewar Industrial Group Berhad
(Incorporated in Malaysia) (Company No. 8444 W)



REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Melewar Industrial Group Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018, 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 2018 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 74 to 153.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Our audit approach

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

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

Key audit matters

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Key audit matters (continued)

Key audit matters (Group)	**How our audit addressed the key audit matters**
Revenue and expected losses recognition on services rendered in respect of engineering contracts Refer to Note 2(p) Revenue recognition, 2(w) Construction contracts – Summary of significant accounting policies, Note 3 – Critical accounting estimates and judgements, and Note 17 Construction contracts-in-progress to the financial statements. For the financial year ended 30 June 2018, the Group's Engineering subsidiary recorded two onerous contracts with the following results: i) contract revenue recognised to-date: RM107.9 million; ii) contract costs recognised to-date: RM187.6 million; and iii) expected losses recognised to-date: RM14.7 million. The Group recognised revenue on both the onerous engineering contracts using the percentage of completion method, as measured by reference to the cumulative cost incurred to the budgeted total cost to complete the contract. We focused on the recognition of revenue and expected losses because of the significant judgement required in determining the percentage of completion and ascertaining whether circumstances exist where total contract costs are expected to exceed total contract revenue.	We have focused on the two onerous engineering contracts which are disclosed in Note 17 to the financial statements. Our audit procedures comprised an examination of contract documentation, and discussions with senior management of the Group on the status of the contracts. We checked the estimated total costs as per management's approved budget by testing substantively on the reasonableness of the inputs used by management. Where the inputs are committed costs, we compared them against actual purchase orders raised. The purchase orders raised are then tested against actual cost incurred by comparing against invoices received on a sampling basis to determine if the costs committed were subsequently incurred. Where the inputs are direct staff and other overhead costs, we tested the reasonableness based on historical trend of past actual costs incurred. Where the inputs are estimated costs to complete, we determined the reasonableness of inputs through discussions with management on the basis of their estimates and inspected relevant correspondences with external parties and minutes of meetings to corroborate the key judgement applied by management. We tested on a sampling basis costs incurred subsequent to financial year end to determine if there were any costs incurred that were not included in the estimated cost. Where the delivery of the project has been delayed beyond the contracted completion date, we checked the basis and calculation for provision for Liquidated Ascertained Damages ("LAD") against the terms of the contract. We then recomputed the current financial year's revenue recognised for the onerous engineering contracts based on the percentage of completion method.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Key audit matters (continued)

Key audit matters (Group) (continued)	**How our audit addressed the key audit matters (continued)**
Valuation of land and buildings, plant, machinery and electrical installation Refer to Note 2(c) Property, plant and equipment – Summary of significant accounting policies, Note 3 – Critical accounting estimates and judgements, and Note 13 – Property, plant and equipment to the financial statements. The Group carries its land and buildings, plant, machinery and electrical installation at values approximating their fair values. As at 30 June 2018, the carrying amount of the Group's land and buildings, plant, machinery and electrical installation is RM373.3 million. The valuation of the Group's land and buildings, plant, machinery and electrical installation are carried out by 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. 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 valuer's objectivity and competency We read the valuation reports for the land and buildings, plant, machinery and electrical installation and discussed the reports with each of the valuer. We found that the valuation approach for each category of asset was performed in accordance with MFRS 13 "Fair value measurement" in determining the fair values as at 30 June 2018. We evaluated the valuer's competence by checking the valuer's qualifications and their registration to the Board of Valuers. We read their terms of engagement to determine whether there were any matters that might have affected their objectivity. Estimates on land and buildings For the land and buildings revalued during the year, the fair values were determined based on the Market approach which entails separate valuations of the land and buildings to arrive at the fair value. The fair values of the land and buildings were determined based on open market basis by reference to observable prices in the market or recent market transactions on arm's length terms (Level 2). Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is selling price per square meter. We tested a sample of land and buildings by comparing the fair value per square meter with transacted values of similar land and buildings in and around the area. The values were obtained from independent online property portal website. Estimates on plant, machinery and electrical installation For plant, machinery and electrical installation, the fair values were determined based on depreciated replacement cost method, which is based on the current cost of reproduction or replacement of an asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation (Level 3). We obtained an understanding on the basis of valuation and checked the reasonableness of the basis of valuation through discussions with the valuer on the basis of their estimates and inspected minutes of meetings to corroborate the key judgement applied by management.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Key audit matters (continued)

Key audit matters (Group and Company)	**How our audit addressed the key audit matters (continued)**
Liquidity risk of the Group and Company Refer to Note 4(b) Liquidity risk – Financial risk management objectives and policies to the financial statements. Management has assessed the Group's and the Company's forecast cash requirements and the funding sources available over the next twelve months from the financial year ended 30 June 2018 as part of the liquidity risk management policy. The Group's and the Company's forecast cash requirements include consideration on the corporate guarantees given by the Company for the Engineering subsidiary. The Company has given corporate guarantees on the Engineering subsidiary's due performance on one of the two engineering contracts and on the repayment of advances given by the client of a project to ensure the completion of the contract in accordance with the contractual terms. As at 30 June 2018, the Engineering subsidiary of the Company is in net current liabilities position of RM84.8 million and has a deficit in shareholders' fund of RM113.2 million. Accordingly, the Directors had considered the current and future financial performance and position of the Engineering subsidiary on the liquidity position of the Group and the Company. Management had made certain assumptions in assessing the liquidity risk of the Group and Company. These assumptions required management to make critical judgement in terms of the timing of the cash flows of these assumptions. We focused on this area due to the significant estimates and judgement involved in preparing the cash flow forecast.	We assessed management's estimates of cash flow requirements of the Group and Company for the next twelve months from the financial year ended 30 June 2018. We obtained an understanding of the projected cash outflows which were based on the contractually committed costs and future cash inflows and outflows for the Group's and Company's business operations. We compared the contractually committed costs in the Group's and Company's cash flow forecast, against the cash outflows based on its contractual obligations and the timing of repayment . We have also discussed with management the commercial viability of the funding sources and considered the reasonableness of the funding sources. We considered the events subsequent to the end of the reporting period to the date of the approval of the financial statements for events impacting the Group's and Company's liquidity.

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 other sections of the 2018 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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

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

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

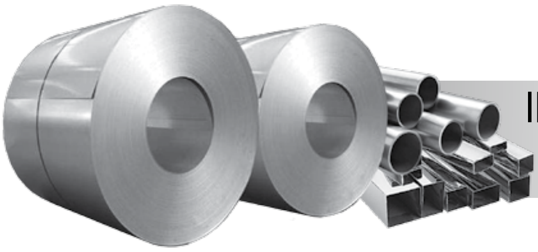
(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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



REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OTHER MATTERS

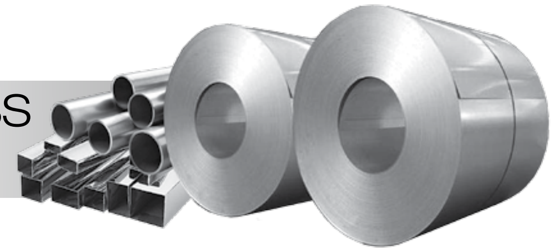
This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

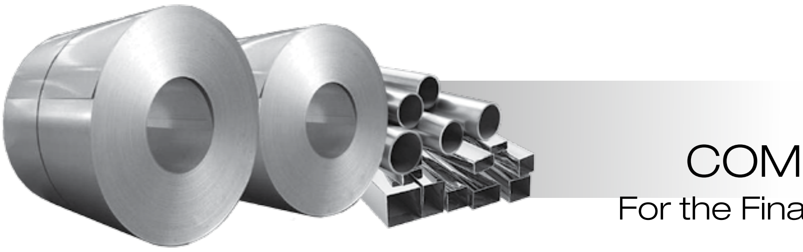
MANJIT SINGH A/L HAJANDER SINGH
2954/03/2019 J
Chartered Accountant

Kuala Lumpur
25 October 2018

STATEMENTS OF PROFIT OR LOSS
For the Financial Year Ended 30 June 2018



	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Revenue	6	816,093,385	772,785,395	9,033,860	8,008,860
Cost of sales/services provided		(740,561,066)	(770,214,799)	(3,202,535)	(3,158,201)
Gross profit		75,532,319	2,570,596	5,831,325	4,850,659
Other operating income	7	220,939	373,728	955,266	530,766
Net foreign currency gain/(loss)	4(e)	733,125	(1,367,340)	-	-
Fair value gain on investment properties	14	-	-	851,125	2,600,000
Impairment (losses)/write back on:					
- goodwill	15(c)	(832,151)	-	-	-
- inventories	19	(46,067)	-	-	-
- property, plant and equipment	13	(1,182,414)	(2,111,642)	(254,598)	4,143
- trade receivables	4(c)(iii)	(1,411,649)	(346,457)	-	-
- other receivables	4(c)(iii)	(6,626,113)	-	(1,102,470)	-
- amounts owing by subsidiaries	4(c)(iii)	-	-	(17,246,777)	2,296,507
- amounts owing by associates	4(c)(iii)	(79,800)	(568,793)	-	-
Selling and distribution costs		(6,418,581)	(6,158,665)	-	-
Administrative and general expenses		(39,501,062)	(36,042,696)	(4,045,569)	(3,167,548)
		20,388,546	(43,651,269)	(15,011,698)	7,114,527
Finance income	9	1,521,627	1,301,315	111,462	314,262
Finance costs	9	(10,665,746)	(12,816,372)	-	-
Profit/(Loss) before tax	8	11,244,427	(55,166,326)	(14,900,236)	7,428,789
Taxation	11	(7,222,755)	(11,817,411)	2,643,367	(1,399,095)
Net profit/(loss) for the financial year		4,021,672	(66,983,737)	(12,256,869)	6,029,694
Attributable to:					
- Equity holders of the Company		(667,999)	(78,220,660)	(12,256,869)	6,029,694
- Non-controlling interests		4,689,671	11,236,923	-	-
		4,021,672	(66,983,737)	(12,256,869)	6,029,694
Loss per share attributable to equity holders of the Company during the financial year:					
- Basic and diluted (sen)	12	(0.30)	(34.68)		

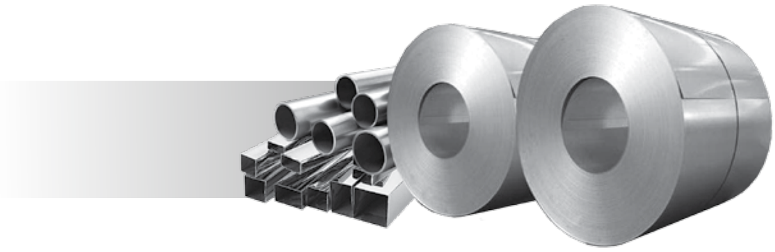


STATEMENTS OF COMPREHENSIVE INCOME

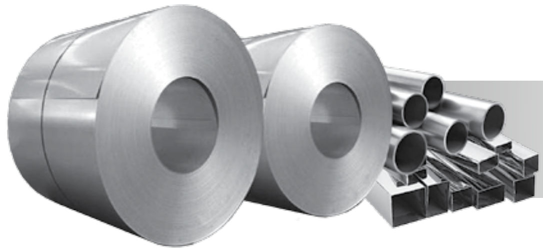
For the Financial Year Ended 30 June 2018

	Note	Group		Company	
		2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Net profit/(loss) for the financial year		4,021,672	(66,983,737)	(12,256,869)	6,029,694
Other comprehensive income:					
Item that maybe reclassified subsequently to profit or loss:					
Currency translation differences		38,272	-	-	-
Item that will not be reclassified to profit or loss:					
Asset revaluation reserve:					
- revaluation surplus on property, plant and equipment, net of tax	13	6,974,169	8,814,645	43,563	13,543
Total comprehensive income/(loss) for the financial year		11,034,113	(58,169,092)	(12,213,306)	6,043,237
Attributable to:					
- Equity holders of the Company		5,965,719	(70,265,170)	(12,213,306)	6,043,237
- Non-controlling interests		5,068,394	12,096,078	-	-
		11,034,113	(58,169,092)	(12,213,306)	6,043,237

STATEMENTS OF FINANCIAL POSITION
As at 30 June 2018



		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
NON-CURRENT ASSETS					
Property, plant and equipment	13	382,899,885	388,581,606	946,290	1,342,436
Investment properties	14	-	-	63,000,000	88,100,000
Investments in subsidiaries	15	-	-	78,046,648	78,046,648
Deferred tax assets	18	1,515,428	2,148,810	-	-
		384,415,313	390,730,416	141,992,938	167,489,084
CURRENT ASSETS					
Inventories	19	205,362,607	177,602,758	-	-
Trade and other receivables	20	129,148,588	113,012,925	276,593	252,074
Derivatives	21	3,341,051	142,073	-	-
Amounts owing by subsidiaries	22	-	-	1,697,398	4,066,733
Amounts owing by associates	16(b)	-	9,625,268	-	601,625
Tax recoverable		23,097	257,772	-	-
Deposits with licensed financial institutions	23	40,385,898	69,364,205	1,200,000	10,283,138
Cash and bank balances	23	13,040,794	8,349,615	452,243	232,107
Non-current assets held-for-sale	24	1,878,845	-	26,000,000	-
		393,180,880	378,354,616	29,626,234	15,435,677
LESS: CURRENT LIABILITIES					
Trade and other payables	25	251,745,216	259,864,386	3,715,046	1,758,435
Amounts owing to subsidiaries	22	-	-	2,704,317	273,714
Derivatives	21	2,570	3,036,852	-	-
Tax payable		721,133	1,819,746	94,129	150,850
Borrowings	26	90,735,555	78,609,834	-	-
		343,204,474	343,330,818	6,513,492	2,182,999
NET CURRENT ASSETS		49,976,406	35,023,798	23,112,742	13,252,678
LESS: NON-CURRENT LIABILITIES					
Trade and other payables	25	1,867,047	850,642	-	-
Deferred tax liabilities	18	45,385,121	42,465,651	16,016,143	19,438,919
Borrowings	26	28,572,706	34,905,189	-	-
		75,824,874	78,221,482	16,016,143	19,438,919
		358,566,845	347,532,732	149,089,537	161,302,843
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
Share capital	27	226,996,855	226,996,855	226,996,855	226,996,855
Accumulated losses		(36,000,900)	(35,332,901)	(78,047,112)	(65,790,243)
Asset revaluation reserve	28	56,887,413	50,291,967	139,794	96,231
Foreign currency translation reserve		22,655	(15,617)	-	-
		247,906,023	241,940,304	149,089,537	161,302,843
Non-controlling interests		110,660,822	105,592,428	-	-
TOTAL EQUITY		358,566,845	347,532,732	149,089,537	161,302,843



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 30 June 2018

	Attributable to equity holders of the Company									
	Share capital	**Capital redemption reserve**	**Treasury shares**	**Share premium**	**Foreign currency translation reserve**	**Assets revaluation reserve**	**Retained earnings/ (Accumulated losses)**	**Total**	**Non-controlling interests**	**Total**
	RM	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
At 1 July 2017	226,996,855	-	-	-	(15,617)	50,291,967	(35,332,901)	241,940,304	105,592,428	347,532,732
Net profit for the financial year	-	-	-	-	-	-	(667,999)	(667,999)	4,689,671	4,021,672
Other comprehensive income:										
Currency translation differences	-	-	-	-	38,272	-	-	38,272	-	38,272
Revaluation surplus on property, plant and equipment, net of tax	-	-	-	-	-	6,595,446	-	6,595,446	378,723	6,974,169
Total comprehensive income for the financial year	-	-	-	-	38,272	6,595,446	(667,999)	5,965,719	5,068,394	11,034,113
At 30 June 2018	226,996,855	-	-	-	22,655	56,887,413	(36,000,900)	247,906,023	110,660,822	358,566,845

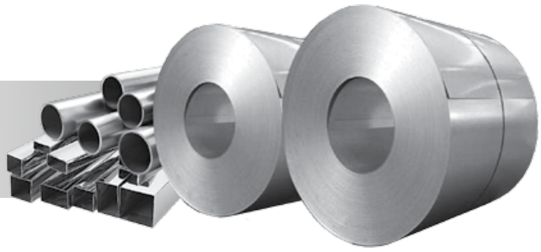
	Attributable to equity holders of the Company									
	Share capital	**Capital redemption reserve[(a)]**	**Treasury shares**	**Share premium**	**Foreign currency translation reserve**	**Assets revaluation reserve**	**Retained earnings/ (Accumulated losses)**	**Total**	**Non-controlling interests**	**Total**
	RM	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
At 1 July 2016	226,755,408	-	(2,042,193)	241,447	(15,617)	42,336,477	44,229,245	311,504,767	93,214,757	404,719,524
Net loss for the financial year	-	-	-	-	-	-	(78,220,660)	(78,220,660)	11,236,923	(66,983,737)
Other comprehensive income:										
Revaluation surplus on property, plant and equipment, net of tax	-	-	-	-	-	7,955,490	-	7,955,490	859,155	8,814,645
Total comprehensive loss for the financial year	-	-	-	-	-	7,955,490	(78,220,660)	(70,265,170)	12,096,078	(58,169,092)
Cancellation of treasury shares	(1,232,600)	1,232,600	2,042,193	-	-	-	(2,042,193)	-	-	-
Transition to no-par value regime on 31 January 2017[(b)]	1,474,047	(1,232,600)	-	(241,447)	-	-	-	-	-	-
Change in effective interest - Non-controlling interest	-	-	-	-	-	-	700,707	700,707	281,593	982,300
At 30 June 2017	226,996,855	-	-	-	(15,617)	50,291,967	(35,332,901)	241,940,304	105,592,428	347,532,732

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

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

COMPANY STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 30 June 2018

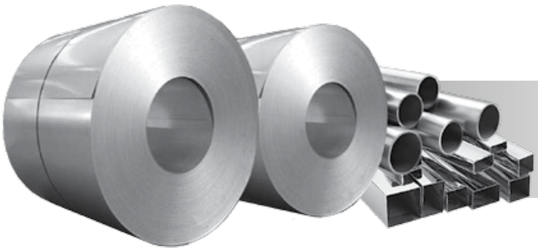


	← Non-distributable				→		
	Share capital	**Capital redemption reserve**	**Treasury shares**	**Share premium**	**Assets revaluation reserve**	**Accumulated losses**	**Total**
	RM	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
At 1 July 2017	226,996,855	-	-	-	96,231	(65,790,243)	161,302,843
Net loss for the financial year	-	-	-	-	-	(12,256,869)	(12,256,869)
Other comprehensive income:							
Revaluation surplus on property, plant and equipment, net of tax	-	-	-	-	43,563	-	43,563
Total comprehensive loss for the financial year	-	-	-	-	43,563	(12,256,869)	(12,213,306)
At 30 June 2018	226,996,855	-	-	-	139,794	(78,047,112)	149,089,537

	← Non-distributable				→		
	Share capital	**Capital redemption reserve(a)**	**Treasury shares**	**Share premium**	**Assets revaluation reserve**	**Accumulated losses**	**Total**
	RM	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
At 1 July 2016	226,755,408	-	(2,042,193)	241,447	82,688	(69,777,744)	155,259,606
Net profit for the financial year	-	-	-	-	-	6,029,694	6,029,694
Other comprehensive income:							
Revaluation surplus on property, plant and equipment, net of tax	-	-	-	-	13,543	-	13,543
Total comprehensive income for the financial year	-	-	-	-	13,543	6,029,694	6,043,237
Cancellation of treasury shares	(1,232,600)	1,232,600	2,042,193	-	-	(2,042,193)	-
Transition to no-par value regime on 31 January 2018(b)	1,474,047	(1,232,600)	-	(241,447)	-	-	-
At 30 June 2017	226,996,855	-	-	-	96,231	(65,790,243)	161,302,843

