MELEWAR INDUSTRIAL GROUP BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017

1 GENERAL INFORMATION

The principal activities of the Company are that of property investment and investment holding. The principal activities of its subsidiaries are in mid-stream steel cold rolled coil and steel tube manufacturing, and engineering services as disclosed in Note 15 to the financial statements. The power generation business as disclosed in Note 16 has been held as an associate since the last financial year ended 30 June 2014.

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

The registered office of the Company is:

Suite 12.03, 12th Floor
No. 566 Jalan Ipoh
51200 Kuala Lumpur

The principal place of business of the Company is:

Lot 53, Persiaran Selangor
40200 Shah Alam
Selangor Darul Ehsan

As at 30 June 2017, all monetary assets and liabilities of the Group and the Company are denominated in Ringgit Malaysia, unless otherwise stated.

The financial statements were approved and authorised for issue in accordance with a resolution of the Board of Directors on 27 October 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

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

MELEWAR INDUSTRIAL GROUP BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. It also requires Directors to exercise their judgment in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current event and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as disclosed in Note 3 to the financial statements.

Going Concern Assessment

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

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

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

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

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

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

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

Going Concern Assessment (continued)

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

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

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

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

Standards, amendments to published standards and interpretations that are effective

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

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

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

Standards and amendments that have been issued but not yet effective

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

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

MELEWAR INDUSTRIAL GROUP BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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

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

Financial year beginning on or after 1 July 2017

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

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

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

  The amendments shall be applied retrospectively.

Financial year beginning on or after 1 July 2018

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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

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

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

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

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

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

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

Financial year beginning on or after 1 July 2019

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

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

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

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

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

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

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

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

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

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

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

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

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

  IC Interpretation 23 will be applied retrospectively.

(b) **Basis of consolidation**

(i) Investment in subsidiaries

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

(i) Investment in subsidiaries (continued)

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

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

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

(iii) Disposal of subsidiaries

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

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

(iv) Associates

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

(iv) Associates (continued)

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

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

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

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

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

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

(c) Property, plant and equipment

(i) Measurement basis

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

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, plant and equipment (continued)

(i) Measurement basis (continued)

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

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

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. When property, plant and equipment is revalued, the carrying amount of property, plant and equipment is adjusted to the revalued amount. At the date of the revaluation, the accumulated depreciation is eliminated against the gross carrying amount of the property, plant and equipment. The revaluation surplus included in equity in respect of property, plant and equipment will be transferred directly to retained earnings when the assets are derecognised.

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

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

MELEWAR INDUSTRIAL GROUP BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

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

(c) **Property, plant and equipment** (continued)

(i) Measurement basis (continued)

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision of the residual values and useful lives are included in the profit or loss for the period in which the changes arise.

At each reporting date, the Group assesses whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2(g) on impairment of non-financial assets.

(ii) Depreciation

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

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

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

(d) **Investment properties**

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Investment properties (continued)

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

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the profit or loss when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is de-recognised.

Changes in fair values are recognised in the profit or loss. Investment properties are de-recognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Where the Group disposes off a property at fair value in an arm's length transaction, the carrying value will be adjusted to the lower of their carrying amounts and fair value less costs to sell, and the adjustment is recorded in the profit or loss as a net gain/loss from fair value adjustment on investment property.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of such a property at the date of transfer is treated in the same way as a revaluation under MFRS 116 "Property, Plant and Equipment". Any resulting increase in the carrying amount of the property is recognised in the profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase credited directly to other comprehensive income in asset revaluation reserve. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to the profit or loss.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Leases

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

Accounting as 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 lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the remaining balance of the liability. The interest element of the finance charge is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance lease is depreciated over the shorter of the estimated useful life of the asset or the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

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

(ii) Operating leases

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

(g) Impairment of non-financial assets

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

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

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

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

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

(h) **Financial assets**

Classification

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

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

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

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

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

(ii) Loans and receivables

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

(iii) Available-for-sale financial assets

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

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

(h) Financial assets (continued)

Subsequent measurement – gains and losses

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

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

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

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

Subsequent measurement - impairment of financial assets

(i) Assets carried at amortised costs

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial assets (continued)

Subsequent measurement - impairment of financial assets (continued)

(i) Assets carried at amortised costs (continued)

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

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

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

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

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

De-recognition

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

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

(i) Offsetting financial instruments

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

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

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

(j) **Derivative financial instruments and hedging activities**

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

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

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

<u>Fair value hedge</u>

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

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

(k) **Inventories**

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Cash and cash equivalents

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

(m) Financial liabilities

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

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Provisions

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

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

(i) Onerous contracts

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

(o) Share capital

(i) Classification

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

(ii) Share issue costs

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

(iii) Dividend distribution

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

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

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

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

(o) **Share capital** (continued)

(iv) Purchase of own shares

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

(p) **Revenue recognition**

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

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

(i) Sale of goods

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

(ii) Processing service income

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

(iii) Dividend income

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

(iv) Interest income

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

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

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

(p) **Revenue recognition** (continued)

(v) Rental income

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

(vi) Management fee income

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

(vii) Consultancy and project management revenue

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

(viii) Construction contracts

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

(q) **Employees' benefits**

(i) Short-term employee benefits

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

(ii) Defined contribution plan

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

(r) **Current and deferred income tax**

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Current and deferred income tax (continued)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting date in the countries where the Group's subsidiaries and associates operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is provided in full, using the liability method, on temporary differences at the reporting date arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets (including tax benefit from reinvestment allowance) are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

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

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

(s) Foreign currencies

(i) Functional and presentation currency

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

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

(s) **Foreign currencies** (continued)

(ii) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in the profit or loss.

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

(t) **Segment reporting**

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

(u) **Contingent liabilities and contingent assets**

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

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

(v) **Financial guarantee contracts**

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Financial guarantee contracts (continued)

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

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

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

(w) Construction contracts

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

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

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

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

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

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Construction contracts (continued)

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

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

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

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

(c) Fair value of financial guarantees

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

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(d) Construction contracts

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

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(a) Capital risk

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

The Group views its equity (shareholders' funds less intangibles including deferred tax) plus interest bearing debts as capital resources of RM668.1 million (2016: RM631.0 million), and has a policy to maintain the debt-to-equity ratio below 1.25. Capital deployment amongst the Group's subsidiaries and/or business units is at the purview of the Board, but each of its subsidiaries and/or business units is primarily responsible for the management of its allocated capital subject to the oversight by the group executive management and the Board.

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

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Capital risk (continued)

The Group's engineering subsidiary however closed the financial year with significant capital risk exposure arising from its negative shareholders' fund of RM109.7 million and a net current liabilities position of RM78.8 million after recording a net loss of RM100.3 million for the current financial year. The engineering subsidiary incepted RM30.6 million of external borrowings in the current financial year to finance its onerous construction contracts and has obtained a moratorium on debt service for the current financial year and the next twelve months. The Company has extended a financial guarantee (see Note 29(b)(iii)) to the project client of the aforementioned onerous project, and as such ultimately bears the capital risk. The Company has assessed the likelihood of a call on the financial guarantee to be remote, as the Company has the financial means to capitalise its engineering subsidiary to ensure the fulfilment of its contractual obligations whilst seeking variation order claims with its client.

Over the current reporting period, equity capital deployed in the Group has decreased by around RM52 million (or down 12%) whilst interest-bearing-debt capital has increased by around RM89 million (or up 47%). The Group's debt-equity ratio closed at 0.72 times for the current reporting period compared to 0.43 times at the preceding close.

The Group's invested capital in the Power Associate has been fully depleted with its share of the associate's losses since the 2^{nd} quarter of the financial year 2015. The Group is not liable to any capital replenishment for its Power Associate as it works toward divesting its power business.

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

(b) Liquidity risk

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

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

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

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4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk (continued)

The Group's financial obligations as shown in the tables below are mainly short-term (due within 12 months) largely due to the rolling trade financing facilities deployed by its indirectly held Steel Tube and Cold Rolled subsidiaries where their short-term-bank-debts to total-bank-debts ratio is 98.8% and 93.2% respectively. Their significant reliance on short-term bank trade facilities which are callable on demand poses a degree of liquidity risk – which however is diversified with trade credit lines from key suppliers amounting to USD40.0 million and USD32.1 million respectively for the Cold Rolled subsidiary and the Steel Tube subsidiary.

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

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

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

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

(b) **Liquidity risk** (continued)

Maturity analysis

The tables below summarise the maturity profile of the Group's financial liabilities as at the end of the reporting date (and the preceding reporting date as comparison) based on undiscounted contractual payments:

Group	Carrying amount RM	Contractual interest rate % per annum	Contractual cash flows RM	Within 1 year RM	1 – 2 years RM	2 – 3 years RM	3 -4 years RM	4 – 5 years RM	> 5 years RM
30 June 2017									
Non-derivative financial liabilities									
Bankers' acceptance	66,730,000	4.99% - 7.15%	67,510,054	67,510,054	-	-	-	-	-
Revolving credits	8,400,000	5.30%	8,435,372	8,435,372	-	-	-	-	-
Term loan	6,817,102	6.25%	7,277,505	3,388,935	3,134,332	754,238	-	-	-
Term loan	29,021,103	12.00%	32,308,143	-	32,308,143	-	-	-	-
Term loan	1,585,809	8.00%	1,710,289	-	1,710,289	-	-	-	-
Hire-purchase creditors	961,009	2.44% - 3.38%	1,064,244	457,628	306,890	166,026	48,648	48,648	36,404
Trade payables	166,744,684	1.72% - 5.33%	166,668,426	166,668,426	-	-	-	-	-
Payables and accruals, excluding derivatives	69,117,826		69,117,826	68,267,184	850,642	-	-	-	-
Derivative financial liabilities									
Forward contracts	3,036,852		3,036,852	3,036,852	-	-	-	-	-
	352,414,385		**357,128,711**	**317,764,451**	**38,310,296**	**920,264**	**48,648**	**48,648**	**36,404**

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

(b) **Liquidity risk** (continued)

Maturity analysis (continued)

Group	Carrying amount RM	Contractual interest rate % per annum	Contractual cash flows RM	Within 1 year RM	1 – 2 years RM	2 – 3 years RM	3 -4 years RM	4 – 5 years RM	> 5 years RM
30 June 2016									
Non-derivative financial liabilities									
Bankers' acceptance	68,960,000	5.25% - 7.45%	70,010,322	70,010,322	-	-	-	-	-
Revolving credits	9,600,000	5.45%	9,644,436	9,644,436	-	-	-	-	-
Revolving term loans	2,338,093	6.00%	2,405,159	2,405,159	-	-	-	-	-
Term loans	9,850,078	6.25%	11,421,834	3,805,841	3,517,482	3,326,982	771,529	-	-
Hire-purchase creditors	831,697	2.44% - 3.38%	926,252	374,162	258,356	111,386	48,648	48,648	85,052
Trade payables	99,474,756	2.50% - 5.50%	99,474,756	99,474,756	-	-	-	-	-
Payables and accruals, excluding derivatives	44,498,185		44,498,185	41,432,953	3,065,232	-	-	-	-
Derivative financial liabilities									
Forward contracts	3,263,972		3,263,972	3,263,972	-	-	-	-	-
	238,816,781		**241,644,916**	**230,411,601**	**6,841,070**	**3,438,368**	**820,177**	**48,648**	**85,052**

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

(b) **Liquidity risk** (continued)

Maturity analysis (continued)

Company 30 June 2017	Carrying amount RM	Contractual interest rate % per annum	Contractual cash flows RM	Within 1 year RM	1 – 2 years RM	2 – 3 years RM	3 -4 years RM	4 – 5 years RM
Non-derivative financial liabilities								
Payables and accruals	3,957,297		3,957,297	3,957,297	-	-	-	-
Amounts owing to subsidiaries	273,214		273,214	273,214	-	-	-	-
	4,230,511		4,230,511	4,230,511	-	-	-	-
Financial guarantees	-		112,754,353	-	112,754,353	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

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

(b) **Liquidity risk** (continued)

Maturity analysis (continued)

Company 30 June 2016	Carrying amount RM	Contractual interest rate % per annum	Contractual cash flows RM	Within 1 year RM	1 – 2 years RM	2 – 3 years RM	3 -4 years RM	4 – 5 years RM
Non-derivative financial liabilities								
Payables and accruals	1,905,400		1,905,400	1,905,400	-	-	-	-
Amounts owing to subsidiaries	7,024,732		7,024,732	7,024,732	-	-	-	-
	8,930,132		8,930,132	8,930,132	-	-	-	-
Financial guarantees	-		83,920,163	83,920,163	-	-	-	-

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk

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

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

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

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

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

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4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

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

				<---- Past due not impaired					--->
Group	**Total RM**	**Impaired RM**	**Neither past due nor impaired RM**	**< 30 days RM**	**31 – 60 days RM**	**61 – 90 days RM**	**91 -180 days RM**	**> 181 days RM**	**Total past due not impaired RM**
At 30 June 2017									
Trade receivables	103,094,664	712,858	75,554,653	24,963,479	1,250,011	436,645	84,663	92,355	26,827,153
Other receivables	2,868,413	779,498	2,088,915	-	-	-	-	-	-
Deposits	4,188,194	-	4,188,194	-	-	-	-	-	-
Amount owing by associates	54,446,476	44,821,208	9,625,268	-	-	-	-	-	-
Derivative financial assets	142,073	-	142,073	-	-	-	-	-	-
	164,739,820	46,313,564	91,599,103	24,963,479	1,250,011	436,645	84,663	92,355	26,827,153

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

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

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

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

Group	Total RM	Impaired RM	Neither past due nor impaired RM	<---- Past due not impaired ----> < 30 days RM	31 – 60 days RM	61 – 90 days RM	91 -180 days RM	> 181 days RM	Total past due not impaired RM
At 30 June 2016									
Trade receivables	101,453,635	366,401	86,068,726	14,013,125	875,294	110,372	-	19,717	15,018,508
Other receivables	13,672,277	10,401,982	3,270,295	-	-	-	-	-	-
Retention sums	1,875,985	-	1,875,985	-	-	-	-	-	-
Deposits	4,290,600	-	4,290,600	-	-	-	-	-	-
Amount owing by an associate	77,702,415	44,252,415	33,450,000	-	-	-	-	-	-
Derivative financial assets	704,614	-	704,614	-	-	-	-	-	-
	199,699,526	55,020,798	129,660,220	14,013,125	875,294	110,372	-	19,717	15,018,508

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4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

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

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

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

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

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

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

Company	Total RM	Impaired RM	Neither past due nor impaired RM	<---- Past due not impaired ----> < 30 days RM	31 – 60 days RM	61 – 90 days RM	91 -180 days RM	> 181 days RM	Total past due not impaired RM
At 30 June 2016									
Other receivables	788,593	-	788,593	-	-	-	-	-	-
Deposits	96,150	-	96,150	-	-	-	-	-	-
Amounts owing by subsidiaries	22,495,401	21,979,974	515,427	-	-	-	-	-	-
Amounts owing by an associate	7,333,706	-	7,333,706	-	-	-	-	-	-
	30,713,850	21,979,974	8,733,876	-	-	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

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

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

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

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

Trade Receivables	**Neither past due nor impaired RM**
Cold Rolled Coil	45,789,136
Steel Tube	28,774,359
Engineering	991,158
Total	**75,554,653**

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

Besides the above, there is a net amount of RM9.63 million owing by the Associate to the Group resulting from the divestiture of the Group's controlling stake in the power business back in financial year 2014. This amount is expected to be fully recoverable further to the Associate's divestiture plans of its power businesses/assets (Note 16 and Note 30).

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

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

Trade Receivables	**Past due but not impaired RM**
Cold Rolled Coil	17,989,252
Steel Tube	7,106,277
Engineering	1,731,624
Total	**26,827,153**

About 93.5% of the trade receivables in value reported in this category relate to the steel businesses. Of the total steel businesses' overdue outstanding of RM25 million, about RM8.3 million is backed by corporate guarantees and indemnities. Despite the stretched aging which reflects the norm of the industries, these amounts even at late aging are usually collected in full as about 80% of the counterparties have been with the Group for three years and above. As of the approval date of the financial statements, the Group has received 93% of the outstanding amounts from these customers subsequent to the reporting date.

