The Directors have pleasure in submitting their report together with the audited financial statements of the Group and Company for the financial year ended 30 June 2009.

PRINCIPAL ACTIVITIES

The principal activities of the Company are trading of steel pipes and tubes, investment property holdings and investment holdings. The principal activities of the subsidiaries consist of manufacturing of steel pipes and tubes, manufacturing and trading of cold rolled steel sheets in coils as well as steel and iron products, provision of engineering and management services, investment holdings, provision of engineering and technical consultancy services and supplying power and steam.

There was no significant change in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group	Company
	RM	RM
(Loss)/profit for the financial year	(172,706,755)	8,013,116

DIVIDENDS

Dividends paid or declared by the Company since the end of the previous financial year were as follows:

	RM
In respect of the financial year ended 30 June 2008:	
- First and final gross dividend of 4 sen per share, less income tax of 25%, paid on 30 December 2008	6,765,372

The Directors do not recommend the payment of any dividend for the financial year ended 30 June 2009.

RESERVES AND PROVISIONS

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

TREASURY SHARES

During the financial year, the Company repurchased 161,000 of its issued share capital from the open market on Bursa Malaysia Securities Berhad for RM88,293. The average price paid for the shares repurchased was approximately RM0.548 per share.

Details of the treasury shares are set out in Note 30 to the financial statements.

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The Company implemented an ESOS on 5 December 2003 for a period of 5 years. The ESOS is governed by the by-laws which were approved by the shareholders on 21 November 2003.

The salient features and other terms of the ESOS are set out in Note 30 to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose in this report the names of the persons to whom options have been granted during the financial year and details of the holdings. The information has been separately filed with the Registrar of Companies.

The ESOS expired on 4 December 2008. On the date of expiry, all options granted but not exercised lapsed and ceased to be valid for any purpose.

DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows:

Tunku Tan Sri Abdullah ibni Almarhum Tuanku Abdul Rahman (Demised on 20 August 2008)
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah
Datuk Lim Kim Chuan
Azlan bin Abdullah
Dato' Jaffar Indot
Lee Ching Kion
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah
Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah
Onn Kien Hoe
Datin Ezurin Yusnita binti Abdul Malik (Vacated office on 9 September 2009 pursuant to Paragraph 15.05(3)(c) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

In accordance with Section 129(6) of the Companies Act, 1965, Dato' Jaffar Indot retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Article 95 of the Company's Articles of Association, Datuk Lim Kim Chuan and Lee Ching Kion retire by rotation from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

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

Melewar Industrial Group Berhad	**Number of ordinary shares of RM1 each**			
(the Company)	**At 01.07.2008**	**Bought**	**Sold**	**At 30.06.2009**
Tunku Dato' Ya'acob bin				
Tunku Tan Sri Abdullah				
- indirect interest	86,648,832	1,138,300	-	87,787,132
- direct interest	320,000	-	-	320,000
Tunku Yahaya @ Yahya				
bin Tunku Tan Sri Abdullah				
- indirect interest	86,968,832	1,138,300	-	88,107,132
Datin Ezurin Yusnita binti Abdul Malik				
(Vacated office on 9 September 2009)				
- indirect interest	86,968,832	1,138,300	-	88,107,132
Datuk Lim Kim Chuan				
- direct interest	186,666	-	-	186,666
Azlan bin Abdullah				
- direct interest	133,333	-	-	133,333

DIRECTORS' INTERESTS (continued)

Melewar Industrial Group Berhad (the Company) (continued)	**Number of options over ordinary shares of RM1 each**			
	At 01.07.2008	**Granted**	**Exercised/ Lapsed**	**At 30.06.2009**
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	400,000	-	400,000	-
Datuk Lim Kim Chuan	280,000	-	280,000	-
Azlan bin Abdullah	200,000	-	200,000	-

	Number of warrants over ordinary shares of RM1 each			
	At 01.07.2008	**Entitled/ Bought**	**Exercised/ Sold**	**At 30.06.2009**
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah				
- indirect interest	2,181,026	-	1,381,000	800,026
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah				
- indirect interest	2,181,026	-	1,381,000	800,026
Datin Ezurin Yusnita binti Abdul Malik (Vacated office on 9 September 2009)				
- indirect interest	2,181,026	-	1,381,000	800,026
Datuk Lim Kim Chuan				
- direct interest	37,333	-	-	37,333

Mycron Steel Berhad (related corporation)	**Number of ordinary shares of RM1 each**			
	At 01.07.2008	**Bought**	**Sold**	**At 30.06.2009**
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah				
- indirect interest	111,227,866	-	402,000	110,825,866
- direct interest	550,000	-	-	550,000
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah				
- indirect interest	111,777,866	-	402,000	111,375,866
Datin Ezurin Yusnita binti Abdul Malik (Vacated office on 9 September 2009)				
- indirect interest	111,777,866	-	402,000	111,375,866
Datuk Lim Kim Chuan				
- direct interest	385,000	-	-	385,000
Azlan bin Abdullah				
- direct interest	375,000	-	350,000	25,000
Lee Ching Kion				
- direct interest	128,000	-	-	128,000

By virtue of the above mentioned Directors' indirect interests in 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 held any interest in shares, options over ordinary shares and warrants over ordinary shares in the Company and/or its related corporations during the financial year.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than the Company's ESOS.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than Directors' remuneration disclosed in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he or she is a member, or with a company in which he or she has a substantial financial interest, except as disclosed in Note 32 to the financial statements.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets were made out, the Directors took reasonable steps:

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

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

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

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

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

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

No contingent or other liability has become enforceable or is likely to become enforceable within the period of 12 months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or Company to meet their obligations when they fall due.

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

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

(b) any contingent liability of the Group or Company which has arisen since the end of the financial year other than those disclosed in Note 35 to the financial statements.

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

In the opinion of the Directors,

(a) the results of the operations of the Group and Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except for:

- the impairment loss recognised on associates as disclosed in Note 16;
- the write down of inventories as disclosed in Note 21;
- the fair value loss on financial asset at fair value through profit or loss as disclosed in Note 23; and
- the provision for litigation as disclosed in Note 36 (c).

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

SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO THE FINANCIAL YEAR

Significant events during and subsequent to the financial year are disclosed in Note 36 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 28 October 2009.

TUNKU DATO' YA'ACOB BIN TUNKU TAN SRI ABDULLAH
EXECUTIVE CHAIRMAN

DATUK LIM KIM CHUAN
EXECUTIVE DIRECTOR

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah and Datuk Lim Kim Chuan, two (2) of the Directors of Melewar Industrial Group Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 62 to 125 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 30 June 2009 and of the results and cash flows of the Group and Company for the financial year ended on that date in accordance with the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 28 October 2009.

TUNKU DATO' YA'ACOB BIN TUNKU TAN SRI ABDULLAH
EXECUTIVE CHAIRMAN

DATUK LIM KIM CHUAN
EXECUTIVE DIRECTOR

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Datuk Lim Kim Chuan, the Director primarily responsible for the financial management of Melewar Industrial Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 62 to 125 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.

DATUK LIM KIM CHUAN

Subscribed and solemnly declared by the abovenamed Datuk Lim Kim Chuan, at Kuala Lumpur in Malaysia on 28 October 2009, before me.

COMMISSIONER FOR OATHS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Melewar Industrial Group Berhad, which comprise the balance sheets as at 30 June 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 62 to 125.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities other than Private Entities and the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with MASB Approved Accounting Standards in Malaysia for Entities other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2009 and of their financial performance and cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act;

(b) we have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 15 to the financial statements;

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

(d) the audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

SOO HOO KHOON YEAN
(No. 2682/10/11 (J))
Chartered Accountant

Kuala Lumpur
28 October 2009

		Group		Company	
	Note	2009	2008	2009	2008
		RM	RM	RM	RM
Revenue	5	599,545,093	703,344,761	216,635,990	317,956,078
Cost of sales		(621,204,198)	(625,757,679)	(204,748,978)	(296,957,384)
Gross (loss)/profit		(21,659,105)	77,587,082	11,887,012	20,998,694
Other operating income/(expenses)	6	39,007,664	(18,651,392)	12,474,024	10,593,982
Fair value (loss)/gain on financial asset at fair value through profit or loss	23	(172,519,380)	106,958,304	-	-
Selling and distribution costs		(5,355,911)	(6,930,582)	(2,855,727)	(4,274,841)
Administrative and general expenses		(63,740,115)	(87,174,648)	(11,192,046)	(11,005,611)
(Loss)/profit from operations	7	(224,266,847)	71,788,764	10,313,263	16,312,224
Finance cost	8	(19,549,401)	(17,276,728)	(1,430,393)	(683,415)
Share of results of associates		(2,881,731)	1,681,127	-	-
(Loss)/profit before tax		(246,697,979)	56,193,163	8,882,870	15,628,809
Tax income/(expense) - Company and subsidiaries	10	73,991,224	(984,990)	(869,754)	(1,027,164)
(Loss)/profit for the financial year		(172,706,755)	55,208,173	8,013,116	14,601,645
Attributable to:					
Equity holders of the Company		(155,974,601)	45,466,756	8,013,116	14,601,645
Minority interests		(16,732,154)	9,741,417	-	-
(Loss)/profit for the financial year		(172,706,755)	55,208,173	8,013,116	14,601,645
(Loss)/earnings per share					
Attributable to ordinary equity holders of the Company:	11				
- basic (sen)		(69.14)	20.15		
- diluted (sen)		(69.14)	19.84		

	Note	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
NON-CURRENT ASSETS					
Property, plant and equipment	12	611,292,134	528,789,303	3,548,165	4,091,512
Investment properties	13	2,630,489	-	61,242,224	58,611,735
Prepaid lease rental	14	34,489,837	36,649,181	-	1,652,954
Subsidiaries	15	-	-	133,531,281	132,901,281
Associates	16	70,156,968	116,117,810	-	-
Interest in jointly controlled entity	17	4	-	-	-
Intangible assets	18	76,202,451	55,472,932	-	-
Deferred tax assets	19	5,189,770	148,452	-	-
Available-for-sale financial assets	20	1,869,077	1,869,077	934,531	934,531
		801,830,730	739,046,755	199,256,201	198,192,013
CURRENT ASSETS					
Inventories	21	70,077,289	182,781,550	-	-
Trade and other receivables	22	118,228,599	229,217,073	26,220,937	80,515,567
Financial asset at fair value through profit or loss	23	159,674,544	332,193,924	-	-
Amounts owing by subsidiaries	24	-	-	278,835,578	280,041,738
Amount owing by an associate		248,301	487,960	-	-
Tax recoverable		516,107	5,064,561	-	-
Deposits with licensed financial institutions	25	22,886,299	15,986,045	2,340,000	2,070,000
Cash and bank balances	25	106,068,396	73,498,951	2,987,921	8,707,941
		477,699,535	839,230,064	310,384,436	371,335,246
Non-current asset held for sale	26	-	4,284,500	-	4,284,500
		477,699,535	843,514,564	310,384,436	375,619,746

		Group		Company	
	Note	2009 RM	2008 RM	2009 RM	2008 RM
Less:					
CURRENT LIABILITIES					
Trade and other payables	27	149,688,648	233,056,874	5,609,513	8,234,640
Derivative liability	28	7,069,955	52,897	4,874	1,147
Amounts owing to subsidiaries	24	-	-	44,766,082	91,823,118
Tax payable		265,239	9,616,866	184,898	318,326
Borrowings	29	291,011,794	377,943,007	111,019,493	126,780,503
		448,035,636	620,669,644	161,584,860	227,157,734
NET CURRENT ASSETS		29,663,899	222,844,920	148,799,576	148,462,012
NON-CURRENT LIABILITIES					
Deferred tax liabilities	19	31,371,915	92,230,032	12,767,039	12,691,328
Borrowings	29	234,118,535	95,795,370	342,136	175,546
		265,490,450	188,025,402	13,109,175	12,866,874
		566,004,179	773,866,273	334,946,602	333,787,151
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
Share capital	30	226,745,011	226,745,011	226,745,011	226,745,011
Treasury shares		(2,042,193)	(1,953,900)	(2,042,193)	(1,953,900)
Retained earnings		141,697,257	310,071,655	105,683,552	102,407,842
Share premium		238,280	238,280	238,280	238,280
Warrants reserve		4,164,662	4,164,662	4,164,662	4,164,662
Asset revaluation reserve		75,900,210	77,928,176	157,290	2,185,256
Foreign currency translation reserve		8,179,928	(763,820)	-	-
		454,883,155	616,430,064	334,946,602	333,787,151
Minority interests		111,121,024	157,436,209	-	-
TOTAL EQUITY		566,004,179	773,866,273	334,946,602	333,787,151

	Note	Share capital RM	Treasury shares RM	Share premium RM	Warrants reserve RM	Foreign currency translation reserve RM	Asset revaluation reserve RM	Retained earnings RM	Total RM	Minority interests RM	Total RM
		← Attributable to equity holders of the Company							→		
At 1 July 2008		226,745,011	(1,953,900)	238,280	4,164,662	(763,820)	77,928,176	310,071,655	616,430,064	157,436,209	773,866,273
Realisation of revaluation surplus on reclassification of property, plant and equipment to investment property		-	-	-	-	-	(2,027,966)	2,027,966	-	-	-
Foreign currency translation differences		-	-	-	-	8,943,748	-	-	8,943,748	468,324	9,412,072
Share of reserves in associates		-	-	-	-	-	-	607,246	607,246	8,638	615,884
Income and expense recognised directly in equity		-	-	-	-	8,943,748	(2,027,966)	2,635,212	9,550,994	476,962	10,027,956
Loss for the financial year		-	-	-	-	-	-	(155,974,601)	(155,974,601)	(16,732,154)	(172,706,755)
Total recognised income and expense for the financial year		-	-	-	-	8,943,748	(2,027,966)	(153,339,389)	(146,423,607)	(16,255,192)	(162,678,799)
Acquisition of additional interests in a subsidiary from minority shareholders	15	-	-	-	-	-	-	(8,830,148)	(8,830,148)	(27,329,852)	(36,160,000)
Issuance of shares by a subsidiary		-	-	-	-	-	-	-	-	270,000	270,000
Shares repurchased		-	(88,293)	-	-	-	-	560,511	472,218	(891,196)	(418,978)
Dividends paid	31	-	-	-	-	-	-	(6,765,372)	(6,765,372)	(2,108,945)	(8,874,317)
At 30 June 2009		226,745,011	(2,042,193)	238,280	4,164,662	8,179,928	75,900,210	141,697,257	454,883,155	111,121,024	566,004,179

