MYCRON STEEL BERHAD

(622819-D)

ANNUAL REPORT

2017

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NOTICE OF FOURTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the **14TH ANNUAL GENERAL MEETING** of the Company will be held at **Crystal Function Room, 4th Floor, Mutiara Complex, 3½ Miles, Jalan Ipoh, 51200 Kuala Lumpur** on **Thursday, 30 November 2017 at 10.00 a.m.** for the following purposes:

AGENDA

AS ORDINARY BUSINESS	**Resolution**
1. To receive the Audited Financial Statements for the year ended 30 June 2017 together with the Reports of the Directors and the Auditors thereon. ***[Please refer to Explanatory Note A]***	
2. To approve the proposed increase in monthly Directors' fees from RM3,100.00 to RM4,000.00 for the period from 1 January 2018 to 31 December 2018 totalling RM240,000.00 to be payable quarterly in arrears to the Non-Executive Directors of the Company.	**1**
3. To approve the payment of Directors' benefits payable to the Non-Executive Directors of the Company up to an amount of RM140,000.00 for the period from 1 February 2017 until the conclusion of the next Annual General Meeting ("AGM") of the Company. ***[Please refer to Explanatory Note B]***	**2**
4. To re-elect the following Directors of the Company who are retiring in accordance with Article 113(1) of the Company's Articles of Association and who, being eligible, offer themselves for re-election:	
(i) Tunku Dato' Yaacob Khyra	**3**
(ii) Muk Sai Tat	**4**
5. To re-elect Roshan Mahendran Bin Abdullah who is retiring pursuant to Article 120 of the Company's Articles of Association and who, being eligible, offers himself for re-election.	**5**
6. To re-appoint Tan Sri Datuk Seri Razman Md Hashim as Independent Non-Executive Director of the Company. ***[Please refer to Explanatory Note C]***	**6**
7. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration.	**7**
AS SPECIAL BUSINESS	
8. To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:-	
(a) Proposed Renewal of Share Buy-Back Authority	**8**
"THAT subject to compliance with Section 127 of the Companies Act, 2016 ("the Act"), the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by any relevant authority, the Company be and is hereby unconditionally and generally authorised to purchase and hold such amount of shares in the Company ("Proposed Renewal of Share Buy-Back Authority") as may be determined by the Directors of the Company from time-to-time through the Bursa Securities upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that the aggregate number of shares to be purchased pursuant to this resolution does not exceed three percent (3%) of the total number of issued shares of the Company and that an amount not exceeding the Company's total audited retained profits of RM255,385.41 as at 30 June 2017 would be allocated by the Company for the Proposed Renewal of Share Buy-Back Authority.	
AND THAT such authority shall commence immediately upon passing of this Ordinary Resolution and will expire at the conclusion of the next AGM of the Company unless earlier revoked or varied by Ordinary Resolution of shareholders of the Company in a general meeting or upon the expiration of the period within which the next AGM is required by law to be held whichever is earlier but not so as to prejudice the completion of purchase(s) made by the Company before the aforesaid expiry date.	
AND THAT the Directors be and are hereby authorised to take all steps necessary to implement, finalise and to give full effect to the Proposed Renewal of Share Buy-Back Authority and further THAT authority be and is hereby given to the Directors to decide in their absolute discretion to either retain the shares so purchased as treasury shares or cancel them or both."	

NOTICE OF FOURTEENTH ANNUAL GENERAL MEETING
(continued)

(b) Proposed Renewal and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") 9

"THAT the mandate granted by the shareholders of the Company on 8 December 2016 pursuant to Paragraph 10.09 of the Listing Requirements of Bursa Securities, authorising the Company and its subsidiaries ("the Mycron Group") to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for the Mycron Group's day-to-day operations as set out in Section 3.3(A) and 3.3(B) of Part B of the Circular to Shareholders dated 31 October 2017 ("the Circular") with the related parties mentioned therein, be and is hereby renewed, AND THAT mandate be and is hereby granted by the shareholders of the Company to apply to the new recurrent related party transactions of a revenue or trading nature as set out in Section 3.3(C) of Part B of the Circular with the related parties mentioned therein, provided that:-

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

(b) the transactions are made at arm's length and on normal commercial terms.

AND THAT, authority conferred by such renewed and granted mandate shall continue to be in force (unless revoked or varied by the Company in general meeting), until

(a) the conclusion of the next AGM of the Company following the forthcoming AGM at which time it will lapse, unless by a resolution passed at that meeting or Extraordinary General Meeting whereby the authority is renewed; or

(b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Act, but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act; or

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

whichever is the earliest.

AND THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

(c) Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Act 10

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

By Order of the Board

LILY YIN KAM MAY (MAICSA 0878038)
Company Secretary

Kuala Lumpur
31 October 2017

NOTICE OF FOURTEENTH ANNUAL GENERAL MEETING
(continued)

NOTES:-

1. *Applicable to shares held through a nominee account.*

2. *A member entitled to attend, speak and vote at a meeting of the Company is entitled to appoint not more than two (2) proxies to attend, speak and vote in his/her stead. A proxy may but need not be a member of the Company.*

3. *Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be presented by each proxy.*

4. *Where a member is an Exempt Authorised Nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*

5. *The instrument appointing a proxy, shall be in writing under the hand of the appointer or his attorney duly authorised in writing, and in the case of a corporation, either under seal or under hand of an officer or attorney duly authorised.*