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

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

(iii) Financial assets that are impaired

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

During the current financial year, the Group's indirect Steel Tube subsidiary made an impairment on trade receivables amounting to RM346,457 due from a domestic customer; and the Company made a full impairment on debt securities held in the foreign UK associate amounting to GBP101,750 (RM568,793). Certain past impairments made in the financial year 2013 (RM9,147,117) and 2016 (RM475,367) categorised under "other receivables" have been determined to be bad and were written-off from the allowance account in the current financial year.

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

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

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

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

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

(iii) Financial assets that are impaired (continued)

Group	Trade receivables RM	Other receivables RM	Amount owing by an associate RM	Total RM
At 30 June 2016				
At gross amounts	101,453,635	13,672,277	77,702,415	192,828,327
Less: Accumulated impairment	(366,401)	(10,401,982)	(44,252,415)	(55,020,798)
	101,087,234	3,270,295	33,450,000	137,807,529
Accumulated impairment:				
At 1 July	411,024	26,115,867	24,758,322	51,285,213
Impairment charge/(write back) for the financial year	-	1,254,865	(870,557)	384,308
Translation differences	-	3,395,900	-	3,395,900
Assignment of a specific third party receivable to an associate investment of the Group	-	(20,364,650)	20,364,650	-
Written-off	(44,623)	-	-	(44,623)
At 30 June	366,401	10,401,982	44,252,415	55,020,798

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

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

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Interest rate risk

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

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

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

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

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

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

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

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

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

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4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Foreign currency exchange risk

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

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

As a policy, the Group would seek natural hedge methods to mitigate its FX exposure before incepting any derivatives as hedging instrument. On this, the Group would hedge at least 80% of its net FX exposure with a matching FX forward contract (depending on the availability of its limited FX facilities with the counterparty banks, and on the length of the forward duration periods) to facilitate future payment in that foreign currency. In this regard, the Group designates qualifying FX hedges for fair value hedge accounting over the reporting period on effective FX forwards incepted to hedge the Group's USD exposure arising from its imported raw materials. These hedges are designated on inception after been tested for prospective effectiveness using the 'dollar-off-set' ratio method. On Steel Tube's affirmed export sales in foreign currencies, the Group would sell forward around 42% of its future foreign currency receivables. But these FX forwards are usually not hedge accounted as they do not fulfil all the criteria for hedge accounting, but are fair valued through profit or loss. Further disclosures are made in Note 21 on derivatives.

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

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

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

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

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Foreign currency exchange risk (continued)

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

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

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4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Foreign currency exchange risk (continued)

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

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

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

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

5 FAIR VALUE

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

Fair value estimation

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

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3)

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

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2017				
Assets				
Foreign currency exchange forward contracts	-	142,073	-	142,073
Liabilities				
Foreign currency exchange forward contracts	-	(3,036,852)	-	(3,036,852)
2016				
Assets				
Foreign currency exchange forward contracts	-	704,614	-	704,614
Liabilities				
Foreign currency exchange forward contracts	-	(3,263,972)	-	(3,263,972)

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5 FAIR VALUE (continued)

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

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

6 REVENUE

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

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

7 OTHER OPERATING INCOME

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

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8 (LOSS)/PROFIT BEFORE TAX

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

9 FINANCE INCOME AND COSTS

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

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10 DIRECTORS' REMUNERATION

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

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

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

	Number of Directors	
	2017	2016
Executive Directors:		
RM0	1	1
RM900,001 – RM950,000	-	1
RM950,001 – RM1,000,000	1	-
RM1,450,001 – RM1,500,000	1	1
Non-executive Directors:		
Less than RM50,000	4	4
RM50,001 – RM100,000	3	3

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

11 TAXATION

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

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

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

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12 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

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

(b) Diluted (loss)/earnings per share

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

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

13 PROPERTY, PLANT AND EQUIPMENT

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

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13 **PROPERTY, PLANT AND EQUIPMENT** (continued)

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

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13 PROPERTY, PLANT AND EQUIPMENT (continued)

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

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13 PROPERTY, PLANT AND EQUIPMENT (continued)

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

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13 **PROPERTY, PLANT AND EQUIPMENT** (continued)

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

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13 PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Building	Plant, machinery and electrical installation	Motor vehicles, furniture, fittings and equipment	Total
	RM	RM	RM	RM
2016				
Cost/Valuation				
At 1 July 2015				
- Cost	-	-	2,900,079	2,900,079
- Valuation	111,322	1,038,266	-	1,149,588
	111,322	1,038,266	2,900,079	4,049,667
Additions	-	-	15,704	15,704
Revaluation during the financial year	-	18,829	-	18,829
Elimination of accumulated depreciation on revaluation	-	(82,747)	-	(82,747)
Write-off	-	-	(286,376)	(286,376)
At 30 June 2016	111,322	974,348	2,629,407	3,715,077
Accumulated depreciation				
At 1 July 2015	-	-	1,988,096	1,988,096
Charge for the financial year	-	82,747	220,325	303,072
Elimination of accumulated depreciation on revaluation	-	(82,747)	-	(82,747)
Write-off	-	-	(181,388)	(181,388)
At 30 June 2016	-	-	2,027,033	2,027,033
Accumulated impairment				
At 1 July 2015	-	38,266	80,595	118,861
Reversal for the financial year (Note 8)	-	(1,918)	-	(1,918)
At 30 June 2016	-	36,348	80,595	116,943
Net book value				
At 30 June 2016	111,322	938,000	521,779	1,571,101
Representing:				
- Cost	-	-	521,779	521,779
- Valuation	111,322	938,000	-	1,049,322
	111,322	938,000	521,779	1,571,101

13 PROPERTY, PLANT AND EQUIPMENT (continued)

(i) Valuation of property, plant and equipment

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

Land and buildings of the Group were revalued in June 2017 by an independent firm of professional valuers, PA International Property Consultants (KL) Sdn Bhd based on an open market value basis.

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

Plant, machinery and electrical installation of Melewar Steel Mills Sdn Bhd ("MSM"), a wholly owned subsidiary of the Company, were revalued in the current year by an independent firm of professional valuers, Azmi & Co based on a scrap value as its recoverable amount given that MSM has suspended its production since 2009. Based on the valuation report dated 30 June 2017, the scrap value for the plant and equipment is RM1,040,068. As a result of the revaluation, the Group has recorded a negligible impairment amounting to RM8,250 as at the reporting date.

The revaluation surplus amounting to RM10,573,216 was credited directly to asset revaluation reserve account and its related deferred taxation arising from the revaluation was provided accordingly (Note 18); whilst, the net revaluation deficit amounting to RM2,323,642 (2016: RM1,025,982) was taken up as impairment loss in profit or loss.

At the close of the current financial year, the Group's Cold Rolled subsidiary has an imminent plan to upgrade and supplement a certain production line, and to replace certain legacy motors of another production line which will affect the said assets' carrying revalued amount. At the close of the current financial year, the Company has yet to carry out the plan. In reassessing the affected assets' fair value of the components to be displaced, there is a reduction of impairment provision of RM212,000 as summarised in the table below, and is included in the net impairment loss on property, plant and equipment in the Statement of Comprehensive Income for the current financial year.

All in RM' million

	Existing Carrying Revalued Amount	Estimated Fair Value Net Displacement	Impairment Provision	Opening Carrying Provision	Inc/(Dec) Required in Current FY 2017
Production Line A: up-grade	19.9	14.7	5.2	5.6	(0.4)
Production Line B: motor replacement	4.3	2.7	1.6	1.4	0.2
	24.2	17.4	6.8	7.0	(0.2)

13 PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

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

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

(ii) Assets acquired under hire-purchase arrangements

Additions to property, plant and equipment of the Group during the financial year amounting to RM4,499,304 (2016: RM4,475,745) includes those acquired by means of hire-purchase totalling RM528,010 (2016: RM781,325). As at 30 June 2017, the net book value of the assets under hire-purchase arrangements in the Group is RM1,466,243 (2016: RM1,287,207).

(iii) Assets pledged as securities

Freehold land, buildings, plant, machinery and electrical installation of subsidiaries with a net book value of RM291.7 million (2016: RM302.3 million) are pledged as securities for certain banking facilities granted to the Group. Refer Note 25 to the financial statements for further details.

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13 PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

Description	Fair value as at 30 June 2017 RM	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Plant, machinery and electrical installation	172,139,440	Depreciated replacement cost method	Useful life	1 year – 39 years (20)	The longer the useful life, the higher the fair value

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

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

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

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14 INVESTMENT PROPERTIES

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

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

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

The Company engages external, independent, and qualified valuers to determine the fair value of the Company's properties at the end of the financial year. The fair values of the properties have been determined by PA International Property Consultants (KL) Sdn Bhd.

The Company has certain investment properties valued at RM61.5 million and a cash deposit of RM9.6 million (2016: RM60.4 million and RM9.3 million) pledged for a Standby Letter of Credit (SBLC) facility of THB384.8 million for the benefit of a former subsidiary (Siam Power) in relation to a performance guarantee (see Note 29).

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

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15 INVESTMENTS IN SUBSIDIARIES

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

The movements of investments in subsidiaries are as follows:

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

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

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15 INVESTMENTS IN SUBSIDIARIES (continued)

The details of the subsidiaries are as follows:

Name	Principal activities	Group's effective interest 2017 %	Group's effective interest 2016 %
Mycron Steel Berhad ("MSB") [1]	Investment holding and provision of management services to subsidiaries	71.3	71.5
Melewar Steel Services Sdn Bhd ("MSS") [1]	Property investment	100.0	100.0
Melewar Steel Assets Sdn Bhd ("MSA") [1]	Investment holding	100.0	100.0
Melewar Steel Mills Sdn Bhd ("MSM") [1]	Manufacturing, distributing and trading of steel and iron products	100.0	100.0
Melewar Integrated Engineering Sdn Bhd ("MIE") [1]	Provision of engineering and technical consultancy services	100.0	100.0
Melewar Steel Engineering Sdn Bhd ("MSE") [1]	Investment holding	100.0	100.0
Melewar Industrial Technologies Ltd ("MITL") [2]	Investment holding	-	100.0
Melewar Ecology Sdn Bhd ("MEco") [1]	Dormant	100.0	100.0
Ausgard Quick Assembly Systems Sdn Bhd ("Ausgard") [1]	Manufacturing and supplying of quick assembly homes	100.0	100.0
Melewar Imperial Limited ("MIL") [1]	Investment holding	100.0	100.0
<u>Subsidiaries of MSB</u>			
Mycron Steel CRC Sdn Bhd ("MSCRC") [1]	Manufacturing and trading of steel cold rolled coiled sheets	71.3	71.5
Melewar Steel Tube Sdn Bhd ("MST") [1]	Manufacturing, distribution and trading of steel pipes and tubes	71.3	71.5

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

15 INVESTMENTS IN SUBSIDIARIES (continued)

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

Name	Principal activities	Group's effective interest 2017 %	2016 %
Subsidiary of MSCRC			
Silver Victory Sdn Bhd ("SV") (1)	Trading of steel related products (starting from July 2017)	71.3	71.5
Subsidiary of MSM			
Melewar Mycrosmelt Technology Ltd ("MMTL") (5)	Smelting / billet making technology owner	100.0	100.0
Subsidiary of MIL			
Melewar Steel UK Ltd ("MSUK") (3)	Dormant Distribution of Steel Tube in the UK	100.0	N.A
Subsidiary of MEco			
Melewar Environment Sdn Bhd ("MEnv") (4)	Dormant	-	95.0

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

15 INVESTMENTS IN SUBSIDIARIES (continued)

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

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

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

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

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16 INVESTMENT IN ASSOCIATES

(a) Details of Investments

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

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

(i) Mperial Power Ltd ("Mperial")

- Mperial is held directly by Melewar Steel Engineering Sdn Bhd ("MSE"), a wholly owned subsidiary of the Company.
- Mperial is a private company and there is no quoted market price available for its shares.
- Mperial was a subsidiary of the Group until 30 April 2014 (financial year ended 30 June 2014), and thereafter an associate.
- Mperial is the holding company for Siam Power Phase 2 Company Ltd ("Siam Power 2") and was the holding company for Siam Power Generation Public Company Ltd and Siam Power Phase 3 Company Ltd hereinafter referred to as the 'power associate' or 'Mperial Group' interchangeably.
- Siam Power is in the business of power generation and owns a 160MW power plant in the Rayong Industrial Park, Ban Khai District, Rayong Province, Thailand. Since its commencement of operations in 2011, Siam Power has suffered significant annual financial losses due to the failure of one of its only two off-takers to fulfil contracted power purchase. As at the start of the current financial year Siam Power has a deficit shareholders' funds of THB5.45 billion (RM615 million) largely due to accumulated bank liabilities and operational losses.
- Siam Power 2 is currently a dormant company with the rights to supply 90MW of power to the Electricity Generating Authority of Thailand (EGAT) commencing from 1 May 2019 ("deadline"). Siam Power 2 is to undertake the development, construction, and operation of a new dedicated power plant – adjacent to the existing power plant ("Phase 2"). This performance obligation to EGAT by 1 May 2019 is guaranteed by a Bank, based on assets security pledged by the Company when the Mperial group was its subsidiary. At the close of the current financial year, despite the said deadline has been extended, the performance guarantee still remains as a contingent liability to the Company which affects the Group. See Notes 29(b)(iii) and Note 30(a).

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

16 **INVESTMENT IN ASSOCIATES** (continued)

(a) **Details of Investments** (continued)

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

- Siam Power 3 is a dormant company and has been struck off during the financial year.
- Mperial has on 5 September 2016 entered into a "share sale agreement" to dispose its entire 78.4% equity stake in Siam Power inclusive of its bank debts to an external foreign party "A" for a total net consideration of THB334 million (approximately RM42.9 million). The share sale was duly completed on 1 April 2017; and as a result of the sale and de-recognition of Siam Power, Mperial recorded a net gain of RM382.6 million for the current financial year.
- Mperial has also on 26 April 2017 entered into a 'share sale agreement' with another external foreign party "B" (the 'Buyer') to dispose its entire stake in Siam Power 2 for a minimum consideration of USD7.1 million (RM30.7 million) with maximum adjustment by another USD2.9 million (RM12.3 million) depending on the successful extension of the performance guarantee's deadline from the Electricity Generating Authority of Thailand (EGAT) under the second phase 90MW development. An earnest deposit of USD120,000 (RM0.53 million) has been received by Mperial. At the close of the current financial year, the share-sale has not been completed. Latest update on this matter is disclosed in Note 30(a) on "subsequent material events".
- The Group's carrying investment in the power associate has been fully depleted since financial year 2015, and subsequent losses by the associate is not recognised but is recorded for future set-off against any arising share of gains such as those from the sale and de-recognition of Siam Power. The Group's unrecognised share of the Power Associate's losses amounting to RM29 million after netting its disposal gain from Siam Power at the close of the current financial year are derived as follows:

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

16 INVESTMENT IN ASSOCIATES (continued)

(a) Details of Investments (continued)

(ii) Jack Nathan Limited ("JNL")

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

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

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

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

- JNL's scope of business is in the trading of building tools and materials including steel tubes, and has commenced operation of its retail outlet in Amersham, UK since the 1st quarter of the current financial year. At the close of the current financial year, JNL recorded a net loss of GBP59 thousand (RM322 thousand). JNL is exempted from audit under the UK laws for small private limited companies.