	Note	Share capital RM	Treasury shares RM	Share premium RM	Warrants reserve RM	Foreign currency translation reserve RM	Asset revaluation reserve RM	Retained earnings RM	Total RM	Minority interests RM	Total RM
		← Attributable to equity holders of the Company							→		
At 1 July 2007		226,227,011	(1,953,900)	-	4,164,662	-	76,511,541	276,156,455	581,105,769	113,238,797	694,344,566
Reversal of deferred tax liability due to change in tax rate		-	-	-	-	-	1,416,635	-	1,416,635	248,168	1,664,803
Foreign currency translation differences		-	-	-	-	(763,820)	-	-	(763,820)	(334,053)	(1,097,873)
Share of reserves in associates		-	-	-	-	-	-	1,988,849	1,988,849	246,358	2,235,207
Income and expense recognised directly in equity		-	-	-	-	(763,820)	1,416,635	1,988,849	2,641,664	160,473	2,802,137
Profit for the financial year		-	-	-	-	-	-	45,466,756	45,466,756	9,741,417	55,208,173
Total recognised income and expense for the financial year		-	-	-	-	(763,820)	1,416,635	47,455,605	48,108,420	9,901,890	58,010,310
Acquisition of a subsidiary		-	-	-	-	-	-	-	-	35,787,651	35,787,651
Issue of shares from the exercise of ESOS options		518,000	-	238,280	-	-	-	-	756,280	-	756,280
Dividends paid	31	-	-	-	-	-	-	(13,540,405)	(13,540,405)	(1,492,129)	(15,032,534)
At 30 June 2008		226,745,011	(1,953,900)	238,280	4,164,662	(763,820)	77,928,176	310,071,655	616,430,064	157,436,209	773,866,273

	Note	Share capital	Treasury shares	Share premium	Warrants reserve	Asset revaluation reserve	Retained earnings	Total
		← Non-distributable				→	Distributable	
		RM	RM	RM	RM	RM	RM	RM
At 1 July 2008		226,745,011	(1,953,900)	238,280	4,164,662	2,185,256	102,407,842	333,787,151
Realisation of revaluation surplus on reclassification from property, plant and equipment to investment property		-	-	-	-	(2,027,966)	2,027,966	-
Income and expense recognised directly in equity		-	-	-	-	(2,027,966)	2,027,966	-
Profit for the financial year		-	-	-	-	-	8,013,116	8,013,116
Total recognised income and expense for the financial year		-	-	-	-	(2,027,966)	10,041,082	8,013,116
Dividends paid	31	-	-	-	-	-	(6,765,372)	(6,765,372)
Share repurchased		-	(88,293)	-	-	-	-	(88,293)
At 30 June 2009		226,745,011	(2,042,193)	238,280	4,164,662	157,290	105,683,552	334,946,602

	Note	Share capital	Treasury shares	Share premium	Warrants reserve	Asset revaluation reserve	Retained earnings	Total
		← Non-distributable				→	Distributable	
		RM	RM	RM	RM	RM	RM	RM
At 1 July 2007		226,227,011	(1,953,900)	-	4,164,662	19,381,981	80,926,483	328,746,237
Realisation of revaluation surplus on disposal of property, plant and equipment		-	-	-	-	(19,986,789)	19,986,789	-
Reversal of deferred tax liabilities for assets disposed		-	-	-	-	2,762,676	-	2,762,676
Reversal of deferred tax liabilities due to change in tax rate		-	-	-	-	27,388	433,330	460,718
Income and expense recognised directly in equity		-	-	-	-	(17,196,725)	20,420,119	3,223,394
Profit for the financial year		-	-	-	-	-	14,601,645	14,601,645
Total recognised income and expense for the financial year		-	-	-	-	(17,196,725)	35,021,764	17,825,039
Issue of shares from the exercise of ESOS options		518,000	-	238,280	-	-	-	756,280
Dividends paid	31	-	-	-	-	-	(13,540,405)	(13,540,405)
At 30 June 2008		226,745,011	(1,953,900)	238,280	4,164,662	2,185,256	102,407,842	333,787,151

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/profit before tax	(246,697,979)	56,193,163	8,882,870	15,628,809
Adjustments for:				
Depreciation on property, plant and equipment	17,131,126	13,241,001	439,850	468,929
Amortisation of prepaid lease rental	513,325	534,134	6,935	27,744
(Gain)/loss on disposal of property, plant and equipment	(19,903)	26,303	(20,303)	(22,200)
Gain on disposal of non-current asset held for sale	(1,564,813)	-	(1,564,813)	-
Impairment loss:				
- intangible asset	-	4,166,000	-	-
- property, plant and equipment	-	1,895,438	-	-
- associate	43,130,000	-	-	-
- trade receivables	7,123	658,183	-	429,483
- other receivables	548,753	3,731,199	21,411	201,839
Write down of inventories	60,673,027	-	-	-
(Write back of provision for)/provision for litigation	(41,391,669)	60,379,850	-	-
Unrealised loss/(gain) on foreign exchange	5,576,286	4,268,277	(39,914)	(88,506)
Property, plant and equipment written off	223,119	86,013	-	-
Fair value loss/(gain) on financial asset at fair value through profit or loss	172,519,380	(106,958,304)	-	-
Fair value loss/(gain) on foreign currency forward contract	6,889,309	(24,602)	4,926	1,147
Gain from debt settlement	-	(24,365)	-	-
Dividend income	-	-	(3,884,267)	(2,324,626)
Interest income	(710,248)	(4,111,608)	(121,693)	(495,415)
Interest expense	19,549,401	17,276,728	1,430,393	683,415
Share of results of associates	2,881,731	(1,681,127)	-	-
	39,257,968	49,656,283	5,155,395	14,510,619

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Changes in inventories	52,031,234	(30,360,165)	-	23,062,954
Changes in trade and other receivables	93,687,212	(6,140,476)	54,437,963	(41,270,535)
Changes in trade and other payables	(47,002,198)	(7,143,480)	(2,608,600)	4,948,958
Cash generated from operations	137,974,216	6,012,162	56,984,758	1,251,996
Interest paid	(19,294,672)	(16,253,692)	(1,582,650)	(569,035)
Interest received	721,632	1,107,002	131,394	484,642
Tax refund/(paid)	3,288,616	(7,522,852)	(228,816)	(3,538,598)
Net cash generated from/ (used in) operating activities	122,689,792	(16,657,380)	55,304,686	(2,370,995)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net cash inflow from the acquisition of a subsidiary	-	2,853,309	-	-
Acquisition of additional interests in a subsidiary from minority shareholders (Note 15)	(11,387,255)	-	-	-
Acquisition of interest in jointly controlled entity	(4)	-	-	-
Purchase of shares issued by a subsidiary	-	-	(630,000)	-
Purchase of property, plant and equipment	(109,710,936)	(70,749,615)	(202,270)	(128,995)
Purchase of intangible assets	(2,238,938)	-	-	-
Proceeds from disposal of property, plant and equipment	32,600	427,208	31,600	1,972,164
Proceeds from disposal of non-current asset held for sale	5,849,313	-	5,849,313	-
Dividends received	-	-	3,185,612	2,091,871
Dividends received from associate	564,994	423,745	-	-
Advances to subsidiaries	-	-	(45,850,876)	(347,829)
Repayment from/(advance to) an associate	239,659	(248,301)	-	-
Net cash (used in)/ generated from investing activities	(116,650,567)	(67,293,654)	(37,616,621)	3,587,211

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Issue of shares:				
- exercise of ESOS options	-	756,280	-	756,280
Dividends paid - shareholders	(6,765,372)	(13,540,405)	(6,765,372)	(13,540,405)
Dividends paid - minority interests	(2,108,945)	(1,492,129)	-	-
Proceeds from issuance of shares by a subsidiary to minority interest	270,000	-	-	-
Net proceeds from/(repayment of) borrowings	53,750,146	135,141,807	(15,870,000)	2,300,000
Payment of financing service fee	(15,993,004)	-	-	-
Repurchase of own shares	(418,978)	-	(88,293)	-
Repayment of hire purchase	(414,420)	(277,304)	(414,420)	(277,304)
Deposits with licensed financial institutions pledged as security	(86,610,373)	14,925,576	-	15,000,000
Net cash (used in)/generated from financing activities	(58,290,946)	135,513,825	(23,138,085)	4,238,571
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(52,251,721)	51,562,791	(5,450,020)	5,454,787
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	83,985,939	31,815,363	10,777,941	5,323,154
CURRENCY TRANSLATION DIFFERENCES	5,111,047	607,785	-	-
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR (Note 25)	36,845,265	83,985,939	5,327,921	10,777,941

1 GENERAL INFORMATION

The principal activities of the Company are trading of steel pipes and tubes, investment property holdings and investment holdings. The principal activities of the subsidiaries consist of manufacturing of steel pipes and tubes, manufacturing and trading of cold rolled steel sheets in coils as well as steel and iron products, provision of engineering and management services, investment holdings, provision of engineering and technical consultancy services and supplying power and steam. There was no significant change in the nature of these activities during the financial year.

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

The registered office of the Company is:

Suite 20.03, 20th Floor
Menara MAA
No. 12 Jalan Dewan Bahasa
50460 Kuala Lumpur

The principal place of business of the Company is:

Lot 53, Persiaran Selangor
40200 Shah Alam
Selangor Darul Ehsan

As at 30 June 2009, all monetary assets and liabilities of the Group and Company are denominated in Ringgit Malaysia, unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements. These policies have been consistently applied to the financial years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of the Group and Company have been prepared in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards ("FRS"), the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities. The financial statements have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

The preparation of financial statements in conformity with the provisions of the Companies Act, 1965 and FRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported year. It also requires the Directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgements are based on the Directors' best knowledge of current events 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 disclosed in Note 3.

(i) Standards, amendments to published standards, interpretations and improvements to existing standards that are applicable to the Group and are effective

There are no new accounting standards, amendments to published standards, interpretations and improvements to existing standards that are applicable and effective to the Group for the financial year ended 30 June 2009.

(ii) Standard early adopted by the Group

- FRS 139 – Financial Instruments: Recognition and Measurement (effective 1 January 2010)

  The standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group has applied this standard since the financial year ended 31 January 2006.

  The accounting policies relating to the measurement of the financial assets are described in Note 2(l) to the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(iii) Standards, amendments to published standards, interpretations and improvements to existing standards that are applicable to the Group but not yet effective and have not been early adopted

- The adoption of the following standards, amendments to published standards, interpretations and improvements to existing standards will not have significant financial impact to the Group's financial statements.

  Effective for annual period beginning on or after 1 July 2009

  - FRS 8 Operating Segments

  Effective for annual period beginning on or after 1 January 2010

  - FRS 123 Borrowing Costs which replaces FRS 123_{2004}
  - Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
  - Amendments to FRS 132 Financial Instruments Presentation
  - Amendments to FRS 139 Financial Instruments: Recognition and Measurement
  - IC Interpretation 9 Reassessment of Embedded Derivatives
  - IC Interpretation 10 Interim Financial Reporting and Impairment
  - IC Interpretation 11 FRS 2 Group and Treasury Share Transactions
  - Improvements to FRSs (2009):
    - FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors
    - FRS 110 Events after the Reporting Period
    - FRS 116 Property, Plant and Equipment
    - FRS 118 Revenue
    - FRS 119 Employee Benefits
    - FRS 123 Borrowing Costs
    - FRS 127 Consolidated and Separate Financial Statements
    - FRS 128 Investments in Associates
    - FRS 131 Interests in Joint Ventures
    - FRS 136 Impairment of Assets
    - FRS 138 Intangible Assets
    - FRS 140 Investment Property

- The adoption of the following standards, amendments to published standards, interpretations and improvements to existing standards only affects the presentation of the financial statements.

  Effective for annual period beginning on or after 1 January 2010

  - FRS 7 Financial Instruments: Disclosures
  - FRS 101 Presentation of Financial Statements (as revised in 2009)
  - Improvements to FRSs (2009):
    - FRS 5 Non-current Assets Held for Sale and Discontinued Operations
    - FRS 7 Financial Instruments: Disclosures
    - FRS 8 Operating Segments
    - FRS 101 Presentation of Financial Statements (as revised in 2009)
    - FRS 107 Statements of Cash Flows
    - FRS 117 Leases
    - FRS 134 Interim Financial Reporting

  The Group will apply the above standards, amendments to published standards, interpretations and improvements to existing standards in the relevant financial year.

(iv) Standards, amendments to published standards, interpretations and improvements to existing standards that are not applicable to the Group and are not yet effective

Effective for annual period beginning on or after 1 January 2010

- Amendments to FRS 2 Share-based Payment: Vesting Conditions and Cancellations
- IC Interpretation 13 Customer Loyalty Programmes
- IC Interpretation 14 FRS 119 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- FRS 4 Insurance Contracts

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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

Effective for annual period beginning on or after 1 January 2010 (continued)

- Improvements to FRSs (2009):
  - FRS 120 Accounting for Government Grants and Disclosure of Government Assistance
  - FRS 129 Financial Reporting in Hyperinflationary Economies

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those corporations, partnerships or other entities (including special purpose entities) in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The cost of an acquisition is measured at fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill (see the accounting policy Note 2 (c) on goodwill). If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Minority interests represent that portion of the profit or loss and assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since that date.