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

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



STATEMENTS OF CASH FLOWS

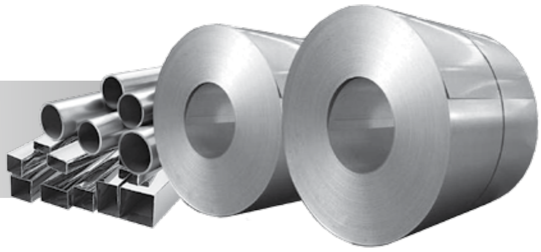
For the Financial Year Ended 30 June 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax		11,244,427	(55,166,326)	(14,900,236)	7,428,789
Adjustments for:					
Property, plant and equipment:					
- depreciation		19,780,483	19,777,999	205,668	248,529
- impairment losses/(write back)		1,182,414	2,111,642	254,598	(4,143)
- write-offs		200,883	37,731	-	420
- net gain on disposals		(22,214)	(88,670)	(1,208)	(10,951)
Impairment losses/(write back) on:					
- amounts owing by subsidiaries		-	-	17,246,777	(2,296,507)
- amounts owing by associates		79,800	568,793	-	-
- trade receivables		1,411,649	346,457	-	-
- other receivables		6,626,113	-	1,102,470	-
- inventories		46,067	-	-	-
- goodwill		832,151	-	-	-
Gain on derecognition of an associate		(82,698)	-	-	-
Gain on disposal of an associate		(4)	-	-	-
Provision for onerous contract (reversed)/made during the year		(9,848,856)	13,947,234	-	-
Write-back of cost provision on Project#1 (Note 17)		(11,303,211)	-	-	-
Additional provision made on Project#2 (Note 17)		1,422,323	-	-	-
Provision for liquidated ascertained damages		1,300,000	8,392,016	-	-
Provision for defects liability period		3,682,217	-	-	-
Fair value gain on investment properties		-	-	(851,125)	(2,600,000)
Dividend income		-	-	(800,000)	-
Net unrealised loss/(gain) on foreign exchange		420,887	(213,752)	-	-
Interest income		(1,521,627)	(1,301,315)	(111,462)	(314,262)
Interest expense		10,665,746	12,816,372	-	-
Interest charged to a subsidiary		-	-	(954,058)	(506,398)
		36,116,550	1,228,181	1,191,424	1,945,477
Changes in working capital:					
- inventories		(27,805,916)	(79,527,354)	-	-
- trade and other receivables		(17,869,875)	(2,919,159)	(42,729)	26,486
- trade and other payables		1,511,147	86,157,161	1,956,611	(141,835)
- intercompany balances		-	-	(394,703)	(7,888,501)
Cash (used in)/generated from operations		(8,048,094)	4,938,829	2,710,603	(6,058,373)
Interest paid		(8,623,199)	(10,583,022)	-	-
Interest received		1,539,838	1,302,392	129,673	315,338
Tax paid		(6,736,210)	(7,766,302)	(849,887)	(644,956)
Net cash used in operating activities		(21,867,665)	(12,108,103)	1,990,389	(6,387,991)

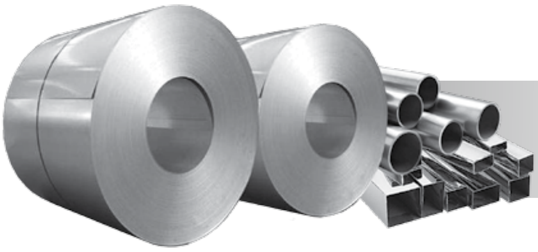
STATEMENTS OF CASH FLOWS

For the Financial Year Ended 30 June 2018

(continued)



	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property, plant and equipment	(6,940,747)	(3,971,294)	(6,800)	(6,238)
Purchases of investment properties	-	-	(48,875)	-
Proceeds from disposal of plant and equipment	183,634	448,162	1,208	18,868
Dividend received	-	-	800,000	-
Net outflow of cash from acquisition of a subsidiary (Note 15(c))	(97,081)	-	-	-
Proceeds from disposal of an associate (Note 16(a)(i))	4	-	-	-
Withdrawal/(Deposits) with licensed financial institutions pledged as security	9,633,138	(303,222)	9,633,138	(303,222)
Advances to subsidiaries	-	-	(20,937,858)	(14,326,295)
Expenses paid on behalf of subsidiaries	-	-	(236,922)	(501,179)
Repayment from subsidiaries	-	-	7,699,086	20,668,899
Advances to associates	(2,725,520)	(5,914,061)	(2,642,845)	(5,345,268)
Repayment from an associate	5,642,000	29,170,000	2,142,000	12,077,349
Net cash (used in)/generated from investing activities	5,695,428	19,429,585	(3,597,868)	12,282,914
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings	171,101,562	254,268,002	-	-
Repayment of borrowings	(168,957,500)	(236,288,093)	-	-
Repayment of hire-purchase financing	(706,887)	(416,355)	-	-
Disposal of treasury shares in a subsidiary	-	982,300	-	-
Advances from subsidiaries	-	-	2,936,527	2,241,376
Repayment to subsidiaries	-	-	(558,912)	(7,693,719)
Net cash generated from/(used in) financing activities	1,437,175	18,545,854	2,377,615	(5,452,343)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(14,735,062)	25,867,336	770,136	442,580
CURRENCY TRANSLATION DIFFERENCES	81,072	-	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	68,080,682	42,213,346	882,107	439,527
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR (Note 23)	53,426,692	68,080,682	1,652,243	882,107



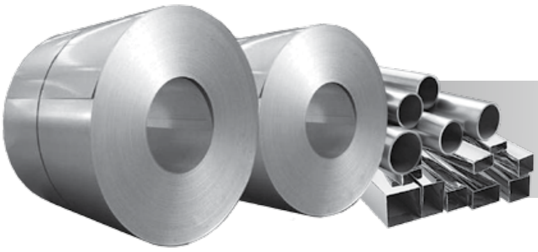
Cash-flow movement in-relation to 'changes in liabilities arising from financing activities' on a year-to-date basis is outlined below:

Group	**Bankers' acceptance RM**	**Term loan RM**	**Hire purchase RM**	**Revolving credit RM**	**Total RM**
At 1 July 2017	66,730,000	37,424,014	961,009	8,400,000	113,515,023
Proceeds from borrowings	168,870,000	2,231,562	-	-	171,101,562
Repayment of borrowings	(148,540,000)	(12,017,500)	-	(8,400,000)	(168,957,500)
Repayment of hire purchase	-	-	(706,887)	-	(706,887)
Interest paid	(3,322,753)	(354,627)	(90,228)	(284,433)	(4,052,041)
Plant and equipment acquired via hire purchase arrangements	-	-	1,267,225	-	1,267,225
Interest charged	3,322,753	3,443,465	90,228	284,433	7,140,879
At 30 June 2018	87,060,000	30,726,914	1,521,347	-	119,308,261

Company	**Amount owing to subsidiaries RM**
At 1 July 2017	273,714
Advances from subsidiaries	2,936,527
Repayment to subsidiaries	(558,912)
Expenses paid on behalf of subsidiaries	52,988
At 30 June 2018	2,704,317

NOTES TO THE
FINANCIAL STATEMENTS

MELEWAR INDUSTRIAL GROUP BERHAD



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 2018, 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 25 October 2018.

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.

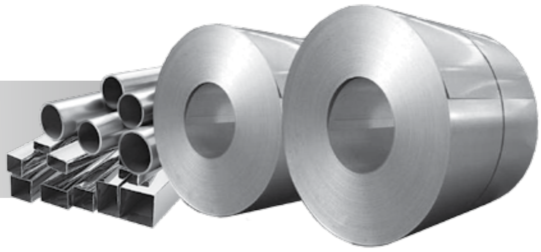
The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported 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.

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

The Group has applied the following amendments for the first time for the financial year beginning on 1 July 2017:

- Amendments to MFRS 107 'Statement of Cash Flows – 'Disclosure Initiative' which introduced an additional disclosure on changes in liabilities arising from financing activities.
- Amendments to MFRS 112 'Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses' which clarified the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on assets carried at fair value. In evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that exclude tax deductions resulting from the reversal of those temporary differences.
- Annual Improvements to MFRSs 2014 – 2016 Cycle: MFRS 12 'Disclosures of Interests in Other Entities'

The adoption of the Amendments to MFRS 107 has required additional disclosure on changes in liabilities arising from financing activities. (See Statements of Cash Flows). Other than that, the adoption of these amendments 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

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2018.

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

Financial year beginning on or after 1 July 2018

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

  The adoption of this amendment to the standard commencing form the next financial year is not expected to have any material impact on the Group's financial statements.

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

  IC Interpretation 22 provides guidance how to determine 'the date of transaction' when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made. The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk. If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt. An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

  The adoption of this IC Interpretation commencing form the next financial year is not expected to have any material impact on the Group's financial statements.

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

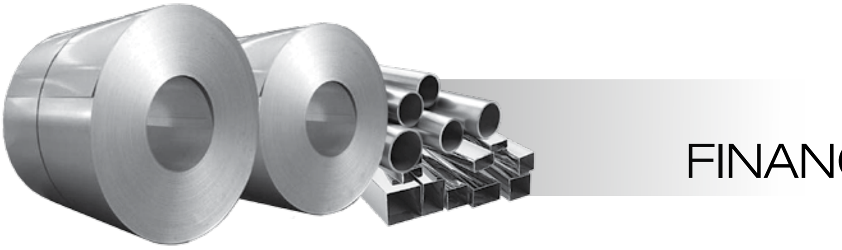
  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's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

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes are:
  - For financial liabilities classified as FVTPL, the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to profit or loss.
  - When a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in profit or loss.

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

  The Group has reviewed its financial assets and liabilities and is not expecting any material impact from the adoption of the new standard on 1 July 2018:
  - The other financial assets held by the Group include debt instruments currently classified as held-to-maturity and measured at amortised cost meet the conditions for classification at amortised cost under MFRS 9.

  Other than the above, the Group does not expect the new guidance to affect the classification and measurement of these financial assets.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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

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

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

There will be no impact on the Group's accounting for financial liabilities, as the classification and accounting for the Group's financial liabilities at fair value through profit or loss (such as foreign exchange derivatives) , and those at amortised cost under MFRS 9 (such as borrowings) are essentially the same as under MFRS 139. The de-recognition rules for MFRS 9 have been transferred from MFRS 139 'Financial Instruments: Recognition and Measurement' and have not been changed.

The new hedge accounting rules align the accounting for hedging instruments more closely with risk management practices – which is in-line with the Group's past practices under MFRS 139. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. However, the Group's hedging operation only involves fair-value hedge accounting for foreign exchange ("FX") risk, where qualifying instrument (deliverable FX Forward Contracts) are designated in its entirety as hedging instrument against matching characteristics committed rights or obligations (or recognised assets or liabilities) in foreign currency as designated hedge items. The fair value changes of designed FX hedge items are reported together with fair value changes of designated hedge instruments in the Profit & Loss. The hedge instruments are reported at their marked-to-market fair value on balance sheet either as financial assets or financial liabilities, whilst the hedge items' carrying value on balance sheet are also adjusted to corresponding marked-to-market rates.

The Group has assessed that its current hedge relationships will qualify as continuing hedges upon the adoption of MFRS 9.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under MFRS 15 'Revenue from Contracts with Customers', lease receivables, loan commitments and certain financial guarantee contracts. The Group's financial assets are mainly trade receivables, and in this regard it shall apply allowable practical expedient in ECL provision based on a supportable "overdue-days matrix" for its trade receivables. Based on the assessments undertaken to date, the adoption of the ECL model is not expected to increase the impairment provision on initial application that would render the opening loss allowance determined under MFRS 9 to be materially different from the ending loss allowance under MFRS 139.

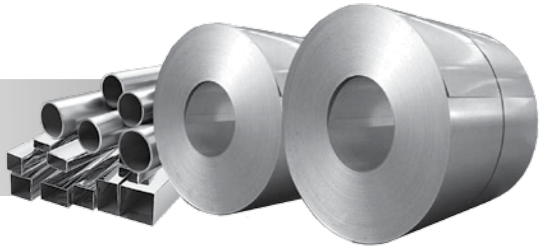
The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Group will apply the new rules retrospectively from 1 July 2018, with the practical expedients permitted under the standard. Comparative for 2018 will not be restated.

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

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

  A new five-step process is applied before revenue can be recognised:
  - Identify contracts with customers;
  - Identify the separate performance obligations;
  - Determine the transaction price of the contract;
  - Allocate the transaction price to each of the separate performance obligations; and
  - Recognise the revenue as each performance obligation is satisfied.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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

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

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

Key provisions of the new standard are as follows:

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

Based on the assessments undertaken to date, the application of MFRS 15 is not expected to result in any change to the timing and quantum of revenue recognition of the Group – compared to the requirements under MFRS 118 and 111. The Group's steel products conform to industry standards and specifications, and are sold mainly on spot and/or short-term forward contracts with single point fulfilment at fixed prices – which generally do not give rise to any contract assets or liabilities. The Group's engineering business entails customised contracts, usually with multi-point deliverables and milestone payments which may cut across multiple reporting periods and give rise to contract assets or liabilities. These contracts usually do not entail complications like distinguishable allocation of goods and services, separate warranties, packaged aftersales-service, or long-term financing features – which may result in revenue recognition differences under MFRS 15.

The Group elects to adopt the "cumulative effect method" for outstanding contracts at the date of initial application, but it is not expecting any opening adjustment resulting from the aforementioned.

Financial year beginning on or after 1 July 2019

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

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

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

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

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

  The Group would apply 'practical expedient option' on transition to MFRS 16 for contracts previously identified as leases under MFRS 117 (i.e. such as rental contracts) and those contracts entered into on or after the initial date of application (i.e. 1 July 2019). The Group has only a few external long-term rental contracts under its Engineering subsidiary, UK subsidiary, and the Company respectively, but no other off-balance-sheet operation lease arrangements at the close of the current financial year. The Group is assessing the impact of the application of MFRS 16 on the financial statements of the Group in the initial year of adoption.

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

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

  IC Interpretation 23 will be applied retrospectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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

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

Financial year beginning on or after 1 July 2019 (continued)

- Amendments to MFRS 128 'Long-term Interests in Associates and Joint Ventures' (effective from 1 January 2019) clarify that an entity should apply MFRS 9 'Financial Instruments' (including the impairment requirements) to long-term interests in an associate or joint venture, which are in substance form part of the entity's net investment, for which settlement is neither planned nor likely to occur in the foreseeable future.

  In addition, such long-term interest are subject to loss allocation and impairment requirements in MFRS 128.

  The amendments shall be applied retrospectively.

- Amendments to MFRS 9 'Prepayment features with negative compensation' (effective 1 January 2019) allow companies to measure some prepayable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a 'held to collect' business model.

  The amendments will be applied retrospectively.

- Annual Improvements to MFRSs 2015 – 2017 Cycle:

  - Amendments to MFRS 3 'Business Combinations' (effective from 1 January 2019) clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.

  - Amendments to MFRS 11 'Joint Arrangements' (effective from 1 January 2019) clarify that when a party obtains joint control of a business that is a joint operation, the party should not remeasure its previously held interest in the joint operation.

  - Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

  - Amendments to MFRS 123 'Borrowing Costs' (effective from 1 January 2019) clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

  - Amendments to MFRS 119 on Employee Benefits - 'Plan amendment, curtailment or settlement' (effective 1 January 2019) requires an entity to use the updated actuarial assumptions from remeasurement of its net defined benefit liability or asset arising from plan amendment, curtailment or settlement, to determine current service cost and net interest for the remaining period after the change to the plan. The amendments will be applied prospectively.

Unless otherwise disclosed, the above standards and amendments to published standards are not anticipated to have any significant impact on the financial statements of the Group in the year of initial application.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation

(i) Investment in subsidiaries

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

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration 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.

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

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

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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

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

(iii) Disposal of subsidiaries

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

(iv) Associates

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

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

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

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

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

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

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

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

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

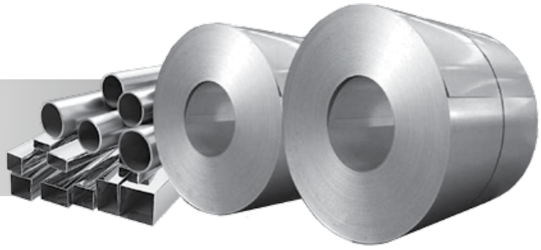
(c) Property, plant and equipment

(i) Measurement basis

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

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

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



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, plant and equipment (continued)

(i) Measurement basis (continued)

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. When property, plant and equipment is revalued, the carrying amount of property, plant and equipment is adjusted to the revalued amount. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The 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. 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(g) on impairment of non-financial assets.

(ii) Depreciation

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

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

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

(d) Investment properties

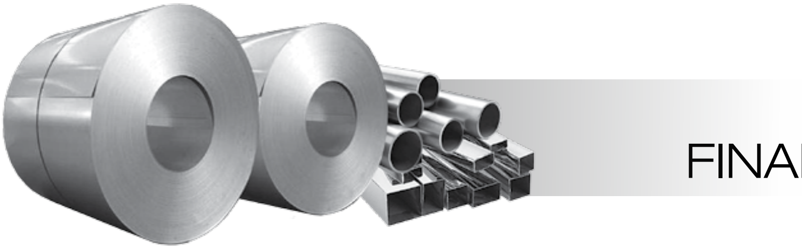
Investment properties comprising principally land, factory and office buildings are held for long-term rental yields or for capital appreciation or both, and are not occupied by the Group. Investment property is measured initially at its cost, including related transaction costs and borrowing costs if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

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

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

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to 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.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Investment properties (continued)

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.

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.

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

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

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.

(f) Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

<u>Accounting as lessee</u>

(i) Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

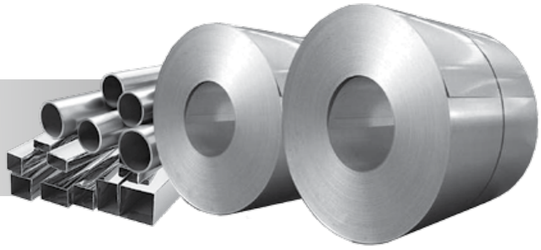
Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the remaining balance of the liability. The 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) 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.

(h) Financial assets

Classification

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

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

Financial assets at fair value through profit or loss are financial assets that are designated or held for trading. A financial asset is classified in this category if it is acquired principally for the purpose of selling or repurchasing it in the near term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be sold within 12 months; otherwise, they are classified as non-current.

In addition, certain financial assets are designated at initial recognition as fair value through profit or loss when one of the designation criteria is met:

- Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- Its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The item is a hybrid contract that contains one or more embedded derivatives.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables are as disclosed in Note 33 to the financial statements.

(iii) Available-for-sale financial assets

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

Subsequent measurement – gains and losses

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial assets (continued)

Subsequent measurement - impairment of financial assets

(i) Assets carried at amortised costs

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

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

The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If ‘loans and receivables’ has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument’s fair value using an observable market price.

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

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

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

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

In the case of equity securities classified as available-for-sale financial assets, in addition to the criteria for ‘assets carried at amortised cost’ above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss. The amount of cumulative loss that is reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss in subsequent periods.

De-recognition

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

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

(i) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Derivative financial instruments and hedging activities

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

Derivative financial instruments that do not qualify for hedge accounting are classified as financial assets at fair value through profit or loss and accounted for in accordance with accounting policy set out in Note 2(h) on financial assets.

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

Fair value hedge

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

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

(k) Inventories

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

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

(l) Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprises of cash in hand, deposits held at call with financial institutions, other short term highly liquid investments with original maturities of 3 months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(m) Financial liabilities

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

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

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

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

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expired.

Borrowings are recognised initially at fair value, net of transaction cost incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction cost) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method, except for borrowing costs incurred for the construction of any qualifying assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial liabilities (continued)

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

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

Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(n) Provisions

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events; when it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

(i) Warranties

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

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

(o) Share capital

(i) Classification

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

(ii) Share issue costs

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

(iii) Dividend distribution

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of goods and services tax, returns, rebates and discounts and amounts collected on behalf of third parties after eliminating sales within the Group.

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

(i) Sale of goods

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

(ii) Processing service income

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

(iii) Dividend income

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

(iv) Interest income

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

(v) Rental income

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

(vi) Management fee income

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

(vii) Consultancy and project management revenue

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

(viii) Construction contracts

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

(q) Employees' benefits

(i) Short-term employee benefits

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

(ii) Defined contribution plan

The Group contributes under statutory obligation to the Employee Provident Fund, which is a defined contribution plan, regulated and managed by the Government. The contributions are charged to profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Current and deferred income tax

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

(s) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. For practical reasons, the average rate for the month is used as the approximate transaction-date-rate for all transactions in each foreign currency occurring during that period. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. If the foreign currency transaction was hedge accounted, the transaction would be translated at the original basis-rate of exchange on which it was hedge designated.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss on a net basis within 'net foreign currency gain/(loss)'.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Foreign currencies (continued)

(iii) Group companies

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the 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.