- As at the close of the current financial year, the Group's carrying investment in JNL is fully depleted with its share of the JNL's loss. Shared losses that cannot be supported by its carrying investment are not recognised by the Group but are recorded for future set-off against any arising share of future gains. Details of the Group's unrecognised share of JNL's losses for the current financial year 2017 amounting to RM400 thousand are as follows:

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

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

16 **INVESTMENT IN ASSOCIATES** (continued)

(b) Amount owing by associates

(i) Mperial Power Ltd ("Mperial")

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
At gross amounts	83,047,683	88,710,173	12,678,974	8,341,464
Accumulated impairment losses	(44,252,415)	(44,252,415)	-	-
Repayment	(29,170,000)	(11,007,758)	(12,077,349)	(1,007,758)
	9,625,268	33,450,000	601,625	7,333,706
Accumulated impairment losses:				
At 1 July	44,252,415	24,758,322	-	-
Assignment of receivable	-	20,364,650	-	-
Write back of impairment loss during the financial year	-	(870,557)	-	-
At 30 June	44,252,415	44,252,415	-	-

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

(ii) Jack Nathan Limited ("JNL")

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

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

17 CONSTRUCTION CONTRACTS-IN-PROGRESS

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

18 DEFERRED TAX

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Deferred tax assets	2,148,810	2,721,294	-	-
Deferred tax liabilities	(42,465,651)	(37,901,581)	(19,438,919)	(18,741,342)
	(40,316,841)	(35,180,287)	(19,438,919)	(18,741,342)
At 1 July	(35,180,287)	(28,082,905)	(18,741,342)	(17,588,728)
(Charged)/credited to the profit or loss (Note 11):				
- property, plant and equipment	(2,805,498)	(4,524,369)	24,029	23,613
- investment properties	-	-	(717,328)	(1,171,708)
- unutilised tax losses	(566,285)	(62,399)	-	-
- other payables and accruals	(6,199)	(15,960)	-	-
	(3,377,982)	(4,602,728)	(693,299)	(1,148,095)
Debited to asset revaluation reserve:				
- property, plant and equipment	(1,758,572)	(2,494,654)	(4,278)	(4,519)
	(1,758,572)	(2,494,654)	(4,278)	(4,519)
	(5,136,554)	(7,097,382)	(697,577)	(1,152,614)
At 30 June	(40,316,841)	(35,180,287)	(19,438,919)	(18,741,342)

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

18 DEFERRED TAX (continued)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Subject to income tax:				
Deferred tax assets (before offsetting):				
- unutilised reinvestment allowance	19,096,762	19,096,762	-	-
- unutilised tax losses	8,278,674	8,844,959	-	-
- other payables and accruals	10,678	16,877	-	-
	27,386,114	27,958,598	-	-
Offsetting	(25,237,304)	(25,237,304)	-	-
Deferred tax assets (after offsetting)	2,148,810	2,721,294	-	-
Deferred tax liabilities (before offsetting):				
- property, plant and equipment	(65,557,443)	(61,198,372)	(194,691)	(214,443)
- investment properties	-	-	(19,244,228)	(18,526,899)
	(65,557,443)	(61,198,372)	(19,438,919)	(18,741,342)
Offsetting	25,237,304	25,237,304	-	-
Subject to real property gains tax				
Deferred tax liabilities:				
- freehold land	(2,145,512)	(1,940,513)	-	-
Deferred tax liabilities (after offsetting)	(42,465,651)	(37,901,581)	(19,438,919)	(18,741,342)

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

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

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

19 INVENTORIES

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

20 TRADE AND OTHER RECEIVABLES

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

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

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

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21 DERIVATIVES

The Group's derivatives comprise solely of Currency Exchange Forward Contracts incepted to hedge its foreign currency exposures arising from forward purchases of raw materials in USD and to a lesser extent export sales in SGD. See Note 4(e). These Currency Exchange Forward Contracts generally have a maturity period of less than 6 months and their fair values are classified under current assets/(liabilities) by way of marking-to-market.

Foreign currency hedges which meet qualifying criteria under MFRS139 are designated on inception for fair value hedge accounting where the changes in fair value for both the hedge items and the hedge instruments are charged to the Statement of Comprehensive Income, and closing fair values are recognised in the Statement of Financial Position as either current financial assets or liabilities.

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

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

21 **DERIVATIVES** (continued)

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

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

Forward foreign currency exchange contracts as hedge instrument

Maturity period of contract	Notional value long USD	Average contracted rate USD/RM	Fair value Financial assets RM	Fair value Financial liabilities RM
July 2017	11,006,486	4.3810	68,851	(905,795)
August 2017	8,268,898	4.3824	30,046	(627,960)
September 2017	4,308,945	4.4601	-	(626,407)
October 2017	9,354,078	4.3993	32,772	(767,020)
November 2017	2,415,040	4.3282	4,788	-
Total	35,353,447		136,457	(2,927,182)

Contracted payment obligation and/or a/c payables as hedge item

Maturity period of contract	Notional value short USD	Average basis rate USD/RM	Fair value Financial assets RM	Fair value Financial liabilities RM
July 2017	11,006,486	4.3810	905,795	(68,851)
August 2017	8,268,898	4.3824	627,960	(30,046)
September 2017	4,308,945	4.4601	626,407	-
October 2017	9,354,078	4.3993	767,020	(32,772)
November 2017	2,415,040	4.3282	-	(4,788)
Total	35,353,447		2,927,182	(136,457)

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

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

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21 **DERIVATIVES** (continued)

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

(ii) Derivatives designated and fair value hedge accounted as at 30 June 2016

Forward foreign currency exchange contracts as hedge instrument

Maturity period of contract	Notional value long USD	Average contracted rate USD/RM	Fair value: Financial assets RM	Fair value: Financial liabilities RM
July 2016	9,777,524	4.2108	45,300	(1,820,037)
August 2016	4,638,616	4.1159	-	(363,782)
September 2016	5,153,112	4.1239	109,528	(521,699)
October 2016	4,923,570	3.9634	476,644	-
November 2016	7,205,373	4.1113	-	(358,586)
December 2016	3,007,752	4.1206	-	(165,603)
Total	34,705,947		631,472	(3,229,707)

Contracted payment obligation and/or a/c payables as hedge item

Maturity period of contract	Notional value short USD	Average basis rate USD/RM	Fair value: Financial assets RM	Fair value: Financial liabilities RM
July 2016	9,777,524	4.2108	1,820,037	(45,300)
August 2016	4,638,616	4.1159	363,782	-
September 2016	5,153,112	4.1239	521,699	(109,528)
October 2016	4,923,570	3.9634	-	(476,644)
November 2016	7,205,373	4.1113	358,586	-
December 2016	3,007,752	4.1206	165,603	-
Total	34,705,947		3,229,707	(631,472)

Net fair value loss from the hedging instruments of RM2.6 million and the corresponding net fair value gain from the hedged item of RM2.6 million are taken-up in the statement of profit or loss.

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

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

21 DERIVATIVES (continued)

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

(iii) Derivatives not designated and not hedge accounted

As at 30 June 2017

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

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

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

21 **DERIVATIVES** (continued)

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

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

As at 30 June 2016

Forward foreign currency exchange contracts as hedge instrument

Maturity period of contract	Notional value long USD	Average contracted rate USD/RM	Fair value Financial assets RM	Fair value Financial liabilities RM
July 2016	580,985	3.9875	24,725	(1,860)
August 2016	1,062,049	4.0245	31,130	(11,783)
September 2016	323,701	4.0898	9,271	(4,252)
November 2016	294,272	4.0652	882	-
Total	2,261,007		66,008	(17,895)

Maturity period of contract	Notional value short SGD	Average contracted rate SGD/RM	Fair value Financial assets RM	Fair value Financial liabilities RM
July 2016	160,000	2.9874	3,850	(2,000)
August 2016	100,000	2.9639	1,763	(3,250)
September 2016	100,000	2.9286	38	(5,734)
October 2016	110,000	2.9826	1,483	(2,198)
November 2016	75,000	2.9512	-	(3,188)
Total	545,000		7,134	(16,370)

These derivatives were not hedge accounted primarily due to the late inception of these hedging instruments which gave rise to mismatch between the intended hedge items' basis FX-rate and the contracted FX-rate; and as a result, this did not provide the required range of hedge-effectiveness.

Besides the abovementioned unrealised marked-to-market position of the currency derivatives as at the close of the financial year, the Group has recorded a total realised net gain of around RM5.9 million from its FX Forward Contracts incepted for hedging purposes over the current financial year (2016: gain RM1.5 million).

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

22 AMOUNT OWING BY/(TO) SUBSIDIARIES

The amount owing by/(to) subsidiaries are generally unsecured and interest free. Inter-company balances which are trade in nature are subject to credit terms between 30 to 90 days (2016: 30 to 90 days) whilst, non-trade transactions are repayable upon demand. For the current and the comparative preceding reporting period, there are no outstanding balances in-relation to trade.

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

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

(b) The 'amounts owing to subsidiaries' for the current financial year comprises of various non-trade owing by the Company to the steel subsidiaries accumulated from the preceding financial year's balance.

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23 CASH AND CASH EQUIVALENTS

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

At the reporting date, "restricted cash" comprises of a bank deposit placement pledged as security since financial year 2011 for the issuance of a performance bond or bank guarantee on behalf of an associate. See Note 16(a)(i) and Note 29.

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

24 TRADE AND OTHER PAYABLES

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

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

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

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

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

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

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25 BORROWINGS

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

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

Most of the borrowings are secured and incepted by its Cold Rolled and the Steel Tube subsidiaries under their respective debenture with fixed and floating charges. In the current financial year, the Engineering subsidiary incepted unsecured long-term loan facilities of RM 33.2 million on-which RM28.9 million was drawn to partly finance the completion of its onerous projects. The borrowing terms by the Engineering subsidiary is ring-fenced from any cross linkages with those of the Steel subsidiaries.

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

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

25 **BORROWINGS** (continued)

Contractual terms of borrowings

	Contractual interest rate at reporting date (per annum)	Functional currency / currency exposure	Total carrying amount	Maturity profile					
				< 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	> 5 years
			RM	RM	RM	RM	RM	RM	RM
Group									
At 30 June 2017									
Unsecured									
- Term loan	8.00%	RM	1,585,809	-	1,585,809	-	-	-	-
Secured									
- Bankers' acceptance [(a)]	4.99% - 7.15%	RM	18,330,000	18,330,000	-	-	-	-	-
- Bankers' acceptance [(a)]	5.45%	RM	48,400,000	48,400,000	-	-	-	-	-
- Revolving credits [(a)]	5.30%	RM	8,400,000	8,400,000	-	-	-	-	-
- Hire-purchase creditors	2.44% - 3.38%	RM	961,009	412,732	281,448	154,521	40,869	40,869	30,570
- Term loan [(a)]	6.25%	RM	6,817,102	3,067,102	3,000,000	750,000	-	-	-
- Term loan [(b)]	12.00%	RM	29,021,103	-	29,021,103	-	-	-	-
			113,515,023	78,609,834	33,888,360	904,521	40,869	40,869	30,570

(a) The securities provided under the Cold Rolled's debenture cover fixed charge over its land, building and equipment, and floating charge over most of its current assets. The securities provided under the Steel Tube's debenture cover fixed charge over its plant and equipment, and floating charge over most of its current assets (Note 13(iii)).

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

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25 **BORROWINGS** (continued)

Contractual terms of borrowings (continued)

	Contractual interest rate at reporting date (per annum)	Functional currency / currency exposure	Total carrying amount RM	Maturity profile < 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	> 5 years RM
Group									
At 30 June 2016									
Unsecured									
- Term loan	6.00%	RM	2,338,093	2,338,093	-	-	-	-	-
Secured									
- Bankers' acceptance [(a)]	5.25% - 7.45%	RM	19,760,000	19,760,000	-	-	-	-	-
- Bankers' acceptance [(a)]	5.55% - 5.75%	RM	49,200,000	49,200,000	-	-	-	-	-
- Revolving credits [(a)]	5.45%	RM	9,600,000	9,600,000	-	-	-	-	-
- Hire-purchase creditors	2.44% - 3.38%	RM	831,697	340,433	237,888	100,200	40,869	40,869	71,438
- Term loan [(a)]	6.25%	RM	9,850,078	3,100,078	3,000,000	3,000,000	750,000	-	-
			91,579,868	84,338,604	3,237,888	3,100,200	790,869	40,869	71,438

(a) The securities provided under the Cold Rolled's debenture cover fixed charge over its land, building and equipment, and floating charge over most of its current assets. The securities provided under the Steel Tube's debenture cover fixed charge over its plant and equipment, and floating charge over most of its current assets (Note 13(iii)).

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25 **BORROWINGS** (continued)

Contractual terms of borrowings (continued)

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

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

At Amortised Cost

The carrying amount of the borrowings due within 1 year and those with floating rates approximated their fair values at reporting date. The fair values of the borrowings with fixed interest rates due after 1 year are as follows:

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

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

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

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25 BORROWINGS (continued)

At Amortised Cost (continued)

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

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

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26 SHARE CAPITAL

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

Treasury shares of the Company

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

Transition to no-par value regime

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

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

27 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

The Director of the Company, Tunku Dato' Yaacob Khyra have or deemed to have financial interests in the companies set out below and thus these companies are deemed to be the related parties to the Group:

- Trace Management Services Sdn Bhd
- MAA Takaful Berhad [(i)]
- MAA Corporation Sdn Bhd

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

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

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

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27 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

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

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

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

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

MELEWAR INDUSTRIAL GROUP BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

27 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

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

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

28 SEGMENTAL ANALYSIS

Current Reportable Segments

(a) The steel tube manufacturing segment is in the business of manufacturing and sales of steel pipes and tubes.

(b) The cold rolled segment is in the business of manufacturing and sales of cold rolled coils.

(c) The engineering segment is in the business of providing engineering services including projects that would be accounted as construction contracts.

(d) The investment holding segment refers to companies with investments in subsidiaries, and companies with investments in quoted and unquoted equity securities.

'Others segment' comprise companies involved in metal scrap trading and dormant companies where individually they do not form a material segment that requires a separate disclosure.

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

The segments are strategic business units offering different products and services, and are managed separately. The Group's Executive Committee comprising of key functional heads and executive Directors monitors the operating results of the strategic business units as well as relying on the segmental information as disclosed below for purposes such as resource allocation and performance assessment.

The Directors are of the opinion that all inter segment transactions are entered into in the normal course of business and are established on terms and conditions agreed between the related parties. Geographic segment is not applicable as the business of the Group are substantially carried out in Malaysia.

MELEWAR INDUSTRIAL GROUP BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

28 SEGMENTAL ANALYSIS (continued)

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

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

MELEWAR INDUSTRIAL GROUP BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

28 SEGMENTAL ANALYSIS (continued)

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

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

MELEWAR INDUSTRIAL GROUP BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

28 SEGMENTAL ANALYSIS (continued)

	Steel tube RM	Cold rolled RM	Engineering RM	Investment holding RM	Others RM	Total RM
2016						
Revenue						
Total revenue	206,096,735	383,453,327	39,150,073	11,493,589	5,991,800	646,185,524
Inter segment	(1,022,311)	(26,249,687)	-	(11,493,589)	(609,675)	(39,375,262)
Total revenue	205,074,424	357,203,640	39,150,073	-	5,382,125	606,810,262
Segment results						
Profit/(Loss) from operations	13,070,328	30,424,109	(9,916,073)	7,928,427	24,509,891	66,016,682
Finance income	233,790	212,396	17,278	310,885	10,763	785,112
Finance costs	(3,904,380)	(7,503,479)	(37,013)	(997,444)	(8,375)	(12,450,691)
Share of associate's results	-	-	-	(264)	-	(264)
Profit/(Loss) before tax	9,399,738	23,133,026	(9,935,808)	7,241,604	24,512,279	54,350,839
Consolidation elimination *	7,016,217	5,041,205	48,751	(19,043,640)	(24,347,517)	(31,284,984)
	16,415,955	28,174,231	(9,887,057)	(11,802,036)	164,762	23,065,855
Taxation	(2,108,686)	(5,591,707)	(195,892)	(127,164)	(182,974)	(8,206,423)
Net profit/(loss) after tax	14,307,269	22,582,524	(10,082,949)	(11,929,200)	(18,212)	14,859,432

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

MELEWAR INDUSTRIAL GROUP BERHAD

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

28 SEGMENTAL ANALYSIS (continued)

	Steel tube RM	Cold rolled RM	Engineering RM	Investment holding RM	Others RM	Total RM
2016						
Segment assets						
Total segment assets	149,749,688	400,525,572	26,259,891	109,843,938	3,484,898	689,863,987
Consolidation elimination #	(20,941,176)	(8,927,301)	-	(942,343)	(904,323)	(31,715,143)
Total segment assets	128,808,512	391,598,271	26,259,891	108,901,595	2,580,575	658,148,844
Other information						
Depreciation of property plant and equipment	2,979,098	12,344,629	147,001	4,138,978	43,666	19,653,372
Impairment losses/(write back):						
- property, plant and equipment	108,864	7,948,310	-	(30,785)	(407)	8,025,982
- other receivables	475,367	-	779,498	-	-	1,254,865
Additions of property, plant and equipment	857,528	2,823,889	403,081	389,997	1,250	4,475,745

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

28 SEGMENTAL ANALYSIS (continued)

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

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

Information about major customers

Revenue from two major customers amounting to RM77.3 million and RM82.1 million respectively contributed to more than 10% of the Group's revenue each. These two major customers are each from the cold rolled segment and the steel tube segment.