Where more than one exchange transaction is involved, any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group is accounted for as a revaluation.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as at the date of disposal, including the cumulative amount of any exchange differences that relate to the subsidiary, and is recognised in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

(ii) Associates

Associates are those corporations, partnerships or other entities in which the Group exercises significant influence, but which it does not control, generally accompanied by a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over those policies.

Investment in associates is accounted for using the equity method of accounting and is initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (see Note 2 (c)).

Dilution gains and losses in associates are recognised in equity.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

For incremental interest in an associate, the date of acquisition is the purchase date at each stage and goodwill is calculated at each purchase date based on the fair value of assets and liabilities identified. There is no "step up to fair value" of the net assets for the previously acquired stake and the share of profits and equity movements for the previously acquired stake is recorded directly through equity.

(iii) Jointly controlled entity

Jointly controlled entities are corporations, partnerships, or other entities over which there is contractually agreed sharing of control by the Group with one or more parties where the strategic financial and operating decisions relating to the entities require unanimous consent of the parties sharing control.

The Group's interest in jointly controlled entities is accounted for in the consolidated financial statements using the equity method of accounting. Equity accounting involves recognising the Group's share of the post-acquisition results of jointly controlled entities in the income statement and its share of post-acquisition movements of reserves in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment and include goodwill on acquisition (net of accumulated impairment).

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the assets transferred.

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment.

Where necessary, adjustments are made to the financial statements of jointly controlled entities to ensure consistency of accounting policies with the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries and associates over the fair value of the Group's share of the identifiable net assets at the date of acquisition. Goodwill on acquisitions of subsidiaries is included separately in the balance sheet. Goodwill on acquisitions of associates is included in investment in associates. Such goodwill is tested for impairment as part of the overall balance.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose (see accounting policy Note 2 (j) on impairment of assets).

(d) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is deducted from equity. Gains or losses on disposals to minority interests are also recorded in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity.

(e) Property, plant and equipment

(i) Measurement basis

Property, plant and equipment are initially stated at cost. Land and buildings, plant and machinery and electrical installation are subsequently shown at fair value, based on periodic valuation by external valuers, at least once in every 5 years or when the fair value of the revalued assets differ materially from its carrying value. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment, except for capital work-in-progress which is stated at cost, are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

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

Surpluses arising on revaluation are dealt with through the asset revaluation reserve account. Any deficit arising is set-off against the asset revaluation reserve to the extent of a previous increase for the same asset. In all other cases, a decrease in carrying amount will be charged immediately to the income statement.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the profit/(loss) from operations. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

At each balance sheet 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment (continued)

(ii) Depreciation

Freehold land is not depreciated as it has infinite life. All other property, plant and equipment, except for capital work-in-progress which is not depreciated, are depreciated on a straight-line basis to write off the cost of the assets or their revalued amounts, to their residual values over their estimated useful lives as follows:

Buildings	50 years
Plant, machinery and electrical installation	10 – 40 years
Motor vehicles, furniture, fittings and equipment	5 – 10 years

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

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date.

(f) Investment properties

Investment properties are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group. Investment properties are measured initially at its cost, including related transaction costs. After initial recognition, investment properties are carried at fair value.

Fair value is based on valuation performed taking into account the property growth and market in the surrounding area. The fair value of the investment properties reflects the market conditions at the balance sheet date. Changes in fair values are recorded in the income statement as part of other income.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised. The difference between the net disposal proceeds and the carrying amount is recognised in the income statement in the period of the retirement or disposal.

Transfer to or from investment property will be made when there is a change in use evidenced by the commencement of owner-occupation for a transfer of investment property to self-occupied property or end of owner-occupation for a transfer from self-occupied property to investment property.

If a self-occupied property becomes an investment property that will be carried at fair value, the revaluation surplus of the self-occupied property, included in revaluation reserves, may be transferred to retained earnings. For a transfer from investment property carried at fair value to self-occupied property, the property's deemed cost for subsequent accounting shall be its fair value at the date of change in use.

For the transfer of investment property to prepaid lease payments, the Group uses the transitional provision of Para 67A (FRS 117) which allows the Group to retain the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments.

(g) Non-current assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amounts are recovered principally through a sale transaction rather than through a continuing use.

(h) Leases - Accounting by lessee

(i) Finance leases

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

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Leases – Accounting by lessee (continued)

(i) Finance leases (continued)

Property, plant and equipment acquired under finance lease is depreciated over the shorter of the estimated useful life of the asset and the lease term.

(ii) Operating leases

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

(i) Prepaid lease payments

Payment for rights to use land over a predetermined period is classified as prepaid lease payments and is stated at cost less amount amortised and accumulated impairment losses.

The prepaid lease payments are amortised on a straight-line basis over the lease period, which is similar to the depreciation policy when they were classified as property, plant and equipment.

(j) Impairment of non-financial assets

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

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment loss on goodwill is not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case, it is taken to revaluation surplus.

(k) Intangible assets

Intangible assets of the Group comprise the right on Concession Agreement, the right to use power transmission line under the power purchase agreement and the right to use gas interconnecting pipeline under the gas supply agreement. These rights are stated at cost less any accumulated amortisation and any accumulated impairment losses and are subject to an annual impairment test. These rights will be amortised over the concession period once the power plant is commissioned.

(l) Financial assets

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

(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 acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are unquoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial assets (continued)

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has positive intention and ability to hold to maturity.

(iv) 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 balance sheet date.

Regular purchases and sales of financial assets are recognised on trade date i.e. the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs that are directly attributable to their acquisitions, for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. 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 carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other operating income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in the income statement; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Held-to-maturity investments are carried at amortised cost.

(i) Valuation principles

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes the fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, and discounted cash flow analysis.

The carrying values of financial assets and liabilities with a maturity period of less than one year are assumed to approximate their fair values.

(ii) Impairment of financial instruments

The Group assesses at each balance sheet 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, a significant or prolonged decline in the fair value of the securities below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Derivative financial instruments

Derivatives are initially recognised in the balance sheet at fair value on the dates on which derivative contracts are entered into and are subsequently remeasured at their fair values at each balance sheet date.

Derivative financial instruments that do not qualify for hedge accounting are accounted for as financial assets at fair value through profit or loss. Changes in the fair value of these derivative financial instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis. Finished goods and work-in-progress comprise cost of materials, direct labour, other direct charges and an appropriate proportion of factory overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

(o) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 3 months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(p) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within selling and distribution costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling and distribution costs in the income statement.

(q) Trade payables

Trade payables are recognised initially at invoiced values which are the fair values of the consideration to be paid in the future for goods and services received. They are subsequently measured at amortised cost using the effective interest method.

(r) Assets acquired under hire purchase arrangements

The cost of property, plant and equipment acquired under hire purchase arrangements which transfer substantially all the risks and rewards of ownership to the Group are capitalised. The depreciation policy on these property, plant and equipment is similar to that of the Group. Outstanding obligations due under hire purchase arrangements after deducting finance expenses are included as liabilities in the financial statements. Finance charges on hire purchase arrangements are allocated to income statements over the period of the respective agreements, so as to produce a constant rate of interest on the remaining balance of the liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Borrowings

Borrowings are recognised initially at fair value, net of transaction cost incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction cost) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

When it is certain that the property, plant and equipment will be completed and is expected to bring future economic benefit to the Group, borrowing costs incurred to finance the construction of property, plant and equipment are capitalised as part of the cost of the assets during the period of time that is required to complete and prepare the assets for its intended use.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(t) Provisions

Provisions are recognised when the Group has 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 when a reliable estimate of the amount can be made.

(u) Share capital

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost incurred directly attributable to the issuance of the shares is accounted for as a deduction from equity.

Interim dividends are recognised as liabilities when declared before the balance sheet date. Final dividends are accounted for when it had been approved by the Company's shareholders.

Where the Company or its subsidiaries purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental external costs, net of tax, is deducted from total shareholders' equity as treasury shares until they are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental external costs and the related tax effects, is included in shareholders' equity.

(v) Warrants reserve

Proceeds from the issuance of warrants, net of issue costs, are credited to warrants reserve which is non-distributable. Warrants reserve will be transferred to the share premium account upon the exercise of warrants and the warrants reserve in relation to the unexercised warrants at the expiry of the warrants period will be transferred to retained earnings.

(w) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Group.

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

(i) Sale of goods

Sale of goods is recognised when significant risks and rewards of ownership have been transferred to the customers.

(ii) Processing and engineering service income

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Revenue recognition (continued)

(iii) Dividend income

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

(iv) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

(v) Rental income

Rental income is recognised on a time proportion basis over the lease term.

(vi) Consultancy and project service income

Consultancy and project service income is recognised based on percentage of completion basis.

(x) Employees' benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, and bonuses are accrued in the period in which the associated services are rendered by the employees of the Group.

(ii) Defined contribution plan

The Group contributes to the Employee Provident Fund, which is a defined contribution plan, regulated and managed by the government. The contributions are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

The Group may from time to time at its sole discretion make cash contribution into a fund established under the MIGKER Scheme, a defined contribution plan, for the benefit of eligible employees. The amount of cash contributed depends on the performance of the individual employees and the profitability of the Group. The contributions are charged to the income statement in the period to which they relate.

(iii) Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in the assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Income tax

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based upon the taxable profits.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

(z) Foreign currencies

(i) Functional and presentation currency

The management has determined that the currency of the primary economic environment in which each company operates, i.e. functional currency, to be Ringgit Malaysia. Sales price and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in Ringgit Malaysia. The financial statements are presented in Ringgit Malaysia, which is the Group's functional and presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are translated to Ringgit Malaysia at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the closing rates. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies are translated to Ringgit Malaysia at rates of exchange prevailing at the date of transactions.

Translation differences on non-monetary financial assets and liabilities, such as financial assets at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in the fair value reserve in equity.

(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 balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing on the transaction dates); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) Segment reporting

Segment reporting is presented for enhanced assessment of the Group's risks and returns. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from other business segments. A geographical segment is engaged in providing products or services, within a particular economic environment, that is subject to risks and returns that are different from those of segments operating in other economic environments.

Segment revenue, expenses, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

(ab) Contingent liabilities and contingent assets

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

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.

In the acquisition of subsidiaries by the Group under business combinations, the contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The Group recognises separately the contingent liabilities of the acquirees as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions and the information about the contingent liabilities acquired will be disclosed in the financial statements.

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of FRS 137_{2004} and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with FRS 118_{2004}.

(ac) Financial guarantee contracts

Financial guarantee contracts are recognised as financial liabilities at the date the guarantee is issued. Liabilities arising from financial guarantee contracts, including company guarantees of subsidiaries through deeds of cross guarantee, are initially recognised at fair value and subsequently at the higher of the amount determined in accordance with the measurement requirements of a provision (Note 2(t)) and the amount initially recognised less cumulative amortisation.

The fair value of the financial guarantee 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 obligation.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ad) Investments

Investments in subsidiaries, associates and joint ventures are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 2(j) on impairment of assets.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged/credited to the income statement.

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 are believed 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) Estimation of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar property in the same location and condition and subject to similar leases and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different leases or other contracts), adjusted to reflect those differences; and

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices.

(b) Valuation of property, plant and equipment

The fair value of property, plant and equipment is individually determined periodically, at least once every 5 years or when the fair value of the revalued assets differ materially from its carrying value, by independent valuers based on market value assessment. The valuers have relied on the discounted cash flow analysis and the depreciated replacement cost method. These methodologies are based upon estimates of future results and a set of assumptions specific to each property to reflect its income and cash flow profile.

(c) Useful life and residual value of property, plant and equipment

The Group charges depreciation on its depreciable property, plant and equipment based on the useful lives and residual values of the assets. Estimating the useful lives and residual values of property, plant and equipment involves significant judgement, selection of variety of methods and assumptions that are normally based on market conditions existing at the balance sheet date. The actual useful lives and residual values of the assets however, may be different from expected.

(d) Recoverability of debtors

The expected timing and recovery of doubtful debts are on a best endeavour basis. It is also subject to prevailing market and economic conditions.

(e) Income taxes

Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax based on estimates of assessment of the tax liability due. When the final tax outcome is different from the amounts that were initially recorded, such differences will result in changes to the income tax and deferred tax provisions, where applicable, in the period in which such determination is made.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(f) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. This involves judgement regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised.

(g) Impairment of assets

Value-in-use calculations for the purposes of impairment tests, where assumptions and estimates have been used, are based on future events which management expects to take place and actions which management expects to take. While information may be available to support the assumptions on which the value-in-use calculations have been prepared, such information is generally future oriented and therefore uncertain and subject to changes. Accordingly, actual results may differ from the budgets.

(h) Impairment of intangible assets and power plant under construction

Value-in-use calculations for the purposes of impairment tests, where assumptions and estimates have been used, are based on future events which management expects to take place and actions which management expects to take. Furthermore, the value-in-use calculation is sensitive to changes in market rates of equity, borrowing rates and country risk. While information may be available to support the assumptions on which the value-in-use calculations have been prepared, such information is generally future oriented and therefore uncertain and subject to changes. Accordingly, actual results may differ from the budgets.

The impairment test of the intangible assets and power plant under construction was performed at the end of the financial year and the sensitivity of the value-in-use to the discount rate is as follows:

- If the discount rate increases by 1%, the intangible assets will be impaired by RM14.5 million.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's overall financial risk management objectives are to ensure that the Group creates value and maximises returns to its shareholders.

Financial risk management is carried out through risk reviews, internal control systems, benchmarking the industry's best practices and adherence to the Group's financial risk management policies.

The main risks arising from the financial instruments of the Group are credit risk, interest rate risk, market risk, foreign currency exchange risk, and liquidity and cash flow risk. The management of the Group monitors the financial position closely with an objective to minimise potential adverse effects on the financial performance of the Group. The Directors review and approve policies for managing each of these risks which are summarised below. These policies have remained unchanged during the financial year.