(t) Segment reporting

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

(u) Contingent liabilities and contingent assets

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

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

(v) Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group or Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

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

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Group or the Company for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Construction contracts

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

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

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

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

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

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

As disclosed in Note 13 to the financial statements, the Group carries its land and buildings, plant, machinery and electrical installation at values approximately their fair values. On an annual basis, the Group appoints independent professional firms to determine the fair valuation 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 (Notes 13 and 14).

(b) Fair value of financial guarantees

The Company has issued certain corporate guarantees for the benefit of its subsidiaries as disclosed in Note 31. The Company has exercised judgement in establishing the view that there is no fair value accreting to the guarantor as the chances of these being called upon are remote. The economic outflow arising from these guarantees are duly reflected in the Group upon consolidation of the subsidiaries' losses on-which those guarantees relate.

(c) Construction contracts

The Group's engineering subsidiary accounts for its construction contracts based on stages of completion as percentage of cost method. Management makes critical estimates and judgement in ascertaining the expected cost-to-completion and outcome of the contracts in calculating the stages of completion; in ascertaining contractual obligation/liability provisions, and in determining the amounts to be recognised in the financial statements for the current financial year (Note 17).

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(d) Provision with regards to deferred tax

Provision made for deferred tax assets and liabilities involves judgement and assumptions (Note 18). Deferred tax asset are recognised to the extent that is probable that future taxable profits will be available against which temporary differences or tax losses can be utilised. Estimating the future taxable prints involved significant assumptions. These assumptions have been built based on past performance and adjusted for nonrecurring circumstances.

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 Management 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 totalling to RM549.8 million (2017: RM668.1 million) as capital resources, and has a policy to maintain the debt-to-equity ratio below 1.25. Capital deployment amongst the Group's subsidiaries and/or business units is at the purview of the Board, but each of its subsidiaries and/or business units is primarily responsible for the management of its allocated capital subject to the oversight by the group executive management and the Board.

The Group's external borrowings are mainly incepted at the directly and wholly held Engineering subsidiary, and at the indirectly held Cold Rolled Coil and the Steel Tube subsidiaries, with the Company itself being free from any debt gearing. The external borrowings by the Engineering subsidiary are generally free from any financial covenants. However, the external borrowings of the Group's steel subsidiaries are subjected to specific financial covenants on minimum adjusted shareholders' funds and maximum allowable 'debt-to-equity' ratio computed at both the entity and at the consolidated levels under their respective debenture. For the current reporting period, the Group's steel subsidiaries complied with all the aforementioned capital covenants, and have been capital-sufficient in meeting peak business needs.

The Group's Engineering subsidiary closed the financial year with significant capital risk exposure arising from its negative shareholders' fund of RM113.2 million (2017: RM109.7 million) and net current liabilities position of RM84.8 million (2017: RM78.8 million) after recording its 4th consecutive financial year of net loss at RM3.4 million (2017: RM100.3 million). Over the current financial year, the Company has injected RM19.3 million of fundings into the Engineering subsidiary to complement its external borrowings (which has been reduced to close at RM26.9 million from RM30.6 million at the beginning of the financial year) coupled with the Project#1 customer's interest-free-advances totalling RM36.5 million (which is guaranteed by the Company). The Engineering subsidiary has obtained a moratorium on debt service from its external lender for the current financial year and the next twelve months. The Company has extended a financial guarantee (see Note 31(b)(ii)) to the project client of the Engineering subsidiary's onerous project, and as such ultimately bears the capital risk. The Company has assessed the likelihood of a call on the financial guarantee to be remote, as the Company has the financial means to capitalise its Engineering subsidiary to ensure the fulfilment of its contractual obligations whilst seeking variation order claims with its client.

Over the current reporting period, equity capital deployed in the Group has increased by around RM14.6 million (or up 4%) whilst interest-bearing-debt capital has decreased by around RM132.9 million (or down 47%). The Group's debt-equity ratio closed at 0.37 times for the current reporting period compared to 0.72 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' steel tube sales to the UK market shall be closely managed.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk

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

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

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

The Group's financial obligations as shown in the tables below are mainly short-term (due within 12 months) largely due to the rolling trade financing facilities deployed by its indirectly held Cold Rolled and Steel Tube subsidiaries where their short-term-bank-debts to total-bank-debts ratio is 99.0% and 95.1% respectively. Their significant reliance on short-term bank trade facilities which are callable on demand poses a degree of liquidity risk – which however is diversified with trade credit lines from key suppliers amounting to USD42.0 million (RM169.6 million) and USD33.8 million (RM136.7 million) respectively for the Cold Rolled subsidiary and the Steel Tube subsidiary.

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

The Group's Engineering subsidiary obtained term loans amounting to RM30.6 million in the preceding financial year to finance its onerous construction contracts. These loans are partially guaranteed by the Company, and were partially repaid in the current financial year with a closing balance of RM26.9 million. This balance has been fully settled subsequent to the financial year end.

The Company has also in the past has extended a financial guarantee to the subsidiary's client for advances on the project's costs. As at the close of the current financial year, the amount owing by the subsidiary to the client for such advances stands at RM36.5 million (2017: RM0.6 million). The Engineering subsidiary plans to cover this liability with the unscheduled variation claims filed against the client of RM74 million. See Note 31(b)(ii).

To meet the liquidity risks arising from its Engineering subsidiary, the Company has initiated a '1-for-1 rights share with 1-free warrant for every-2 subscribed rights' issuance exercise duly approved by its shareholders on 20 April 2018, with RM26.8 million raised from this exercise subsequent to the financial year end; coupled with the contracted sale of one factory land and building (to its Steel Tube subsidiary) for RM26 million on 20 November 2017. Both the aforementioned fund raising exercises were duly completed in the 1st quarter of next financial year. See Note 32 on significant subsequent events.

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 (and the preceding financial year's reporting date as comparison) based on undiscounted contractual payments:

Group	Carrying amount RM	Contractual interest rate % per annum	Contractual cash flows RM	Within 1 year RM	1 – 2 years RM	2 – 3 years RM	3 – 4 years RM	4 – 5 years RM	> 5 years RM
30 June 2018									
Non-derivative financial liabilities									
Bankers' acceptance	87,060,000	4.67% - 5.70%	87,989,189	87,989,189	-	-	-	-	-
Term loan 1	4,074,613	8.00%	4,377,618	-	4,377,618	-	-	-	-
Term loan 2	3,790,068	6.50%	3,893,445	3,139,038	754,407	-	-	-	-
Term loan 3	22,862,233	12.00%	25,067,173	-	25,067,173	-	-	-	-
Hire-purchase creditors	1,521,347	2.50% - 3.38%	1,661,696	703,958	518,934	213,126	161,148	64,530	-
Trade payables	28,193,464	5.10%	28,193,464	28,193,464	-	-	-	-	-
Trade and other payables, excluding derivatives	222,963,538		222,963,538	221,096,491	1,867,047	-	-	-	-
Derivative financial liabilities									
Forward contracts	2,570		2,570	2,570	-	-	-	-	-
	370,467,833		**374,148,693**	**341,124,710**	**32,585,179**	**213,126**	**161,148**	**64,530**	**-**
30 June 2017									
Non-derivative financial liabilities									
Bankers' acceptance	66,730,000	4.99% - 7.15%	67,510,054	67,510,054	-	-	-	-	-
Revolving credits	8,400,000	5.30%	8,435,372	8,435,372	-	-	-	-	-
Term loan 1	1,585,809	8.00%	1,710,289	-	1,710,289	-	-	-	-
Term loan 2	6,817,102	6.25%	7,277,505	3,388,935	3,134,332	754,238	-	-	-
Term loan 3	29,021,103	12.00%	32,308,143	-	32,308,143	-	-	-	-
Hire-purchase creditors	961,009	2.44% - 3.38%	1,064,244	457,628	306,890	166,026	48,648	48,648	36,404
Trade payables	166,744,684	1.72% - 5.33%	166,668,426	166,668,426	-	-	-	-	-
Payables and accruals, excluding derivatives	69,117,826		69,117,826	68,267,184	850,642	-	-	-	-
Derivative financial liabilities									
Forward contracts	3,036,852		3,036,852	3,036,852	-	-	-	-	-
	352,414,385		**357,128,711**	**317,764,451**	**38,310,296**	**920,264**	**48,648**	**48,648**	**36,404**

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 (and the preceding financial year's reporting date as comparison) based on undiscounted contractual payments:

Company	Carrying amount RM	Contractual interest rate % per annum	Contractual cash flows RM	Within 1 year RM	1 – 2 years RM	2 – 3 years RM	3 – 4 years RM	4 – 5 years RM
30 June 2018								
Non-derivative financial liabilities								
Payables and accruals	3,715,046		3,715,046	3,715,046	-	-	-	-
Amounts owing to subsidiaries	2,704,317		2,704,317	2,704,317	-	-	-	-
	6,419,363		6,419,363	6,419,363	-	-	-	-
Financial guarantees	-		148,616,994	148,616,994	-	-	-	-
30 June 2017								
Non-derivative financial liabilities								
Payables and accruals	1,758,435		1,758,435	1,758,435	-	-	-	-
Amounts owing to subsidiaries	273,714		273,714	273,714	-	-	-	-
	2,032,149		2,032,149	2,032,149	-	-	-	-
Financial guarantees	-		112,754,353	-	112,754,353	-	-	-

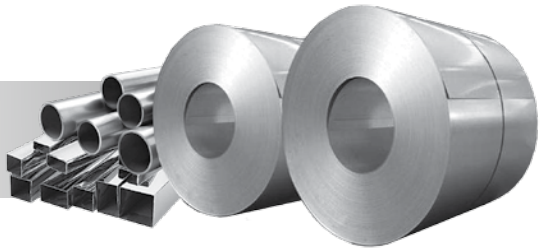
(c) Credit risk

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

The Group's credit risk exposure principally relates to trade and other receivables. At the close of the current financial year, the Group made a credit impairment loss of RM1,411,649 and RM6,626,113 on its trade and other receivables respectively. At the Company level, credit risk exposure arises principally from amount owing by subsidiaries and an associate. In this regard, the Company has made a net credit impairment loss allowance amounting to RM17.2 million for the current financial year (compared to a net write back of RM2.3 million in the preceding financial year) in-relation to amount owing by subsidiaries. See Note 4(c)(iii). The Group does not extend any loans to external parties except for its own subsidiaries if doing so does not violate existing lenders' covenant. Credit risk is managed at the respective segments or business entities' level, but Group-wide policies relating to credit control and monitoring such as the following are set centrally.

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

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



4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

As at the reporting date, the Group has concentration of credit risk in its steel subsidiaries' trade receivables and an amount owing by the power ex-associate (which a full impairment was made in the current financial year), see Note 4(c)(iii)). The Group's and the Company's major classes of financial assets are as disclosed in Note 33 to the financial statements and the credit analysis of these are presented in the tables and notes.

The Group has at the start of the next financial year changed its credit impairment policies to be based on Expected Credit Loss in-line with the requirements of MFRS 9 (replacing MFRS 139). The Group elected practical expedient on credit impairment assessment of its trade receivables with the adoption of an 'impairment provision matrix' based on overdue aging reflective of the expected loss model. The implementation of the aforementioned from 1 July 2018 has not increase credit impairment which would render the opening loss allowances determined under MFRS 9 to be materially different from the ending loss allowance as at 30 June 2018 under MFRS 139.

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

				<------ Past due but not impaired ------>					
	Total	**Impaired**	**Neither past due nor impaired**	**< 30 days**	**31 – 60 days**	**61 – 90 days**	**91 – 180 days**	**> 181 days**	**Total past due but not impaired**
Group	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
At 30 June 2018									
Trade receivables	115,221,366	1,778,050	98,606,670	14,319,367	197,681	122,994	120,489	76,115	14,836,646
Other receivables	8,318,151	7,405,611	912,540	-	-	-	-	-	-
Amount due from customers	5,100,403	-	5,100,403	-	-	-	-	-	-
Deposits	4,937,453	-	4,937,453	-	-	-	-	-	-
Derivative financial assets	3,341,051	-	3,341,051	-	-	-	-	-	-
	136,918,424	9,183,661	112,898,117	14,319,367	197,681	122,994	120,489	76,115	14,836,646
At 30 June 2017									
Trade receivables	103,094,664	712,858	75,554,653	24,963,479	1,250,011	436,645	84,663	92,355	26,827,153
Other receivables	2,868,413	779,498	2,088,915	-	-	-	-	-	-
Deposits	4,188,194	-	4,188,194	-	-	-	-	-	-
Amount owing by associates	54,446,476	44,821,208	9,625,268	-	-	-	-	-	-
Derivative financial assets	142,073	-	142,073	-	-	-	-	-	-
	164,739,820	46,313,564	91,599,103	24,963,479	1,250,011	436,645	84,663	92,355	26,827,153

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

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

				Past due but not impaired					
	Total	Impaired	Neither past due nor impaired	< 30 days	31 – 60 days	61 – 90 days	91 – 180 days	> 181 days	Total past due but not impaired
Company	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
At 30 June 2018									
Other receivables	1,104,781	1,102,470	2,311	-	-	-	-	-	-
Deposits	97,223	-	97,223	-	-	-	-	-	-
Amounts owing by subsidiaries	38,627,642	36,930,244	1,697,398	-	-	-	-	-	-
	39,829,646	38,032,714	1,796,932	-	-	-	-	-	-
At 30 June 2017									
Other receivables	21,022	-	21,022	-	-	-	-	-	-
Deposits	95,550	-	95,550	-	-	-	-	-	-
Amounts owing by subsidiaries	23,750,200	19,683,467	4,066,733	-	-	-	-	-	-
Amounts owing by an associate	601,625	-	601,625	-	-	-	-	-	-
	24,468,397	19,683,467	4,784,930	-	-	-	-	-	-

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

Financial assets under this category are mainly debts that are still within the approved credit period. Trade receivables represent the largest financial asset group in this category and are held under the following segments of the Group.

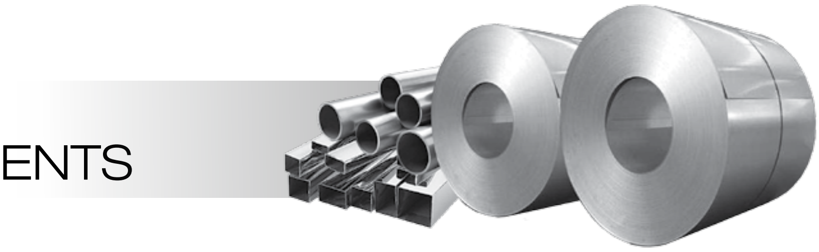
Trade Receivables	**Neither past due nor impaired RM**
Cold Rolled Coil	69,557,832
Steel Tube	28,977,262
Engineering	71,576
Total	**98,606,670**

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

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

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

Trade Receivables	**Past due but not impaired RM**
Cold Rolled Coil	8,706,046
Steel Tube	6,054,485
Engineering	76,115
Total	**14,836,646**



4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

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

About 99.5% of the trade receivables in value reported in this category relate to the steel businesses. Of the total steel businesses' overdue outstanding of RM14.8 million, about RM5.6 million is backed by corporate guarantees and indemnities. Despite the stretched aging which reflects the norm of the industries, these amounts even at late aging are usually collected in full as about 94% of the counterparties have been with the Group for three years and above. As of the approval date of the financial statements, the Group has received 99% of the outstanding amounts from these customers subsequent to the reporting date.

(iii) Financial assets that are impaired

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

During the current financial year, the following credit impairments were made:
- The Group's Engineering subsidiary made an impairment charge of RM1,411,649 on its Project#2 billed receivables of RM4,116,288;
- The Group made a full impairment charge on balance debt securities held in the foreign UK associate amounting to GBP15,000 (RM79,800) prior to the acquisition of its remaining shares. The debt (RM648,593) was subsequently fully written-off against the impairment allowance account upon acquisition of the associate on 17 October 2017 (see Note 16(b)(ii));
- The Company and a wholly owned subsidiary made a full impairment charge on the long-outstanding balance sums due from the ex-power associate amounting to RM1,102,470 for the Company and RM6,626,113 for the Group respectively;
- The Company made a full impairment charge on advances made to its wholly owned Engineering subsidiary of RM20,652,268, and other subsidiaries of RM94,509. There was also an impairment write-back of RM3,500,000 due to recovery from a subsidiary linked to the ex-power associate.

During the current financial year, the Group wrote-off a total of RM45.2 million against past impairment provisions - as the recovery of these has been determined to be highly unlikely.

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 (and the preceding financial year's reporting date as comparison) are set out below:

	Trade receivables	Other receivables	Amounts owing by associates	Total
	RM	RM	RM	RM
Group				
At 30 June 2018				
At gross amounts	115,221,366	8,318,151	-	123,539,517
Less: Accumulated impairment	(1,778,050)	(7,405,611)	-	(9,183,661)
	113,443,316	912,540	-	114,355,856
Accumulated impairment:				
At 1 July	712,858	779,498	44,821,208	46,313,564
Impairment charge for the financial year	1,411,649	6,626,113	79,800	8,117,562
Written-off	(346,457)	-	(44,901,008)	(45,247,465)
At 30 June	1,778,050	7,405,611	-	9,183,661

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

(iii) Financial assets that are impaired (continued)

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

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

Company	Other receivables RM	Amounts owing by subsidiaries RM	Total RM
At 30 June 2018			
At gross amounts	1,104,781	38,627,642	39,732,423
Less: Accumulated impairment	(1,102,470)	(36,930,244)	(38,032,714)
	2,311	1,697,398	1,699,709
Accumulated impairment:			
At 1 July	-	19,683,467	19,683,467
Impairment charge for the financial year	1,102,470	20,746,777	21,849,247
Write back of impairment for the financial year	-	(3,500,000)	(3,500,000)
At 30 June	1,102,470	36,930,244	38,032,714
At 30 June 2017			
At gross amounts	-	23,750,200	23,750,200
Less: Accumulated impairment	-	(19,683,467)	(19,683,467)
	-	4,066,733	4,066,733
Accumulated impairment:			
At 1 July	-	21,979,974	21,979,974
Impairment charge for the financial year	-	11,703,493	11,703,493
Write back of impairment for the financial year	-	(14,000,000)	(14,000,000)
At 30 June	-	19,683,467	19,683,467

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Interest rate risk

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

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

The floating rate loan instrument is subjected revision of the lender's cost of funds in computing the interest rate. Over the current financial year, the term loan's interest rate was revised once with a net upward adjustment of 25 basis-point. The fixed rate instruments are mainly short-term trade and credit facilities subjected to re-pricing upon frequent rollover every 3 to 4 months. Despite the frequent re-pricing, the risk has generally been low as domestic interest rate has been relatively stable for the entire current financial year.

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

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

	Group	
	2018 RM	**2017 RM**
Fixed rate borrowings, denominated in RM	115,518,193	106,697,921
Floating rate borrowings, denominated in RM	3,790,068	6,817,102
Fixed rate credit from supplier, denominated in USD (Note 25)	-	148,518,861
Fixed rate credit from supplier, denominated in RM (Note 25)	28,023,152	18,225,823
	147,331,413	280,259,707

The Group's outstanding interest bearing financial instruments at the close of the current financial year is significantly lower by around 47% compared to the preceding financial year due to significantly lower trade-credit drawn despite higher closing inventory value.