29 LITIGATION, COMMITMENTS AND CONTINGENT LIABILITIES

(a) At Group level:

(i) Litigation

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

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

(ii) Commitments

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

(iii) Contingent Liabilities

Contingent liability of the Group at the close of the current financial year relates to asset security pledged by the Company for the benefit of its power associate as disclosed in paragraph (b)(iii). Besides that the Group is not aware of any other circumstances or developments giving rise to contingent liabilities warranting disclosure. The Group is not aware of any short-term operating leases susceptible to cancellation which may impact its respective business operations.

29 LITIGATION, COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(b) At Company level:

(i) Litigation

The Company is not in any on-going litigation which may give rise to material contingent liabilities; or has any material contracted but outstanding capital commitments.

(ii) Commitments

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

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

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

(iii) Contingent Liabilities

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

30 SIGNIFICANT EVENTS AFTER REPORTING DATE

(a) Disposal of the Power Business by an Associate

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

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

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

(b) Corporate Exercise

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

31 FINANCIAL INSTRUMENTS BY CATEGORY

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

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

MELEWAR INDUSTRIAL GROUP BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (continued)

31 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group	Loans and receivables RM	Fair value through profit or loss RM	Total RM
30 June 2016			
Financial assets per statement of financial position:			
Current			
Trade and other receivables (excluding prepayments and GST receivables)	110,524,114	-	110,524,114
Derivative financial instruments	-	704,614	704,614
Deposits with licensed financial institutions	39,475,026	-	39,475,026
Bank balances	12,068,236	-	12,068,236
Amount owing by an associate	33,450,000	-	33,450,000
	195,517,376	704,614	196,221,990

	Fair value through profit or loss RM	Other financial liabilities at amortised cost RM	Total RM
Financial liabilities per statement of financial position:			
Non-current			
Other payables	-	3,065,232	3,065,232
Borrowings	-	7,241,264	7,241,264
Current			
Trade and other payables (excluding prepayments received and GST payables)	-	140,907,709	140,907,709
Borrowings	-	84,338,604	84,338,604
Derivative financial instruments	3,263,972	-	3,263,972
	3,263,972	235,552,809	238,816,781

31 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company	2017 RM	2016 RM
Financial assets per statement of financial position:		
Loans and receivables		
Current		
Trade and other receivables (excluding prepayments and GST receivables)	116,572	884,743
Amounts owing by subsidiaries	4,066,733	515,427
Amount owing by an associate	601,625	7,333,706
Deposits with licensed financial institutions	10,283,138	9,329,916
Bank balances	232,107	439,527
	15,300,175	18,503,319
Financial liabilities per statement of financial position:		
Other financial liabilities at amortised cost		
Current		
Trade and other payables (excluding prepayments received and GST payables)	3,957,297	1,905,400
Amounts owing to subsidiaries	273,714	7,024,732
	4,231,011	8,930,132

MELEWAR INDUSTRIAL GROUP BERHAD

(Incorporated in Malaysia)

SUPPLEMENTARY INFORMATION

32 SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

The following analysis of realised and unrealised retained earnings at the Company level is prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants whilst the disclosure at the Group level is based on the prescribed format by the Bursa Malaysia Securities Berhad.

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

Company No.: 8444-W

APPENDIX V

UNAUDITED CONSOLIDATED RESULTS OF MIGB FOR THE NINE (9)-MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2018

CERTIFIED TRUE COPY

Company Secretary
MS LILY YIN KAM MAY
MAICSA NO. 0878038

MELEWAR INDUSTRIAL GROUP BERHAD (8444-W)

Quarterly report on consolidated results for the third financial quarter ended 31 March 2018

Condensed Consolidated Statements of Profit or Loss for the third financial quarter ended 31 March 2018

(The figures have not been audited)

	Individual Quarter		Cumulative Quarters	
			(9 months)	(9 months)
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To date	Preceding Year Corresponding Period
	31/03/18	31/03/17	31/03/18	31/03/17
	RM'000	RM'000	RM'000	RM'000
Revenue	211,082	205,266	600,580	575,750
Cost of sales	(193,855)	(202,357)	(545,528)	(584,762)
Gross profit/(loss)	17,227	2,909	55,052	(9,012)
Operating expenses	(11,925)	(10,795)	(33,807)	(31,449)
Other operating (expenses)/income	(38)	207	110	345
Net foreign currency gain/(loss)	383	(595)	1,112	(1,304)
Operating profit/(loss)	5,647	(8,274)	22,467	(41,420)
Impairment loss on goodwill	-	-	(832)	-
Gain on equity interests	-	-	83	-
Impairment loss on trade receivables	-	(385)	-	(385)
Impairment loss on amount owing by an associate	-	-	(80)	-
Finance income	315	316	1,179	826
Finance cost	(2,356)	(3,544)	(8,818)	(8,769)
Profit/(Loss) before tax	3,606	(11,887)	13,999	(49,748)
Tax expense	(1,596)	(3,485)	(5,551)	(9,771)
Profit/(Loss) for the period	2,010	(15,372)	8,448	(59,519)
Attributable to:				
Owners of the Company	880	(17,501)	4,134	(68,372)
Non-controlling interests	1,130	2,129	4,314	8,853
	2,010	(15,372)	8,448	(59,519)
Earnings/(Loss) per share attributable to owners of the Company (sen):				
- Basic	0.39	(7.76)	1.83	(30.32)
- Diluted	N/A	N/A	N/A	N/A

UNAUDITED CONSOLIDATED RESULTS OF MIGB FOR THE NINE (9)-MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONT'D)

MELEWAR INDUSTRIAL GROUP BERHAD (8444-W)

Quarterly report on consolidated results for the third financial quarter ended 31 March 2018

Condensed Consolidated Statements of Comprehensive Income for the third financial quarter ended 31 March 2018

(The figures have not been audited)

	Individual Quarter		Cumulative Quarters	
			(9 months)	(9 months)
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To date	Preceding Year Corresponding Period
	31/03/18	31/03/17	31/03/18	31/03/17
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) for the period	2,010	(15,372)	8,448	(59,519)
Other comprehensive (loss)/income:				
Item that may be reclassified subsequently to				
profit or loss:				
Currency translation differences	(4)	-	18	-
Total comprehensive income/(loss) for the period	**2,006**	**(15,372)**	**8,466**	**(59,519)**
Attributable to:				
Owners of the Company	876	(17,501)	4,152	(68,372)
Non-controlling interests	1,130	2,129	4,314	8,853
	2,006	(15,372)	8,466	(59,519)

UNAUDITED CONSOLIDATED RESULTS OF MIGB FOR THE NINE (9)-MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONT'D)

MELEWAR INDUSTRIAL GROUP BERHAD (8444-W)

Quarterly report on consolidated results for the third financial quarter ended 31 March 2018

Condensed Consolidated Statements of Financial Position as at 31 March 2018

(The figures have not been audited)

	As at 31/03/18 RM'000	As at 30/06/17 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	380,350	388,581
Deferred tax assets	1,750	2,149
	382,100	390,730
Current assets		
Inventories	176,537	177,603
Trade receivables	124,739	102,382
Other receivables, deposits and prepayments	21,952	10,631
Derivative financial asset	32	142
Amount owing by associates	-	9,625
Tax recoverable	249	258
Restricted cash	-	9,633
Time deposits	46,183	20,389
Cash and bank balances	20,976	47,692
	390,668	378,355
Less:		
Current liabilities		
Trade payables	183,472	188,766
Other payables and provisions	77,521	71,098
Derivative financial liability	8,761	3,037
Short-term borrowings	99,622	78,610
Tax payable	110	1,820
	369,486	343,331
Net current assets	21,182	35,024
Non-current liabilities		
Trade and other payables	1,626	850
Deferred tax liabilities	43,169	42,466
Long-term borrowings	2,488	34,905
	47,283	78,221
Net assets	355,999	347,533
Capital and reserves attributable to owners of the Company		
Share capital	226,996	226,996
Other non-distributable capital reserves	50,295	50,277
Accumulated losses	(31,199)	(35,333)
	246,092	241,940
Non-controlling interests	109,907	105,593
Total equity	355,999	347,533
Net assets per share attributable to owners of the Company (RM)	1.09	1.07

UNAUDITED CONSOLIDATED RESULTS OF MIGB FOR THE NINE (9)-MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONT'D)

MELEWAR INDUSTRIAL GROUP BERHAD (8444-W)

Quarterly report on consolidated results for the third financial quarter ended 31 March 2018

Condensed Consolidated Statements of Cash Flows for the third financial quarter ended 31 March 2018

(The figures have not been audited)

	(9 months) 31/03/18 RM'000	(9 months) 31/03/17 RM'000
Profit/(Loss) before tax:	13,999	(49,748)
Adjustments for:		
- Impairment loss on goodwill	832	-
- Gain on equity interests	(83)	-
- Net unrealised gain on foreign exchange	(193)	(363)
- Property, plant and equipment write-offs	94	23
- Impairment loss on trade receivables	-	385
- Impairment loss on amount owing by an associate	80	-
- Depreciation and amortisation	15,004	14,780
- Loss provision for onerous contract	-	25,030
- Interest income	(1,179)	(826)
- Interest expense	8,818	8,769
- Other non-cash items	13	87
Operating profit before changes in working capital	37,385	(1,863)
Changes in working capital:		
- Inventories	1,066	(84,327)
- Trade and other receivables	(32,610)	(14,519)
- Trade and other payables	12,551	73,872
Tax paid (net)	(6,150)	(4,512)
Net cash generate from/(used in) operating activities	12,242	(31,349)
Investing activities:		
- Purchase of property, plant and equipment	(5,714)	(2,178)
- Proceeds from disposal of property, plant and equipment	106	282
- Net cash inflow from the acquisition of a subsidiary	4	-
- Net repayment from associate companies	2,916	23,419
- Other net receipts from investing activities	1,090	1,454
Net cash (used in)/generated from investing activities	(1,598)	22,977
Financing activities:		
- Interest paid	(6,181)	(7,890)
- Proceeds from borrowings	120,552	210,650
- Repayment of borrowings	(135,588)	(178,110)
- Deposit with licensed financial institution pledged as security	9,633	-
Net cash (used in)/generated from financing activities	(11,584)	24,650
Net change in cash & cash equivalents	(940)	16,278
Cash & cash equivalents at the beginning of the financial year	68,081	42,214
Currency translation differences	18	-
Cash & cash equivalents at the end of the financial period	67,159	58,492

UNAUDITED CONSOLIDATED RESULTS OF MIGB FOR THE NINE (9)-MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONT'D)

MELEWAR INDUSTRIAL GROUP BERHAD (8444-W)

Quarterly report on consolidated results for the third financial quarter ended 31 March 2018

Condensed Consolidated Statements of Changes in Equity for the third financial quarter ended 31 March 2018

(The figures have not been audited)

	Attributable to owners of the Company								Non-controlling Interests	Equity
		Non-Distributable Capital Reserves								
	Share Capital RM'000	Share Premium RM'000	Capital Redemption Reserve [N1] RM'000	Asset Revaluation Reserve RM'000	Other Reserves RM'000	Treasury Shares RM'000	Retained Earnings/ (Accumulated Losses) RM'000	Total RM'000	Total RM'000	Total RM'000
9 months ended 31 March 2018										
At 1 July 2017	226,996	-	-	50,292	(15)	-	(35,333)	241,940	105,593	347,533
Total comprehensive income for the period	-	-	-	-	18	-	4,134	4,152	4,314	8,466
At 31 March 2018	226,996	-	-	50,292	3	-	(31,199)	246,092	109,907	355,999
9 months ended 31 March 2017										
At 1 July 2016	226,755	241	-	42,337	(15)	(2,042)	44,229	311,505	93,215	404,720
Total comprehensive loss for the period	-	-	-	-	-	-	(68,372)	(68,372)	8,853	(59,519)
Transaction with owners:										
Cancellation of treasury shares	(1,232)	-	1,232	-	-	2,042	(2,042)	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	612	612	246	858
Transition to no-par value regime on 31 January 2017*	1,473	(241)	(1,232)					-		-
At 31 March 2017	226,996	-	-	42,337	(15)	-	(25,573)	243,745	102,314	346,059

* The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account and capital redemption reserve account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of those accounts totalling RM1,474,047 for purposes as set out in Section 618(3), where applicable. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

N1 - This arose from the cancellation of treasury shares on 30 September 2016.

Quarterly report on consolidated results for the third financial quarter ended 31 March 2018

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A1 Basis of Preparation & Significant Accounting Policies

This Quarterly Report is unaudited and has been prepared in accordance with the Malaysian Financial Reporting Standard ("MFRS") 134 - Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Paragraph 9.22 and Appendix 9B of the Bursa Malaysia Securities Berhad ("Bursa Malaysia") Listing Requirements. In addition, the financial statements comply with IFRS as issued by IASB. The report should be read in conjunction with the Group's audited financial statements for the financial year ended 30 June 2017 which was prepared in accordance with the MFRS.

The explanatory notes attached to the unaudited interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the last financial year ended 30 June 2017.

The significant accounting policies and methods adopted for this unaudited interim financial report are consistent with those adopted for the audited financial statements for the financial year ended 30 June 2017, except for the following new amendments to the MRFS ("standards") effective from 1 January 2017 which the Group has adopted since the 1st quarter of the current financial year:

- Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative which introduced additional disclosure on changes in liabilities arising from financing activities

- Amendments to MFRS 112 'Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses' which clarify the requirements for recognizing deferred tax asset on unrealized losses arising from deductible temporary difference on asset carried at fair value.

The adoption of the above did not have any material impact on the Group's financial statements to-date.

The Group has not adopted the following new standards, amendments to standards and interpretations that have been issued but not yet effective for the current financial year.

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

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement". The complete version of MFRS 9 was issued in November 2014.

- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations.

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

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

Quarterly report on consolidated results for the third financial quarter ended 31 March 2018

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A1 **Basis of Preparation & Significant Accounting Policies** (continued)

Preliminary review indicates that the abovementioned new standards, amendments to standards and interpretations are unlikely to have any material financial impact to the Group upon their initial application when effective. The Group has in the preceding quarter conducted detailed impact assessment on the two new standards coming into effect in the next financial year from 1 July 2018:

- MFRS 9
  The application of MFRS 9 is not expected to result in any material change to the Group's classification and measurement of its financial assets and liabilities; nor in its hedge accounting practices that are aligned with its risk management practices- compared to the requirements under MFRS139. The new "Expected Credit Loss" (ECL) model increases the scope for credit impairment with the additions of forward looking information and estimates. Given that the Group's credit risks are mainly concentrated in short-term trade receivables, the Group shall apply allowable practical-expedient in ECL provision based on a supportable "overdue-days matrix". Barring any unforeseeable development of adverse conditions which may negatively affect credit outlook, the adoption of the ECL model is not expected to result in material increase in credit impairment for the initial application period as well as on retrospective adjustments.

- MFRS 15
  The application of MFRS 15 is not expected to result in any material change to the timing and quantum of revenue recognition of the Group for the initial application period and the comparative retrospective period. The Group's steel businesses' nature of sales are mainly spot and/or near-term based on generic simplified contracts with single point fulfilment at fixed prices – which generally do not give rise to any contract assets or liabilities. The Group's engineering business entails customized contracts, usually with multi-point deliverables and milestone payments which may cut across multiple reporting periods and give rise to contract assets or liabilities. These contracts usually do not entail complications like distinguishable allocation of goods and services, separate warranties, packaged after-sales-service, or long-term financing features – which may result in revenue recognition differences under MFRS 15. Moreover, the existing engineering construction contracts are expected to complete within the current financial year.

A2 **Audit qualification**

The audit report of the Group in respect of the annual financial statements for the financial year ended 30 June 2017 was not subject to any audit qualification.

A3 **Seasonality or cyclicality of operations**

The business of the Group and the Company is generally neither cyclical nor seasonal except for decreased activities during the Ramadan and Chinese New Year festive months.

A4 **Unusual items**

There are no unusual items affecting assets, liabilities, equity, net income or cash flows attributable to its nature, size or incidence during the current financial quarter.