(a) Credit risk

Credit risk arises when sales are made and services are rendered on deferred credit terms and when surplus cash is invested.

The Group has credit policies in place to manage credit risk exposure. The risk is managed through the application of the Group's extensive credit management procedures which includes credit evaluation, credit approvals and adherence to credit limits, credit periods, regular monitoring and follow up procedures.

With regards to surplus cash, the Group invests its cash assets safely and profitably by depositing them with licensed financial institutions.

(b) Interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group is exposed to interest rate risk in respect of its time deposits placed with financial institutions and borrowings at variable interest rates.

The Group monitors the interest rates closely to ensure that the borrowings and time deposits placed with financial institutions are maintained at favourable rates.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Market risk

The Group's exposure to market risk arises mainly from changes in the prices of steel raw materials and finished goods and the market price of its quoted investments. The management of the Group monitors the sale of finished goods and procurement of its raw materials closely to minimise the impact of market risk on the Group.

The management of the Group also monitors the equity price risks of quoted investments and its overseas operation in order to minimise the impact of market risk.

(d) Foreign currency exchange risk

The Group is exposed to foreign currency exchange risk as a result of transactions denominated in foreign currencies entered into by the Group.

During the financial year, the Group entered into forward foreign currency exchange contracts to limit its exposure on cash flows generated from anticipated borrowing draw down transactions, trade receivables and future capital expenditure payments denominated in foreign currencies.

The Group is also exposed to foreign currency exchange risk due to the fair value change in its financial asset denominated in Australian Dollar ("AUD") and part of its borrowings which are denominated in United States Dollar, Thai Baht, Euro and AUD, as disclosed in Note 29 to the financial statements.

The Group does not practice hedge accounting.

(e) Liquidity and cash flow risk

The Group has prudent liquidity risk management of maintaining sufficient cash flow and does not face significant exposure from this risk.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available from time to time.

(f) Financial asset designated as fair value through profit or loss

The financial asset of the Group comprising equity securities quoted outside Malaysia, is designated as fair value through profit or loss upon initial recognition as the financial asset is both managed and its performance evaluated on a fair value basis by the Board of Directors, with the intention to dispose at a profit in the short term.

5 REVENUE

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Sale of goods	592,887,686	681,536,072	215,954,191	317,147,039
Processing service income	3,142,918	4,186,359	681,799	809,039
Consultancy and project services	3,514,489	17,622,330	-	-
	599,545,093	703,344,761	216,635,990	317,956,078

6 OTHER OPERATING INCOME/(EXPENSES)

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Interest on deposits with financial institutions	708,196	1,071,808	119,641	448,569
Interest receivable from debtors	2,052	3,039,800	2,052	46,846
Gain/(loss) on disposal of property, plant and equipment	19,903	(26,303)	20,303	22,200
Gain on disposal of non-current asset held for sale	1,564,813	-	1,564,813	-
Gain on disposal of gas turbine	-	41,663,768	-	-
Write back of provision for/(provision for) litigation (Note 36 (c))	41,391,669	(60,379,850)	-	-
Loss on disposal of other asset	(115,000)	-	(115,000)	-
Rental income	269,000	84,559	4,173,000	3,937,194
Dividend income	-	-	3,884,267	2,324,626
Realised foreign exchange (loss)/gain	(56,223)	(165,004)	356,994	278,111
Unrealised foreign exchange (loss)/gain	(5,576,286)	(4,268,277)	39,914	88,506
Management fees	-	-	600,000	600,000
Marketing fees	-	-	1,820,640	2,847,930
Bad debts recovered	-	10,000	-	-
Others	799,540	318,107	7,400	-
	39,007,664	(18,651,392)	12,474,024	10,593,982

7 (LOSS)/PROFIT FROM OPERATIONS

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
(Loss)/profit from operations is stated after charging:				
Auditors' remuneration:				
- current financial year	231,850	260,000	51,100	50,000
- over accrual of prior financial year	-	-	-	(40,083)
Depreciation on property, plant and equipment	17,131,126	13,241,001	439,850	468,929
Amortisation of prepaid lease rental	513,325	534,134	6,935	27,744
Staff costs	26,434,681	26,112,516	2,698,118	2,676,990
Rental of building	697,525	934,789	235,460	212,568
Loss on disposal of property, plant and equipment	400	53,830	-	-
Unrealised foreign exchange loss	8,310,055	4,627,022	-	-
Realised foreign exchange loss	790,010	636,410	-	-
Provision for litigation (Note 36 (c))	-	60,379,850	-	-
Provision for legal fees	-	11,261,650	-	-
Impairment loss:				
- intangible asset	-	4,166,000	-	-
- property, plant and equipment	-	1,895,438	-	-
- associates (Note 16)	43,130,000	-	-	-
- trade receivables	7,123	658,183	-	429,483
- other receivables	548,753	3,731,199	21,411	201,839
Write down of inventories (Note 21)	60,673,027	-	-	-
Loss on disposal of other asset	115,000	-	115,000	-
Fair value loss on foreign currency forward contracts	6,889,309	-	4,926	1,147
Property, plant and equipment written off	223,119	86,013	-	-

7 (LOSS)/PROFIT FROM OPERATIONS (continued)

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM	**RM**	**RM**	**RM**
and crediting:				
Bad debts recovered	-	10,000	-	-
Gain on disposal of property, plant and equipment	20,303	27,527	20,303	22,200
Gain on disposal of non-current asset held for sale	1,564,813	-	1,564,813	-
Gross dividend income:				
- subsidiaries	-	-	1,446,648	862,055
- investment quoted in Malaysia	-	-	2,437,619	1,462,571
Interest income:				
- deposits with licensed financial institutions	401,730	808,659	119,641	448,569
- bank balances	306,466	263,149	-	-
- debtors	2,052	3,039,800	2,052	46,846
Rental income:				
- investment properties	225,000	-	4,149,000	3,924,000
- others	44,000	84,559	24,000	13,194
Realised foreign exchange gain	733,787	471,406	356,994	278,111
Unrealised foreign exchange gain	2,733,769	358,745	39,914	88,506
Fair value gain on foreign currency forward contract	-	24,602	-	-
Write back of provision for legal fees	5,709,023	-	-	-
Write back of provision for litigation (Note 36 (c))	41,391,669	-	-	-

The contribution to Employee Provident Fund included in staff costs was RM2,528,080 (2008: RM2,445,436) for the Group and RM336,965 (2008: RM283,506) for the Company.

Direct operating expenses of investment properties that generated rental income to the Group and Company during the financial year amounted to RM34,506 (2008: nil) and RM641,711 (2008: RM489,483) respectively.

8 FINANCE COST

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Interest on borrowings	23,604,519	20,917,997	1,392,209	655,365
Interest on hire-purchase	38,184	28,050	38,184	28,050
Interest on others	290,964	-	-	-
Fair value gain on foreign currency forward contract	-	(25,749)	-	-
	23,933,667	20,920,298	1,430,393	683,415
Less: Interest capitalised into property, plant and equipment (Note 12)	(4,384,266)	(3,643,570)	-	-
	19,549,401	17,276,728	1,430,393	683,415

9 DIRECTORS' REMUNERATION

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

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Non-executive Directors:				
- fees	668,921	774,973	221,129	505,793
- allowances	93,500	113,403	60,000	76,403
- estimated monetary value of benefits-in-kind	37,133	62,960	5,367	40,960
Executive Directors:				
- salaries and bonuses	3,904,060	4,129,989	1,648,477	1,774,555
- estimated monetary value of benefits-in-kind	108,018	95,997	56,514	40,343
- defined contribution plan	473,640	486,170	247,275	250,725
	5,285,272	5,663,492	2,238,762	2,688,779

10 TAX

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Current tax:				
- Malaysian tax	964,513	5,367,099	794,043	3,975,937
- foreign tax	(9,075,961)	-	-	-
- under/(over) accrual in prior financial year	19,659	(55,770)	-	209,126
Deferred tax (Note 19)	(65,899,435)	(4,326,339)	75,711	(3,157,899)
	(73,991,224)	984,990	869,754	1,027,164

10 TAX (continued)

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM	**RM**	**RM**	**RM**
Numerical reconciliation between tax (income)/expense and the product of accounting (loss)/profit multiplied by the Malaysian tax rate				
(Loss)/profit before tax	(246,697,979)	56,193,163	8,882,870	15,628,809
Tax calculated at the Malaysian tax rate of 25% (2008: 26%)	(61,674,495)	14,610,222	2,220,718	4,063,490
Tax effects of:				
- share of results of associates	720,433	(437,093)	-	-
- tax savings from lower tax rate	-	(39,814)	-	-
- different tax rate in other countries	(8,625,969)	1,131,845	-	-
- expenses not deductible for tax purposes	18,210,475	18,762,169	1,047,415	331,285
- income not subject to tax	(25,953,191)	(14,476,564)	(673,594)	(380,268)
- change in tax rate	-	(656,468)	-	(39,391)
- controlled transfer of property, plant and equipment to subsidiary	-	-	-	(3,157,078)
- under accrual in prior financial year	19,659	2,980,135	-	209,126
- tax incentive obtained for double deduction	(82,972)	(79,190)	-	-
- reinvestment allowance tax credit	808,333	(21,528,110)	-	-
- current financial year losses not recognised	2,319,473	632,254	-	-
- deferred tax assets not recognised	267,030	85,604	-	-
- tax loss surrendered by a subsidiary under group relief provisions	-	-	(1,724,785)	-
Tax (income)/expense	(73,991,224)	984,990	869,754	1,027,164

Under the single-tier tax system which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

Companies with Section 108 credits as at 31 December 2007 may continue to pay franked dividends until the Section 108 credits are exhausted or 31 December 2013, whichever is earlier unless they opt to disregard the Section 108 credits to pay single-tier dividends under the special transitional provisions of the Finance Act, 2007. As at 30 June 2009, subject to agreement with the tax authorities, the Company has Section 108 credits and tax exempt income of RM39,180,351 and RM22,721,413 respectively. Hence, the Company has sufficient Section 108 credits and tax exempt income to pay in full all of its retained earnings as franked and exempt dividends respectively.

11 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

	Group	
	2009	2008
	RM	RM
(Loss)/profit attributable to equity holders of the Company	(155,974,601)	45,466,756
Number of ordinary shares in issue at beginning of financial year after deducting treasury shares	225,673,411	225,155,411
Effect of exercise of ESOS options	-	491,667
Effect of share repurchase	(93,917)	-
Weighted average number of ordinary shares	225,579,494	225,647,078
Basic (loss)/earnings per share (sen)	(69.14)	20.15

(b) Diluted (loss)/earnings per share

	Group	
	2009	2008
	RM	RM
(Loss)/profit attributable to equity holders of the Company	(155,974,601)	45,466,756
Weighted average number of ordinary shares as calculated above	225,579,494	225,647,078
Warrants:		
- based on exercise price	-	30,911,528
- based on average fair value	-	(27,421,159)
Weighted average number of ordinary shares for diluted earnings per share	225,579,494	229,137,447
Diluted (loss)/earnings per share (sen) *	(69.14)	19.84

* Warrants have anti-dulutive effects as at 30 June 2009 as the exercise price is higher than the average fair value.

12 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land	Buildings	Plant, machinery and electrical installation	Motor vehicles, furniture, fittings and equipment	Capital work-in-progress	Total
	RM	RM	RM	RM	RM	RM
2009						
Cost/valuation						
At 1 July 2008	52,830,762	111,439,581	299,460,590	11,261,516	122,173,334	597,165,783
Additions	-	123,622	6,664,254	1,554,495	107,941,747	116,284,118
Currency translation differences	1,665,200	136,995	-	63,122	6,693,708	8,559,025
Disposals	-	-	-	(106,683)	-	(106,683)
Reclassification of assets under work-in-progress, now completed	-	-	810,805	-	(810,805)	-
Reclassification to intangible assets (Note 18)	-	-	-	-	(18,490,581)	(18,490,581)
Rebate from supplier due to delay in delivery	-	-	(5,388,886)	-	-	(5,388,886)
Transfer to investment properties (Note 13)	-	(1,280,000)	-	-	-	(1,280,000)
Write-off	-	-	(309,437)	(1,108)	-	(310,545)
	54,495,962	110,420,198	301,237,326	12,771,342	217,507,403	696,432,231
At 30 June 2009						
Cost	-	-	-	12,771,342	217,507,403	230,278,745
Valuation	54,495,962	110,420,198	301,237,326	-	-	466,153,486
	54,495,962	110,420,198	301,237,326	12,771,342	217,507,403	696,432,231

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold land	Buildings	Plant, machinery and electrical installation	Motor vehicles, furniture, fittings and equipment	Capital work-in-progress	Total
	RM	RM	RM	RM	RM	RM
2009						
Accumulated depreciation						
At 1 July 2008	-	7,401,315	29,465,533	7,023,402	-	43,890,250
Charge for the financial year	-	3,542,473	12,680,043	908,610	-	17,131,126
Currency translation differences	-	47,894	-	61,539	-	109,433
Disposals	-	-	-	(93,986)	-	(93,986)
Transfer to investment properties (Note 13)	-	(295,530)	-	-	-	(295,530)
Write-off	-	-	(86,318)	(1,108)	-	(87,426)
At 30 June 2009	-	10,696,152	42,059,258	7,898,457	-	60,653,867
Accumulated impairment loss						
At 1 July 2008/30 June 2009	8,355,663	-	-	-	16,130,567	24,486,230
Net book value at 30 June 2009						
Cost	-	-	-	4,872,885	201,376,836	206,249,721
Valuation	46,140,299	99,724,046	259,178,068	-	-	405,042,413
	46,140,299	99,724,046	259,178,068	4,872,885	201,376,836	611,292,134