The risk impact for the floating rate financial liability instruments had the overall interest rates being 1% higher, is that the Group's profit after tax for financial year 2018 would be lower by RM29 thousand (2017: RM52 thousand). A 1% lower interest rate would have the equal but opposite effect to the aforementioned amounts.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Foreign currency exchange risk

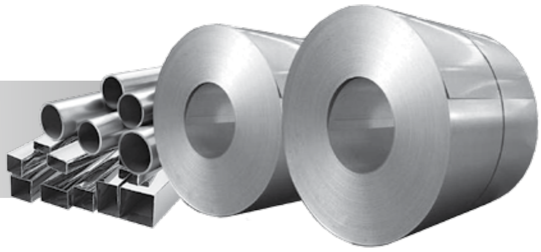
Foreign currency risk is the risk that the fluctuation of foreign exchange (FX) rates may negatively impact fair value or future cash-flow of financial instruments in currencies other than its own functional currency. The Group's foreign currency risk management objective is to minimise foreign currency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

The Group's revenue streams from both its subsidiaries are mainly denominated in Ringgit which are their functional currencies. The Cold Rolled subsidiary's raw material coil are however mostly imported from abroad and denominated in USD, whilst the Steel Tube subsidiary's raw material coils are mostly domestically sourced in Ringgit with occasional imports in USD. The Steel Tube operation derives a small portion of its revenue (around 6%) from export sales denominated mainly in SGD. In summary, the Group FX exposure is mainly in USD-short and to a lesser extent SGD-long. The Company is not exposed to any FX risk.

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. Further disclosures are made in Note 21 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:

	2018			2017		
	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	65	74	139	(104)	183	79
Hedge accounted	3,274	(12,995)	(9,721)	(2,791)	5,712	2,921
	3,339	(12,921)	(9,582)	(2,895)	5,895	3,000
FX Hedged Items						
Not hedge accounted	(486)	1,080	594	318	(1,764)	(1,446)
Hedge accounted	(3,274)	12,995	9,721	2,791	(5,712)	(2,921)
	(3,760)	14,075	10,315	3,109	(7,476)	(4,367)
Net FX (Loss)/Gain	(421)	1,154	733	214	(1,581)	(1,367)



4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Foreign currency exchange risk (continued)

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

	From USD	From EURO	From SGD	From YEN	From GBP	Total
As at 30 June 2018						
Financial assets						
Trade and other receivables	170,983	-	4,563,418	-	76,618	4,811,019
Cash and bank balances	231,059	-	318,690	-	159,116	708,865
	402,042	-	4,882,108	-	235,734	5,519,884
Less: Financial liabilities						
Trade and other payables	(146,784,762)	(30,196)	-	-	-	(146,814,958)
Net financial (liabilities)/assets	(146,382,720)	(30,196)	4,882,108	-	235,734	(141,295,074)
Off balance sheet						
Contracted commitments	(29,389,357)	-	-	-	-	(29,389,357)
Less: Forward foreign currency contracts at notional value at closing rate	155,483,292	-	(889,874)	-	-	154,593,418
Net currency exposure	(20,288,785)	(30,196)	3,992,234	-	235,734	(16,091,013)
As at 30 June 2017						
Financial assets						
Trade and other receivables	824,878	212,221	4,847,288	319,239	-	6,203,626
Cash and bank balances	165,722	-	424,030	-	10,062	599,814
	990,600	212,221	5,271,318	319,239	10,062	6,803,440
Less: Financial liabilities						
Trade and other payables	(151,091,421)	(15,061)	-	-	-	(151,106,482)
Net financial (liabilities)/assets	(150,100,821)	197,160	5,271,318	319,239	10,062	(144,303,042)
Off balance sheet						
Contracted commitments	(22,765,648)	-	-	-	-	(22,765,648)
Less: Forward foreign currency contracts at notional value at closing rate	158,917,226	-	(938,919)	-	-	157,978,307
Net currency exposure	(13,949,243)	197,160	4,332,399	319,239	10,062	(9,090,383)

'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 2018.

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

	Increase/(decrease)	
Group	2018 RM	2017 RM
RM appreciates against USD by 3%	462,584	318,043
RM appreciates against EURO by 3%	688	(4,495)
RM appreciates against SGD by 3%	(91,023)	(98,779)
RM appreciates against YEN by 3%	-	(7,279)
RM appreciates against GBP by 3%	(5,375)	(229)

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

5 FAIR VALUE

The carrying amounts of the following financial assets and liabilities approximate their fair values due to the relatively short-term maturity of these financial instruments: deposits, cash and bank balances, receivables and payables (including non-trade intercompany balances). The determination of the fair value for other financial assets and liabilities may require the application of certain valuation methods.

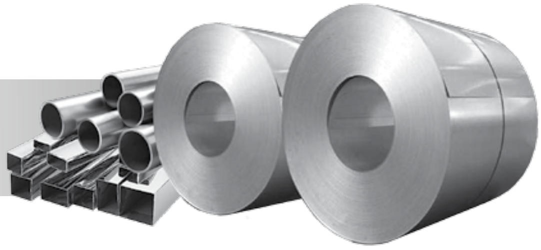
Fair value estimation

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:

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2018				
Assets				
Foreign currency exchange forward contracts	-	3,341,051	-	3,341,051
Liabilities				
Foreign currency exchange forward contracts	-	(2,570)	-	(2,570)
2017				
Assets				
Foreign currency exchange forward contracts	-	142,073	-	142,073
Liabilities				
Foreign currency exchange forward contracts	-	(3,036,852)	-	(3,036,852)

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

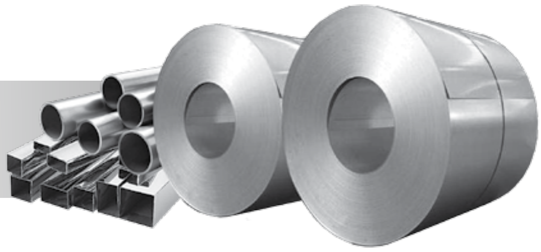
Neither the Group nor Company holds any financial assets where fair values are assessed at Level 1 and Level 3.

6 REVENUE

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Sale of goods	788,606,161	721,776,580	-	-
Contract revenue	24,518,497	48,192,315	-	-
Processing service income	2,928,397	2,746,109	-	-
Marketing fee	40,330	70,391	-	-
Management fee	-	-	3,270,000	3,045,000
Dividend income	-	-	800,000	-
Rental income	-	-	4,963,860	4,963,860
	816,093,385	772,785,395	9,033,860	8,008,860

7 OTHER OPERATING INCOME

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Net gain on disposals of property, plant and equipment	22,214	88,670	1,208	10,951
Rental income	23,528	23,566	-	-
Interest charged to subsidiary	-	-	954,058	506,398
Gain on disposal of an associate (Note 16(a)(i))	4	-	-	-
Gain on derecognition of an associate (Note 15(c))	82,698	-	-	-
Others	92,495	261,492	-	13,417
	220,939	373,728	955,266	530,766



8 PROFIT/(LOSS) BEFORE TAX

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
The following expenses have been charged/(credited) in arriving at profit/(loss) before tax:				
Auditors' remuneration:				
- statutory audit	659,740	678,102	210,000	220,971
- non-audit services	26,010	25,255	13,250	12,866
Professional fees	3,025,963	1,089,396	1,196,749	360,456
Changes in inventories of finished goods and work in progress	(14,350,882)	(18,859,590)	-	-
Raw materials consumed	662,923,381	585,094,690	-	-
Consumables (inventories) consumed	15,994,054	15,272,329	-	-
Property, plant and equipment (Note 13):				
- depreciation	19,780,483	19,777,999	205,668	248,529
- write-offs	200,883	37,731	-	420
- impairment losses/(write back of impairment losses)	1,182,414	2,111,642	254,598	(4,143)
- net (gain)/loss on disposal (Note 7)	(22,214)	(88,670)	(1,208)	(10,951)
Fair value gain on investment properties (Note 14)	-	-	(851,125)	(2,600,000)
Staff costs - excluding Directors' remuneration	42,459,078	34,754,982	1,419,770	1,268,854
Rental of building	349,638	519,787	136,232	130,723
Impairment losses/(write back of impairment losses):				
- amounts owing by subsidiaries (Note 4(c)(iii))	-	-	17,246,777	(2,296,507)
- amounts owing by associates (Note 4(c)(iii))	79,800	568,793	-	-
- trade receivables (Note 4(c)(iii) & 20)	1,411,649	346,457	-	-
- other receivables (Note 4(c)(iii))	6,626,113	-	1,102,470	-
- inventories	46,067	-	-	-
- goodwill (Note 15(c))	832,151	-	-	-
Net foreign exchange loss/(gain)				
- realised	(1,154,012)	1,581,092	-	-
- unrealised	420,887	(213,752)	-	-
Provision for onerous contract (reversed)/made during the year	(9,848,856)	13,947,234	-	-
Write-back of cost provision on Project#1 (Note 17)	(11,303,211)	-	-	-
Additional provision made on Project#2 (Note 17)	1,422,323	-	-	-
Provision for liquidated ascertained damages	1,300,000	8,392,016	-	-
Provision for defects liability period	3,682,217	-	-	-

9 FINANCE INCOME AND COSTS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Finance income:				
Interest on deposits with financial institutions	(1,521,627)	(1,301,315)	(111,462)	(314,262)
Finance costs:				
Interest on borrowings	7,050,651	7,526,441	-	-
Interest on hire-purchase	90,228	37,787	-	-
Interest on suppliers' credit	3,524,867	5,252,144	-	-
Total finance costs	10,665,746	12,816,372	-	-
Net finance costs/(income)	9,144,119	11,515,057	(111,462)	(314,262)

Interest income are derived mostly from fixed-deposits and money-market REPO (repurchase agreement) with Banks for very short tenure placements.

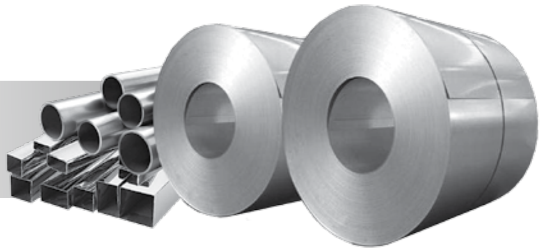
10 DIRECTORS' REMUNERATION

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Non-executive Directors:				
- fees	457,500	438,857	244,500	252,857
- allowances	118,000	170,525	45,500	99,525
- estimated monetary value of benefits-in-kind	17,658	-	12,356	-
Executive Directors:				
- salaries, bonuses and other emoluments	5,008,023	3,525,537	2,089,620	2,054,270
- allowance	61,600	36,000	61,600	36,000
- estimated monetary value of benefits-in-kind	105,354	60,958	44,997	36,358
- defined contribution plan	652,388	432,938	319,969	313,538
	6,420,523	4,664,815	2,818,542	2,792,548

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

	Number of Directors	
	2018	2017
Executive Directors:		
RM0	-	1
RM950,001 – RM1,000,000	-	1
RM1,000,001 – RM1,050,000	1	-
RM1,450,001 – RM1,500,000	1	1
Non-executive Directors:		
Less than RM50,000	2	4
RM50,001 – RM100,000	4	3



11 TAXATION

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Current Malaysia tax:				
- Malaysian income tax	5,912,959	7,635,963	811,714	702,682
- (over)/under accrual in the prior year	(40,687)	803,466	(18,548)	3,113
	5,872,272	8,439,429	793,166	705,795
Deferred taxation (Note 18):				
- origination and reversal of temporary differences	1,350,483	3,377,982	(3,436,533)	693,300
Tax expense/(credit)	7,222,755	11,817,411	(2,643,367)	1,399,095

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

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Profit/(Loss) before tax	11,244,427	(55,166,326)	(14,900,236)	7,428,789
Tax calculated at the Malaysian tax rate of 24% (2017: 24%)	2,698,662	(13,239,918)	(3,576,057)	1,782,909
Tax effects of:				
- expenses not deductible for tax purposes	4,827,060	1,987,156	4,788,942	-
- income not subject to tax	(1,229,857)	(881,084)	(192,000)	(386,927)
- exempt income	(37,392)	(889,279)	-	-
- deductible temporary differences	858,668	24,037,070	-	-
- (over)/under provision in the prior year	(40,687)	803,466	(18,548)	3,113
- change in tax rate arising from change in manner of recovery	146,301	-	(3,645,704)	-
Tax expense/(credit)	7,222,755	11,817,411	(2,643,367)	1,399,095

12 LOSS PER SHARE

(a) Basic loss per share

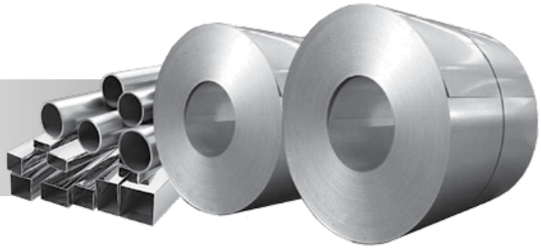
	Group	
	2018 RM	**2017 RM**
Loss attributable to owners of the Company	(667,999)	(78,220,660)
Weighted average number of ordinary shares in issue (net of treasury shares)	225,522,808	225,522,808
Basic loss per share (sen)	(0.30)	(34.68)

(b) Diluted loss per share

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

13 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Leasehold land RM	Buildings RM	Plant, machinery and electrical installation RM	Motor vehicles, furniture, fittings and equipment RM	Spare parts RM	Capital work-in-progress RM	Total RM
2018								
Cost/Valuation								
At 1 July 2017								
- Cost	-	-	-	-	13,232,096	462,845	282,914	13,977,855
- Valuation	57,100,000	78,560,000	75,045,102	214,373,930	-	-	-	425,079,032
	57,100,000	78,560,000	75,045,102	214,373,930	13,232,096	462,845	282,914	439,056,887
Additions	-	-	48,875	3,029,947	1,497,778	256,081	3,375,291	8,207,972
Disposals	-	-	-	(52,710)	(388,411)	-	-	(441,121)
Write-offs	-	-	-	(199,375)	(133,157)	-	-	(332,532)
Revaluation during the financial year	-	4,788,782	3,396,830	990,926	-	-	-	9,176,538
Effects of elimination of accumulated depreciation on revaluation	-	(1,300,620)	(5,391,322)	(12,024,411)	-	-	-	(18,716,353)
Acquisition of a subsidiary	-	-	-	-	143,005	-	-	143,005
Assets classified as held-for-sale	-	(648,162)	(588,163)	(20,435,213)	(178,680)	-	-	(21,850,218)
Reclassification	-	-	-	257,997	59,584	(81,116)	(236,465)	-
Currency translation differences	-	-	-	-	(6,144)	-	-	(6,144)
At 30 June 2018	57,100,000	81,400,000	72,511,322	185,941,091	14,226,071	637,810	3,421,740	415,238,034
Less: Accumulated depreciation								
At 1 July 2017	-	-	-	-	8,140,517	-	-	8,140,517
Charge for the financial year	-	1,309,926	5,417,550	12,028,460	1,024,547	-	-	19,780,483
Disposals	-	-	-	(1,008)	(278,693)	-	-	(279,701)
Write-offs	-	-	-	(3,041)	(128,608)	-	-	(131,649)
Effects of elimination of accumulated depreciation on revaluation	-	(1,300,620)	(5,391,322)	(12,024,411)	-	-	-	(18,716,353)
Assets classified as held-for-sale	-	(9,306)	(26,228)	-	(178,680)	-	-	(214,214)
Currency translation differences	-	-	-	-	(953)	-	-	(953)
At 30 June 2018	-	-	-	-	8,578,130	-	-	8,578,130
Less: Accumulated impairment loss								
At 1 July 2017	-	-	-	42,234,490	100,274	-	-	42,334,764
Charge for the financial year (Note 8)	-	-	-	1,182,414	-	-	-	1,182,414
Assets classified as held-for-sale	-	-	-	(19,757,159)	-	-	-	(19,757,159)
At 30 June 2018	-	-	-	23,659,745	100,274	-	-	23,760,019
Net book value								
At 30 June 2018	57,100,000	81,400,000	72,511,322	162,281,346	5,547,667	637,810	3,421,740	382,899,885
Representing:								
- Cost	-	-	-	-	5,547,667	637,810	3,421,740	9,607,217
- Valuation	57,100,000	81,400,000	72,511,322	162,281,346	-	-	-	373,292,668
	57,100,000	81,400,000	72,511,322	162,281,346	5,547,667	637,810	3,421,740	382,899,885

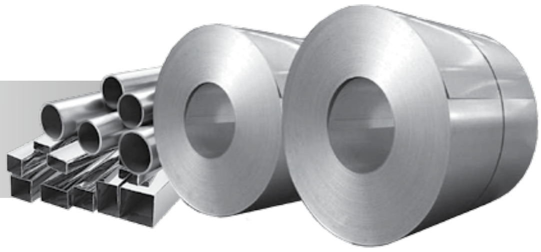


13 PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold land RM	Leasehold land RM	Buildings RM	Plant, machinery and electrical installation RM	Motor vehicles, furniture, fittings and equipment RM	Spare parts RM	Capital work-in-progress RM	Total RM
2017								
Cost/Valuation								
At 1 July 2016								
- Cost	-	-	-	-	13,452,353	-	628,679	14,081,032
- Valuation	53,000,000	73,560,000	79,605,102	223,976,690	-	-	-	430,141,792
	53,000,000	73,560,000	79,605,102	223,976,690	13,452,353	-	628,679	444,222,824
Additions	-	-	45,392	3,263,213	852,201	102,033	236,465	4,499,304
Disposals	-	-	-	(754,951)	(1,055,196)	-	-	(1,810,147)
Write-offs	-	-	-	(37,204)	(17,262)	-	-	(54,466)
Revaluation during the financial year	4,100,000	6,207,272	408,182	(142,237)	-	-	-	10,573,217
Effects of elimination of accumulated depreciation on revaluation	-	(1,207,272)	(5,013,574)	(12,153,000)	-	-	-	(18,373,846)
Reclassification	-	-	-	221,418	-	360,812	(582,230)	-
At 30 June 2017	57,100,000	78,560,000	75,045,102	214,373,929	13,232,096	462,845	282,914	439,056,886
Less: Accumulated depreciation								
At 1 July 2016	-	-	-	-	8,203,754	-	-	8,203,754
Charge for the financial year	-	1,207,272	5,013,574	12,596,232	960,921	-	-	19,777,999
Disposals	-	-	-	(441,175)	(1,009,480)	-	-	(1,450,655)
Write-offs	-	-	-	(2,057)	(14,678)	-	-	(16,735)
Effects of elimination of accumulated depreciation on revaluation	-	(1,207,272)	(5,013,574)	(12,153,000)	-	-	-	(18,373,846)
At 30 June 2017	-	-	-	-	8,140,517	-	-	8,140,517
Less: Accumulated impairment loss								
At 1 July 2016	-	-	-	40,122,847	100,274	-	-	40,223,121
Charge for the financial year (Note 8)	-	-	-	2,111,642	-	-	-	2,111,642
At 30 June 2017	-	-	-	42,234,489	100,274	-	-	42,334,763
Net book value								
At 30 June 2017	57,100,000	78,560,000	75,045,102	172,139,440	4,991,305	462,845	282,914	388,581,606
Representing:								
- Cost	-	-	-	-	4,991,305	462,845	282,914	5,737,064
- Valuation	57,100,000	78,560,000	75,045,102	172,139,440	-	-	-	382,844,542
	57,100,000	78,560,000	75,045,102	172,139,440	4,991,305	462,845	282,914	388,581,606

13 PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Building RM	Plant, machinery and electrical installation RM	Motor vehicles, furniture, fittings and equipment RM	Total RM
2018				
Cost/Valuation				
At 1 July 2017				
- Cost	-	-	1,675,799	1,675,799
- Valuation	111,322	906,204	-	1,017,526
	111,322	906,204	1,675,799	2,693,325
Additions	-	-	6,800	6,800
Disposals	-	-	(856)	(856)
Revaluation during the financial year	-	57,320	-	57,320
Elimination of accumulated depreciation on revaluation	-	(89,722)	-	(89,722)
Write-off	-	-	(258)	(258)
At 30 June 2018	111,322	873,802	1,681,485	2,666,609
Less: Accumulated depreciation				
At 1 July 2017	-	-	1,238,090	1,238,090
Charge for the financial year	-	89,722	115,946	205,668
Disposals	-	-	(856)	(856)
Elimination of accumulated depreciation on revaluation	-	(89,722)	-	(89,722)
Write-off	-	-	(258)	(258)
At 30 June 2018	-	-	1,352,922	1,352,922
Less: Accumulated impairment loss				
At 1 July 2017	-	32,204	80,595	112,799
Charge for the financial year (Note 8)	-	254,598	-	254,598
At 30 June 2018	-	286,802	80,595	367,397
Net book value				
At 30 June 2018	111,322	587,000	247,968	946,290
Representing:				
- Cost	-	-	247,968	247,968
- Valuation	111,322	587,000	-	698,322
	111,322	587,000	247,968	946,290



13 PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Building RM	Plant, machinery and electrical installation RM	Motor vehicles, furniture, fittings and equipment RM	Total RM
2017				
Cost/Valuation				
At 1 July 2016				
- Cost	-	-	2,629,407	2,629,407
- Valuation	111,322	974,346	-	1,085,668
	111,322	974,346	2,629,407	3,715,075
Additions	-	-	6,238	6,238
Disposals	-	-	(950,000)	(950,000)
Revaluation during the financial year	-	17,821	-	17,821
Elimination of accumulated depreciation on revaluation	-	(85,963)	-	(85,963)
Write-off	-	-	(9,846)	(9,846)
At 30 June 2017	111,322	906,204	1,675,799	2,693,325
Less: Accumulated depreciation				
At 1 July 2016	-	-	2,027,033	2,027,033
Charge for the financial year	-	85,963	162,566	248,529
Disposals	-	-	(942,083)	(942,083)
Elimination of accumulated depreciation on revaluation	-	(85,963)	-	(85,963)
Write-off	-	-	(9,426)	(9,426)
At 30 June 2017	-	-	1,238,090	1,238,090
Less: Accumulated impairment loss				
At 1 July 2016	-	36,347	80,595	116,942
Reversal for the financial year (Note 8)	-	(4,143)	-	(4,143)
At 30 June 2017	-	32,204	80,595	112,799
Net book value				
At 30 June 2017	111,322	874,000	357,114	1,342,436
Representing:				
- Cost	-	-	357,114	357,114
- Valuation	111,322	874,000	-	985,322
	111,322	874,000	357,114	1,342,436

13 PROPERTY, PLANT AND EQUIPMENT (continued)

(i) Valuation of certain property, plant and equipment

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

Land and buildings of the Group were revalued in June 2018 by an independent firm of professional valuers, PA International Property Consultants (KL) Sdn Bhd based on an open market value basis.