MELEWAR INDUSTRIAL GROUP BERHAD (8444-W)

Quarterly report on consolidated results for the third financial quarter ended 31 March 2018

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A5 Changes in estimates

There are no changes in estimates that have any material effect on the financial results during the current financial quarter. The Group's engineering subsidiary's onerous construction contracts' estimated cost-to-completion which are reviewed quarterly are still within budgeted sums. Details of these construction contracts and the movement in provisions are outlined below.

all in RM'000	Onerous Construction Contracts		
	Project # 1	Project # 2	Total
Original Project's Profits/(Loss) budget	9,000	1,500	10,500
Revised Project's Profits/(Loss) budget:	(87,060)	(12,175)	(99,235)
Recognised Project's Profits/(Loss) for the period:			
Financial year ended 30/6/16	(7,061)	158	(6,903)
Financial year ended 30/6/17	(71,607)	(12,333)	(83,940)
Current financial year-to-date 2018			
1st financial quarter ended 30/09/17	-	-	-
2nd financial quarter ended 31/12/17	-	-	-
3rd financial quarter ended 31/03/18	-	-	-
	(78,668)	(12,175)	(90,843)
Recognised Project's LAD for the period:			
Financial year ended 30/6/17	(8,392)	-	(8,392)
Total recognised losses	(87,060)	(12,175)	(99,235)
Loss Provision reversed/(made) for the period:			
Financial year ended 30/6/16	(7,061)	-	(7,061)
Financial year ended 30/6/17	(10,685)	(3,262)	(13,947)
Current financial year-to-date 2018			
1st financial quarter ended 30/09/17	4,209	1,112	5,321
2nd financial quarter ended 31/12/17	2,980	570	3,550
3rd financial quarter ended 31/03/18	3,032	616	3,648
	(7,525)	(964)	(8,489)
Loss Provision made on Project's LAD:			
Financial year ended 30/6/17	(8,392)	-	(8,392)
Recognised loss in provision	(15,917)	(964)	(16,881)
Percentage of completion based on cost incurred as at 31/03/18	90%	92%	

Both construction contracts are expected to conclude in the remaining financial year, barring any delay attributable to the Clients.

A6 Debts and equity securities

There are no issuances, cancellations, repurchases, or resale of the Company's equity securities during the current financial quarter.

The Group has a policy to maintain its Gearing Ratio (measured as interest bearing debts over equity adjusted for the exclusion of intangibles) at below 1.25 times.

	31/03/2018	30/06/2017
Total interest bearing debts in RM'million	271.8	280.3
Adjusted Equity in RM'million	397.4	387.9
Absolute Gearing Ratio	0.68	0.72

MELEWAR INDUSTRIAL GROUP BERHAD (8444-W)

Quarterly report on consolidated results for the third financial quarter ended 31 March 2018

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A6 **Debts and equity securities** (continued)

For the current financial quarter, the Group's engineering subsidiary pared down its unsecured borrowing (incepted to finance its onerous projects) by RM9 million leaving a balance outstanding of RM26.3 million. The Group's other debt securities are mainly represented by the Cold Rolled subsidiary's debenture (around RM56.6 million) and the Steel Tube subsidiary's debenture (around RM18.9 million), whilst the remaining interest bearing debts are mostly unsecured suppliers' trade credits (totaling RM169.7 million) extended to the steel subsidiaries (see Note B10). Total trade facilities & credits drawn at the end of the current quarter at RM176.1 million is only marginally lower compared to RM177.2 million as at 30 June 2017.

Debt covenants where applicable are in full compliance for the current financial quarter ended 31 March 2018.

A7 **Dividends paid**

No dividend was declared or paid in the current financial quarter.

A8 **Segmental reporting**

The Group's 'year-to-date' segmental information based on the nature-of-business is as follows:

	Steel Tube	Cold Rolled	Engineering	Investment Holding	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue						
Total revenue	200,838	407,319	16,030	9,027	2,652	635,866
Inter segment	(1,291)	(22,409)	-	(9,027)	(2,559)	(35,286)
External revenue	199,547	384,910	16,030	-	93	600,580
Pre-tax profit/(losses)	17,794	11,462	(4,354)	(12,325)	1,422	13,999
Segment assets	188,919	461,676	10,594	107,012	2,536	770,737

Reconciliation of segment assets to total assets is as follows:

	RM'000
Segment assets	770,737
Deferred tax assets	1,750
Derivative financial asset	32
Tax recoverable	249
	772,768

Quarterly report on consolidated results for the third financial quarter ended 31 March 2018

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A8 **Segmental reporting** (continued)

The businesses of the Group are carried out entirely in Malaysia. "Pre-tax Profit to Segment Assets Employed" percentage for the Steel Tube Segment at 9% is significantly higher than the Cold Rolled Segment's at 2% partly due to the fact that the Steel Tube Segment does not own the factories' land and building (fair valued at around RM100 million as at 30 June 2017) which are rented from the Company and sister company categorised under Investment Holding for a monthly rental sum of RM455,400 which is eliminated in the segmental reporting. The Engineering Segment continued to record losses in the current financial year due to its engineering subsidiary's operation overheads and interest obligation (as opposed to its onerous contracts' losses which have been fully provided in the preceding financial year).

A9 **Valuation of property, plant and equipment**

The valuation of property, plant and equipment has been brought forward from the audited financial statements for the financial year ended 30 June 2017 and adjusted for depreciation where applicable to reflect the current period's ending net carrying value.

A10 **Fair value measurement**

Except for the financial instruments disclosed below which are fair valued by valuation methods, the carrying value of short-term maturity financial instruments like cash deposits and bank balances, receivables, and short-term borrowings and payables approximate their fair values.

Financial instruments subjected to fair valuation methods are categorised into the following fair value hierarchy and are represented in the table below as at 31 March 2018:

Level 1: based on unadjusted quoted prices in active markets for identical assets and liabilities
Level 2: based on observable inputs not included within level 1
Level 3: based on unobservable inputs

Recurring fair value measurement	Fair Value RM'000		
Foreign Currency Forwards	Level 1	Level 2	Level 3
as Assets (not hedge accounted)	-	31.7	-
as Assets (hedge accounted)	-	-	-
as Liabilities (not hedge accounted)	-	(33.8)	-
as Liabilities (hedge accounted)	-	(8,727.5)	-
Total	-	(8,729.6)	-

The Foreign Currency Forwards are fair valued by way of marking-to-market using reference bank's published forward rates.

Quarterly report on consolidated results for the third financial quarter ended 31 March 2018

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A11 **Investment in Associates**

Investment in the Power Associate

Mperial Power Ltd ("Mperial') ceased to be an associate following a wholly owned subsidiary of the Company, Melewar Steel Engineering Sdn Bhd ("MSE")'s disposal of the remaining 49% of the issued and paid up share capital of Mperial to the controlling shareholder, E Power Pte Ltd on 7 February 2018 (see Note A12).

The Power Group is an immaterial associate of MIG Group based on its' carrying investment value which has been reduced to zero with its share of the said associate's losses since end-September 2014. The Group's continuing share of the Associate's subsequent losses is not recognised but is recorded for future set-off against any arising share of gains- such those for the current quarter.

Details of the Group's unrecognised share of the Power Associate's losses amounting to RM31.5 million as at the point of disposal on 7 February 2018 are as follows:

	As at 07/02/2018 RM'000	As at 30/06/2017 RM'000
Unrecognised share of losses b/f	(28,948)	(189,707)
Share of Net (Loss)/Profit	(2,535)	147,443
Share of Other Comprehensive (Loss)/Income	(63)	13,316
Unrecognised share of losses c/f at closing of the period	(31,546)	(28,948)

A12 **Significant events and transactions**

Disposal of the Power Associate

The Company through its wholly owned subsidiary has on 7 February 2018 ('disposal date') disposed its entire holdings of 49 ordinary shares representing 49% of the issued and paid-up capital of Mperial Power Ltd (Mperial) to the controlling shareholder E Power Pte Ltd for a total consideration of USD1 (RM3.91). The rationale for the disposal is for the Group to exit its associate holding in the Power business which is being divested. Mperial Group's shareholders' funds on disposal date is around negative RM56.5 million. The pro-forma impact arising from the completion of Mperial's divestment of SIPCO 2 for USD10 million would be insufficient to reverse the deficit shareholders' funds position of Mperial Group; and would be inadequate to eliminate the Group's unrecognised share of the Power Associate's accumulated losses. (See Note A11). The disposal (of the remaining 49% associate interest in Mperial) is immaterial to the Company and the Group's financials for the current reporting period.

MELEWAR INDUSTRIAL GROUP BERHAD (8444-W)

Quarterly report on consolidated results for the third financial quarter ended 31 March 2018

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A13 **Subsequent material events**

There were no significant events or transactions for the current quarter affecting the Group's financial position and performance of its entities

A14 **Changes in the composition of the Group**

There were no changes to the composition of the Group during the current financial quarter.

A15 **Contingent liabilities**

There were no contingent liabilities for the current financial quarter.

A16 **Capital commitments**

At the end of the current reporting quarter, the Group's Cold Rolled subsidiary has an outstanding capital commitment balance of around RM1.16 million for the supply and installation of new motor-drives for its 'rolling mill'; whilst, its Steel Tube subsidiary has an outstanding capital commitment balance of around RM0.6 million for plant-equipment. The said capital commitments will be payable over established milestones running into financial year 2019.

MELEWAR INDUSTRIAL GROUP BERHAD (8444-W)

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PART B - EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENT – PART A OF APPENDIX 9B)

B1 **Review of the performance of the Company and its principal subsidiaries**

	Individual Period (3rd quarter)		Changes		Cumulative Period		Changes	
	Current Year Quarter 31/03/2018	Preceding Year Corresponding Quarter 31/03/2017			Current Year To-date 31/03/2018	Preceding Year Corresponding Period 31/03/2017		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	211,082	205,266	5,816	3%	600,580	575,750	24,830	4%
Operating Profit/(loss)	5,647	(8,274)	13,921	-168%	22,467	(41,420)	63,887	-154%
Profit/(Loss) Before Interest and Tax	5,647	(8,659)	14,306	-165%	21,638	(41,805)	63,443	-152%
Profit/(Loss) Before Tax	3,606	(11,887)	15,493	-130%	13,999	(49,748)	63,747	-128%
Profit/(Loss) After Tax	2,010	(15,372)	17,382	-113%	8,448	(59,519)	67,967	-114%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	880	(17,501)	18,381	-105%	4,134	(68,372)	72,506	-106%

The Group's revenue for the third financial quarter ended 31 March 2018 is 3% higher at RM211.1 million as compared to RM205.3 million achieved in the preceding year's corresponding quarter. At segment level, the revenue contribution from both the Cold Rolled and Steel Tube segments has increased by 12% and 5% respectively for the current financial quarter compared to the preceding year's corresponding quarter. The overall steel segments' higher revenue is attributed to higher average unit selling price by around 15% due to the run-up in raw steel prices whilst the sales volume in-comparison is relatively lower by 6% for the current financial quarter. The engineering segment's revenue contribution is also significantly lower by 72% due to the tail end of its construction contract.

The Group recorded a pre-tax profit of RM3.6 million for the current financial quarter compared to a pre-tax loss of RM11.9 million in the preceding year's corresponding quarter in the absence of further material losses from the Engineering segment given that full loss provisions on its' onerous construction contracts have been made in the preceding financial year. The Group's pre-tax profit for the current financial quarter is contributed mainly by the steel segments' pre-tax profits of RM2.8 million. Nevertheless, compared to the preceding financial quarter, the steel segments' pre-tax profit is lower by 36% as a result of a weaker gross margin spread (down by 28%) for the current financial quarter.

Despite a weaker performance of the Steel Tube segment due to lower sales volume and higher unit conversion cost from lower production volume, the Group managed to register an after-tax profit of RM2.0 million for the current quarter, of-which is a significant turnaround in comparison with the preceding year's corresponding quarter after-tax loss of RM15.4 million.

The Group recorded a higher EBITDA of RM10.7 million compared to the preceding year's corresponding quarter's LBITDA of RM3.3 million.

MELEWAR INDUSTRIAL GROUP BERHAD (8444-W)

Quarterly report on consolidated results for the third financial quarter ended 31 March 2018

PART B - EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENT – PART A OF APPENDIX 9B)

B2 Material change in the loss before tax as compared to the immediate preceding quarter

	Current Quarter 31/3/2018	Immediate Preceding Quarter 31/12/2017	Changes	
	RM'000	RM'000	RM'000	%
Revenue	211,082	203,198	7,884	4%
Operating Profit	5,647	7,826	(2,179)	-28%
Profit Before Interest and Tax	5,647	6,997	(1,350)	-19%
Profit Before Tax	3,606	4,262	(656)	-15%
Profit After Tax	2,010	2,825	(815)	-29%
Profit Attributable to Ordinary Equity Holders of the Parent	880	1,325	(445)	-34%

The Group's revenue for the current third quarter at RM211.1 million is 4% higher compared to the immediate preceding quarter's at RM203.2 million, due to higher contributions from both its Steel Tube and Cold Rolled segments (up by 8% and 2% respectively). The Steel segments' overall revenue for the current financial quarter has increased by 4% as a result of higher average unit selling price also by around 4%.

The Group registered a lower pre-tax profit of RM3.6 million compared with the immediate preceding quarter's pre-tax profit of RM4.3 million. The lower pre-tax profit for the current financial quarter is mainly due to a lower margin contribution from the Cold Rolled segment (down by 18% compared to the immediate preceding quarter). Consequently, at the post-tax level, the Group recorded a lower net profit of RM2.0 million for the current quarter as compared to a net profit of RM2.8 million in the immediate preceding quarter.

The Group recorded a lower EBITDA of RM10.7 million compared to the immediate preceding quarter's EBITDA of RM12.8 million.

Quarterly report on consolidated results for the third financial quarter ended 31 March 2018

PART B - EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENT – PART A OF APPENDIX 9B)

B3 Prospects for the remaining financial year

The Country's GDP growth for the 1st fiscal quarter of 2018 was lower at 5.4%, but would likely spike-up again in the 2nd fiscal quarter in-conjunction with the 14th General Election (GE). The unprecedented outcome of the 14th GE casts a plethora of uncertainties amidst post-election revelations and the rolling out of promised manifesto in the first hundred days at office for the new government. Whilst the equity and the forex market took a beating in the aftermath of the election, the economic outlook of the country for the remaining fiscal year would likely remain robust with the revitalized consumer sentiment, buoyant export-commodity prices, coupled with improving current account and trade balances.

Unfretted by antitrade measures undertaken by the USA, regional steel outlook in the current quarter generally remains positive with raw steel prices holding high- largely attributed to China's robust economy. The domestic steel industry on the other hand has been facing severe margins / earnings squeeze in current and recent past quarters due to heightened cost pressure and unfair foreign competition amid a generally soft-market. The weaker performance of the Group for the current financial quarter compared with the preceding financial year's comparative quarter reflects the difficult business and market environment in-which it currently operates. Whilst the new government has begun to rollout measures to alleviate 'cost-of-living' pressure on the general masses which will also boost domestic consumption, the ramifications of the aforementioned on the domestic steel industry and the Group's steel businesses remains uncertain. An increase in minimum wage pushes up production cost is unfavorable; the scrapping of the GST releases working capital is favorable; and a return to the old Sales and Service Tax regime which in the past did not cover steel materials can be favorable. The new government's call to review all mega-projects by the previous administration may lead to cancellation or scale-back which would negatively impact steel demand. Nevertheless, the new government has espoused priority for the economy and the continuity of pro-business policies which should augur positively for the domestic steel sector if executed well. In the immediate-term, the Group will continue to work closely with the authorities to address unfair pricing of competing Cold Rolled Coil (CRC) imports, and to ensure competing imports are not at the detriment of the domestic manufacturers.

The Group's engineering subsidiary's onerous construction contracts are at their tail-end and should be concluded by the end of the current financial year, barring any delay attributable to the clients. The wrap-up of these onerous projects will also entail 'commercial' close with the clients on variations and unscheduled works incurred that had contributed to the cost overrun, and any positive settlement arising thereof will serve towards recovery of past losses. In this regard, the subsidiary has submitted a total of RM74 million in unscheduled claims to the client which have yet to be recognised. The Group is not expecting any significant contribution from the engineering subsidiary apart from its overheads and debt-service costs as no new projects have been taken upon since.

In view of the above, business outlook and prospects for the Group for the remaining financial year remains cautious given the myriad of challenges. Nevertheless, the Group hopes to sustain a positive performance from its steel segments for the remaining financial year, barring any severe external shocks. Any positive settlement of variation claims upon the conclusion of its engineering construction contracts would greatly improve outlook for the Group.