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold land	Buildings	Plant, machinery and electrical installation	Motor vehicles, furniture, fittings and equipment	Capital work-in-progress	Total
	RM	RM	RM	RM	RM	RM
2008						
Cost/valuation						
At 1 July 2007	28,900,000	86,597,084	172,916,728	10,604,888	80,536,277	379,554,977
Additions	-	147,092	22,380,942	946,130	51,611,307	75,085,471
Addition through acquisition of a subsidiary	24,211,984	4,037,382	-	26,643	117,180,764	145,456,773
Currency translation differences	(281,222)	(34,960)	-	(16,095)	(1,821,394)	(2,153,671)
Disposals	-	-	(141,368)	(300,050)	(212,906)	(654,324)
Reclassification of assets under work-in-progress, now completed	-	20,692,983	104,427,731	-	(125,120,714)	-
Write-off	-	-	(123,443)	-	-	(123,443)
	52,830,762	111,439,581	299,460,590	11,261,516	122,173,334	597,165,783
As at 30 June 2008						
Cost	-	-	-	11,261,516	122,173,334	133,434,850
Valuation	52,830,762	111,439,581	299,460,590	-	-	463,730,933
	52,830,762	111,439,581	299,460,590	11,261,516	122,173,334	597,165,783

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Group	**Freehold land**	**Buildings**	**Plant, machinery and electrical installation**	**Motor vehicles, furniture, fittings and equipment**	**Capital work-in-progress**	**Total**
	RM	**RM**	**RM**	**RM**	**RM**	**RM**
2008						
Accumulated depreciation						
At 1 July 2007	-	4,292,665	20,151,377	6,470,506	-	30,914,548
Charge for the financial year	-	3,120,058	9,359,438	761,505	-	13,241,001
Currency translation differences	-	(11,408)	-	(15,648)	-	(27,056)
Disposals	-	-	(7,852)	(192,961)	-	(200,813)
Write-off	-	-	(37,430)	-	-	(37,430)
At 30 June 2008	-	7,401,315	29,465,533	7,023,402	-	43,890,250
Accumulated impairment loss						
Addition through acquisition of a subsidiary	8,355,663	-	-	-	14,235,129	22,590,792
Charge for the financial year	-	-	-	-	1,895,438	1,895,438
At 30 June 2008	8,355,663	-	-	-	16,130,567	24,486,230
Net book value at 30 June 2008						
Cost	-	-	-	4,238,114	106,042,767	110,280,881
Valuation	44,475,099	104,038,266	269,995,057	-	-	418,508,422
	44,475,099	104,038,266	269,995,057	4,238,114	106,042,767	528,789,303

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Freehold land	Buildings	Plant, machinery and electrical installation	Motor vehicles, furniture, fittings and equipment	Total
	RM	RM	RM	RM	RM
2009					
Cost/valuation					
At 1 July 2008	111,322	1,280,000	1,534,506	4,903,688	7,829,516
Additions	-	-	-	892,270	892,270
Transfer to investment properties (Note 13)	-	(1,280,000)	-	-	(1,280,000)
Disposals	-	-	-	(104,283)	(104,283)
	111,322	-	1,534,506	5,691,675	7,337,503
At 30 June 2009					
Cost	-	-	-	5,691,675	5,691,675
Valuation	111,322	-	1,534,506	-	1,645,828
	111,322	-	1,534,506	5,691,675	7,337,503
Accumulated depreciation					
At 1 July 2008	-	267,824	173,542	3,296,638	3,738,004
Charge for the financial year	-	27,706	71,948	340,196	439,850
Transfer to investment properties (Note 13)	-	(295,530)	-	-	(295,530)
Disposals	-	-	-	(92,986)	(92,986)
At 30 June 2009	-	-	245,490	3,543,848	3,789,338
Net book value at 30 June 2009					
Cost	-	-	-	2,147,827	2,147,827
Valuation	111,322	-	1,289,016	-	1,400,338
	111,322	-	1,289,016	2,147,827	3,548,165

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Freehold land	Buildings	Plant, machinery and electrical installation	Motor vehicles, furniture, fittings and equipment	Capital work-in-progress	Total
	RM	RM	RM	RM	RM	RM
2008						
Cost/valuation						
At 1 July 2007	-	8,564,520	30,366,165	6,320,190	1,418,686	46,669,561
Additions	111,322	-	-	17,673	-	128,995
Transfer to investment properties (Note 13)	-	(7,284,520)	-	-	-	(7,284,520)
Transfer of assets to a subsidiary	-	-	(28,831,659)	(1,343,385)	(1,418,686)	(31,593,730)
Disposals	-	-	-	(90,790)	-	(90,790)
	111,322	1,280,000	1,534,506	4,903,688	-	7,829,516
At 30 June 2008						
Cost	-	-	-	4,903,688	-	4,903,688
Valuation	111,322	1,280,000	1,534,506	-	-	2,925,828
	111,322	1,280,000	1,534,506	4,903,688	-	7,829,516
Accumulated depreciation						
At 1 July 2007	-	496,495	2,094,570	4,413,737	-	7,004,802
Charge for the financial year	-	110,824	71,943	286,162	-	468,929
Transfer to investment properties (Note 13)	-	(339,495)	-	-	-	(339,495)
Transfer of assets to a subsidiary	-	-	(1,992,971)	(1,312,471)	-	(3,305,442)
Disposals	-	-	-	(90,790)	-	(90,790)
At 30 June 2008	-	267,824	173,542	3,296,638	-	3,738,004
Net book value at 30 June 2008						
Cost	-	-	-	1,607,050	-	1,607,050
Valuation	111,322	1,012,176	1,360,964	-	-	2,484,462
	111,322	1,012,176	1,360,964	1,607,050	-	4,091,512

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Land and buildings, plant, machinery and electrical installation were revalued in January 2006 by an independent firm of professional valuers, C H Williams Talhar & Wong Sdn Bhd, based on open market value. There were no significant changes in the fair values during the financial year.

During the financial year, there was an acquisition of property, plant and equipment by the Group and Company amounting to RM828,459, of which RM690,000 was acquired by means of hire purchase. As at 30 June 2009, the net book value of the property, plant and equipment under hire purchase arrangement in the Group and Company stood at RM1,492,632 (2008: RM807,500).

Included in the capital work-in-progress incurred during the financial year was interest capitalised of RM4,384,266 (2008: RM3,643,570) (Note 8).

Land, buildings, plant, machinery, electrical installation and power plant under construction of subsidiaries with a net book value of RM535,016,778 (2008: RM442,094,570) are pledged as security for banking facilities granted (Note 29).

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM	**RM**	**RM**	**RM**
Freehold land	14,189,793	14,189,793	-	-
Buildings	49,456,544	50,835,915	-	36,989
Plant, machinery and electrical installation	61,870,955	65,031,244	218,676	278,538
	125,517,292	130,056,952	218,676	315,527

As at 30 June 2009, the recoverable amount of the capital work-in-progress, which comprises a power plant under construction, including the land on which the power plant is built, was determined by the value-in-use calculation. The value-in-use was determined by discounting the future cash flows, at a pre-tax discount rate of 8.55% (2008: 10.00%) per annum, to be generated from the continuing use of the power plant, after taking into account the power plant construction cost, based on management's cash flow projections on its sale of electricity and steam for 27 years from 2009 to 2035. The cash flow projections took into consideration the current Gross Domestic Product and inflation growth rates for the industry in Thailand. Management believes that a period greater than 5 years used for the cash flow projections is justified as the income derived during the extended period can be supported by its Power Purchase Agreements ("PPA") and Steam Sales Agreement ("SSA"), which each has a useful life of 25 years. Further details of the assumptions used by management are in Note 18 (c).

The value-in-use was higher than the carrying amount of the land and power plant under construction of RM218,199,362 and thus, no impairment loss was recognised.

13 INVESTMENT PROPERTIES

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
At beginning of the financial year	-	4,284,500	58,611,735	46,209,100
Transfer from property, plant and equipment (Note 12)	984,470	-	984,470	6,945,025
Transfer from prepaid lease rental (Note 14)	1,646,019	-	1,646,019	9,742,110
Transfer to non-current asset held for sale (Note 26)	-	(4,284,500)	-	(4,284,500)
At end of the financial year	2,630,489	-	61,242,224	58,611,735

A valuation was carried out by an independent external valuer, C H Williams Talhar & Wong Sdn Bhd, in June 2009, based on open market value. There were no significant changes in the fair values of the investment properties during the financial year.

14 PREPAID LEASE RENTAL

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
At beginning of the financial year	36,649,181	37,183,315	1,652,954	11,422,808
Transfer to investment properties (Note 13)	(1,646,019)	-	(1,646,019)	(9,742,110)
	35,003,162	37,183,315	6,935	1,680,698
Amortisation	(513,325)	(534,134)	(6,935)	(27,744)
At end of the financial year	34,489,837	36,649,181	-	1,652,954

15 SUBSIDIARIES

	Company	
	2009	2008
	RM	RM
Cost		
Quoted shares	47,058,463	47,058,463
Unquoted shares	86,472,818	85,842,818
	133,531,281	132,901,281
Market value of quoted shares	48,752,383	55,577,717

15 SUBSIDIARIES (continued)

The details of the subsidiaries are as follows:

Name	Principal activities	Group's effective interest 2009 %	Group's effective interest 2008 %
Mycron Steel Berhad #	Investment holding and provision of management services to subsidiaries	54.8 *	54.5
Mycron Steel CRC Sdn Bhd	Manufacturing and trading of cold rolled steel sheets in coils	54.8 *	54.5
Silver Victory Sdn Bhd	Dormant	54.8 *	54.5
Melewar Steel Services Sdn Bhd	Investment holding	100.0	100.0
Melewar Steel Assets Sdn Bhd	Property investment	100.0	100.0
Melewar Steel Tube Sdn Bhd	Manufacturing of steel pipes and tubes, and provision of engineering services	100.0	100.0
Melewar Steel Mills Sdn Bhd	Manufacturing, distributing and trading of steel and iron products	100.0	100.0
Melewar Integrated Engineering Sdn Bhd	Provision of engineering and technical consultancy services	70.0	70.0
Melewar Steel Ventures Ltd	Investment holding	100.0	100.0
Melewar Steel Engineering Sdn Bhd	Investment holding	100.0	100.0
M-Power TT Ltd	Project management	100.0	100.0
Mperial Power Ltd #	Investment holding	100.0	100.0
Siam Power Generation Public Company Ltd ("SIPCO") #	Power generation and steam sales	95.0	70.0
Melewar MycroSmelt Technology Ltd	Dormant	85.0	85.0
Melewar Metro Sdn Bhd	Dormant	100.0	100.0
Melewar Metro (Penang) Sdn Bhd	Dormant	100.0	100.0

15 SUBSIDIARIES (continued)

All subsidiaries are incorporated in Malaysia except for Melewar MycroSmelt Technology Ltd and SIPCO, which are incorporated in the British Virgin Islands and Thailand respectively.

All subsidiaries are audited by PricewaterhouseCoopers, Malaysia except for SIPCO which is audited by a member firm of PricewaterhouseCoopers International Limited.

* The percentage is calculated based on the total issued and paid-up capital of Mycron Steel Berhad ("MSB"), excluding a total of 940,300 MSB's shares bought back by MSB and retained as treasury shares.

\# Shares of the investment in subsidiaries amounting to RM146,209,406 (2008: RM110,049,026) have been pledged as collateral for borrowings of subsidiaries (Note 29).

On 9 July 2008, Mperial Power Ltd, a wholly owned subsidiary of the Company, acquired an additional 25.03% equity interest in SIPCO for a cash consideration of USD11.3 million or RM36.2 million, thereby increasing its total equity interest in SIPCO from 70.00% to 95.03%.

Acquisition of additional interests from minority shareholders

Name of subsidiary	Purchase consideration	Group's additional effective interest	Effective acquisition date
	RM		
SIPCO	36,160,000	25.03%	9 July 2008

The net assets acquired from minority interest and net cash outflow arising from the acquisition of additional interest in an existing subsidiary is as follows:

	2009
	RM
Carrying value of net assets acquired from minority interest	27,329,852
Excess of cost over carrying value of net assets acquired, adjusted against retained earnings	8,830,148
Cost of acquisition/purchase consideration	36,160,000
Less: Amount outstanding at balance sheet date	(24,772,745)
Net cash outflow on acquisition	11,387,255

16 ASSOCIATES

	Group 2009 RM	Group 2008 RM
Share of net assets of associates	70,156,968	116,117,810
Market value of quoted shares	43,787,001	24,294,723

The share of net assets of associates as at 30 June 2009 includes goodwill of RMnil (2008: RM4,405,304).

During the financial year, the Group recognised an impairment loss of RM43,130,000 (Note 7) on the associates as the recoverable amount of each of the associates was lower than its carrying amount. The recoverable amounts of the associates were determined by:

- discounting the future cash flows of an associate, at a pre-tax discount rate of 13.30% (2008: 12.50%) per annum, to be generated from its operations. The cash flow projections, approved by the Directors, took into consideration the associate's past performances, projected outlook and growth rates in the oil and gas industry; and
- discounting the amount receivable, at a pre-tax discount rate of 6.85% (2008: nil) per annum, from the vendor as a result of non-compliance of certain conditions by the vendor pursuant to a shareholders' agreement entered in 2005. The amount receivable, representing the cost of investment in an associate, is in accordance with the terms of the shareholders' agreement and it is supported by a legal opinion. The discount rate was derived based on the weighted average cost of capital of companies in the cold rolled coil industry.