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

The revaluation surplus amounting to RM9,176,538 was credited directly to asset revaluation reserve account and its related deferred taxation arising from the revaluation was provided accordingly (Note 18); whilst, the net revaluation deficit amounting to RM1,406,414 (2017: RM2,323,642) was taken up as impairment loss in profit or loss.

At the close of the preceding financial year, the Group's Cold Rolled subsidiary has an imminent plan to upgrade a certain production line and to replace certain legacy motors of another production line which will affect the said assets' carrying revalued amount. At the close of the current financial year, the Company has not carried out the plan. In reassessing the affected assets' fair value of the components to be replaced, there is a reduction of impairment provision of RM224,000 from RM6,788,000 provision recognised in prior year as summarised in the table below, and is included in the impairment loss on property, plant and equipment in the Statement of Comprehensive Income for the current financial year.

					All in RM' million
	Existing carrying revalued amount	**Estimated fair value net displacement**	**Impairment provision**	**Opening carrying provision**	**Inc/(Dec) required in current financial year 2018**
Production Line A: up-grade	19.5	14.4	5.1	5.2	(0.1)
Production Line B: motor replacement	4.1	2.6	1.5	1.6	(0.1)
	23.6	17.0	6.6	6.8	(0.2)

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

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Freehold land	31,300,000	31,300,000	-	-
Leasehold land	43,283,386	44,622,842	-	-
Buildings	64,549,619	69,143,740	111,322	111,322
Plant, machinery and electrical installation	184,065,154	196,300,650	776,349	843,537
	323,198,159	341,367,232	887,671	954,859

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

- Freehold land, leasehold land and buildings - open market basis by reference to observable prices per square feet in an active market or recent market transactions on arm's length terms (Level 2).

- Plant and machinery - depreciated replacement cost method, which is based on the current cost of reproduction or replacement of an asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation (Level 3).

13 PROPERTY, PLANT AND EQUIPMENT (continued)

(ii) Assets acquired under hire-purchase arrangements

Additions to property, plant and equipment of the Group during the financial year amounting to RM8,207,972 (2017: RM4,499,304) includes those acquired by means of hire-purchase arrangements totalling RM1,267,225 (2017: RM528,010). As at 30 June 2018, the net book value of the property, plant and equipment under hire-purchase arrangements in the Group is RM2,258,646 (2017: RM1,466,243).

(iii) Assets pledged as securities

Freehold land, buildings, plant, machinery and electrical installation of subsidiaries with a net book value of RM284.8 million (2017: RM291.7 million) are pledged as securities for certain banking facilities granted to the Group. Refer Note 26 to the financial statements for further details.

(iv) Assets classified as held-for-sale

A subsidiary of the Company, Melewar Steel Mills Sdn Bhd ("MSM"), had entered into a conditional sale and purchase agreement with a buyer on 26 December 2017 to dispose of a leasehold land and building with disused machinery and equipment with a carrying fair value of RM1,373,822 located at Alor Gajah, Melaka for a cash consideration of RM1,400,000. On 12 June 2018, MSM has also accepted an offer from another buyer for its disused machinery and electrical installation with a carrying fair value of RM505,023 located in Sg. Rasau, Shah Alam for a cash consideration of RM510,000. As at the close of the current financial year, certain conditions precedent has yet to be fulfilled in the disposal of its leasehold land and building whilst its machinery and electrical installation are pending payments to complete the sale. Consequently these assets have been reclassified to "Non-current assets held-for-sale" at the end of the reporting period, as disclosed in Note 24 to the financial statements.

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

	Plant, machinery and electrical installation	
	2018 RM	**2017 RM**
Opening balance	172,139,440	183,853,843
Additions	3,029,947	3,263,213
Disposals	(52,710)	(754,951)
Write-offs	(199,375)	(37,204)
Revaluation during the financial year	990,926	(142,237)
Impairment charge for the financial year	(1,182,414)	(2,111,642)
Effects of elimination of accumulated depreciation on revaluation	(12,024,411)	(12,153,000)
Assets classified as held-for-sale	(678,054)	-
Transfer from construction work-in-progress and spare parts	257,997	221,418
Closing balance	162,281,346	172,139,440

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 2018 RM	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Plant, machinery and electrical installation	162,281,346	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 2018, 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 RM12 million (2017: RM13 million) respectively.

14 INVESTMENT PROPERTIES

	Company	
	2018 RM	2017 RM
Leasehold land and buildings		
At 1 July	88,100,000	85,500,000
Addition during the financial year	48,875	-
Fair value gain during the financial year (Note 8)	851,125	2,600,000
Reclassification – Non-current assets held-for-sale (Note 24)	(26,000,000)	-
At 30 June	63,000,000	88,100,000

The Company's investment properties are unencumbered and their closing fair values are determined based on methods within level 2 of the fair value hierarchy by independent valuers.

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

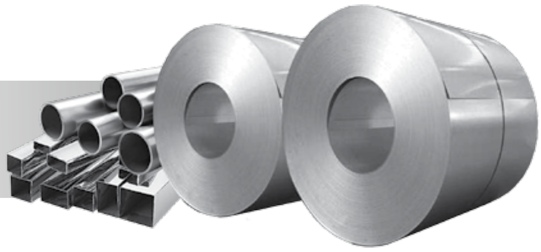
The fair values of the properties at the close of the current financial year have been determined by PA International Property Consultants (KL) Sdn Bhd – an independent professional valuation firm.

The Company had on 20 November 2017 entered into a conditional sale and purchase agreement with Melewar Steel Tube Sdn Bhd ("MST"), a wholly-owned subsidiary of Mycron Steel Berhad, for the disposal of a piece of leasehold land known as Lot 53, Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan and held under Title No. HSD 166735, Bandar Shah Alam, Daerah Petaling, Negeri Selangor, together with buildings erected thereon ("Property") to MST for a total disposal consideration of RM26.0 million to be satisfied entirely by way of cash. Consequently, the said Property has been reclassified to Non-current assets held-for-sale for the current financial year ended 30 June 2018 (see Note 24). This transaction was duly completed on 30 August 2018, subsequent to the close of the current financial year, as disclosed in Note 32(b) to the financial statements.

Direct operating expenses attributable to the rental income generated from the investment properties at Company level totaled RM711,968 (2017: RM733,186).

15 INVESTMENTS IN SUBSIDIARIES

	Company	
	2018 RM	2017 RM
Investment in subsidiaries at cost:		
- Quoted shares	77,376,643	77,376,643
- Unquoted shares	26,472,820	26,472,820
	103,849,463	103,849,463
Less: Accumulated impairment losses	(25,802,815)	(25,802,815)
	78,046,648	78,046,648
Market value of quoted shares	77,789,335	165,681,181



15 INVESTMENTS IN SUBSIDIARIES (continued)

The details of the subsidiaries are as follows:

Name	Principal activities	Group's effective interest 2018 %	Group's effective interest 2017 %
Mycron Steel Berhad ("MSB") (1)	Investment holding and provision of management services to subsidiaries	71.3	71.3
Melewar Steel Services Sdn Bhd ("MSS") (1)	Property investment	100.0	100.0
Melewar Steel Assets Sdn Bhd ("MSA") (1)	Investment holding	100.0	100.0
Melewar Steel Mills Sdn Bhd ("MSM") (1)	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
Melewar Steel Engineering Sdn Bhd ("MSE") (1)	Investment holding	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
<u>Subsidiaries of MSB</u>			
Mycron Steel CRC Sdn Bhd ("MSCRC") (1)	Manufacturing and trading of steel cold rolled coiled sheets	71.3	71.3
Melewar Steel Tube Sdn Bhd ("MST") (1)	Manufacturing, distribution and trading of steel tubes and pipes	71.3	71.3
<u>Subsidiary of MSCRC</u>			
Silver Victory Sdn Bhd ("SV") (1)	Trading of steel related products	71.3	71.3
<u>Subsidiary of MSM</u>			
Melewar Mycrosmelt Technology Ltd ("MMTL") (2)	Smelting / billet making technology owner	100.0	100.0
<u>Subsidiary of MIL</u>			
Melewar Steel UK Ltd ("MSUK") (3)	Distribution of steel tubes in the United Kingdom	100.0	100.0
Jack Nathan Ltd ("JNL") (3)(4)	Wholesale and distribution of steel tubes in the United Kingdom	100.0	45.0#

(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 ceased to be an associate and became a wholly owned subsidiary of the Group following MIL's acquisition of the remaining 55% of the issued and paid up share capital of JNL from the controlling shareholders on 17 October 2017. JNL is exempted from audit under the UK laws for small private limited companies.

 # The Group's 45% equity interest in JNL was acquired in July 2016 and is held through its wholly owned subsidiary MIL, a company incorporated in Labuan, Malaysia.

15 INVESTMENTS IN SUBSIDIARIES (continued)

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

Significant subsidiaries of the Group are MSB and MIE. Impairment assessment on investments in both the significant subsidiaries was performed, and no further provisions beyond those already provided in the past financial years are required.

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

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

	MSB Group	
	2018 RM	**2017 RM**
Statements of Financial Position		
Current assets	385,996,717	353,536,123
Non-current assets	308,469,858	314,514,192
Current liabilities	(279,559,401)	(269,839,906)
Non-current liabilities	(23,335,076)	(24,056,769)
Net assets	391,572,098	374,153,640
Statements of Comprehensive Income		
Revenue for the financial year	793,374,314	726,196,369
Net profit for the financial year	16,100,771	34,743,313
Total comprehensive income	17,418,458	37,732,558
Statements of Cash Flows		
Net cash (used in)/generated from operating activities	(6,603,500)	40,995,746
Net cash used in investing activities	(11,239,983)	373,092
Net cash generated from/(used in) financing activities	4,278,398	(4,411,184)
Net change in cash and cash equivalents	(13,565,085)	36,957,654
Non-controlling interests effective equity interest	28.7%	28.7%
Carrying amount of non-controlling interests	110,660,822	105,592,428
Net profit for the financial year attributable to non-controlling interests of the Group	4,689,671	11,236,923
Total comprehensive income attributable to non-controlling interests of the Group	5,068,394	12,096,078

(c) Acquisition of controlling stake in Jack Nathan Limited ("JNL")

The Group's wholly owned subsidiary Melewar Imperial Limited (MIL) has on 25 September 2017 entered into an Agreement to acquire the remaining 55 ordinary shares (representing 55% of the issued and paid up capital) in JNL from the controlling shareholders for a total cash consideration of GBP18,000 (RM101,075) ("Acquisition Price"). The rationale for the acquisition is to allow for better effective control on the management and operations of JNL in furtherance of the Group's steel tube export to the UK market.

The acquisition was duly completed on 17 October 2017 ("Acquisition Date"), and JNL effectively becomes a wholly owned subsidiary of the Group. On Acquisition Date, MIL measured the underlying fair value of identifiable assets acquired and liabilities assumed from JNL. The tabulation below summarises the fair value of consideration paid, and the fair value of assets and liabilities assumed and recognised in a business combination.

15 INVESTMENTS IN SUBSIDIARIES (continued)

(c) Acquisition of controlling stake in Jack Nathan Limited ("JNL") (continued)

	Notes	GBP	RM
As at 17 October 2017			
Cost of Business Combination			
Consideration transferred for 55% of equity interest in shares of JNL	a	18,000	101,075
Fair value of existing 45% equity interest held in JNL	b	14,727	82,698
Total fair value of investment	c	32,727	183,773
Fair value of identifiable Assets and Liabilities acquired			
Non-financial assets	d	29,492	163,838
Financial assets	e	819	4,550
Financial liabilities	g	(147,022)	(816,766)
Net liabilities assumed		(116,711)	(648,378)
Goodwill on acquisition	h	(149,438)	(832,151)
Outflow of cash to acquire a subsidiary, net of cash acquired:			
Cash consideration		18,000	101,075
Less: Cash and bank balances		(719)	(3,994)
Net outflow of cash – investing activities		17,281	97,081

Notes:

a. The acquisition price was determined based on arm's length negotiations with the sellers.

b. The acquisition price MIL paid for the 55 ordinary shares, confers a pro-rated fair value on the existing 45 ordinary shares held (which original investment cost at GBP45 has been fully impaired). This gives rise to a fair value gain for MIL at entity level on its existing equity interest held in JNL of the same amount.

c. Represents MIL's carrying fair value of its entire equity interest in JNL on Acquisition Date.

d. Non-financial assets comprise rented-property improvements which was fair valued by an independent party; furniture and fittings; office equipment; and pre-payments.

e. Financial Assets comprise bank balance and credits. Cash accreting to the Group pursuant to the business combination is GBP719 (RM 3,994).

f. In allocating the cost of business combination in JNL, no contingent liabilities or previously recognised intangible assets were identified.

g. Financial Liabilities comprise mainly interest-free borrowing.

h. This goodwill was initially recognised as an asset in JNL on Acquisition Date.

At the close of the second quarter of the current financial year, the acquired goodwill was tested for impairment, and a full impairment loss provision of RM832,151 was recognised in the Group's Statement of Profit or Loss (see Note 8).

A summary of JNL's financial performance for the post-acquisition period from 18 October 2017 to 30 June 2018 (which is exempted from audit under the UK laws for small private limited companies) are as follows:

	Notes	GBP	RM
Statements of Profit or Loss			
Revenue for the financial year	a	-	-
General and admin expenses	b	(62,815)	(343,942)
Net loss for the financial year		(62,815)	(343,942)

Notes:

a. No revenue was generated by JNL over the current period as was in pre-operation setting-up the steel tube wholesale operation in the UK. Business operation is scheduled to commence in the next financial year.

b. General and administration expenses consist of initial set-up costs (work permit, professional fees and staff costs), rents, rates and general office expenses.

16 INVESTMENT IN ASSOCIATES

(a) Details of Investments

The Group does not have any investment in Associates as at the end of the current financial year.

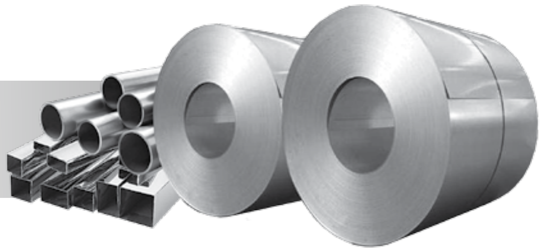
In prior year, the carrying investment amounts in associates are generally immaterial as the amounts have been fully depleted with its share of the associates' losses. The significant transactions with associates have been disclosed in Note 29. Set out below are details of these immaterial associates as at 1 July 2017:

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

(i) Mperial Power Ltd ("Mperial")

- Mperial is held directly by Melewar Steel Engineering Sdn Bhd ("MSE"), a wholly owned subsidiary of the Company.
- Mperial is a private company and there is no quoted market price available for its shares.
- Mperial was a subsidiary of the Group until 30 April 2014 (financial year ended 30 June 2014), and thereafter an associate.
- Mperial is the holding company for Siam Power Phase 2 Company Ltd ("Siam Power 2") and was the holding company for Siam Power Generation Public Company Ltd hereinafter referred to as the 'Mperial Group' interchangeably.
- Siam Power is in the business of power generation and owns a 160MW power plant in the Rayong Industrial Park, Ban Khai District, Rayong Province, Thailand. Since its commencement of operations in 2011, Siam Power has suffered significant annual financial losses due to the failure of one of its only two off-takers to fulfil contracted power purchase.
- Siam Power 2 is currently a dormant company with the rights to supply 90MW of power to the Electricity Generating Authority of Thailand (EGAT) commencing from 1 May 2019. Siam Power 2 is to undertake the development, construction, and operation of a new dedicated power plant – adjacent to the existing power plant. This performance obligation to EGAT by 1 May 2019 is guaranteed by a Bank, based on assets and cash pledged by the Company as securities when the Mperial group was its subsidiary. The aforementioned performance obligation and the pledged assets were duly released and the restriction on cash was uplifted in the third quarter of the current financial year (see Note 23).
- Mperial ceased to be an associate of the Group following the disposal of the remaining 49% equity-stake in Mperial to the controlling shareholder, E Power Pte Ltd, on 7 February 2018 ('disposal date') for a total cash consideration of USD1 (RM3.91). On disposal date, the Group's carrying investment value of Mperial (which had a negative consolidated shareholders' funds of around RM56.5 million) had been reduced to zero with its share of the said associate's losses since end-September 2014. At the close of the current financial year, Mperial has yet to complete the contracted power assets sale to a third party due to certain unfulfilled condition precedent, and as a result has missed the repayment timeline on book debts amounting to RM6.6 million to the Group. The Group made an impairment charge on this long outstanding sum at the close of the current financial year. See Notes 8 and 16(b)(i).
- The Group's carrying investment in the power associate has been fully depleted since financial year 2015, and subsequent losses by the associate was not recognised but was recorded for future set-off against any arising share of gains. Details of the Group's unrecognised share of the Power Associate's losses which amounted to RM31.5 million at the point of disposal on 7 February 2018 are as follows:

Investment in Mperial	Group	
	2018 RM'000	2017 RM'000
Unrecognised share of losses at 1 July	(28,948)	(189,707)
Share of net (loss)/profit	(2,535)	147,443
Share of other comprehensive (loss)/income	(63)	13,316
Unrecognised share of losses at 7 February 2018/30 June 2017	(31,546)	(28,948)



16 INVESTMENT IN ASSOCIATES (continued)

(a) Details of Investments (continued)

(ii) Jack Nathan Limited ("JNL")

- JNL is a private limited company incorporated in the United Kingdom ("UK") based out of Amersham. JNL has a paid-up capital of GBP100 comprising of 100 shares.

- JNL has the same financial year end as the Group on 30 June.

- The Group's 45% equity interest in JNL was acquired in July 2016 and is held through its wholly owned subsidiary Melewar Imperial Limited ("MIL"), a company incorporated in Labuan, Malaysia. As an associate, MIL does not have control over JNL but exercises significant influence over it to account for its investment using the Equity method.

- The Group's objective for its immaterial associate investment in JNL is to establish a foothold in the UK market to promote its' exports of steel tubes and pipes.