B4 Variance of actual profit from forecast profit

The Group did not issue any profit forecast or profit guarantee.

MELEWAR INDUSTRIAL GROUP BERHAD (8444-W)

Quarterly report on consolidated results for the third financial quarter ended 31 March 2018

PART B - EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENT – PART A OF APPENDIX 9B)

B5 Profit/(Loss) before tax

The following expenses have been charged in arriving at profit/(loss) before tax:

	Current year quarter 31/03/2018 RM'000	Preceding year corresponding quarter 31/03/2017 RM'000	Current year to-date 31/03/2018 RM'000	Preceding year corresponding period 31/03/2017 RM'000
Depreciation and amortisation	(5,015)	(4,930)	(15,004)	(14,780)
Interest expenses	(2,356)	(3,544)	(8,818)	(8,769)
Interest income	315	316	1,179	826
Loss provision reversed/(made) onerous contract	-	2,701	-	(25,030)
Foreign exchange gain/(loss)	7,104	4,502	17,528	(8,707)
FX forward (loss)/gain	(6,721)	(5,097)	(16,416)	7,403

B6 Taxation

Taxation comprises:

	Current year quarter 31/03/2018 RM'000	Preceding year corresponding quarter 31/03/2017 RM'000	Current year to date 31/03/2018 RM'000	Preceding year corresponding period 31/03/2017 RM'000
Current tax expense				
Current period	(1,452)	(2,317)	(4,573)	(6,928)
Over/(under) provision in prior year	124	(98)	124	(98)
Deferred tax income				
Current period	(268)	(1,070)	(1,102)	(2,745)
	(1,596)	(3,485)	(5,551)	(9,771)

B7 Profit on sale of unquoted investments and / or properties

The Group did not engage in any sale of unquoted investments and / or properties in the current financial quarter.

B8 Purchase or disposal of quoted securities

There are no purchases or disposals of quoted securities in the current financial quarter.

MELEWAR INDUSTRIAL GROUP BERHAD (8444-W)

Quarterly report on consolidated results for the third financial quarter ended 31 March 2018

PART B - EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENT – PART A OF APPENDIX 9B)

B9 Status of corporate proposals

The Company had on 23 August 2017 announced a proposed renounceable Rights Issue of 1-for-1 shares held with free detachable Warrants of 1-for-2 Rights Shares subscribed ("Rights Issue"). The proposed fund raising exercise aims to raise a minimum of RM10.8 million and a maximum of RM44.41 million for the subscription of the Company's entitlement under Mycron's proposed rights issue, the repayment of borrowings and/or general working capital.

The shareholders of the Company had approved the above in an Extraordinary General Meeting held on 20 April 2018. The Company is currently working on the abridged prospectus as the next milestone, whilst the controlling shareholders of the Company are working on the exemption of 'mandatory general offer' application with the security commission.

B10 Group borrowings and debt securities

The Group's borrowings, denominated entirely in Ringgit Malaysia from lending institutions as at 31 March 2018 undertaken by its Steel and Engineering subsidiaries, are as follows:

	RM'000
Short-term borrowings	
Unsecured	4,001
Secured	95,621
	99,622
Long-term borrowings	
Secured	2,488
Total borrowings	102,110

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

	RM'000
Total Borrowings' opening balance at 1 July 2017	113,515
Inflow from drawdown	120,552
Outflow on repayment	(135,588)
Non-cash movement	3,631
Closing balance at 31 March 2018	102,110

The Group's Engineering subsidiary has pared down its short-term borrowing to RM26.3 million to partly finance the completion of its onerous projects for the current financial year. The remaining borrowings are mainly short-term trade financing incepted by the indirect steel subsidiaries to finance raw materials procurement which are secured via their respective debentures with fixed and floating charges.

Quarterly report on consolidated results for the third financial quarter ended 31 March 2018

PART B - EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENT – PART A OF APPENDIX 9B)

B10 **Group borrowings and debt securities** (continued)

Based on the above borrowings, the Group's gearing ratio is around 0.26 times. Besides the said borrowings, the Group's Cold Rolled subsidiary and the Steel Tube subsidiary also draw on interest-bearing trade credits from their respective raw-coil suppliers with outstanding amounts of RM117.6 million and RM52.1 million respectively as at 31 March 2018. Inclusive of these interest bearing trade credits, the Group's absolute gearing ratio as at 31 March 2018 is around 0.68 times.

B11 **Outstanding derivatives**

The Group has entered into forward foreign currency exchange contracts (FX forwards) to manage its foreign currency exchange exposure arising from purchases of raw materials denominated in US Dollar ("USD") and certain sales denominated in Singapore Dollar ("SGD"). In this regard, the Group covers its USD exposure at the range of 80% to 90% depending on the length of the forward period and the availability of FX facilities.

The Group designates eligible hedge relations on FX forwards incepted to cover its USD and/or SGD exposure for the purpose of hedge accounting. These are designated as fair value hedges with the arising mark-to-market foreign currency fair value gain/(loss) of both the hedging instruments (i.e. FX Forwards) and the hedged items (i.e. forward purchases of raw material and or accounts payables in USD or accounts receivables in SGD) being charged to the Statement of Profit or Loss.

Details on outstanding derivative FX forward contracts for both the non-designated and designated for hedge accounting as at 31 March 2018 are outline below:

Non-designated

FX Forward Contracts (SGD/RM) as non-designated hedging instrument				
	Notional Value '000		Fair Value RM'000	
Maturity	Short SGD	Long RM	Financial Asset	Financial Liability
Less than 1 year	330	1,006	31.7	-

Non-designated

FX Forward Contracts (USD/RM) as non-designated hedging instrument				
	Notional Value '000		Fair Value RM'000	
Maturity	Long USD	Short RM	Financial Asset	Financial Liability
Less than 1 year	525	2,068	-	33.8

Designated

FX Forward Contracts as designated hedging Instrument					Forward purchase of raw material and/or a/c payable as hedge items				
	Notional Value '000		Fair Value RM'000			Notional Value '000		Fair Value RM'000	
Maturity	Long USD	Short RM	Financial Asset	Financial Liability	Maturity	Short USD	n.a.	Financial Asset	Financial Liability
Less than 1 year	52,150	210,737	-	8,727.5	Matching	52,150	n.a.	8,727.5	-

Besides the above unrealised positions, the Group has recorded a total realised net loss of around RM7.7 million from its FX Forward Contracts incepted for hedging purposes over the current financial year.

Quarterly report on consolidated results for the third financial quarter ended 31 March 2018

PART B - EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENT – PART A OF APPENDIX 9B)

B11 **Outstanding derivatives** (continued)

(i) Risk associated with the derivatives

Counter-Party Risk
The Forward FX contracts are entered into with domestic licensed financial institutions which have extended FX lines to the Group. The associated Counter-Party risk is negligible.

(ii) Cash requirements of the derivatives

There is no cash movement from the Group to the counterparties when the Forward FX contracts are incepted. Upon maturity of the Forward FX contracts, domestic currency is exchanged for the foreign currency to meet its obligations.

(iii) Policies in place for mitigating or controlling the risk associated with the derivatives

The Group uses derivative financial instruments to hedge specific risk exposures of the underlying hedge items and does not enter into derivative financial instruments for speculative purposes. The Group monitors the fluctuations in foreign currency exchange rates closely with the objective to minimise potential adverse effects on the financial performance of the Group. The Board of Directors regularly reviews the risk and approves the policy for managing the risk.

B12 **Off balance sheet financial instruments and commitments**

The Company has in March 2016 issued a corporate guarantee for the due performance of its wholly owned engineering subsidiary to its client for a construction contract valued at RM83 million - which has since the financial year 2016 been determined to be onerous. On 14 March 2017, the engineering subsidiary entered into a supplementary agreement with the client for funding assistance (on the cost overruns beyond the contract sum) to complete the project with direct payments to selected sub-contractors and suppliers. The Company has on 16 March 2017 issued an additional corporate guarantee to the client as a condition for the aforementioned funding, estimated to reach RM40 million. As at the close of the current financial quarter, the amount owing by the subsidiary to client for such advances and guaranteed by the Company stands at RM35 million. On the flipside, the engineering subsidiary has filed unscheduled variation claims against the client for RM74 million.

The Company has also issued a corporate guarantee of RM28.2 million on loan facilities amounting to RM26.3 million taken by the engineering subsidiary to finance the completion of the said onerous projects. The engineering subsidiary's net recovery (if any) from its unscheduled variation claims against the client could partly serve to meet the loans' repayment obligation. In addition, the Company is currently working on the fund raising exercise (see Note B9) which could potentially raise a maximum allocation of RM24 million to cover those loan repayment.

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

MELEWAR INDUSTRIAL GROUP BERHAD (8444-W)

Quarterly report on consolidated results for the third financial quarter ended 31 March 2018

PART B - EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENT – PART A OF APPENDIX 9B)

B13 **Realised and unrealised profits/(losses) disclosure**

	As at 31/03/2018 RM'000	As at 30/06/2017 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	88,381	73,049
- Unrealised	(31,793)	(30,671)
	56,588	42,378
Add: Consolidation adjustments	(87,787)	(77,711)
Total accumulated losses as per consolidated accounts	(31,199)	(35,333)

B14 **Material litigation**

The Group did not engaged in any material litigation, either as a plaintiff or defendant, claims or arbitration which have a material effect on the financial position of the Group and the Board is not aware of any proceedings pending or threatened against the Group or of any other facts likely to give rise to any proceedings which may materially and/or adversely affect the financial position and business of the Group as at the date of this announcement.

B15 **Dividends**

The Company did not declare or pay any interim dividend in the current financial quarter.

B16 **Earnings/(Loss) per share**

(i) Basic earnings/(loss) per ordinary share

	Current year quarter 31/03/2018	Preceding year corresponding quarter 31/03/2017	Current year to date 31/03/2018	Preceding year corresponding period 31/03/2017
Profit/(Loss) attributable to owners of the Company (RM'000)	880	(17,501)	4,134	(68,372)
Weighted average number of ordinary shares in issue (net of treasury shares) ('000)	225,523	225,523	225,523	225,523
Basic earnings/(loss) per share (sen)	**0.39**	**(7.76)**	**1.83**	**(30.32)**

(ii) Diluted earnings/(loss) per ordinary share

This is not applicable to the Group.

MELEWAR INDUSTRIAL GROUP BERHAD (8444-W)

Quarterly report on consolidated results for the third financial quarter ended 31 March 2018

PART B - EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENT – PART A OF APPENDIX 9B)

This interim financial report has been authorised for issue by the Board of Directors on the date set-forth below.

By order of the Board
LILY YIN KAM MAY (MAICSA 0878038)
Secretary
Kuala Lumpur
30 May 2018

DIRECTORS' REPORT
(prepared for inclusion in this Abridged Prospectus)

MELEWAR INDUSTRIAL GROUP BERHAD
(8444-W)

CERTIFIED TO ISO 9001:2008 CERT. NO.: AR0994 | CERTIFIED TO ISO 9001:2008 CERT. NO.: AR0994

Office: Lot 53, Persiaran Selangor, 40200 Shah Alam, Selangor, Malaysia.
Mailing Address: P.O. Box 7018, 40700 Shah Alam, Selangor, Malaysia.
• Tel: 03-5519 2455 (12 lines) • Fax: 03-5519 2033 (Admin), 03-5510 6410 (Sales), 03-5519 4017 (Sales), 03-5510 8618 (Accounts)
• E-mail: enquiry@melewar-mig.com • Website: www.melewar-mig.com

Date: 16 July 2018

To: The shareholders of Melewar Industrial Group Berhad ("**MIGB**" or "**Company**")

Dear Sir/Madam,

On behalf of the Board of Directors of MIGB ("**Board**"), I wish to report that after making due enquiries in relation to our Company and subsidiary companies ("**MIGB Group**") during the period between 30 June 2017 (being the date on which the latest audited consolidated financial statements have been made up) to the date hereof, being a date not earlier than 14 days before the date of this Abridged Prospectus that:

(a) the business of MIGB Group has, in the opinion of the Board, been satisfactorily maintained;

(b) in the opinion of the Board, no circumstances have arisen since the last audited financial statements of MIGB Group, which have adversely affected the trading or the value of the assets of MIGB;

(c) the current assets of MIGB Group appear in the books at values which are believed to be realisable in the ordinary course of business;

(d) save as disclosed in this AP, there are no contingent liabilities that has arisen by reason of any guarantee or indemnities given by MIGB Group;

(e) there has been no default or any known event that could give rise to a default situation, in respect of payment of either interest and/or principal sums in relation to any borrowings in MIGB Group since the last audited consolidated financial statements of MIGB; and

(f) there has been no material change in the published reserves or any unusual factor affecting the profits of MIGB Group since the last audited consolidated financial statements of the MIGB Group

Yours faithfully
For and on behalf of the Board of
MELEWAR INDUSTRIAL GROUP BERHAD

AZLAN BIN ABDULLAH
Group Managing Director/Group Chief Executive Officer

AURORA CONDUIT **MIG-MELEWAR**

ADDITIONAL INFORMATION

1. SHARE CAPITAL

(a) Save for the Rights Shares and the Warrants, no securities will be allotted or issued on the basis of this AP later than twelve (12) months after the date of issue of this AP.

(b) Save for the Rights Shares and the Warrants, and the changes in issued and paid-up share capital as disclosed in Appendix II (Section 2) of this AP, no securities of our Company have been issued, or proposed/agreed to be issued, as fully or partly paid-up in cash or otherwise than in cash within the two (2) years immediately preceding the date of this AP.

(c) Save for the Warrants, no person has been or is entitled to be granted an option to subscribe for any securities of our Company.

(d) As at the LPD, save for the provisional allotment of Rights Issue with Warrants and as disclosed below, no person has been or is entitled to be granted, an option to subscribe for any securities, shares, or debentures in our Company or any of our subsidiaries.

2. DIRECTORS' REMUNERATION

The extract of the provisions in our Company's Articles of Association in relation to the remuneration of the Directors are as follows (capitalised terms mentioned are as defined in our Company's Articles of Association): -

Article 121 - Remuneration of Directors

The total fees of all of the Directors in any year (excluding amounts payable under any other provision of the Articles of Association) shall be a fixed sum as shall from time to time be determined by an ordinary resolution of the Company in general meeting, except salaries of executive Directors shall be such fixed sum as may be determined by the Board, and such fee shall be divisible (unless otherwise determined by an ordinary resolution of the Company in general meeting) among the Directors as they may agree, or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled only to rank in such division for a proportion of the fee related to the period during which he has held office provided always that:

(a) fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;

(b) remuneration payable to Director(s) holding executive position(s) under Article 150(1) may not include a commission on or percentage of turnover;

(c) fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting;

(d) any fee paid to an alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter; and

(e) executive Director(s) shall, subject to the terms of any agreement entered into in any particular case, receive(s) such remuneration as the Directors may from time to time determine.

Article 122 - Payment of expenses

(1) The Directors (including alternate Directors) shall be entitled to be reimbursed for all travelling, hotel or such reasonable expenses properly incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors.

(2) If by arrangement with the Directors, any Director shall perform or render any special duties or services outside his ordinary duties as a Director in particular without limiting to the generality of the foregoing if any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Directors may pay him special remuneration, in addition to his Director's fees, and such special remuneration may be by way of a fixed sum, or otherwise as may be arranged.

(3) In case the Company be wound up for any reason or purpose whatsoever, a Director shall not be entitled to any compensation in respect of the period which elapses between the date of the said winding up and the date at which, if the Company has not been wound up, he would have retired under the Articles of Association.

(4) Any extra remuneration payable to:

(a) a non-executive Director shall not include a commission on or percentage of profits or turnover; and

(b) an executive Director shall not include a commission on or percentage of turnover.

Article 152 - Remuneration of executive officer

The remuneration of the Directors appointed to an executive position under Article 150(1), subject to the terms of any agreement entered into in any particular case, may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but such remuneration shall not include a commission on or percentage of turnover but it may be a term of their appointment that they shall receive pension, gratuity or other benefits upon their retirement. The remuneration of the Director(s) appointed to an executive position under Article 150(1) shall be determined by the Board and can either be in addition to or in lieu of his/their fee as a Director.