The Group's share of revenue, (loss)/profit, assets and liabilities of associates are as follows:

	Group 2009 RM	Group 2008 RM
Revenue	63,953,986	39,870,925
(Loss)/profit after tax	(2,881,731)	1,681,127
Non-current assets	98,040,661	124,388,677
Current assets	71,815,853	54,290,218
Current liabilities	(32,983,948)	(24,850,493)
Non-current liabilities	(66,715,598)	(37,710,592)
Net assets	70,156,968	116,117,810

The details of associates are as follows:

Name	Principal activities	Group's effective interest 2009 %	Group's effective interest 2008 %
M3nergy Berhad #	Investment holding and provision of management services to its subsidiaries	22.69	22.67
PMP Galvanizers Sdn Bhd ("PMP")*	Manufacturing and trading of galvanised metal	10.95	10.89

Shares of an investment in associate amounting to RM56,971,223 (2008: RM98,855,576) have been pledged as collateral for borrowings of subsidiaries (Note 29).

* PMP is an associate of Mycron Steel Berhad, a 54.80% owned subsidiary of Melewar Industrial Group Berhad ("MIGB"), and correspondingly is an associate of MIGB.

17 INTEREST IN JOINTLY CONTROLLED ENTITY

	Group 2009 RM	Group 2008 RM
Unquoted shares at cost	4	-

MSL Enterprise Inc ("MSL"), a company incorporated in the British Virgin Islands on 6 May 2009, is a 50%:50% joint venture between Melewar Steel Ventures Ltd, a subsidiary of the Company and Ferum Ltd. MSL is in the business of trading of granite, minerals, iron ore, iron and steel products. As at 30 June 2009, MSL has not commenced operations.

18 INTANGIBLE ASSETS

Group	Rights on Concession Agreement RM	Rights to use power transmission line and gas interconnecting pipeline RM	Total RM
2009			
Cost			
At 1 July 2008	59,638,932	-	59,638,932
Additions	-	2,238,938	2,238,938
Reclassification from property, plant and equipment (Note 12)	-	18,490,581	18,490,581
At 30 June 2009	59,638,932	20,729,519	80,368,451
Accumulated impairment losses			
At 1 July 2008/30 June 2009	(4,166,000)	-	(4,166,000)
Net book value at 30 June 2009	55,472,932	20,729,519	76,202,451

18 INTANGIBLE ASSETS (continued)

Group	Rights on Concession Agreement	Rights to use power transmission line and gas interconnecting pipeline	Total
	RM	RM	RM
2008			
Cost			
At 1 July 2007	-	-	-
Acquisition through business combinations	59,638,932	-	59,638,932
At 30 June 2008	59,638,932	-	59,638,932
Accumulated impairment losses			
At 1 July 2007	-	-	-
Impairment loss during the financial year	(4,166,000)	-	(4,166,000)
At 30 June 2008	(4,166,000)	-	(4,166,000)
Net book value at 30 June 2008	55,472,932	-	55,472,932

(a) Rights on Concession Agreement

The future revenue of SIPCO, will be substantially derived from the generation and sale of electricity energy and generating capacity, which is governed by the Concession Agreement and PPA.

The Group identified the cash flow generated from the Concession Agreement and PPA as an intangible asset. The Group notes that the Concession Agreement and PPA are recognised as a single asset, in view that both are required for the generation and sale of electricity energy and generating capacity.

This PPA is the key document that governs the underlying strength of the Group's cash flow from the generation and sale of electricity energy and generating capacity, which provide for, inter alia, the electricity tariff, supply, operations and maintenance and all other terms to be met by the Group. The PPA is tied to the specific power plant, where its fair value has been separately accounted for.

(b) Rights to use power transmission line and gas interconnecting pipeline

During the financial year, there is a reclassification of RM18,490,581 from property, plant and equipment relating to the right to use a power transmission line under the PPA, and the right to use a gas interconnecting pipeline and metering station under the Gas Supply Agreement ("GSA"). The said rights arising from the PPA and GSA comply with the recognition criterion of an intangible asset.

18 INTANGIBLE ASSETS (continued)

(c) Recoverable amounts of intangible assets

The intangible assets are not amortised as the power plant is still under construction.

The recoverable amounts of the intangible assets with identifiable assets and liabilities relating to the power generating business ("cash-generating unit" or "CGU") are determined by value-in-use calculations. The value-in-use was determined by discounting the future cash flows to be generated from the continuing use of the power plant, after taking into account the power plant construction cost, based on management's cash flow projections on its sale of electricity and steam for 27 years from 2009 to 2035. The cash flow projections took into consideration the current Gross Domestic Product and inflation growth rates for the industry in Thailand. Management believes that a period greater than 5 years used for the cash flow projections is justified as the income derived during the extended period can be supported by its PPA and SSA, which each has a useful life of 25 years.

Management applied the following key assumptions in deriving the present value of the cash flows attributable to the intangible assets:

	2009	**2008**
Useful life of PPA and SSA	25 years	25 years
Contracted capacity (per month)	160MW	160MW
Average load factor	90%	90%
Capacity rate (RM/kW/month)*	36	34
Energy generation (per month)	97,382MWh	97,382MWh
Energy price (RM/kW hour)*	0.17	0.16
Steam sales (ton/hour)	20	30
Steam price (RM/ton)*	50	60
Additional capacity arising from steam not sold	5MW	-
Energy price for additional capacity (RM/kW hour)*	0.09	-

* denominated in Thai Baht and converted using the closing rate as at 30 June 2009/2008.

Management's judgement is involved in estimating the future cash flow of the CGU. The value-in-use is sensitive to, amongst others, the following key assumption:

- A pre-tax discount rate of 8.55% (2008: 10.00%) per annum was applied over the period of cash flow projections in determining the recoverable amount of the intangible assets. The discount rate was derived based on the weighted average cost of capital of companies with similar operations in Thailand.

During the financial year, there were no impairment losses on the intangible assets (2008: impairment loss of RM4,166,000) as the value-in-use was higher than the carrying amount of the CGU.

19 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 balance sheet:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM	**RM**	**RM**	**RM**
Deferred tax assets	5,189,770	148,452	-	-
Deferred tax liabilities:				
- subject to Malaysian income tax	(20,365,228)	(30,929,322)	(12,767,039)	(12,691,328)
- subject to foreign income tax	(11,006,687)	(61,300,710)	-	-
	(31,371,915)	(92,230,032)	(12,767,039)	(12,691,328)
	(26,182,145)	(92,081,580)	(12,767,039)	(12,691,328)
At beginning of the financial year	(92,081,580)	(98,072,722)	(12,691,328)	(19,072,621)
Credited/(charged) to income statement (Note 10):				
- property, plant and equipment	(1,772,650)	(14,385,600)	228,617	4,242,695
- prepaid lease rental	462,780	297,201	410,218	2,234,839
- investment properties	(622,184)	-	(714,546)	(3,319,635)
- unutilised reinvestment allowance	(1,203,029)	20,480,849	-	-
- unutilised tax losses	9,267,680	-	-	-
- unabsorbed capital allowances	9,287,156	7,241,209	-	-
- financial asset at fair value through profit or loss	50,294,022	(9,398,245)	-	-
- provisions	-	258,858	-	-
- others	185,660	(167,933)	-	-
	65,899,435	4,326,339	(75,711)	3,157,899
Credited/(charged) to asset revaluation reserve:				
- property, plant and equipment	-	-	-	2,762,676
- change in tax rate	-	1,664,803	-	27,388
Credited to retained earnings:				
- change in tax rate	-	-	-	433,330
	65,899,435	5,991,142	(75,711)	6,381,293
	(26,182,145)	(92,081,580)	(12,767,039)	(12,691,328)

19 DEFERRED TAX (continued)

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Subject to income tax:				
Deferred tax assets				
(before offsetting):				
- property, plant and equipment	4,134	1,306	-	-
- unutilised reinvestment allowance	19,277,820	20,480,849	-	-
- unutilised tax losses	9,267,680	-	-	-
- unabsorbed capital allowances	16,553,306	7,266,150	-	-
- other payables and accruals	118,100	-	-	-
- impairment loss	258,858	258,858	-	-
	45,479,898	28,007,163	-	-
Offsetting	(40,290,128)	(27,858,711)	-	-
Deferred tax assets (after offsetting)	5,189,770	148,452	-	-
Deferred tax liabilities				
(before offsetting):				
- property, plant and equipment	(51,962,922)	(50,187,444)	(288,082)	(516,699)
- prepaid lease rental	(8,070,250)	(8,533,030)	-	(410,218)
- investment properties	(622,184)	-	(12,478,957)	(11,764,411)
- financial asset at fair value through profit or loss	(11,006,687)	(61,300,709)	-	-
- unrealised foreign exchange gain	-	(67,560)	-	-
	(71,662,043)	(120,088,743)	(12,767,039)	(12,691,328)
Offsetting	40,290,128	27,858,711	-	-
Deferred tax liabilities (after offsetting)	(31,371,915)	(92,230,032)	(12,767,039)	(12,691,328)

The amount of unutilised tax losses, unutilised reinvestment allowance and unabsorbed capital allowances (all of which have no expiry dates) for which no deferred tax asset is recognised in the balance sheet are as follows:

	Group	
	2009	2008
	RM	RM
Tax losses	19,116,441	9,650,063
Reinvestment allowance	1,897,344	1,815,517
Capital allowances	14,915,342	11,072,584

20 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets include the following:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Equity securities:				
- unquoted in Malaysia	1,869,077	1,869,077	934,531	934,531

The Directors have assessed the fair value of the financial assets and concluded that there is no significant difference between the carrying value and fair value of the financial assets.

21 INVENTORIES

	Group	
	2009 RM	2008 RM
Raw materials	27,573,550	115,050,927
Work-in-progress	8,813,921	23,911,762
Finished goods	30,626,015	39,986,066
Consumables	3,063,803	3,832,795
	70,077,289	182,781,550

Inventories are stated at lower of cost and net realisable value (net of selling cost). During the financial year, the Group has written down the carrying value of inventories amounting to RM60,673,027 (Note 7) to its net realisable value.

22 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Trade receivables	63,418,649	131,952,347	26,114,363	75,055,078
Less: Accumulated impairment loss	(665,306)	(658,183)	(429,483)	(429,483)
	62,753,343	131,294,164	25,684,880	74,625,595
Other receivables	21,352,238	30,066,528	334,043	730,753
Advances to third parties for power plant under construction	33,212,185	57,424,445	-	-
Less: Accumulated impairment loss	(4,279,952)	(3,731,199)	(223,250)	(201,839)
	50,284,471	83,759,774	110,793	528,914
Deposits	1,388,694	10,308,214	143,389	5,135,649
Prepayments	3,802,091	3,854,921	281,875	225,409
	118,228,599	229,217,073	26,220,937	80,515,567

22 TRADE AND OTHER RECEIVABLES (continued)

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
The currency exposure profile of trade and other receivables are as follows:				
- Ringgit Malaysia	76,591,921	158,805,912	24,251,448	76,819,913
- Singapore Dollar	2,377,049	5,844,034	1,910,078	3,602,630
- Australian Dollar	139,950	153,800	-	-
- US Dollar	24,019,170	26,998,703	59,411	93,024
- Euro	58,277	21,308,737	-	-
- Japanese Yen	7,298,623	6,332,808	-	-
- Thai Baht	7,743,609	9,773,079	-	-
	118,228,599	229,217,073	26,220,937	80,515,567

At the balance sheet date, 41% (2008: 43%) of other receivables relates to accrued billings from a particular customer in Malaysia and 85% (2008: 68%) of advances to third parties relates to a down payment made to a contractor for expected delivery of goods and services.

Other than the above, the concentration of credit risk with respect to trade and other receivables is limited due to the Group's and the Company's large number of customers, which cover a broad spectrum of manufacturing and a variety of end markets in which they sell. The Group's and the Company's historical experience in collection of receivables falls within the recorded allowances. Due to these factors, the Directors believe that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's and the Company's trade receivables.

23 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	Group	
	2009	2008
	RM	RM
Equity securities:		
- quoted outside Malaysia	159,674,544	332,193,924

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

	Group	
	2009	2008
	RM	RM
At beginning of the financial year	332,193,924	225,235,620
Fair value (loss)/gain	(172,519,380)	106,958,304
At end of the financial year	159,674,544	332,193,924

23 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

The change in fair value of the financial asset at fair value through profit or loss is recorded in the income statement.

The financial asset at fair value through profit or loss of RM159,674,544 is denominated in Australian Dollar and it is charged as security for borrowings granted to the Group (Note 29), of which RM68,967,360 or 32,000,000 equity securities, is pledged with OPSL as disclosed in Note 36 (c).

The financial asset is classified as a current asset in the balance sheet as it is expected to be realised in or is intended for sale in the short term.

24 AMOUNT OWING BY/(TO) SUBSIDIARIES

The amount owing by/(to) subsidiaries are unsecured and interest free. There are no fixed terms of repayment for inter-company advances whereas inter-company trade transactions are subject to credit terms between 30 to 90 days (2008: 30 to 90 days).

	Company	
	2009	**2008**
	RM	**RM**
Amount owing by subsidiaries:		
Trade	5,236	5,562
Non trade	278,830,342	280,036,176
	278,835,578	280,041,738
Amount owing to subsidiaries:		
Trade	44,766,082	91,823,118

25 CASH AND CASH EQUIVALENTS

	Group		**Company**	
	2009	**2008**	**2009**	**2008**
	RM	**RM**	**RM**	**RM**
Deposits with licensed financial institutions	22,886,299	15,986,045	2,340,000	2,070,000
Cash and bank balances	106,068,396	73,498,951	2,987,921	8,707,941
	128,954,695	89,484,996	5,327,921	10,777,941
Less: Restricted cash	(92,109,430)	(5,499,057)	-	-
	36,845,265	83,985,939	5,327,921	10,777,941

The restricted cash comprises of:

- deposit with a financial institution that is pledged as security for the bank guarantee facilities in respect of the application and proposal to sell electricity to Electricity Government Authority of Thailand; and
- equity cash contribution pursuant to the requirement of a Sponsor Support Agreement entered between the Group and a bank in Thailand.

25 CASH AND CASH EQUIVALENTS (continued)

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

	Group		Company	
	2009	2008	2009	2008
	% per annum	% per annum	% per annum	% per annum
Deposits with licensed financial institutions	1.33	1.77	1.30	2.70
Cash at bank balances	0.09	1.06	-	-

Deposits with licensed financial institutions have an average maturity period of 7 days (2008: 7 days).