- JNL ceased to be an associate and became a wholly owned subsidiary of the Group following MIL's acquisition of the remaining 55% of the issued and paid up share capital of JNL from the controlling shareholders on 17 October 2017. As at the acquisition date, the Group's carrying investment in JNL was fully depleted with its share of the JNL's loss. Details of the Group's unrecognised pre-acquisition share of JNL's losses which amounted to RM492,258 on 17 October 2017 are as follows:

Investment in JNL

	Group	
	2018 RM	**2017 RM**
Unrecognised share of losses at 1 July	(400,130)	(243,022)
Share of net loss	(95,050)	(144,675)
Share of other comprehensive income/(loss)	2,922	(12,433)
Unrecognised share of losses at 17 October 2017/30 June 2017	(492,258)	(400,130)

(b) Amounts owing by associates

(i) Mperial Power Ltd ("Mperial")

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
At gross amounts	12,268,113	83,047,683	3,244,470	12,678,974
Accumulated impairment losses (Note 4(c)(iii))	-	(44,252,415)	-	-
Repayments	(5,642,000)	(29,170,000)	(2,142,000)	(12,077,349)
Reclassification to other receivables (Note 20)	(6,626,113)	-	(1,102,470)	-
At 7 February 2018/30 June 2017	-	9,625,268	-	601,625

During the current financial year, Mperial made a repayment totaling RM5,642,000 and RM2,142,000 to the Group and Company respectively. On disposal date (see Note 16(a)(i)) of Mperial, the outstanding balance due from Mperial of RM6,626,113 was reclassified to 'other receivables' (see Note 20) before it was subsequently impaired at the close of the current financial year.

(ii) Jack Nathan Limited ("JNL")

As at the acquisition date (see Note 16(a)(ii)), the UK associate owes MIL GBP116.8 thousand (RM648.6 thousand) in the form of unsecured promissory notes. Impairment loss on the said amount has been fully provided in the accounts of MIL and were written off due to the assessed improbable ability of JNL to honor the debt security redemption (see Note 4(c)(iii)).

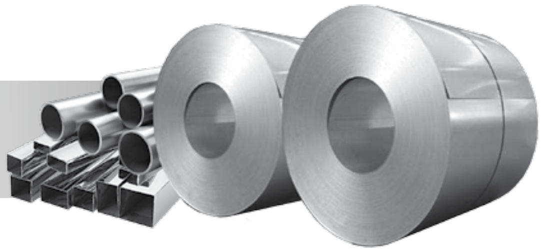
17 CONSTRUCTION CONTRACTS-IN-PROGRESS

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

	Group	
	2018 RM	2017 RM
Contract costs incurred to-date [(a)]	188,044,689	154,095,280
Provision for construction contract (Note 25)	14,652,677	29,400,204
Recognised losses to-date	(94,261,210)	(99,209,691)
Contract revenue recognised to-date	108,436,156	84,285,793
Less: Progress billings to-date	(103,602,515)	(105,627,405)
Amounts due from/(to) customers	4,833,641	(21,341,612)
Amounts due from customers (Note 20)	5,100,403	-
Amounts due (to) customers (Note 25) [(a)]	(266,762)	(21,341,612)
Net amount due from/(to) customers	4,833,641	(21,341,612)
Comprising:		
Contract revenue recognised to-date [(b)]	108,436,156	84,285,793
Less: Contract costs recognised to-date [(b)]	(188,044,689)	(154,095,280)
Less: Expected losses recognised [(b)]	(14,652,677)	(29,400,204)
Recognised losses to-date [(b)]	(94,261,210)	(99,209,691)

(a) *As at 30 June 2018, the Client for Project#1 (under the engineering subsidiary) has made advances totalling RM36.5 million (2017: RM0.6 million) to meet the project costs overrun above and beyond the original contract sum (See Notes 25 and Note 31(b)(ii)). These advances are not reflected in the above 'amounts due to customers' sum as the above computation is solely to disclose Contract Liability (if any) arising from the construction contract only. The advances by the said client was made pursuant to a supplementary loan arrangement.*

(b) *Existing construction contracts-in-progress are mainly undertaken by the Group's wholly owned subsidiary, Melewar Integrated Engineering Sdn Bhd ("MIE") which contributed to the bulk of the contract revenue (99.5%) and losses (100%) recognised to-date, with the remaining negligible contribution being derived from its wholly owned subsidiary, Ausgard Quick Assembly Systems Sdn Bhd ("Ausgard").*



17 CONSTRUCTION CONTRACTS-IN-PROGRESS (continued)

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

All in RM'000	**Project#1**		**Project#2**	
	2018	**2017**	**2018**	**2017**
Contract Revenue recognised to-date	83,083.9	64,989.5	24,839.0	19,033.0
Less: Contract costs recognised to-date	(149,776.8)	(125,911.1)	(37,829.2)	(27,945.6)
Less: Expected losses recognised	(12,360.5)	(26,137.8)	(2,292.2)	(3,262.4)
Recognised losses	(79,053.4)	(87,059.4)	(15,282.4)	(12,175.0)
Percentage of Completion based on Cost Incurred	99%	77%	96%	73%

Project#1

As at 30 June 2018, Project#1's percentage-of-completion (based on cost) has been aligned to technical completion at 99% resulting in a write-back of cost provision of RM11.3 million (Note 25) in the current financial year. The project comprises of two phases, where the Client for Project#1 had signed-off the Certificate of Completion for Phase 1 on 2 May 2018 and Phase 2 on 13 August 2018 (after the close of the current financial year). As the project enters into the Defects Liability Period (DLP) in the next financial year, the subsidiary made a provision of RM3.3 million (Note 25) at the close of the current financial year based on reliable estimates of probable economic outflows in meeting its DLP obligations.

As at 30 June 2018, the Engineering subsidiary's unscheduled variation claims (beyond the contracted sum) against the client which have not been recognised in its books stood at RM74 million (2017: RM36.6 million). As at 30 June 2018, the amount owing to the Client for Project#1 for advances made on costs-incurred on the project stands at RM36.5 million. The status on the RM8.3 million Liquidated Ascertained Damages (LAD) provision made in the preceding financial year remains unchanged as at the close of the current financial year. On completion of the project in the first quarter of the next financial year, the Engineering subsidiary will engage the Client for Project#1 a commercial-closure in determining the net settlement sum and the disposition of the LAD.

Project#2

As at 30 June 2018, Project#2's percentage-of-completion stands at 96% with further increase in budgeted cost-to-completion estimates by RM1.4 million plus a maximum provision of contractual LAD of RM1.3 million for the current financial year (see Note 25).

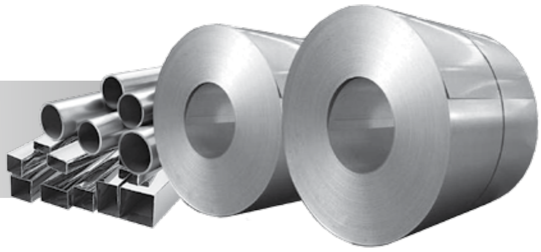
The project comprises two phases. The 1st phase is technically completed but its completion certification by the client has encountered some issues which may only be conclusively tested as an integrated solution with the 2nd phase which is rescheduled to be completed only by the second quarter of the next financial year due to further rectification works. In anticipation of the project entering into the Defects Liability Period (DLP) in the middle of the next financial year, the subsidiary made a provision of RM0.4 million (Note 25) at the close of the current financial year based on reliable estimates of probable economic outflows in meeting its DLP obligations.

In-addition to the above, the Engineering subsidiary made a credit impairment charge of RM1.4 million (Note 8) at the close of the current financial year against the total outstanding and overdue receivables of RM4 million from the client – due to back-claim disputes (see Note 4(c)(iii) and Note 20).

18 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Deferred tax assets	1,515,428	2,148,810	-	-
Deferred tax liabilities	(45,385,121)	(42,465,651)	(16,016,143)	(19,438,919)
	(43,869,693)	(40,316,841)	(16,016,143)	(19,438,919)
At 1 July	(40,316,841)	(35,180,287)	(19,438,919)	(18,741,341)
(Charged)/credited to the profit or loss (Note 11):				
- property, plant and equipment	(389,844)	(2,805,498)	86,386	24,028
- investment properties	-	-	4,136,849	(717,328)
- non-current assets held-for-sale	(66,928)	-	(786,702)	-
- unutilised tax losses	(883,033)	(566,285)	-	-
- other payables and accruals	(10,678)	(6,199)	-	-
	(1,350,483)	(3,377,982)	3,436,533	(693,300)
Debited to asset revaluation reserve:				
- property, plant and equipment	(2,269,297)	(1,758,572)	(13,757)	(4,278)
- non-current assets held-for-sale	66,928	-	-	-
	(2,202,369)	(1,758,572)	(13,757)	(4,278)
	(3,552,852)	(5,136,554)	3,422,776	(697,578)
At 30 June	(43,869,693)	(40,316,841)	(16,016,143)	(19,438,919)
Subject to income tax:				
Deferred tax assets (before offsetting):				
- unutilised reinvestment allowance	18,304,344	19,096,762	-	-
- unutilised tax losses	7,395,641	8,278,674	-	-
- other payables and accruals	-	10,678	-	-
	25,699,985	27,386,114	-	-
Offsetting	(24,184,557)	(25,237,304)	-	-
Deferred tax assets (after offsetting)	1,515,428	2,148,810	-	-
Deferred tax liabilities (before offsetting):				
- property, plant and equipment	(66,637,464)	(65,557,443)	(122,062)	(194,691)
- investment properties	-	-	(15,107,379)	(19,244,228)
	(66,637,464)	(65,557,443)	(15,229,441)	(19,438,919)
Offsetting	24,184,557	25,237,304	-	-
Subject to real property gains tax				
Deferred tax liabilities:				
- freehold land	(2,145,512)	(2,145,512)	-	-
- property, plant and equipment	(786,702)	-	-	-
- non-current assets held-for-sale	-	-	(786,702)	-
Deferred tax liabilities (after offsetting)	(45,385,121)	(42,465,651)	(16,016,143)	(19,438,919)



18 DEFERRED TAX (continued)

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

	Group	
	2018 RM	2017 RM
Deductible temporary differences	92,636,936	92,647,186
Unutilised tax losses	14,339,262	10,833,478
Unutilised capital allowances	13,291,588	13,209,338

Deferred tax assets were not recognised as the Group does not have foreseeable taxable profits against which the deductible temporary differences, unutilised tax losses and unutilised capital allowances can be utilised.

19 INVENTORIES

	Group	
	2018 RM	2017 RM
Raw materials	133,620,923	120,515,967
Work-in-progress	811,736	318,639
Finished goods	68,188,592	54,583,069
Consumables	2,741,356	2,185,083
	205,362,607	177,602,758

Inventories recognised as an expense during the year ended 30 June 2018 amounted to RM664,566,553 (2017: RM581,507,429). These were included in cost of sales.

During the financial year, there was an impairment of inventories of RM46,067 (2017: Nil) to state the inventories at net realisable value.

20 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Current				
Trade receivables [(a)]	115,221,366	103,094,664	-	-
Less: Accumulated impairment losses	(1,778,050)	(712,858)	-	-
	113,443,316	102,381,806	-	-
Other receivables [(b)]	8,318,151	2,868,413	1,104,781	21,022
Less: Accumulated impairment losses	(7,405,611)	(779,498)	(1,102,470)	-
	912,540	2,088,915	2,311	21,022
GST receivables	2,982,596	2,275,030	14,784	11,854
VAT claimable	8,577	-	-	-
Amount due from customers on contracts (Note 17)	5,100,403	-	-	-
Deposits	4,937,453	4,188,194	97,223	95,550
Prepayments	1,763,703	2,078,980	162,275	123,648
	14,792,732	8,542,204	274,282	231,052
Total current trade and other receivables	129,148,588	113,012,925	276,593	252,074

(a) *Trade receivables mainly are attributed to the steel subsidiaries of which a past impairment of RM346,457 has been determined to be bad and was written-off in the current financial year. A new provision of RM1,411,649 was made during the current financial year by the Engineering subsidiary on its Project #2's billed receivables of RM4,116,288. See Note 4(c)(iii).*

(b) *Based on observable data on objective evidence of impairment, the Group and Company at the close of the current financial year made a full impairment charge on the remaining amount of RM6,626,113 (Group) and RM1,102,470 (Company) due from Mperial (see Note 16(b)(i)).*

21 DERIVATIVES

The Group's derivatives comprise solely of Currency Exchange Forward Contracts incepted to hedge its foreign currency exposures arising from forward purchases of raw materials in USD and to a lesser extent export sales in SGD 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 139 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			
	2018		2017	
	Assets RM	Liabilities RM	Assets RM	Liabilities RM
Forward foreign currency exchange contract – fair value through profit and loss (not designated)	65,234	(231)	5,616	(109,670)
Forward foreign currency exchange contract – fair value through profit and loss (designated)	3,275,817	(2,339)	136,457	(2,927,182)
	3,341,051	(2,570)	142,073	(3,036,852)

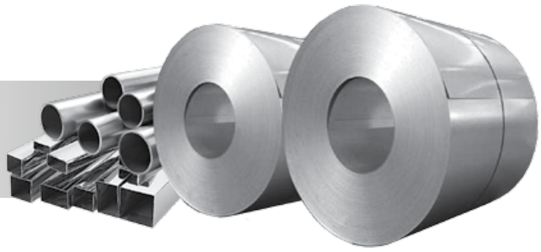
Details on the Group's unrealised currency derivatives are outlined below:

(i) Derivatives designated and fair value hedge accounted as at 30 June 2018

Forward foreign currency exchange contracts as hedge instrument					Contracted payment obligation and/or a/c payables as hedge item				
			Fair value					Fair value	
Maturity period of contract	Notional value long USD	Average contracted rate USD/RM	Financial assets RM	Financial liabilities RM	Maturity period of contract	Notional value short USD	Average basis rate USD/RM	Financial assets RM	Financial liabilities RM
July 2018	16,408,195	3.9558	1,481,421	(2,339)	July 2018	16,408,195	3.9558	2,339	(1,481,421)
August 2018	5,230,137	3.9444	529,346	-	August 2018	5,230,137	3.9444	-	(529,346)
September 2018	2,230,000	3.8865	361,706	-	September 2018	2,230,000	3.8865	-	(361,706)
October 2018	7,539,943	3.9750	585,846	-	October 2018	7,539,943	3.9750	-	(585,846)
November 2018	6,468,861	4.0053	317,498	-	November 2018	6,468,861	4.0053	-	(317,498)
Total	37,877,136		3,275,817	(2,339)	Total	37,877,136		2,339	(3,275,817)

Net fair value gain from the hedging instruments of RM3.3 million and the corresponding net fair value loss from the hedged item of RM3.3 million are taken-up in the statement of profit or loss.

The designated hedges are within the 85% to 120% effective range using the "dollar off-set" method.



21 DERIVATIVES (continued)

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

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

Forward foreign currency exchange contracts as hedge instrument					Contracted payment obligation and/or a/c payables as hedge item				
			Fair value					Fair value	
Maturity period of contract	Notional value long USD	Average contracted rate USD/RM	Financial assets RM	Financial liabilities RM	Maturity period of contract	Notional value short USD	Average basis rate USD/RM	Financial assets RM	Financial liabilities RM
July 2017	11,006,486	4.3810	68,851	(905,795)	July 2017	11,006,486	4.3810	905,795	(68,851)
August 2017	8,268,898	4.3824	30,046	(627,960)	August 2017	8,268,898	4.3824	627,960	(30,046)
September 2017	4,308,945	4.4601	-	(626,407)	September 2017	4,308,945	4.4601	626,407	-
October 2017	9,354,078	4.3993	32,772	(767,020)	October 2017	9,354,078	4.3993	767,020	(32,772)
November 2017	2,415,040	4.3282	4,788	-	November 2017	2,415,040	4.3282	-	(4,788)
Total	35,353,447		136,457	(2,927,182)	Total	35,353,447		2,927,182	(136,457)

Net fair value loss from the hedging instruments of RM2.8 million and the corresponding net fair value gain from the hedged item of RM2.8 million are taken-up in the statement of profit or loss.

The designated hedges are within the 85% to 120% effective range using the "dollar off-set" method.

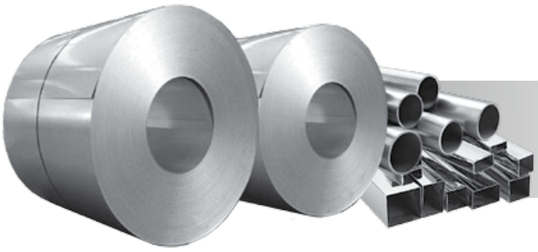
(iii) Derivatives not designated and not hedge accounted

As at 30 June 2018

Forward foreign currency exchange contracts as undesignated hedge instrument

			Fair value	
Maturity period of contract	**Notional value long USD**	**Average contracted rate USD/RM**	**Financial assets RM**	**Financial liabilities RM**
August 2018	525,300	3.9370	56,102	-
Total	525,300		56,102	-

			Fair value	
Maturity period of contract	**Notional value short SGD**	**Average contracted rate SGD/RM**	**Financial assets RM**	**Financial liabilities RM**
July 2018	60,000	3.0475	5,244	-
August 2018	60,000	2.9853	1,353	-
September 2018	60,000	2.9928	1,554	-
October 2018	60,000	2.9698	204	(231)
November 2018	60,000	2.9860	777	-
Total	300,000		9,132	(231)



21 DERIVATIVES (continued)

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

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

As at 30 June 2017

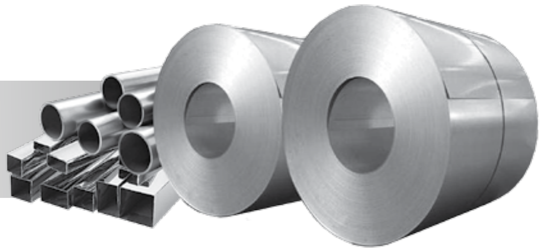
Forward foreign currency exchange contracts as undesignated hedge instrument

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

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

These derivatives were not hedge accounted primarily due to the late inception of these hedging instruments which gave rise to mismatch between the intended hedge items' basis foreign exchange rate 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 loss of around RM12.9 million (2017: net gain of RM5.9 million) from its foreign exchange forward contracts with a corresponding realised net foreign exchange gains of RM14.1 million (2017: net loss of RM7.5 million) on its hedge items over the current financial year. The Group's net gain/(loss) position on foreign exchange is disclosed in Note 8.



22 AMOUNTS OWING BY/(TO) SUBSIDIARIES

The amounts owing by/(to) subsidiaries are generally unsecured and interest free except for amount owing by a subsidiary charged at an interest rate of 8% per annum. Inter-company balances which are trade in nature are subject to credit terms between 30 to 90 days (2017: 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	
	2018 RM	2017 RM
Amounts owing by subsidiaries [(a)]:		
Non-trade	38,627,642	23,750,200
	38,627,642	23,750,200
Less: Accumulated impairment losses (Note 4(c)(iii)) [(b)]	(36,930,244)	(19,683,467)
	1,697,398	4,066,733
Amounts owing to subsidiaries [(c)]:		
Non-trade	(2,704,317)	(273,714)
	(2,704,317)	(273,714)

(a) *The 'amounts owing by subsidiaries' for the current financial year comprises various non-trade miscellaneous items including charge-back on payments the Company made on behalf of certain subsidiaries.*

(b) *During the current financial year, the Company made a full impairment charge on the advances made to its wholly owned Engineering subsidiary of RM20,652,268 and other subsidiaries of RM94,509. There was also an impairment write-back of RM3,500,000 due to recovery from a subsidiary linked to the ex-power associate.*

(c) *The 'amounts owing to subsidiaries' comprise mainly non-trade related advances made by the steel subsidiaries on behalf of the Company.*

23 CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Deposits with licensed financial institutions	40,385,898	69,364,205	1,200,000	10,283,138
Cash and bank balances	13,040,794	8,349,615	452,243	232,107
	53,426,692	77,713,820	1,652,243	10,515,245
Less: Restricted cash	-	(9,633,138)	-	(9,633,138)
Cash and cash equivalents	53,426,692	68,080,682	1,652,243	882,107

At the preceding reporting date, "restricted cash" comprises a bank deposit placement pledged as security since financial year 2011 for the issuance of a performance bond or bank guarantee on behalf of an associate. This restriction was up-lifted in the current financial year on 6 February 2018. See Note 16(a)(i).