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3. MATERIAL CONTRACTS

The Group has not entered into any material contracts (not being contract entered into in the ordinary course of business) during the past two (2) years before the date of this AP, except as disclosed below:

(i) a conditional sale and purchase agreement dated 20 November 2017 between MIGB and MST in relation to the disposal of a piece of leasehold land known as Lot 53, Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor together with buildings erected thereon to MST, a wholly owned subsidiary of Mycron Steel Berhad for a total cash consideration of RM 26 million; and

(ii) the Deed Poll.

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, save as disclosed below, the MIGB Group confirmed that there are no other material litigation, claims and/or arbitration either as a plaintiff or defendant, which may have a material effect on the financial position or business of the Group and the Board confirmed that there are no proceedings, pending or threatened against MIGB Group, or of any fact likely to give rise to any proceeding which may materially affect the financial position or business of the Group.

(i) Greencon Resources Sdn Bhd ("**Greencon**") is the sub-contractor to MIE for the foundation and civil works in a project. Greencon claimed that MIE failed to pay Greencon's progress claims and commenced adjudication proceedings against MIE to recover the sum of RM1,374,340.84. MIE denied Greencon's claim. MIE claimed that Greencon's claim had been exaggerated and that MIE had in fact overpaid Greencon the sum of RM3,959,111.59.

Greencon issued its notice of adjudication on 9 March 2018 and an adjudicator was appointed on 3 April 2018. The adjudication decision was delivered on 26 June 2018. The adjudicator awarded an aggregate sum of RM1,223,580.90 to Greencon, being the adjudicated amount of RM1,128,082.36; adjudication cost/Greencon's representative fee of RM74,173.15 and interest on outstanding adjudicated amount from 8 February 2017 to 26 June 2018 of RM21,325.39.

(ii) MMC Tepat Teknik Sdn Bhd ("**Tepat Teknik**") is the sub-contractor to MIE for the design, fabrication, supply and delivery of the transfer tower/ junction and detail engineering in a project. Tepat Teknik commenced three (3) separate adjudication proceedings against MIE in respect of three (3) purchase orders issued under its subcontract for the sums of RM874,500 ("**First Proceeding**"), RM643,482.12 ("**Second Proceeding**") and RM1,638,517.81 ("**Third Proceeding**") respectively. MIE disputed Tepat Teknik's claimed sums and claims a set-off or counterclaim against Tepat Teknik in each adjudication claim. The summary of MIE's counterclaim in each adjudication proceeding is as follows:

(a) third party rectification costs in the sum of RM1,064,544.09 incurred by MIE;

(b) the excess of third party costs in completing the fabrication works in the sum of RM684,680.05 by MIE;

(c) consultancy costs in the sum of RM154,568.00 incurred by MIE on behalf of Tepat Teknik;

(d) liquidated damages/ delay damages arising from Tepat Teknik's delay in carrying out its works; and

(e) liquidated damages/ unliquidated damages imposed by Tanjung Bin Power Sdn Bhd on MIE as a result of Tepat Teknik's delay in carrying out its works.

The adjudicator's decision for the First Proceeding was delivered on 3 July 2018. The adjudicator allowed Tepat Teknik's claim and awarded (i) RM874,500.00 being the adjudicated amount in respect of the First Proceeding ("**First Proceeding Adjudicated Amount**"); (ii) RM24,065.86 being the adjudication cost ("**First Proceeding Adjudication Cost**"); and (iii) interest at 5% per annum on the First Proceeding Adjudicated Amount and First Proceeding Adjudication Cost.

The adjudicator's decision for the Second Proceeding was delivered on 5 July 2018. The adjudicator allowed MIE's set-off of RM1,002,820.57 against Tepat Teknik's claim in totality, resulting in the dismissal of Tepat Teknik's claim for the Second Proceeding. The adjudicator also awarded costs to MIE in the sum of RM35,000.00 as party cost and RM11,521.32 as reimbursement for the adjudicator's fees paid by MIE for the Second Proceeding.

Tepat Teknik submitted its adjudication reply on 6 July 2018 in respect of the Third Proceeding. The adjudicator directed both parties to file their written submissions on or before 20 July 2018 and reply submissions on or before 25 July 2018.

The project costs relating to these sub-contractors have been fully accounted in the loss provision of the relevant contracts. MIE may dispute certain payments in the event it believes that the counter-parties fell short in the delivery or performance of their obligations under the relevant contracts.

5. CONSENTS

(a) Our Principal Adviser, Company Secretary, Share Registrar, Principal Bankers, and Solicitors for the Rights Issue with Warrants have given their written consents to the inclusion in this AP of their names and all references thereto in the form, manner and context in which they appear before the issuance of this AP and their consents have not subsequently been withdrawn;

(b) Our Reporting Accountant has given its consent to the inclusion in this AP of its name, its proforma consolidated statements of financial position together with the reporting accountants' letter thereon as set out in Appendix III of this AP and all references thereto in the form, manner and context in which they appear before the issuance of this AP and its consent has not subsequently been withdrawn; and

(c) Our Auditor has given its consent to the inclusion of its auditors' report on the audited consolidated financial statements of MIGB for the FYE 30 June 2017 as set out in Appendix IV of this AP and all references thereto in the form, manner and context in which they appear before the issuance of this AP and its consent has not subsequently been withdrawn.

6. SERVICE CONTRACT

There are no existing service contracts or proposed service contracts between the Directors and the Group, excluding contracts expiring or determinable by the employing company without payments or compensation (other than statutory compensation) within one (1) year from the date of this AP.

7. GENERAL

(a) The nature of our Company's business is disclosed in Section 1 of Appendix II of this AP. The details of our subsidiary and associated companies as at the LPD are disclosed in Section 6 of Appendix II of this AP.

(b) The estimated expenses of the Rights Issue with Warrants will be borne by our Company as disclosed under Section 5 of this AP.

(c) Save as disclosed in Section 6 of this AP, our Board confirmed that there are no material information including specific trade factors or risks which is unlikely to be known or anticipated by the general public and which could materially affect the profits of our Group.

(d) Save as disclosed in this AP and to the best knowledge of our Board, the financial condition and operations of our Company and our subsidiaries are not likely to be affected by any of the following:

(i) known trends, demands, commitments, events or uncertainties that will or are likely to materially increase or decrease the liquidity of our Group;

(ii) material commitments for capital expenditure;

(iii) unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from the operations of our Group; and

(iv) known trends or uncertainties that have had or that our Group reasonably expects will have a material favourable or unfavourable impact on revenues or operating income of our Group.

8. RESPONSIBILITY STATEMENT

The Documents have been seen and approved by our Directors and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement herein false or misleading.

TA Securities, being the Principal Adviser for the Rights Issue with Warrants acknowledges that, based on the available information, and to the best of their knowledge and belief, this AP constitutes full and true disclosure of all material facts concerning the Rights Issue with Warrants.

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ADDITIONAL INFORMATION (CONT'D)

9. DOCUMENTS FOR INSPECTION

Copies of the following documents will be made available for inspection at our Registered Office at Suite 12.03, 12th Floor No. 566 Jalan Ipoh, 51200 Kuala Lumpur during normal business hours on any weekday (except public holidays) for a period of not less than twelve (12) months from the date of this AP:

(a) Constitution of MIGB;

(b) the Deed Poll constituting the Warrants;

(c) material contracts as disclosed in Section 3 of Appendix VII of this AP;

(d) the audited financial statements of our Group for the past three (3) FYE 30 June 2015, 30 June 2016 and 30 June 2017 and the latest unaudited financial statements of our Group for the 9-months financial period ended 31 March 2018;

(e) letters of consent referred to in Section 5 of Appendix VII of this AP;

(f) the proforma consolidated balance sheets of MIGB as at 30 June 2017 together with the Reporting Accountants' letter thereon as set out in Appendix III of this AP;

(g) the certified true extract of the ordinary resolution passed at the EGM of our Company in relation to the Rights Issue with Warrants as set out in Appendix I of this AP;

(h) the Directors' Report as set out in Appendix VI of this AP;

(i) the letter of undertaking by the Undertaking Party as referred to in Section 3; and

(j) the relevant cause papers for the material claims as referred to in Section 4 of Appendix VII.

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NOTICE OF PROVISIONAL ALLOTMENT OF RIGHTS SHARES WITH WARRANTS

Terms defined in the Abridged Prospectus dated 25 July 2018 ("**AP**") of Melewar Industrial Group Berhad ("**MIGB**" or the "**Company**") shall have the same meanings when used in this Notice of Provisional Allotment ("**NPA**") unless stated otherwise. The provisionally allotted rights shares ("**Provisional Rights Shares**") together with the corresponding number of warrants as contained in this NPA are prescribed securities pursuant to Section 14(5) of the Securities Industry (Central Depositories) Act, 1991 as amended from time to time, ("**SICDA**") and therefore, the SICDA and the Rules of Bursa Malaysia Depository Sdn Bhd ("**Bursa Depository**") shall apply in respect of dealings in the Provisional Rights Shares.

MELEWAR INDUSTRIAL GROUP BERHAD
(Company No: 8444-W)
(Incorporated in Malaysia under the Companies Act, 1965)

RENOUNCEABLE RIGHTS ISSUE OF UP TO 225,522,808 NEW ORDINARY SHARES IN MELEWAR INDUSTRIAL GROUP BERHAD ("MIGB SHARES") ("RIGHTS SHARE(S)") ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) MIGB SHARE HELD AT 5.00 P.M. ON 25 JULY 2018 AT AN ISSUE PRICE OF RM0.20 PER RIGHTS SHARE, TOGETHER WITH UP TO 112,761,404 FREE DETACHABLE WARRANTS ("WARRANTS") ON THE BASIS OF ONE (1) WARRANT FOR EVERY TWO (2) RIGHTS SHARES SUBSCRIBED ("RIGHTS ISSUE WITH WARRANTS")

Principal Adviser

TA Securities Holdings Berhad
(Company No. 14948-M)
A Participating Organisation of Bursa Malaysia Securities Berhad

TA SECURITIES
A MEMBER OF THE TA GROUP

To: The entitled shareholders of MIGB

Dear Sir / Madam,

The Board of Directors of MIGB ("**Board**") has provisionally allotted to you, in accordance with the ordinary resolution passed by our Company at the EGM convened on 20 April 2018 and the approval of Bursa Malaysia Securities Berhad ("**Bursa Securities**") via its letter dated 26 January 2018, the number of Provisional Rights Shares with Warrants as indicated below.

We wish to advise you that the following Rights Shares with Warrants provisionally allotted to you in respect of the Rights Issue with Warrants have been confirmed by Bursa Depository and upon acceptance will be credited into your Central Depository System ("**CDS**") account(s) subject to the terms and conditions stated in the AP and Rights Subscription Form dated 25 July 2018 issued by our Company.

The Provisional Rights Shares and Warrants is made subject to the provisions stated in the AP issued by our Company. Bursa Securities has already prescribed the securities of our Company listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Provisional Rights Shares and Warrants arising from the Rights Issue with Warrants are prescribed securities and as such, the Securities Industry (Central Depositories) Act, 1991, and the Rules of Bursa Depository shall apply in respect of the dealings in the Rights Shares and Warrants.

ALL RIGHTS SHARES AND WARRANTS TO BE ISSUED PURSUANT TO THE RIGHTS ISSUE WITH WARRANTS WILL BE ALLOTTED BY WAY OF CREDITING THE RIGHTS SHARES WITH WARRANTS INTO THE CDS ACCOUNTS OF THE ENTITLED SHAREHOLDERS AND/OR THEIR RENOUNCEE(S)/TRANSFEREE(S) (IF APPLICABLE). NO PHYSICAL SHARE CERTIFICATES WILL BE ISSUED.

It is the intention of our Board to allocate the Excess Rights Shares with Warrants applied for in a fair and equitable manner. As such, the basis on which our Board intends to allot the Excess Rights Shares with Warrants is in the following priority:-

(i) firstly, to minimise the incidence of odd lots;
(ii) secondly, for allocation to the Entitled Shareholders who have applied for Excess Rights Shares with Warrants, on a pro-rata basis and in board lots, calculated based on their respective shareholdings in our Company as per their CDS Account on the Entitlement Date;
(iii) thirdly, for allocation to the Entitled Shareholders who have applied for Excess Rights Shares with Warrants, on a pro-rata basis and in board lots, calculated based on the quantum of their respective number of Excess Rights Shares with Warrants they applied for in their respective CDS Account; and
(iv) fourthly, for allocation to transferee(s) and/or renouncee(s) who have applied for Excess Rights Shares with Warrants, on a pro-rata basis and in board lots, calculated based on the quantum of their respective number of Excess Rights Shares with Warrants they applied for in their respective CDS Account.

In the event there is any balance Excess Rights Shares with Warrants after steps (i) to (iv) are carried out, steps (ii) to (iv) will be repeated to allocate the balance Excess Rights Shares with Warrants.

Notwithstanding the foregoing, our Board reserves the right to allocate any Excess Rights Shares with Warrants applied for under Part I(B) of the RSF in such manner as it deems fit and expedient, and in the best interests of our Company, subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board as set out in (i) to (iv) above is achieved. Our Board also reserves the right to allocate any Excess Rights Shares with Warrants, in full or in part, without assigning any reason thereof.

NAME, ADDRESS AND CDS ACCOUNT NUMBER OF ENTITLED SHAREHOLDER

NUMBER OF MIGB SHARES HELD AT 5.00 P.M. ON 25 JULY 2018	NUMBER OF RIGHTS SHARES PROVISIONALLY ALLOTTED TO YOU	NUMBER OF WARRANTS ATTACHED TO RIGHTS SHARES PROVISIONALLY ALLOTTED TO YOU	AMOUNT PAYABLE IN RM UPON ACCEPTANCE AT RM0.20 PER RIGHTS SHARE

IMPORTANT RELEVANT DATES AND TIMES

Entitlement Date	: Wednesday, 25 July 2018, at 5.00 p.m.
Last date and time for sale of provisional allotment of Rights Shares with Warrants	: Wednesday, 1 August 2018, at 5.00 p.m.
Last date and time for transfer of provisional allotment of Rights Shares with Warrants	: Monday, 6 August 2018, at 4.00 p.m.
Last date and time for acceptance and payment for Rights Shares with Warrants	: Thursday, 9 August 2018, at 5.00 p.m.
Last date and time for the Excess Rights Shares Application and payment	: Thursday, 9 August 2018, at 5.00 p.m.

By Order of the Board,

LILY YIN KAM MAY (MAICSA 0878038)
Company Secretary

SHARE REGISTRAR
Trace Management Services Sdn Bhd
Suite 12.03, 12th Floor
No. 566, Jalan Ipoh
51200 Kuala Lumpur
Tel. No.: 03-6252 8880
Fax No.: 03-6252 8080

THIS NOTICE OF PROVISIONAL ALLOTMENT IS DATED 25 JULY 2018

RIGHTS SUBSCRIPTION FORM

TERMS DEFINED IN THE ABRIDGED PROSPECTUS OF MELEWAR INDUSTRIAL GROUP BERHAD ("MIGB" OR THE "COMPANY") DATED 25 JULY 2018 ("ABRIDGED PROSPECTUS") SHALL HAVE THE SAME MEANINGS WHEN USED IN THIS RIGHTS SUBSCRIPTION FORM ("RSF") AND THE NOTES AND INSTRUCTIONS FOR COMPLETING THIS RSF EXCEPT WHERE THE CONTEXT OTHERWISE REQUIRES. THIS RSF IS ISSUED FOR THE PURPOSE OF ACCEPTING THE RIGHTS SHARES WITH WARRANTS AND APPLYING FOR EXCESS RIGHTS SHARES WITH WARRANTS PURSUANT TO THE RIGHTS ISSUE WITH WARRANTS (AS DEFINED HEREIN) OF MIGB. THIS RSF IS ONLY APPLICABLE TO PERSONS WHO HAVE PROVISIONALLY ALLOTTED RIGHTS SHARES ("PROVISIONAL RIGHTS SHARES") (TOGETHER WITH THE CORRESPONDING NUMBER OF WARRANTS) STANDING TO THE CREDIT OF HIS/HER CENTRAL DEPOSITORY SYSTEM ("CDS") ACCOUNT.