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
The currency exposure profile of cash and bank balances is as follows:				
- Ringgit Malaysia	11,029,781	30,911,093	2,987,921	8,707,941
- Australian Dollar	137,858	372,981	-	-
- US Dollar	92,143,086	42,214,877	-	-
- Thai Baht	2,757,671	-	-	-
	106,068,396	73,498,951	2,987,921	8,707,941

26 NON-CURRENT ASSET HELD FOR SALE

	Group/Company	
	2009	2008
	RM	RM
At beginning of the financial year	4,284,500	-
Transfer from investment properties (Note 13)	-	4,284,500
Disposal during the financial year	(4,284,500)	-
At end of the financial year	-	4,284,500

The disposal of the property was completed on 24 September 2008.

27 TRADE AND OTHER PAYABLES

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Trade payables	17,600,004	17,742,215	2,138,196	3,817,900
Other payables	74,310,793	54,040,389	2,134,337	935,901
Accruals	33,036,646	88,937,839	518,480	2,078,409
Provision for legal fees	5,437,943	11,261,650	-	-
Deposits received	315,081	694,931	818,500	1,402,430
Provision for litigation (Note 36 (c))	18,988,181	60,379,850	-	-
	149,688,648	233,056,874	5,609,513	8,234,640

28 DERIVATIVE LIABILITY

The notional principal amounts of the outstanding foreign currency forward contracts as at 30 June 2009 amounted to RM167,903,718 (2008: RM3,133,101).

The foreign currency forward contracts entered into during the financial year were for hedging future capital expenditure payments denominated in EURO and Japanese Yen, and trade receivables denominated in US Dollars, which are expected to occur at various dates during the next 12 months.

As the Group has not adopted hedge accounting during the financial year, the changes in fair value of the foreign currency forward contracts were recognised immediately in the income statement.

29 BORROWINGS

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM	**RM**	**RM**	**RM**
Current				
Bankers' acceptance	115,931,000	171,896,000	65,620,000	78,490,000
Revolving credit	80,000,000	81,000,000	45,000,000	48,000,000
Hire purchase creditors	399,493	290,503	399,493	290,503
Margin financing loan	35,290,001	35,290,001	-	-
Term loans	59,391,300	89,466,503	-	-
	291,011,794	377,943,007	111,019,493	126,780,503
Non-current				
Hire purchase creditors	342,136	175,546	342,136	175,546
Term loans	233,776,399	95,619,824	-	-
	234,118,535	95,795,370	342,136	175,546
Total				
Bankers' acceptance	115,931,000	171,896,000	65,620,000	78,490,000
Revolving credit	80,000,000	81,000,000	45,000,000	48,000,000
Hire purchase creditors	741,629	466,049	741,629	466,049
Margin financing loan	35,290,001	35,290,001	-	-
Term loans	293,167,699	185,086,327	-	-
	525,130,329	473,738,377	111,361,629	126,956,049

29 BORROWINGS (continued)

Contractual terms of borrowings

	Contractual interest rate at balance sheet 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 2009									
Unsecured									
- Bankers' acceptance	2.74% - 5.33%	RM	71,081,000	71,081,000	-	-	-	-	-
- Revolving credit	3.62% - 4.20%	RM	45,000,000	45,000,000	-	-	-	-	-
- Revolving term loan	8.00%	RM	3,276,126	-	3,276,126	-	-	-	-
Secured									
- Bankers' acceptance	3.60% - 3.95%	RM	44,850,000	44,850,000	-	-	-	-	-
- Revolving credit	2.62% - 3.30%	RM	35,000,000	35,000,000	-	-	-	-	-
- Hire purchase creditors	2.38% - 3.25%	RM	741,629	399,493	238,492	103,644	-	-	-
- Term loan (1)	12.00%; 6.12%	RM/USD	65,744,003	37,525,349	21,384,029	6,834,625	-	-	-
- Term loan (2)	BLR + 2.00%; 4.81%; SIBOR + 2.50%	RM; RM/EURO; RM/USD	114,464,836	21,865,951	23,716,090	23,845,711	33,875,536	8,468,012	2,693,536
- Term loan (3)	Thai – fixed rate + 3.00%	RM/THB	109,682,734	-	-	34,901,913	39,264,653	35,516,168	-
- Margin financing loan (4) (Note 36)	8.75% - 9.00%	RM/AUD	35,290,001	35,290,001	-	-	-	-	-
			525,130,329	291,011,794	48,614,737	65,685,893	73,140,189	43,984,180	2,693,536

29 BORROWINGS (continued)

Contractual terms of borrowings (continued)

	Contractual interest rate at balance sheet 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 2008									
Unsecured									
- Bankers' acceptance	4.15% - 4.93%	RM	94,810,000	94,810,000	-	-	-	-	-
- Revolving credit	4.75% - 5.03%	RM	48,000,000	48,000,000	-	-	-	-	-
Secured									
- Bankers' acceptance	4.12% - 4.86%	RM	77,086,000	77,086,000	-	-	-	-	-
- Revolving credit	3.95%	RM	33,000,000	33,000,000	-	-	-	-	-
- Hire purchase creditor	2.38%	RM	466,049	290,503	175,546	-	-	-	-
- Term loan (1)	BLR + 1.50%; 4.12%	RM; RM/USD	69,036,434	69,036,434	-	-	-	-	-
- Term loan (2)	BLR + 2.00%; 3.23%; SIBOR + 1.20%	RM; RM/EURO; RM/USD	116,049,893	20,430,069	27,789,130	29,321,252	30,640,766	1,805,807	6,062,869
- Margin financing loan (4)	8.75% - 9.00%	RM/AUD	35,290,001	35,290,001	-	-	-	-	-
			473,738,377	377,943,007	27,964,676	29,321,252	30,640,766	1,805,807	6,062,869

	2009		2008	
	Functional currency/ currency exposure	Total amount	Functional currency/ currency exposure	Total amount
		RM		RM
Group				
Unsecured	RM	119,357,126	RM	142,810,000
Secured	RM	91,656,574	RM	131,227,671
	RM/AUD	35,290,001	RM/AUD	35,290,001
	RM/USD	133,187,751	RM/USD	123,572,192
	RM/EURO	35,956,143	RM/EURO	40,838,513
	RM/THB	109,682,734	RM/THB	-
		525,130,329		473,738,377

29 BORROWINGS (continued)

Contractual terms of borrowings (continued)

Term Loan (1) is secured against the investment in a subsidiary (Note 15), financial asset at fair value through profit or loss (Note 23) and/or investment in an associate (Note 16).

Term Loan (2) is secured by a debenture over the fixed charge on the plant and machinery financed by the bank (Note 12) or a debenture over the fixed and floating assets of the subsidiary.

Term Loan (3) is secured by assigning major project documents, land together with project plant and equipment to project lenders (Note 12).

Margin financing loan (4) was secured against the financial asset at fair value through profit or loss (Note 23).

	Contractual interest rate at balance sheet date (per annum)	Functional currency/ currency exposure	Total carrying amount	Maturity profile		
				< 1 year	1 - 2 years	2 - 3 years
			RM	RM	RM	RM
Company						
At 30 June 2009						
Unsecured						
- Bankers' acceptance	2.74% - 5.33%	RM	65,620,000	65,620,000	-	-
- Revolving credit	3.62% - 4.20%	RM	45,000,000	45,000,000	-	-
Secured						
- Hire purchase creditors	2.38% - 3.25%	RM	741,629	399,493	238,492	103,644
			111,361,629	111,019,493	238,492	103,644
At 30 June 2008						
Unsecured						
- Bankers' acceptance	4.15% - 4.93%	RM	78,490,000	78,490,000	-	-
- Revolving credit	4.75% - 5.03%	RM	48,000,000	48,000,000	-	-
Secured						
- Hire purchase creditor	2.38%	RM	466,049	290,503	175,546	-
			126,956,049	126,780,503	175,546	-

29 BORROWINGS (continued)

Fair Value

The carrying amounts of the borrowings due within 1 year and those with floating rates approximate their fair values at balance sheet date. The fair values of the borrowings due after 1 year that have fixed interest rates are as follows:

	Group			
	2009		2008	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM	RM	RM	RM
Revolving term loan	3,276,126	3,666,488	-	-
Term loan (2)	35,956,142	36,532,639	40,838,513	40,099,605

The weighted average interest rates of borrowings as at the end of the financial year are as follows:

	Group		Company	
	2009	2008	2009	2008
	% per annum	% per annum	% per annum	% per annum
Bankers' acceptance	4.18	4.35	4.36	4.57
Revolving credit	3.40	4.51	3.75	4.89
Hire purchase creditors	3.04	2.38	3.04	2.38
Term loans	4.62	6.88	-	-

The hire purchase creditors at the balance sheet date are due in the following period:

	Group/Company	
	2009	2008
	RM	RM
Not later than 1 year	430,545	305,352
Later than 1 year and not later than 2 years	252,432	178,113
Later than 2 years	105,159	-
	788,136	483,465
Less: Future finance charge	(46,507)	(17,416)
Present value	741,629	466,049

30 SHARE CAPITAL

	Group/Company			
	2009		2008	
	Number of shares	Nominal value RM	Number of shares	Nominal value RM
Authorised				
Ordinary shares of RM1 each				
At beginning and end of the financial year	500,000,000	500,000,000	500,000,000	500,000,000
Issued and fully paid				
Ordinary shares of RM1 each				
At beginning of the financial year	226,745,011	226,745,011	226,227,011	226,227,011
Exercise of ESOS options	-	-	518,000	518,000
At end of the financial year	226,745,011	226,745,011	226,745,011	226,745,011

Employee Share Option Scheme

The Company implemented an Employee Share Option Scheme ("ESOS") which came into effect on 5 December 2003 for a period of 5 years. The ESOS is governed by the by-laws which were approved by the shareholders on 21 November 2003.

The main features of the ESOS are as follows:

- the total number of ordinary shares to be issued by the Company under the ESOS shall not exceed 10% of the total issued and paid-up ordinary shares of the Company, such that not more than 50% of the shares available under the ESOS is allocated, in aggregate, to directors and senior management;

- not more than 10% of the shares available under the ESOS is allocated to any individual director or employee who, either singly or collectively through his/her associates, holds 20% or more in the issued and paid-up capital of the Company;

- only staff and Executive Directors of the Company who are full time confirmed employees and who are on the payroll of the Company are eligible to participate in the scheme;

- the entitlement of an eligible Executive Director shall first be approved by the shareholders of the Company in a general meeting;

- the exercise price under the ESOS is the average of the mean market price of the shares of the Company as quoted in the Daily Official List issued by Bursa Malaysia Securities Berhad for the 5 market days preceding the offer date or the par value of the shares of the Company of RM1, whichever is higher;

30 SHARE CAPITAL (continued)

Employee Share Option Scheme (continued)

- the options granted are exercisable in a particular year of the scheme (the first year of the scheme commences from the date the scheme comes into force) shall at all times be subject to the following maximum percentages:

Maximum percentage of options exercisable within each particular year of the scheme				
Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**
40%	20%	20%	20%	-

  The above restriction has now been rescinded and will no longer be applicable to the ESOS offered to the eligible employees, as approved by the Board of Directors on 5 December 2005; and

- options granted under the ESOS carry no dividend or voting rights. The new ordinary shares issued upon the exercise of the options shall rank pari passu in all respects with the existing ordinary shares of the Company.

Set out below are the details of options over the ordinary shares of the Company granted under the ESOS:

			Group/Company				
Grant date	**Expiry date**	**Exercise price* RM/share**	**At 01.07.2008**	**Granted**	**Exercised**	**Lapsed**	**At 30.06.2009**
5 December 2003	4 December 2008	1.46	6,990,190	-	-	6,990,190	-

* Exercise price for outstanding options on or before 3 December 2008.

The ESOS expired on 4 December 2008. On the date of expiry, all options granted but not exercised lapsed and ceased to be valid for any purpose.

Treasury shares

The shareholders of the Company, by an ordinary resolution passed in an Annual General Meeting held on 9 December 2008, approved to renew the authorisation to enable the Company to repurchase its own shares. The Board of Directors is committed to enhance the value of the Company for the benefit of its shareholders and believe that the share buy back program can be applied in the best interests of the Company and its shareholders.

At the balance sheet date, the number of outstanding shares in issue after setting off the treasury shares against equity is 225,512,411 (2008: 225,673,411).

Warrants

The shareholders of the Company, by an ordinary resolution passed in an Extraordinary General Meeting held on 24 March 2005, approved the renounceable rights issue of 32,136,420 warrants on the basis of 1 new warrant for every 5 existing ordinary shares of RM1 each held in the Company at an issue price of RM0.20 per warrant.

The warrants are constituted under the Deed Poll dated 12 April 2005.

Each warrant entitles the warrant holder to subscribe for 1 new ordinary share of the Company at a subscription price of RM1.125 per share.

The warrants may be exercised at any time before 5.00pm on 14 June 2010. Warrants which are not exercised during the exercise period will thereafter cease to be valid for any purpose.

The new ordinary shares allotted and issued upon the exercise of the warrants shall be fully paid and rank pari passu in all respects with the then existing ordinary shares of the Company. The warrant holders will not have any voting rights in any general meeting of the Company unless the warrants are exercised into new ordinary shares and registered prior to the date of the general meeting of the Company.

The warrants are quoted on the Bursa Malaysia Securities Berhad.

As at 30 June 2009, there are 30,911,528 (2008: 30,911,528) warrants which have not been exercised.

31 DIVIDENDS

The dividends paid or declared by the Company during the financial year are as set out below.

	2009 RM	2008 RM
In respect of the financial period ended 30 June 2007 - Final tax exempt dividend of 6 sen per share paid on 30 November 2007	-	13,540,405
In respect of the financial year ended 30 June 2008 - First and final gross dividend of 4 sen per share less income tax of 25%, paid on 30 December 2008	6,765,372	-

The Directors do not recommend the payment of any dividend for the financial year ended 30 June 2009.