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

	Group		Company	
	2018 % per annum	2017 % per annum	2018 % per annum	2017 % per annum
Deposits with licensed financial institutions	2.93	2.78	2.85	3.08
Cash and bank balances	0.85	1.73	-	1.27

These unrestricted deposits with licensed financial institutions are mainly in the forms of short-term fixed deposits and money market REPO (repurchase agreements) having an average maturity period of 14 days (2017: 11 days).

24 NON-CURRENT ASSETS HELD-FOR-SALE

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Reclassification from:				
- property, plant and equipment [1]	1,878,845	-	-	-
- investment properties [2]	-	-	26,000,000	-
At 30 June	1,878,845	-	26,000,000	-

(1) Relates to the disposal of a leasehold land and building with machinery and equipment located at Alor Gajah, Melaka and machinery and electrical installation at Sg. Rasau by a subsidiary of the Company (see Note 13).

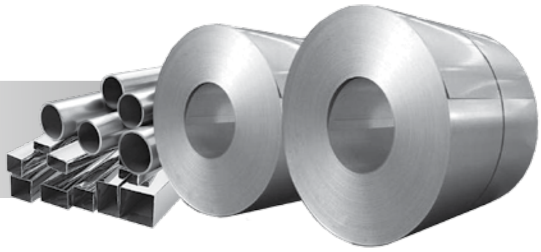
(2) Relates to the disposal of a leasehold land known as Lot 53, Persiaran Selangor, Seksyen 15, 40200 Shah Alam together with buildings erected thereon, by the Company to its Steel Tube subsidiary (see Note 14).

25 TRADE AND OTHER PAYABLES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Non-current				
Trade payables	1,867,047	850,642	-	-
Current				
Trade payables	184,889,048	188,131,784	-	-
Other payables	7,921,728	8,057,884	790,843	601,172
Provision for construction contracts	14,652,677	29,400,204	-	-
Accruals	4,771,671	8,787,806	286,703	339,763
Advance payment received from customers	2,188,499	3,510,906	-	-
Advances provided by a customer (Note 31(b)(ii) & 17)	36,496,831	634,190	-	-
Amounts due to customers on contracts (Note 17)	266,762	21,341,612	-	-
Deposits received	558,000	-	2,637,500	817,500
Total – Current	251,745,216	259,864,386	3,715,046	1,758,435
Total – Current and Non-current	**253,612,263**	**260,715,028**	**3,715,046**	**1,758,435**

Trade payables include interest bearing suppliers' credit relating to the steel businesses amounting to RM28.2 million (2017: RM166.7 million), and amount owing by the Engineering subsidiary to project suppliers and sub-contractors amounting to RM9.9 million (2017: RM20.3 million). Those credit facilities relating to the steel suppliers have interest bearing credit periods of up to 150 days (2017: 120 days to 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 (2017: 90 days).



25 TRADE AND OTHER PAYABLES (continued)

Provisions for construction contracts relates to the Engineering subsidiary (Note 17), and the details on the movement of these provisions are as follows:

	2018 RM	2017 RM
At 1 July	29,400,204	7,060,954
Write-back of cost provision on Project#1	(11,303,211)	-
Additional provision made on Project#2	1,422,323	-
Provision (reversed)/made during the year	(9,848,856)	13,947,234
Provision for defects liability period	3,682,217	-
Provision for liquidated ascertained damages	1,300,000	8,392,016
At 30 June	14,652,677	29,400,204

26 BORROWINGS

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

	Group	
	2018 RM	2017 RM
Current		
Bankers' acceptance	87,060,000	66,730,000
Revolving credits	-	8,400,000
Hire-purchase creditors	635,487	412,732
Term loans	3,040,068	3,067,102
	90,735,555	78,609,834
Non-current		
Hire-purchase creditors	885,860	548,277
Term loans	27,686,846	34,356,912
	28,572,706	34,905,189
Total		
Bankers' acceptance	87,060,000	66,730,000
Revolving credits	-	8,400,000
Hire-purchase creditors	1,521,347	961,009
Term loans	30,726,914	37,424,014
	119,308,261	113,515,023

Borrowings totalling RM92.2 million are secured and incepted by its Cold Rolled and the Steel Tube subsidiaries under their respective debenture with fixed and floating charges. The Group's Engineering subsidiary has pared down its short-term borrowing to RM26.9 million (2017: RM30.6 million) which was incurred in the preceding financial year to partly finance the completion of its onerous projects. The borrowing terms by the Engineering subsidiary is ring-fenced from any cross linkages with those of the Steel subsidiaries.

Despite the higher total outstanding borrowings as at the close of the current financial year compared to the preceding period, the Group's total interest cost is lower at RM7.1 million (2017: RM7.5 million) due to the reduced borrowings of the Engineering subsidiary which carry a higher interest cost.

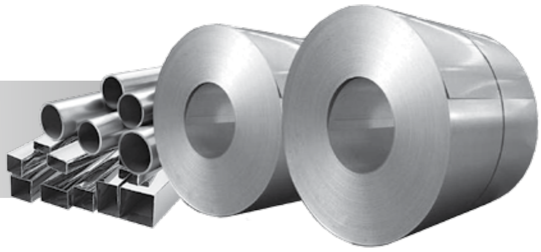
26 BORROWINGS (continued)

Contractual terms of borrowings

	Contractual interest rate at reporting date (per annum)	Functional currency/ currency exposure	Total carrying amount	Maturity profile < 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	> 5 years
			RM	RM	RM	RM	RM	RM	RM
Group									
At 30 June 2018									
Unsecured									
- Term loan 1	8.00%	RM	4,074,613	-	4,074,613	-	-	-	-
Secured									
- Bankers' acceptance [(a)]	4.67% - 5.43%	RM	13,060,000	13,060,000	-	-	-	-	-
- Bankers' acceptance [(a)]	5.65% - 5.70%	RM	74,000,000	74,000,000	-	-	-	-	-
- Hire-purchase creditors	2.50% - 3.38%	RM	1,521,347	635,487	482,538	195,357	149,475	58,490	-
- Term loan 2 [(a)]	6.50%	RM	3,790,068	3,040,068	750,000	-	-	-	-
- Term loan 3 [(b)]	12.00%	RM	22,862,233	-	22,862,233	-	-	-	-
			119,308,261	90,735,555	28,169,384	195,357	149,475	58,490	-
At 30 June 2017									
Unsecured									
- Term loan 1	8.00%	RM	1,585,809	-	1,585,809	-	-	-	-
Secured									
- Bankers' acceptance [(a)]	4.99% - 7.15%	RM	18,330,000	18,330,000	-	-	-	-	-
- Bankers' acceptance [(a)]	5.45%	RM	48,400,000	48,400,000	-	-	-	-	-
- Revolving credits [(a)]	5.30%	RM	8,400,000	8,400,000	-	-	-	-	-
- Hire-purchase creditors	2.44% - 3.38%	RM	961,009	412,732	281,448	154,521	40,869	40,869	30,570
- Term loan 2 [(a)]	6.25%	RM	6,817,102	3,067,102	3,000,000	750,000	-	-	-
- Term loan 3 [(b)]	12.00%	RM	29,021,103	-	29,021,103	-	-	-	-
			113,515,023	78,609,834	33,888,360	904,521	40,869	40,869	30,570

(a) *The securities provided under the Cold Rolled's debenture cover fixed charge over its land, building and equipment, and floating charge over most of its current assets. The securities provided under the Steel Tube's debenture cover fixed charge over its plant and equipment, and floating charge over most of its current assets (Note 13(iii)).*

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



26 BORROWINGS (continued)

Contractual terms of borrowings (continued)

	Group	
	2018 RM	**2017 RM**
Total carrying amount		
Unsecured	4,074,613	1,585,809
Secured	115,233,648	111,929,214
	119,308,261	113,515,023

For the financial year 2018, all banks' covenants in relation to the Steel subsidiaries' borrowings have been complied. The Engineering subsidiary has received a moratorium on interest service covenant from the lender for the current financial year and the next twelve months. The carrying amount of the borrowings approximated their fair values at reporting date.

At Amortised Cost

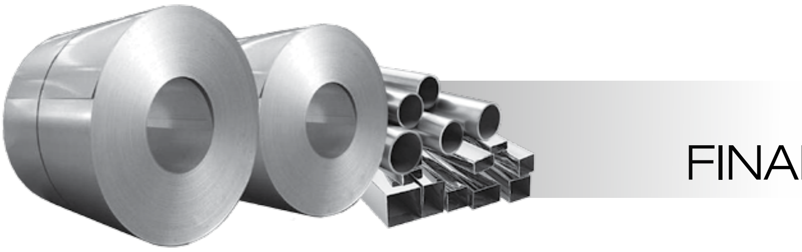
The carrying amount of the borrowings due within 1 year and those with floating rates approximated their fair values at reporting date. The fair values of the borrowings with fixed interest rates due after 1 year are as follows:

	Group			
	2018		2017	
	Carrying amount RM	**Fair value RM**	**Carrying amount RM**	**Fair value RM**
Term loan 1	4,074,613	4,074,613	1,585,809	1,585,809
Term loan 3	22,862,233	22,862,233	29,021,103	29,021,103
Hire-purchase creditors	885,860	828,759	548,277	508,536

Hire purchase creditors are effectively secured as the rights to assets revert to the lessors in the event of default.

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

	Group	
	2018 % per annum	**2017 % per annum**
Bankers' acceptance	5.59	5.57
Revolving credits	-	5.30
Hire-purchase creditors	2.69	2.83
Term loans	10.79	10.78



26 BORROWINGS (continued)

At Amortised Cost (continued)

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

	Group	
	2018 **RM**	**2017** **RM**
Future minimum lease payment of hire-purchase creditors:		
Not later than 1 year	703,958	457,628
Later than 1 year but not later than 2 years	518,934	306,890
Later than 2 years but not later than 5 years	438,804	263,322
Later than 5 years	-	36,404
	1,661,696	1,064,244
Less: Future finance charges	(140,349)	(103,235)
Present value	1,521,347	961,009
Analysed as:		
Current	635,487	412,732
Non-current	885,860	548,277
Present value	1,521,347	961,009

27 SHARE CAPITAL

	Group/Company			
	30 June 2018 **Number of shares**	**RM**	**30 June 2017** **Number of shares**	**RM**
Issued and fully paid:				
Ordinary shares with no par value				
(2017: par value of RM1 each) at 1 July	225,522,808	226,996,855	226,755,408	226,755,408
Cancellation of treasury shares	-	-	(1,232,600)	(1,232,600)
Transition to no-par value regime on 31 January 2017	-	-	-	1,474,047
Ordinary shares with no par value at 30 June	225,522,808	226,996,855	225,522,808	226,996,855

Treasury shares of the Company

The shareholders of the Company, by an ordinary resolution passed in the Annual General Meeting held on 8 December 2016, approved the renewal of authorisation for the Company to repurchase its own shares. The Company has cancelled all its treasury shares held numbering 1,232,600 shares with a carrying value of RM2,042,193 in the preceding financing year on 30 September 2016.

Transition to no-par value regime

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

27 SHARE CAPITAL (continued)

Rights Issue with Free Warrants

The Company had in the current financial year on 23 August 2017 announced a proposed renounceable Rights Issue of 1-for-1 shares held with free detachable Warrants of 1-for-2 Rights Shares subscribed ("Rights Issue"), and the shareholders of the Company had approved the above in an Extraordinary General Meeting held on 20 April 2018.

Culminating from the Controlling-Interest (CI) shareholder's undertaking to subscribe for its entitlement and to raise a minimum subscription sum, the rights issue exercise was conditional upon the CI obtaining exemption under subparagraph 4.08(1)(b) of the Rules on Take-over, Mergers and Compulsory Acquisitions ('Rules') from the obligation to undertake a mandatory take-over offer for all the remaining ordinary shares of the Company not already held by them. In this regard, the CI applied and obtained the said exemption from the Securities Commission Malaysia on 12 June 2018.

The maximum effects on the CI's shareholdings before and after the rights issue, and potentially after the full exercise of warrants based upon the hypothetical assumption that none of the Non-Controlling-Interest (NCI) exercise their entitlements are as follows:

	Controlling-Interest	
Maximum Scenario	**No. Shares held**	**% Held**
Before the Rights Issue	82,381,232	36.5%
add 1-for-1 Rights Entitlement	82,381,232	
After Rights Subscription	164,762,464	53.5%
add Potential full exercise of warrants held	41,190,616	
After full exercise of warrants	205,953,080	59.0%

Note: Maximum scenario is based on the unlikely assumption that none of the non-controlling interest exercise their entitlement.

Price fixing for the Rights and Warrants was announced on 28 June 2018, and the rights issue exercise was executed in the 1st quarter of the next financial year. See Note 32(a).

28 ASSET REVALUATION RESERVE

The asset revaluation reserve is used to record increments and decrements on the revaluation of property, plant and equipment. 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(c) for details.

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
At 1 July	50,291,967	42,336,477	96,231	82,688
Revaluation surplus on property, plant and equipment	9,176,538	10,573,217	57,320	17,821
Deferred tax	(2,202,369)	(1,758,572)	(13,757)	(4,278)
Non-controlling interests share in revaluation surplus on property, plant and equipment	(498,320)	(835,866)	-	-
Deferred tax	119,597	(23,289)	-	-
At 30 June	56,887,413	50,291,967	139,794	96,231

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

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

Entity	Type of Transaction	2018 RM	2017 RM
Group			
Non-trade related – paid/payable			
Related companies			
Trace Management Services Sdn Bhd	Corporate secretarial services	(540,492)	(420,653)
MAA Corporation Sdn Bhd	Rental and utilities	(106,080)	(104,654)
Associates			
Mperial Power Ltd	Expenses paid on behalf	2,642,845	5,345,268
Mperial Power Ltd	Advances (repaid)	(5,642,000)	(29,170,000)
Jack Nathan Ltd	Advances given	82,675	568,793
Company			
Trade related – received/receivable			
Subsidiaries			
Melewar Steel Tube Sdn Bhd	Rental income	4,963,860	4,963,860
Melewar Steel Tube Sdn Bhd	Management fee income	1,395,000	1,320,000
Melewar Steel Tube Sdn Bhd	Repayment received	(6,358,860)	(6,283,860)
Mycron Steel CRC Sdn Bhd	Management fee income	1,395,000	1,320,000
Mycron Steel CRC Sdn Bhd	Repayment received	(1,395,000)	(1,320,000)
Melewar Integrated Engineering Sdn Bhd	Management fee income	480,000	405,000
Melewar Steel Services Sdn Bhd	Dividend income	800,000	-

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)): (continued)

Entity	Type of Transaction	2018 RM	2017 RM
Company (continued)			
Non-trade related – received/receivable			
Subsidiaries			
Melewar Integrated Engineering Sdn Bhd	Interest charged	954,058	506,398
Melewar Integrated Engineering Sdn Bhd	Advances given	19,250,519	9,755,151
Mycron Steel Berhad	Advances (repaid)/given	(4,000,000)	4,000,000
Melewar Steel Tube Sdn Bhd	Advances (repaid)/given	(145,608)	139,428
Melewar Steel Tube Sdn Bhd	Expenses paid on behalf	141,267	(139,103)
Melewar Steel Engineering Sdn Bhd	Advances (repaid)	(3,500,000)	(14,000,000)
Melewar Steel Engineering Sdn Bhd	Advances given	8,000	-
Melewar Steel Services Sdn Bhd	Advances (repaid)	(53,878)	-
Melewar Steel Services Sdn Bhd	Expenses paid on behalf	53,878	-
Melewar Steel Assets Sdn Bhd	Advances given	9,500	10,000
Melewar Ecology Sdn Bhd	Advances given	7,509	10,843
Melewar Imperial Limited	Advances given	1,575,330	249,582
Melewar Imperial Limited	Expenses paid on behalf	41,777	350,471
Ausgard Quick Assembly Systems Sdn Bhd	Advances given	87,000	21,000
Associate			
Mperial Power Ltd	Expenses paid on behalf	2,642,845	5,345,268
Mperial Power Ltd	Advances (repaid)	(2,142,000)	(12,077,349)
Non-trade related – paid/payable			
Subsidiaries			
Mycron Steel CRC Sdn Bhd	Advances (given)/repaid	(2,161,527)	1,972,360
Melewar Steel Tube Sdn Bhd	Advances (given)	(775,000)	(383,600)
Melewar Steel Tube Sdn Bhd	Advances repaid	558,912	3,867,759
Melewar Steel Tube Sdn Bhd	Expenses paid on behalf	(52,988)	(46,828)
Related companies			
Trace Management Services Sdn Bhd	Corporate secretarial services	(209,602)	(222,382)
MAA Corporation Sdn Bhd	Rental and utilities	(106,080)	(104,654)

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

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

29 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(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	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Salaries, bonuses and other emoluments	8,387,555	8,388,333	2,742,942	2,750,037
Allowance	216,848	106,000	61,600	36,000
Benefits-in-kind	139,490	109,183	58,797	50,158
Defined contribution plan	1,068,798	1,061,632	417,972	417,901
	9,812,691	9,665,148	3,281,311	3,254,096

Remuneration details on the Non-Executive Directors are disclosed in Note 10 to the financial statements.

30 SEGMENTAL ANALYSIS

Current Reportable Segments

(a) The steel tube manufacturing segment is in the business of manufacturing and sales of steel pipes and tubes.

(b) The cold rolled segment is in the business of manufacturing and sales of cold rolled coils.

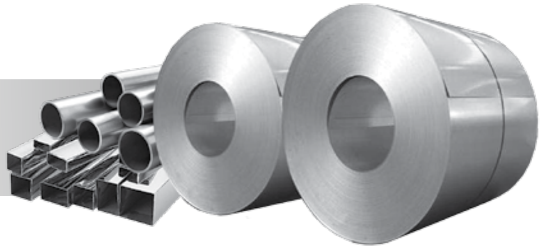
(c) The engineering segment is in the business of providing engineering services including projects that are accounted as construction contracts.