MELEWAR INDUSTRIAL GROUP BERHAD

(Company No: 8444-W)
(Incorporated in Malaysia under the Companies Act, 1965)

RENOUNCEABLE RIGHTS ISSUE OF UP TO 225,522,808 NEW ORDINARY SHARES IN MELEWAR INDUSTRIAL GROUP BERHAD ("MIGB SHARES") ("RIGHTS SHARE(S)") ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) MIGB SHARE HELD AT 5.00 P.M. ON 25 JULY 2018 AT AN ISSUE PRICE OF RM0.20 PER RIGHTS SHARE, TOGETHER WITH UP TO 112,761,404 FREE DETACHABLE WARRANTS ("WARRANTS") ON THE BASIS OF ONE (1) WARRANT FOR EVERY TWO (2) RIGHTS SHARES SUBSCRIBED

NAME AND ADDRESS OF APPLICANT
(in block letter as per the record of Bursa Malaysia Depository Sdn Bhd ("**Bursa Depository**"))

NRIC NO./
PASSPORT NO.
(state country)**/**
COMPANY NO.*

CDS ACCOUNT NO.

NUMBER OF MIGB SHARES HELD AT 5.00 P.M. ON 25 JULY 2018	NUMBER OF RIGHTS SHARES PROVISIONALLY ALLOTTED TO YOU	NUMBER OF WARRANTS ATTACHED TO RIGHTS SHARES PROVISIONALLY ALLOTTED TO YOU	AMOUNT PAYABLE IN RM UPON ACCEPTANCE AT RM0.20 PER RIGHTS SHARE

Note: If you have subsequently purchased additional Rights Shares from the open market, you should indicate your acceptance of the total Provisional Rights Shares that you have standing to the credit in your CDS Account under Part I (A).

To: The Board of Directors of MIGB ("Board")

PART I - ACCEPTANCE OF RIGHTS SHARES WITH WARRANTS AND APPLICATION FOR EXCESS RIGHTS SHARES WITH WARRANTS ("EXCESS RIGHTS SHARES APPLICATION")

In accordance with the terms of this RSF and the Abridged Prospectus, I / we* hereby irrevocably:-
a) * accept the number of Rights Shares with Warrants as stated below, which were provisionally allotted / transferred / renounced to me / us.
b) * apply for the number of Excess Rights Shares with Warrants as stated below in addition to the above;

in accordance with and subject to the Constitution of the Company.

I / We* enclose herewith the appropriate remittance(s) / reference for the payment stated below, in favour of the respective account stated below and crossed "ACCOUNT PAYEE ONLY", being the full amount payable for the said number of Rights Shares with Warrants accepted / applied for and hereby request for the Rights Shares with Warrants and excess Rights Shares with Warrants to be credited into my / our* valid and subsisting CDS Account as stated above:-

NUMBER OF RIGHTS SHARES ACCEPTED / EXCESS RIGHTS SHARES APPLIED		AMOUNT PAYABLE BASED ON RM0.20 PER RIGHTS SHARE (RM)	BANKER'S DRAFT / CASHIER'S ORDER / MONEY ORDER / POSTAL ORDER NO.	PAYABLE TO
(A) ACCEPTANCE				**MIGB RIGHTS ISSUE ACCOUNT**
(B) EXCESS				**MIGB EXCESS RIGHTS ISSUE ACCOUNT**

I / We* hereby authorise you to return without interest, the full or the balance (as the case may be) amount of my / our application money should my / our application for the Provisional Right Shares and/or the Excess Rights Shares with Warrants if such application is unsuccessful or late or partially successful by ORDINARY POST to me / us at the address as shown on the Record of Depositors at MY / OUR OWN RISK.

PART II – DECLARATION

I / We* hereby confirm and declare that:-
(i) all information provided by me / us is true and correct; and
(ii) all information is identical with the information in the records of Bursa Depository and further agree and confirm that in the event the said information differs from Bursa Depository's record as mentioned earlier, the exercise of my / our rights may be rejected; and
 * I am / We are* 18 years of age or above.
 * I am / We are* resident(s) of Malaysia.
 * I am / We are* resident(s) of .... (country) and having .... citizenship.
 * I am / We are* nominee(s) of a person who is a *Bumiputera / *Non-Bumiputera / *Non-Citizen resident in .... (country) and having .... citizenship.

I / We* consent to the Company and the Share Registrar collecting the information and personal data (collectively, "**Data**") required herein, to process and disclose such Data to any person for the purposes of implementing the Rights Issue with Warrants and storing such Data in any servers located in Malaysia or outside Malaysia in accordance with the relevant laws and regulations.

I / We* have read and understood and hereby accept all the terms and conditions set out in this RSF and the Abridged Prospectus and further confirm compliance with all the requirements for acceptance or application and payment as set out therein.

AFFIX MALAYSIAN REVENUE STAMP OF RM10.00 HERE

Date

Signature/Authorised Signatory(ies)
(Corporate bodies must affix their Common Seal)

Contact Number (Office / Mobile)

LAST DATE AND TIME FOR:

Acceptance and payment for the Rights Shares with Warrants .... : Thursday, 9 August 2018, at 5.00 p.m.
Excess Rights Shares with Warrants application and payment .... : Thursday, 9 August 2018, at 5.00 p.m.

* *Please delete whichever is not applicable.*

NOTES AND INSTRUCTIONS FOR COMPLETION OF THIS RSF

THIS RSF IS NOT A TRANSFERABLE OR NEGOTIABLE INSTRUMENT.

If you are in any doubt as to the action you should take, consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately. All enquiries concerning the Rights Issue with Warrants should be addressed to MIGB's Share Registrar, Trace Management Services Sdn Bhd at Suite 12.03, 12th Floor, No. 566, Jalan Ipoh, 51200 Kuala Lumpur (Tel No. : 03-6252 8880). **YOU SHOULD READ AND UNDERSTAND THE CONTENTS OF THE ABRIDGED PROSPECTUS TO WHICH THIS RSF RELATES BEFORE COMPLETING THIS RSF. IN ACCORDANCE WITH THE CAPITAL MARKETS AND SERVICES ACT, 2007, THIS RSF MUST NOT BE CIRCULATED UNLESS ACCOMPANIED BY THE ABRIDGED PROSPECTUS.**

The Rights Issue with Warrants is only for the Entitled Shareholders whose names are registered in the Record of Depositors maintained by Bursa Depository at 5.00 p.m. on 25 July 2018. The Abridged Prospectus, together with the NPA and this RSF are not intended to be issued, circulated or distributed in countries or jurisdictions other than Malaysia and no action has been or will be taken to ensure that the Rights Issue with Warrants complies with the laws of any country or jurisdiction other than the laws of Malaysia. Any Entitled Shareholders and/or their renouncee(s) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal adviser as to whether the acceptance or renunciation (as the case may be) of their entitlements to the Rights Issue with Warrants would result in the contravention of any law of such countries or jurisdictions. MIGB and TA Securities Holdings Berhad shall not accept any responsibility or liability, whatsoever, in the event that any acceptance or renunciation of provisional allotment by any entitled shareholders and/or their renouncee(s) is or shall become illegal, unenforceable, voidable or void in such countries or jurisdictions.

A copy of the Abridged Prospectus has been registered with the Securities Commission Malaysia ("**SC**"). The registration of the Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue with Warrants or assumes responsibility for the correctness of any statement made or opinion or report expressed in the Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of the Abridged Prospectus together with the NPA and this RSF, has also been lodged with the Registrar of Companies who takes no responsibility for the contents.

Approval from MIGB's shareholders has been obtained at MIGB's extraordinary general meeting held on 20 April 2018. Approval has also been obtained from Bursa Malaysia Securities Berhad ("**Bursa Securities**") on 26 January 2018 for the admission of Warrants to the Official List of the Main Market of Bursa Securities and the listing of and quotation for the Rights Shares, Warrants and the new MIGB Shares to be issued upon exercise of the Warrants on the Main Market of Bursa Securities. Admission to the Official List of Bursa Securities and quotation of the new securities are in no way reflective of the merits of the Rights Issue with Warrants.

The Board has seen and approved all the documentation relating to the Rights Issue with Warrants. The admission of the Warrants to the Official List and the listing of and quotation for the Rights Shares and Warrants will commence after, amongst others, receipt of confirmation from Bursa Malaysia Depository Sdn Bhd ("**Bursa Depository**") that all the CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to them.

The Board, collectively and individually, accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted could make the statements in the Abridged Prospectus, NPA and this RSF false or misleading.

Unless otherwise stated, the unit of currency used in this RSF is Ringgit Malaysia or "RM" in abbreviation.

INSTRUCTIONS:-

(i) LAST DATE AND TIME FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES

The last date and time for acceptance of and payment for the Rights Shares is at 5.00 p.m. on 9 August 2018.

(ii) FULL OR PARTIAL ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES

The Rights Issue with Warrants is renounceable in full or in part. If you wish to accept your entitlement to the Provisional Rights Shares, please complete Parts I(A) and II of this RSF in accordance with the notes and instructions contained in this RSF. Each completed and signed RSF together with the relevant payment must be despatched by **ORDINARY POST**, **COURIER** or **DELIVERED BY HAND** (at your own risk) to Trace Management Services Sdn Bhd, at Suite 12.03, 12th Floor, No. 566 Jalan Ipoh, 51200 Kuala Lumpur (Tel No.: 03-6252 8880). Each completed RSF must be accompanied by the appropriate remittance in RM for the full amount payable for the Rights Shares accepted in the form of banker's draft or cashier's order or money order or postal order drawn on a bank or post office in Malaysia and made payable to "**MIGB RIGHTS ISSUE ACCOUNT**", crossed "**ACCOUNT PAYEE ONLY**" and endorsed on the reverse side with your name, contact number, address and your CDS Account number in block letters to be received by Trace Management Services Sdn Bhd by 5.00 p.m on 9 August 2018. The payment must be made for the exact amount payable for the Rights Shares accepted. Any excess or insufficient payment may be rejected at the absolute discretion of the Board. Cheques or other mode(s) of payment not prescribed herein are not acceptable.

Applications accompanied by payments other than in the manner stated above or with excess or insufficient remittances may or may not be accepted at the absolute discretion of the Board. Details of the remittances must be filled in the appropriate boxes provided in this RSF.

No acknowledgement will be issued for the receipt of this RSF or application monies in respect of the Rights Issue with Warrants. However, if your application is successful, a Notice of Allotment will be despatched to you by ordinary post to the address as shown on the Record of Depositors at your own risk within eight (8) Market Days from the last date for acceptance of and payment for the Rights Shares with Warrants or such other period as may be prescribed by Bursa Securities.

Where an application is not accepted or is partially accepted, the full amount or the balance of the application monies, as the case may be, will be refunded without interest and shall be despatched to the applicant by ordinary post to the address as shown on the Record of Depositors provided by Bursa Depository at your own risk within fifteen (15) Market Days from the last date for acceptance of and payment for the Rights Shares with Warrants.

(iii) APPLICATION FOR THE EXCESS RIGHTS SHARES

Payment for the Excess Rights Shares applied for should be made in the form of banker's draft or cashier's order or money order or postal order drawn on a bank or post office in Malaysia made payable to "**MIGB EXCESS RIGHTS ISSUE ACCOUNT**", crossed "**ACCOUNT PAYEE ONLY**" and endorsed on the reverse side with your name, contact number, address and your CDS Account number in block letters to be received by MIGB's Share Registrar, Trace Management Services Sdn Bhd by 5.00 p.m on 9 August 2018. The payment must be made for the exact amount payable for the Excess Rights Shares applied. Any excess or insufficient payment may be rejected at the absolute discretion of the Board. Cheques or other mode(s) of payment not prescribed here are not acceptable.

No acknowledgement will be issued for successful Excess Rights Shares Applications but a Notice of Allotment will be despatched to successful applicants by ordinary post to the address as shown on the Record of Depositors at your own risk within eight (8) Market Days from the last date for application of and payment for the Excess Rights Shares with Warrants or such other period as may be prescribed by Bursa Securities.

In respect of unsuccessful or partially successful applications for the Excess Rights Shares with Warrants, the full amount or the surplus application monies, as the case may be, will be refunded without interest by ordinary post to the address as shown on the Record of Depositors at your own risk within fifteen (15) Market Days from the last date for application of and payment for the Rights Shares with Warrants.

It is the intention of our Board to allocate the Excess Rights Shares with Warrants applied for in a fair and equitable manner. As such, the basis on which our Board intends to allot the Excess Rights Shares with Warrants is in the following priority:-

(i) firstly, to minimise the incidence of odd lots;
(ii) secondly, for allocation to the Entitled Shareholders who have applied for Excess Rights Shares with Warrants, on a pro-rata basis and in board lots, calculated based on their respective shareholdings in our Company as per their CDS Account on the Entitlement Date;
(iii) thirdly, for allocation to the Entitled Shareholders who have applied for Excess Rights Shares with Warrants, on a pro-rata basis and in board lots, calculated based on the quantum of their respective number of Excess Rights Shares with Warrants they applied for in their respective CDS Account; and
(iv) fourthly, for allocation to transferee(s) and/or renouncee(s) who have applied for Excess Rights Shares with Warrants, on a pro-rata basis and in board lots, calculated based on the quantum of their respective number of Excess Rights Shares with Warrants they applied for in their respective CDS Account.

In the event there is any balance Excess Rights Shares with Warrants after steps (i) to (iv) are carried out, steps (ii) to (iv) will be repeated to allocate the balance Excess Rights Shares with Warrants.

Notwithstanding the foregoing, our Board reserves the right to allocate any Excess Rights Shares with Warrants applied for under Part I(B) of this RSF in such manner as it deems fit and expedient, and in the best interests of our Company, subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board as set out in (i) to (iv) above is achieved. Our Board also reserves the right to allocate any Excess Rights Shares with Warrants, in full or in part, without assigning any reason thereof.

(iv) SALE OR TRANSFER OF PROVISIONAL RIGHTS SHARES

If you wish to sell or transfer all or part of your entitlement to the Provisional Rights Shares to one (1) or more persons, you may do so through your stockbroker for the period up to the last date and time for sale or transfer of the Provisional Rights Shares (in accordance with the Rules of Bursa Depository) without first having to request our Company for a split of the Provisional Rights Shares standing to the credit of your CDS Account. To sell or transfer all or part of your entitlement to the Provisional Rights Shares, you may sell such entitlement on the open market for the period up to the last date and time for sale of the Provisional Rights Shares (in accordance with the Rules of Bursa Depository) or transfer such entitlement to such persons as may be allowed under the Rules of Bursa Depository for the period up to the last date and time for transfer of the Provisional Rights Shares with Warrants (in accordance with the Rules of Bursa Depository).

You are advised to read and adhere to this RSF and the notes and instructions contained in this RSF. In selling or transferring all or part of your Provisional Rights Shares with Warrants, you are not required to deliver any documents, including this RSF to your stockbrokers. You are however advised to ensure that you have sufficient number of Provisional Rights Shares standing to the credit of your CDS Account available for settlement of the sale or transfer.

If you have sold or transferred only part of the Provisional Rights Shares, you may still accept the balance of the Provisional Rights Shares by completing Parts I(A) and II of this RSF. You should note that all RSF and remittances so lodged with Trace Management Services Sdn Bhd will be irrevocable and cannot subsequently be withdrawn.

(v) GENERAL INSTRUCTIONS

(a) All applicants must sign on the front page of this RSF. All corporate bodies must affix their Common Seals.
(b) A Malaysian Revenue Stamp (NOT POSTAGE STAMP) of RM10.00 must be affixed on this RSF.
(c) The Rights Shares with Warrants subscribed by the Entitled Shareholders and/or their transferee(s) and/or their renouncee(s) (if applicable) will be credited into their respective CDS Accounts as stated in this RSF or the exact account(s) appearing on Bursa Depository's record of depositors.
(d) Any interest or other benefit accruing on or arising from or in connection with any application monies shall be for the benefit of the Company and the Company shall not be under any obligation to account for such interest or other benefit to you.
(e) The contract arising from the acceptance of the Provisional Rights Shares by you shall be governed by and construed in accordance with the laws of Malaysia, and you shall be deemed to have irrevocably and unconditionally submitted to the exclusive jurisdiction of the courts of Malaysia in respect of any matter in connection with this RSF and the contract arising therefrom.
(f) The Company reserves the right to accept or reject any acceptance and/or application if the instructions above are not strictly adhered to or which are illegible.
(g) Entitled Shareholders and/or their transferee(s) and/or their renouncee(s) should note that this RSF and remittances so lodged with MIGB's Share Registrar shall be irrevocable and shall not be subsequently withdrawn.