32 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

The Group has a controlling related party relationship with its subsidiaries.

The Directors of the Company, Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah, Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah and Datin Ezurin Yusnita binti Abdul Malik (Vacated office on 9 September 2009) have or deemed to have financial interests in the following companies and thus they are deemed to be the related parties of the Group:

- Trace Management Services Sdn Bhd
- Mitra Malaysia Sdn Bhd
- Malaysian Assurance Alliance Berhad
- Wira Security Services Sdn Bhd
- Maybach Logistics Sdn Bhd
- MAA Credit Sdn Bhd

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly and thus are considered related parties of the Company. The key management personnel of the Company include all the Directors of the Company.

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

Group

Entity	Type of Transaction	2009 RM	2008 RM
Trace Management Services Sdn Bhd	Corporate secretarial services	350,939	282,249
Mitra Malaysia Sdn Bhd	Travel tickets	404,232	335,943
Malaysian Assurance Alliance Berhad	Insurance	1,965,645	1,644,695
	Rental and utilities	881,558	698,228
Wira Security Services Sdn Bhd	Security guard services	341,887	348,440
Maybach Logistics Sdn Bhd	Transportation charges	387,231	437,085
MAA Credit Sdn Bhd	Interest on term loan	-	1,510,840

32 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

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

Company

Entity	**Type of Transaction**	**2009 RM**	**2008 RM**
Melewar Steel Tube Sdn Bhd	Purchase of pipes	204,748,978	288,791,821
	Sale of pipes	-	8,165,558
	Rental income	3,924,000	3,924,000
	Marketing fee income	1,820,640	2,847,930
	Management fee income	600,000	600,000
Mycron Steel Berhad	Dividend income	2,437,619	1,462,571
Mycron Steel CRC Sdn Bhd	Sale of pipes	203,938	221,653
Melewar Steel Mills Sdn Bhd	Sale of pipes	54,534	474,808
Melewar Integrated Engineering Sdn Bhd	Dividend income	1,446,648	862,055
Trace Management Services Sdn Bhd	Corporate secretarial services	185,588	144,048
Mitra Malaysia Sdn Bhd	Travel tickets	97,532	46,714
Malaysian Assurance Alliance Berhad	Insurance	317,025	300,438
	Rental and utilities	285,560	260,885
Wira Security Services Sdn Bhd	Security guard services	9,667	27,903
Maybach Logistics Sdn Bhd	Transportation charges	209,830	207,915

(b) There are no significant outstanding balances arising from the above transactions except for the balances disclosed in Note 24.

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business as agreed between the respective parties.

The ESOS options granted to the Directors of the Company are disclosed in the Directors' Report.

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

33 SEGMENTAL ANALYSIS

Business segment

The Group operates mainly in steel manufacturing. SIPCO, a subsidiary involved in the business of supplying power and steam, has yet to commence business operations as at 30 June 2009.

Other operations of the Group mainly comprise engineering and technical consultancy services, none of which is of a significant size to be reported separately.

2009	**Steel manufacturing RM**	**Energy RM**	**Others RM**	**Group RM**
Operating revenue				
External revenue	596,030,604	-	3,514,489	599,545,093
Total operating revenue	596,030,604	-	3,514,489	599,545,093
Results				
Segment results	(45,696,021)	1,945,696	1,771,756	(41,978,569)
Unallocated expenses				(182,288,278)
Finance cost				(19,549,401)
Share of results of associates				(2,881,731)
Taxation				73,991,224
Loss for the financial year				(172,706,755)
At 30 June 2009				
Net assets				
Segment assets	587,347,459	344,113,376	272,206,585	1,203,667,420
Associates				70,156,968
Unallocated assets				5,705,877
Total assets				1,279,530,265
Segment liabilities	31,703,230	52,515,017	65,470,401	149,688,648
Unallocated liabilities				563,837,438
Total liabilities				713,526,086
Net assets				566,004,179

33 SEGMENTAL ANALYSIS (continued)

2009	**Steel manufacturing RM**	**Energy RM**	**Others RM**	**Group RM**
Other information				
Capital expenditure	8,792,750	107,076,372	414,996	116,284,118
Depreciation on property, plant and equipment	16,559,218	112,077	459,831	17,131,126
Amortisation of prepaid lease rental	454,573	-	58,752	513,325
Property, plant and equipment written off	223,119	-	-	223,119
Gain on disposal of property, plant and equipment	(19,903)	-	-	(19,903)
Fair value loss on financial assets at fair value through profit or loss	-	-	172,519,380	172,519,380

2008	**Steel manufacturing RM**	**Energy RM**	**Others RM**	**Group RM**
Operating revenue				
External revenue	685,722,431	-	17,622,330	703,344,761
Total operating revenue	685,722,431	-	17,622,330	703,344,761
Results				
Segment results	49,267,332	(4,032,981)	2,435,440	47,669,791
Unallocated revenue				24,118,973
Finance cost				(17,276,728)
Share of results of associates				1,681,127
Taxation				(984,990)
Profit for the financial year				55,208,173

33 SEGMENTAL ANALYSIS (continued)

2008	Steel manufacturing RM	Energy RM	Others RM	Group RM
At 30 June 2008				
Net assets				
Segment assets	789,954,173	280,814,008	390,462,315	1,461,230,496
Associates				116,117,810
Unallocated assets				5,213,013
Total assets				1,582,561,319
Segment liabilities	44,256,133	87,533,641	101,267,100	233,056,874
Unallocated liabilities				575,638,172
Total liabilities				808,695,046
Net assets				773,866,273
Other information				
Capital expenditure	69,887,759	4,557,817	639,895	75,085,471
Depreciation on property, plant and equipment	12,842,770	18,013	380,218	13,241,001
Amortisation of prepaid lease rental	475,382	-	58,752	534,134
Property, plant and equipment written off	86,013	-	-	86,013
Loss on disposal of property, plant and equipment	18,190	-	8,113	26,303
Fair value gain on financial assets at fair value through profit or loss	-	-	(106,958,304)	(106,958,304)

34 CAPITAL COMMITMENTS

Capital expenditure contracted for at the balance sheet date but not yet incurred are as follows:

	Group	
	2009	2008
	RM	RM
Property, plant and equipment for:		
- power plant	820,264,910	839,058,116
- cold rolling combined mill	-	35,739,000
	820,264,910	874,797,116

35 COMMITMENT AND CONTINGENT LIABILITIES

(a) As at 30 June 2009, the Company extended guarantees to banks amounting to RM57,988,809 (2008: RM69,725,140) for banking facilities extended to its subsidiaries of which, RM11,462,180 (2008: RM20,675,622) has been drawn down.

The fair value of the financial guarantee contracts is immaterial to the financial statements.

(b) In 2006, SIPCO, a 95.03% owned subsidiary of the Group, entered into a contract with a gas supplier, PTT Power Company Ltd in Thailand ("PTT") where PTT will supply natural gas to SIPCO. This contract was subsequently amended on 30 September 2008, whereby SIPCO has agreed to:

(i) make a payment of THB90 million or approximately RM9.0 million to PTT. As at 30 June 2009, THB70 million has been paid and the remaining balance of THB20 million has been recognised as liability; and

(ii) take or pay the value of gas not less than THB15.8 billion or RM1.6 billion, from PTT within 10 years from the date SIPCO commences its commercial operations.

36 SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO THE FINANCIAL YEAR

(a) Acquisition of additional equity interest in SIPCO

On 9 July 2008, Mperial Power Ltd, a wholly owned subsidiary of the Company, acquired an additional 25.03% equity interest in SIPCO for a cash consideration of USD11.3 million or RM36.2 million, thereby increasing its total equity interest in SIPCO from 70.00% to 95.03%. The shares were pledged to financial institutions for borrowings granted to SIPCO.

(b) New Power Purchase Agreement and Steam Sales Agreement

On 26 June 2009, SIPCO entered into a new Power Purchase Agreement ("PPA") with Electricity Generating Authority of Thailand for additional contracted capacity. This agreement replaces the previous PPA and amendment thereon signed in 1998 and 2008 respectively, which were cancelled.

On 28 August 2009, SIPCO entered into a Steam Sales Agreement with Siam Ice Company Limited ("SICL") whereby SIPCO will supply process steam to SICL at an agreed quantity and price.

(c) Shares in Gindalbie Metals Ltd ("Gindalbie") pledged with Opes Prime Stockbroking Ltd

(i) As at 30 June 2009, Melewar Steel Ventures Ltd ("MSV") and M-Power TT, wholly owned subsidiaries of the Company, owns 40,087,009 and 34,000,000 shares in Gindalbie respectively, representing a combined equity interest of 14% in Gindalbie.

(ii) In October 2007, MSV was granted an Equity Finance Facility ("the Facility") of AUD24.0 million from Opes Prime Stockbroking Ltd ("OPSL") and 35,087,009 Gindalbie shares held by MSV were pledged against the Facility.

(iii) On 27 March 2008, OPSL was placed under voluntary liquidation and on this date, the outstanding amount owing to OPSL was AUD11.2 million. Out of the pledged 35,087,009 Gindalbie shares, ANZ Banking Group Ltd ("ANZ"), a secured lender of OPSL, claimed ownership over 32,000,000 Gindalbie shares and the remaining 3,087,009 Gindalbie shares were held by Green Frog Nominees Pty Limited, a subsidiary of OPSL.

36 SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO THE FINANCIAL YEAR (continued)

(c) Shares in Gindalbie Metals Ltd ("Gindalbie") pledged with Opes Prime Stockbroking Ltd (continued)

(iv) On 2 April 2008, the Supreme Court granted a court injunction ("the Court Injunction") applied by MSV against ANZ vide a Supreme Court of NSW No. 2149/2008 to restrain ANZ from selling any of the 35,087,009 Gindalbie shares pledged with OPSL by MSV. However, the Court Injunction was subsequently dissolved by the Court of Appeal in Sydney, Australia on 18 April 2008.

(v) MSV then proceeded to file a claim against ANZ, OPSL and their respective nominees for the recovery of the 35,087,009 Gindalbie shares.

(vi) In March 2009, ANZ and the liquidators of OPSL made a joint proposal to settle out of court with all the creditors of OPSL on the basis that the settlement will give a return of approximately AUD0.40 to the dollar to each creditor. The settlement proposal requires the approval of 75% of the creditors of OPSL in terms of value, for it to be accepted.

(vii) On 24 July 2009, the creditors of OPSL voted in favour of the settlement scheme. Subsequently, on 4 August 2009, the Federal Court approved the settlement scheme. Under the final approved settlement scheme, the creditors of OPSL will be given a return of AUD0.37 to the dollar whereby MSV will receive AUD5.1 million or RM14.2 million being the full and final settlement sum, and MSV will have no further claims against OPSL.

(viii) As at 30 June 2009, the provision for litigation of RM60.4 million brought forward from the financial year ended 30 June 2008 (Note 27) was reduced to RM19.0 million (Note 27) by taking into consideration the expected amount to be recovered from the settlement scheme, after netting off with the amount owing to OPSL.

(d) Disposal of an investment property

On 24 August 2009, the Company entered into a Sale and Purchase Agreement for the disposal of an industrial factory at Lot 7, Jalan Gudang 16/9, Seksyen 16, 40200 Shah Alam, Selangor Darul Ehsan for a total consideration of RM4.5 million. As at 30 June 2009, the carrying amount of the investment property was RM2.6 million.

37 AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors on 28 October 2009.

PROPERTIES

OWNED BY MELEWAR INDUSTRIAL GROUP BERHAD & ITS SUBSIDIARIES

Address of property	Lease expiry date	Brief description and existing use	Land / built-up area	Approximate age of building (years)	Net book value (RM)
Lot 53, Persiaran Selangor 40200 Shah Alam, Selangor	22.5.2078	Factory cum office building	196,144 sq.ft. (4.50 acres)	17	16,560,000
Lot 7, Jalan Gudang 2/9 40200 Shah Alam, Selangor	17.7.2068	Factory building	43,000 sq.ft. (0.99 acres)	38	2,630,000
Lot 49, Jalan Utas 40200 Shah Alam, Selangor	13.4.2072	Factory building	316,300 sq.ft. (7.26 acres)	33	20,930,000
Lot 10, Persiaran Selangor 40200 Shah Alam, Selangor	11.5.2085	Factory building	220,437 sq.ft. (5.06 acres)	27	15,950,000
Lot 16, Jalan Pengapit 15/19 40200 Shah Alam, Selangor	8.4.2078	Factory building	94,000 sq.ft. (2.16 acres)	29	6,326,000
Lot 717, Jalan Sungai Rasau Seksyen 16, 40200 Shah Alam Selangor	Freehold	Factory cum office building	781,423 sq.ft. (17.94 acres)	18	90,152,000
Lot 2953, Mukim Kelemak Daerah Alor Gajah, Melaka	27.9.2082	Factory cum office building	66,022 sq.ft. (1.52 acres)	21	988,000
Flat 28, Consort House, 26 Queensway, Paddington London W2 3RX	23.3.2066	Apartment for corporate use	Approximately 900 sq.ft.	37	2,650,000
Flat 10, 19-23 Palace Court London W2 4LP	30.9.2995	Apartment for corporate use	Approximately 1,456 sq.ft.	11	5,575,000
Land No. 170, 181, 213, 215, 219 Tambol Nong La Lok Amphoe Bankai Rayong Province Thailand	Freehold	Industrial land for power plant project	1,882,754 sq.ft.	-	14,919,000
555, SSP Tower 18th Floor, Sukhumvit 63 Road Klongton-nua Wattana Bangkok, Thailand	Freehold	4 office units in an office building tower	9,084 sq.ft.	15	6,304,000

Note: All the above properties were revalued in 2006 except for the properties in Thailand.