(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 ANALYSIS (continued)

	Steel tube	Cold rolled	Engineering	Investment holding	Others	Total
	RM	RM	RM	RM	RM	RM
2018						
Revenue						
Total revenue	274,187,982	546,856,002	24,141,797	13,116,313	4,096,732	862,398,826
Inter segment	(1,799,425)	(27,710,001)	-	(13,116,313)	(3,679,702)	(46,305,441)
Total revenue	272,388,557	519,146,001	24,141,797	-	417,030	816,093,385
Segment results						
Profit/(Loss) from operations	18,178,806	9,928,913	632,160	(19,863,242)	1,850,709	10,727,346
Finance income	274,919	1,105,820	-	138,241	2,647	1,521,627
Finance costs	(3,061,930)	(4,480,165)	(4,069,930)	(7,779)	-	(11,619,804)
Profit/(Loss) before tax	15,391,795	6,554,568	(3,437,770)	(19,732,780)	1,853,356	629,169
Consolidation elimination *	6,977,161	5,724,171	1,152,762	(3,248,569)	9,733	10,615,258
	22,368,956	12,278,739	(2,285,008)	(22,981,349)	1,863,089	11,244,427
Taxation	(3,766,939)	(1,937,091)	-	(815,236)	(703,489)	(7,222,755)
Net profit/(loss) after tax	18,602,017	10,341,648	(2,285,008)	(23,796,585)	1,159,600	4,021,672
Segment assets						
Total segment assets	207,397,776	479,335,067	9,800,254	104,867,540	3,040,360	804,440,997
Consolidation elimination #	(23,915,215)	(8,310,906)	-	1,395,090	(893,349)	(31,724,380)
Total segment assets	183,482,561	471,024,161	9,800,254	106,262,630	2,147,011	772,716,617
Other information						
Depreciation of property, plant and equipment	2,866,027	11,559,628	124,046	5,154,247	76,535	19,780,483
Impairment losses/(write back):						
- property, plant and equipment	306,084	594,980	-	909	280,441	1,182,414
- inventories	-	-	-	-	46,067	46,067
- trade receivables	-	-	1,411,649	-	-	1,411,649
- other receivables	-	-	-	6,626,113	-	6,626,113
Additions of property, plant and equipment	2,395,405	5,725,479	-	55,675	31,413	8,207,972

* *Major items include reversal of fair value gain of investment properties (IP) of RM1.1 million recognised as property, plant and equipment (PPE) at Group level, reversal of impairment losses on amounts owing by subsidiaries of RM17.3 million, reversal of dividend paid by subsidiary of RM0.8 million, reversal of cost of investment and loss on acquisition of subsidiary of RM0.7 million and recognition of depreciation of RM4.9 million arising from conversion of IP to PPE at Group level and inter segment elimination.*

\# *Relates to reversal of fair value gain of investment properties (IP) of RM100.8 million recognised as property, plant and equipment (PPE) at Group level, reversal of intangible assets of RM20.0 million, elimination of intercompany balances of RM3.4 million, offset by recognition of net revaluation impact of RM92.9 million arising from conversion of IP to PPE at Group level.*

30 SEGMENTAL ANALYSIS (continued)

	Steel tube	Cold rolled	Engineering	Investment holding	Others	Total
	RM	RM	RM	RM	RM	RM
2017						
Revenue						
Total revenue	266,828,536	482,110,349	48,089,127	10,957,194	7,672,317	815,657,523
Inter segment	(1,603,289)	(27,610,839)	-	(10,957,194)	(2,700,806)	(42,872,128)
Total revenue	265,225,247	454,499,510	48,089,127	-	4,971,511	772,785,395
Segment results						
Profit/(Loss) from operations	33,853,733	22,191,255	(97,975,501)	8,397,450	715,122	(32,817,941)
Finance income	213,307	733,464	20,056	328,825	5,663	1,301,315
Finance costs	(4,053,186)	(7,096,498)	(2,165,307)	(7,779)	-	(13,322,770)
Profit/(Loss) before tax	30,013,854	15,828,221	(100,120,752)	8,718,496	720,785	(44,839,396)
Consolidation elimination *	6,835,517	3,564,133	702,598	(21,427,652)	(1,526)	(10,326,930)
	36,849,371	19,392,354	(99,418,154)	(12,709,156)	719,259	(55,166,326)
Taxation	(6,636,365)	(4,444,233)	(259,676)	(69,305)	(407,832)	(11,817,411)
Net profit/(Loss) after tax	30,213,006	14,948,121	(99,677,830)	(12,778,461)	311,427	(66,983,737)
Segment assets						
Total segment assets	198,204,381	464,293,553	9,079,779	115,367,177	3,429,548	790,374,438
Consolidation elimination #	(21,568,603)	(8,643,159)	-	(2,342,257)	(909,310)	(33,463,329)
Total segment assets	176,635,778	455,650,394	9,079,779	113,024,920	2,520,238	756,911,109
Other information						
Depreciation of property, plant and equipment	2,844,729	12,057,520	177,848	4,653,606	44,296	19,777,999
Impairment losses/(write back):						
- property, plant and equipment	1,374,786	732,749	-	(4,143)	8,250	2,111,642
- trade receivables	346,457	-	-	-	-	346,457
Additions of property, plant and equipment	1,303,874	3,125,684	58,639	6,239	4,868	4,499,304

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

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

30 SEGMENTAL ANALYSIS (continued)

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

	Group	
	2018 RM	**2017 RM**
Segment assets	772,716,617	756,911,109
Amount owing by an associate	-	9,625,268
Derivatives	3,341,051	142,073
Deferred tax assets	1,515,428	2,148,810
Tax recoverable	23,097	257,772
	777,596,193	769,085,032

Information about major customers

Revenue from two major customers amounting to RM81.9 million and RM90.7 million respectively contributed to more than 10% of the Group's revenue each. These two major customers are each from the cold rolled segment and the steel tube segment.

31 LITIGATION, COMMITMENTS AND CONTINGENT LIABILITIES

(a) At Group level:

(i) Litigation

The Group's Engineering subsidiary may choose to dispute and litigate against its sub-contractors or suppliers' billing claims (even-though these have been budgeted into the project costs) if it has grounds to believe the counter-parties fell short in the delivery or performance of their contracted obligations. As at the close of the current financial year, the Engineering subsidiary has the following litigation matters where the principal claimed sums have been duly recognised in its project costs:

- A subcontractor for foundation and civil works for its Project#1 had commenced adjudication proceeding against the engineering subsidiary to recover RM1.37 million in disputed outstanding bills. The claimant won the adjudication on 26 June 2018 for total claims and compensation amounting to around RM1.22 million.
- A subcontractor for design and engineering works for its Project#1 has commenced three separate adjudication proceedings against the engineering subsidiary to recover RM3.1 million in disputed outstanding bills. The adjudication hearing for these are scheduled for the first quarter of the next financial year. On 3 July 2018, the claimant won the first adjudication for total claims and compensation of RM0.89 million. On 5 July 2018, the claimant lost the second adjudication for total claims of RM1 million. On 12 September 2018, the claimant won the third adjudication for a total claims of RM1.6 million.

(ii) Commitments

At the close of the current financial year, the Company's Cold Rolled subsidiary has outstanding capital commitments of RM1.2 million for the motor replacement and upgrading of certain production lines; whilst the Steel Tube subsidiary has RM3.3 million outstanding capital commitments for the upgrading of plant and machinery, and the digitisation of its manufacturing system.

At the close of the current financial year, the Company has future aggregate minimum lease payment obligations as detailed below with regards to its non-cancellable operating lease for the rental of office space with a combined area of 2,789 square feet (2017: 2,789 square feet):

	2018 RM	**2017 RM**
No later than 1 year	107,098	41,138
Later than 1 year and no later than 5 years	151,721	-
	258,819	41,138

31 LITIGATION, COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(a) At Group level: (continued)

(ii) Commitments (continued)

At the close of the current financial year, the Engineering subsidiary has future aggregate minimum lease payment obligations as detailed below with regards to its non-cancellable operating lease for the rental of office space with a combined area of 14,620 square feet (2017: 14,620 square feet):

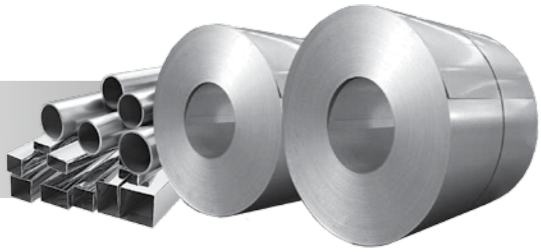
	2018	**2017**
	RM	**RM**
No later than 1 year	456,144	315,792
Later than 1 year and no later than 5 years	798,252	-
	1,254,396	315,792

At the close of the current financial year, the UK subsidiary has future aggregate minimum lease payment obligations as detailed below with regards to its non-cancellable operating leases for the rental of a land and a shop-lot with a combined area of 22,480 square feet.

	2018	**2017**
	RM	**RM**
No later than 1 year	170,669	-
Later than 1 year and no later than 5 years	853,346	-
More than 5 years	1,271,380	-
	2,295,395	-

(iii) Contingent Liabilities

As at the close of the current financial year, the Group is not aware of any circumstances or developments that give rise to contingent liabilities warranting disclosure.



31 LITIGATION, COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(b) At Company level:

(i) Litigation

The Company is not involved in any on-going litigation which may give rise to material contingent liabilities; or has any material contracted but outstanding capital commitments.

(ii) Commitments

The Company had in March 2016 issued a corporate guarantee for the due performance of its wholly owned engineering subsidiary to its client for a construction contract valued at RM83 million - which has since the financial year 2016 been determined to be onerous. This corporate guarantee is due to expire in the next financial year in September 2018.

On 14 March 2017, the Engineering subsidiary entered into a supplementary agreement with the client for funding assistance (on the cost overruns beyond the contract sum) to complete the project with direct payments to selected sub-contractors and suppliers. The Company had on 16 March 2017 issued an additional corporate guarantee to the client as a condition for the aforementioned funding, estimated to reach RM40 million. As at the close of the current financial year, the amount owing by the subsidiary to client for such advances and guaranteed by the Company stands at RM36.5 million (2017: RM0.6 million). This amount owing to the client is due for repayment over twelve equal monthly instalment upon completion of the project and upon finalisation of the contract's variation cost (which would be determined at commercial closure). The Engineering subsidiary plans to cover this liability with the unscheduled variation claims filed against the client of RM74 million.

The Company also had in December 2016 issued a corporate guarantee of RM28.2 million on loan facilities totalling RM33.2 million taken by the Engineering subsidiary to finance the completion of the said onerous projects. The Company had in the current financial year injected RM9 million to the engineering subsidiary to pay-down the loan and interest which at the close of the current financial year has been reduced to RM26.9 million. As at 30 June 2018, the Engineering subsidiary of the Company is in net current liabilities position of RM84.8 million and has a deficit in shareholders' fund of RM113.2 million. The Company plans to utilise part of the rights issue proceeds raised (see Note 32(a)) together with the proceeds from the disposal of Factory 1 to its Steel Tube subsidiary (see note 32(b)) to fully settle these Engineering subsidiary's loans in the next financial year due to their high borrowing cost.

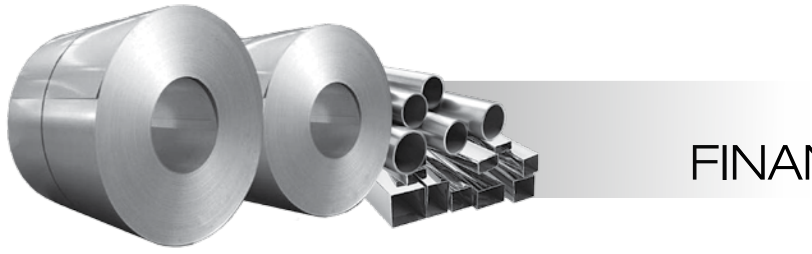
The potential economic outflow relating to the abovementioned corporate guarantees are duly reflected in the Group's consolidated results with the full recognition of those onerous projects' losses.

At the close of the current financial year, the Company has future aggregate minimum lease payment obligations as detailed below with regards to its non-cancellable operating leases for the rental of office space with a combined area of 3,597 square feet (2017: 3,597 square feet):

	Company	
	2018 RM	**2017 RM**
No later than 1 year	140,994	67,798
Later than 1 year and no later than 5 years	213,866	-
	354,860	67,798

(iii) Contingent Liabilities

As at the close of the current financial year, the Company is not aware of any other circumstances or developments that give rise to contingent liabilities warranting disclosure.



32 SIGNIFICANT EVENTS AFTER REPORTING DATE

(a) Corporate Exercise - Rights Issue with Free Warrants

The Company had on 23 August 2017 announced a proposed renounceable Rights Issue of 1-for-1 shares held with free detachable Warrants of 1-for-2 Rights Shares subscribed (“Rights Issue”). The proposed fund raising exercise aims to raise a minimum of RM10.8 million and a maximum of RM44.41 million for the subscription of the Company’s entitlement under Mycron’s proposed rights issue, the repayment of borrowings and/or general working capital. The Controlling-Interest (CI) shareholders applied and obtained from the Securities Commission Malaysia on 12 June 2018 the exemption of the Rules requiring mandatory take-over offer for all the remaining ordinary shares of the Company not already held arising from the Rights Issue.

The Company had on 28 June 2018 announced the price fixing of the proposed renounceable Rights Issue at 20 sens per Rights share, with the book closure date on 25 July 2018. The Company completed its ‘Rights Issue with Warrant’ exercise on 24 August 2018, and had raised RM26,778,979 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 subsequently listed on 24 August 2018.

The effects on the CI’s shareholdings before and after the rights issue, and potentially after the full exercise of warrants held (assuming the NCI also exercise their warrants held) are as follows:

	CI		NCI	Total
	No. Shares held	% held	No. Shares held	No. Shares
Before the Rights Issue	82,381,232	36.5%	143,141,576	225,522,808
add 1-for-1 Rights entitlement subscribed	82,381,232		51,513,663	133,894,895
After Rights Subscription	164,762,464	45.8%	194,655,239	359,417,703
add Potential full exercise of warrants held	41,190,616		25,756,802	66,947,418
After full exercise of warrants	205,953,080	48.3%	220,412,041	426,365,121

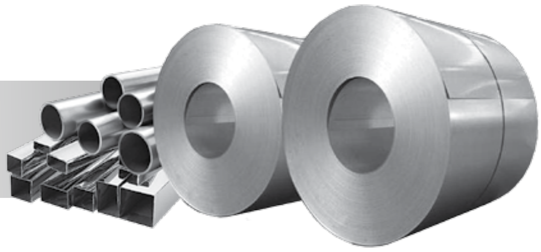
(b) Disposal of Factory 1 to Steel Tube Subsidiary

The Company’s contracted disposal of Factory 1 (Lot 53, Persiaran Selangor, Shah Alam) to its Steel Tube subsidiary for RM26 million was cleared of all its Conditions Precedent with the State’s consent for title transfer duly approved on 18 July 2018. The transaction is neutral to the Group except for expenses and tax outlay relating to the transaction, and minority interests. Following the receipt of the balance 90% of the consideration sum amounting to RM23.4 million by the Company, the disposal was completed on 30 August 2018.

The Steel Tube subsidiary incepted a 10 years term loan of RM21 million (at cost-of-funds (CoF) + 2% p.a.) to partially finance the purchase, with the balance RM5 million from its internal generated funds. The CoF being a variable is stated at 3.84% currently. The facility is secured against a corporate guarantee from its immediate holding company, Mycron Steel Berhad and a first party open charge on the said property.

(c) Changes to Debenture

On 16 August 2018, one of the Steel Tube subsidiary’s existing debenture holder extended an additional trade lines facility of RM25 million and a foreign currency exchange contract line of RM50 million. This resulted in the existing debenture being extended to cover the additional trade lines facility of RM25 million. Correspondingly, the other two debenture holders with zero balances as at 30 June 2018 were discharged respectively on 21 August 2018 and 24 September 2018.



33 FINANCIAL INSTRUMENTS BY CATEGORY

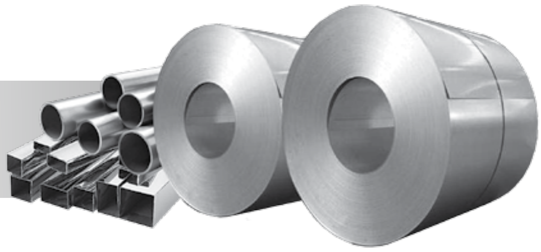
	Group			
	2018		2017	
	Loans and receivables	Fair value through profit or loss	Loans and receivables	Fair value through profit or loss
	RM	RM	RM	RM
Financial assets per statement of financial position:				
Current				
Trade and other receivables (excluding prepayments, VAT claimable and GST receivables)	124,393,712	-	108,658,915	-
Derivative financial instruments	-	3,341,051	-	142,073
Deposits with licensed financial institutions	40,385,898	-	69,364,205	-
Cash and bank balances	13,040,794	-	8,349,615	-
Amount owing by associates	-	-	9,625,268	-
Total financial assets	177,820,404	3,341,051	195,998,003	142,073
Financial liabilities per statement of financial position:				
Non-current				
Trade payables	1,867,047	-	850,642	-
Borrowings	28,572,706	-	34,905,189	-
Current				
Trade and other payables (excluding prepayments and GST payables)	249,289,955	-	235,011,868	-
Borrowings	90,735,555	-	78,609,834	-
Derivative financial instruments	-	2,570	-	3,036,852
Total financial liabilities	370,465,263	2,570	349,377,533	3,036,852

33 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

	Company	
	2018 RM	2017 RM
Financial assets per statement of financial position:		
Loans and receivables		
Current		
Trade and other receivables (excluding prepayments and GST receivables)	99,534	116,572
Amounts owing by subsidiaries	1,697,398	4,066,733
Amount owing by an associate	-	601,625
Deposits with licensed financial institutions	1,200,000	10,283,138
Bank balances	452,243	232,107
	3,449,175	15,300,175
Financial liabilities per statement of financial position:		
At amortised cost		
Current		
Trade and other payables (excluding prepayments received and GST payables)	3,715,046	1,758,435
Amounts owing to subsidiaries	2,704,317	273,714
	6,419,363	2,032,149

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)	27	27,000,000
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)	44	36,200,000
3	Lot 10, Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor	11.5.2085	Factory building	220,370 sq. ft. (5.06 acres)	33	26,800,000
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)	36	11,800,000
5	Lot 717, Jalan Sungai Rasau, Seksyen 16, 40200 Shah Alam, Selangor	Freehold	Factory cum office building	763,758 sq. ft. (17.53 acres)	28	109,100,000
6	Lot 2953, Jalan Industri 1, Kawasan Perindustrian Kelemak, Alor Gajah, Melaka.	27.9.2082	Factory cum office building	66,015 sq. ft. (1.52 acres)	32	1,200,791

For Item No. 1 - 5, the properties were revalued in June 2018. Whilst for Item No. 6, the property has been reclassified to Non-current assets held-for-sale for the financial year ended 30 June 2018 (see Note 24).

** Based on surveyed land area.*

^ From the date of Certificate of Fitness for Occupation.

MELEWAR INDUSTRIAL GROUP BERHAD
(8444 - W)

FORM OF PROXY
(please refer to the notes below)

No. of ordinary shares held

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

of ____
(Full address)

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

______________________________________ of____ or failing him/her
(Name of proxy, NRIC No.) (Full Address)

______________________________________ of____ as *my/our proxy
(Name of proxy, NRIC No.) (Full Address)

to vote for *me/us and on *my/our behalf at the **49th Annual General Meeting ("AGM")** of the Company to be held at the **Crystal Function Room, 4th Floor, Mutiara Complex, 3 ½ Miles, Jalan Ipoh, 51200 Kuala Lumpur on Thursday, 29 November 2018 at 11.30 a.m.** or at any adjournment thereof on the following resolutions referred to in the Notice of the 49th AGM. My/our proxy is to vote as indicated below:-

		FIRST PROXY		SECOND PROXY	
		For	Against	For	Against
RESOLUTION	**ORDINARY BUSINESS**				
RESOLUTION 1	TO APPROVE THE PAYMENT OF DIRECTORS' FEES AMOUNTING TO RM283,200.00 FOR THE PERIOD FROM 1 JANUARY 2019 TO 31 DECEMBER 2019 TO BE PAYABLE QUARTERLY IN ARREARS TO THE NON-EXECUTIVE DIRECTORS OF THE COMPANY.				
RESOLUTION 2	TO APPROVE AN AMOUNT OF UP TO RM100,000.00 AS BENEFITS PAYABLE TO THE NON-EXECUTIVE DIRECTORS OF THE COMPANY FOR THE PERIOD FROM 1 DECEMBER 2018 UNTIL THE CONCLUSION OF THE NEXT AGM OF THE COMPANY.				
	TO RE-ELECT THE FOLLOWING DIRECTORS OF THE COMPANY WHO ARE RETIRING IN ACCORDANCE WITH ARTICLE 113(1) OF THE COMPANY'S ARTICLES OF ASSOCIATION :-				
RESOLUTION 3	(i) TUNKU YAHAYA @ YAHYA BIN TUNKU TAN SRI ABDULLAH				
RESOLUTION 4	(ii) GENERAL TAN SRI DATO' SRI HJ SULEIMAN BIN MAHMUD RMAF (RTD)				
RESOLUTION 5	TO RE-APPOINT MESSRS PRICEWATERHOUSECOOPERS PLT AS AUDITORS OF THE COMPANY AND TO AUTHORISE THE DIRECTORS TO FIX THEIR REMUNERATION.				
	SPECIAL BUSINESS				
RESOLUTION 6	APPROVAL FOR EN SHAZAL YUSUF BIN MOHAMED ZAIN TO CONTINUE IN OFFICE AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR.				
RESOLUTION 7	TO APPROVE THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY.				
RESOLUTION 8	TO APPROVE THE PROPOSED RENEWAL AND NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS.				
RESOLUTION 9	AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016.				

(Please indicate with a "✔" or "✗" in the spaces provided above on how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion).

The proportion of my holdings to be represented by my *proxy/proxies are as follows:

	Number of Shares	Percentage
First proxy		%
Second proxy		%
Total		**100%**

Dated this ____________________ day of ____________________ 2018

____
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 49th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Articles 79(a), 79(b) and 79(c) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 23 November 2018. Only a depositor whose name appears on the Record of Depositors as at 23 November 2018 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 49th AGM will be put to vote on a poll.*

** 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

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NOTICE
There will be no distribution of door gifts.

MELEWAR INDUSTRIAL GROUP BERHAD
(8444-W)

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51200 Kuala Lumpur, Malaysia
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