6. *The instrument appointing a proxy must be deposited at the Company's Registered Office, Suite 12.03, 12th Floor, No. 566, Jalan Ipoh, 51200 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.*

7. *Any alteration in the form of proxy must be initialled.*

8. *Form of Proxy sent through facsimile transmission shall not be accepted.*

9. *For the purpose of determining a member who shall be entitled to attend this 14th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Articles 79(a), 79(b) and 79(c) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 24 November 2017. Only a depositor whose name appears on the Record of Depositors as at 24 November 2017 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and/or vote on his/her behalf.*

10. *Explanatory Notes to Ordinary Business:*

    (A) Audited Financial Statements

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

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

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

    (C) To re-appoint Tan Sri Datuk Seri Razman Md Hashim as Independent Non-Executive Director of the Company (Resolution 6)

    The Proposed Resolution 6 is to re-appoint Tan Sri Datuk Seri Razman Md Hashim who is over 70 years of age and was re-appointed at the 13th AGM of the Company held on 8 December 2016 pursuant to Section 129(6) of the Companies Act, 1965 (which was then in force) to hold office until the conclusion of the next AGM to be held in 2017. The said Section 129(6) is now superseded by the Act which does not require a director over 70 years of age to be re-appointed at the AGM. The Proposed Resolution 6 once passed will confirm the appointment of Tan Sri Datuk Seri Razman Md Hashim without any further requirement for him to seek re-appointment in future except that he shall still be subject to the Article 113(1) of the Company's Articles of Association requiring one-third of the directors to retire from office in every subsequent year.

11. ***Explanatory Notes to Special Business:***

    (D) Proposed Renewal of Share Buy-Back Authority (Resolution 8)

    The Proposed Resolution 8, if passed, would empower the Directors to exercise the power of the Company to purchase its own shares ("the Proposal") by utilising its financial resources not immediately required. The Proposal may have a positive impact on the market price of the Company's shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

NOTICE OF FOURTEENTH ANNUAL GENERAL MEETING
(continued)

(E) Proposed Renewal and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") (Resolution 9)

The Proposed Resolution 9, if passed, will empower the Company to conduct recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, and will eliminate the need to convene separate general meetings from time to time to seek shareholders' approval. This will substantially reduce administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

(F) Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Act (Resolution 10)

The Ordinary Resolution proposed under Resolution 10 of the Agenda is a renewal of the General Mandate for the Directors to issue and allot shares pursuant to Sections 75 and 76 of the Act. This mandate will provide flexibility for the Company to undertake future possible fund raising activities, including but not limited to placement of shares for purpose of funding the Company's future investment projects, working capital and/or acquisition(s) without having to convene another general meeting.

The Proposed Resolution 10, if passed, will give authority to the Directors of the Company, from the date of the above AGM, to issue and allot shares in the Company up to an amount not exceeding in total ten percent (10%) of the total number of issued shares of the Company for the time being, for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the 13th AGM held on 8 December 2016 and which will lapse at the conclusion of the 14th AGM to be held on 30 November 2017.

12. Poll Voting

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

The detailed information on Special Business of Agenda 8 except for Ordinary Resolution 10 as mentioned above is set out in the Circular to Shareholders of the Company dated 31 October 2017 which is despatched together with the Company's 2017 Annual Report.

PERSONAL DATA POLICY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof) and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Securities, the details of the Directors who are seeking for re-election or re-appointment in Agenda 4, 5 and 6 of the Notice of the 14th Annual General Meeting of the Company are set out in the Directors' Profile on pages 22 to 25 of this Annual Report. Their securities holdings in the Company are set out in the Directors' Shareholdings which appears on page 31 of this Annual Report.

The detailed information relating to general mandate for issue of securities pursuant to Paragraph 6.03(3) of the Listing Requirements of Bursa Securities are set out under Note F of the Notice of the 14th AGM of the Company.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present the Annual Report of Mycron Steel Berhad and its group of companies ("the Group" or "Mycron") for the financial year ended 30 June 2017.

TUNKU DATO' YAACOB KHYRA
Executive Chairman

CHAIRMAN'S STATEMENT
(continued)

FINANCIAL RESULTS

Mycron Steel Berhad comprises the combined operations of Mycron Steel CRC Sdn Bhd ("MSC") as well as Melewar Steel Tube Sdn Bhd ("MST"). The former is involved in the mid-stream sector of the steel industry, in the manufacture of Cold Rolled Coil ("CRC") steel sheets, while the latter is involved in the manufacture of steel tubes and pipes ("Steel Tubes").

The year under review saw the steel industry take a breather from the all-round strong performance of the industry the previous year. For the year under review, the Group performed well, with total revenue of RM726.2 million compared to RM566.8 million in the previous year, an increase of RM159.4 million or 28.1%.

The increase in revenue was due to higher turnover registered by both divisions, especially Steel Tubes, which recorded revenue of RM266.8 million, compared to the previous year's RM206.1 million, a significant growth of 29.5%. The CRC Division also performed creditably, chalking up revenue of RM482.1 million, compared to RM383.6 million the previous year, representing an increase of 25.7%.

In term of sales tonnage, CRC sales increased slightly by 2.4% to 191,048 tonnes, compared to 186,613 tonnes previously. Steel Tube sales tonnage increased to 102,528 tonnes, compared to 96,604 tonnes the previous year, representing an increase of 6.1%. It should be noted that the sales tonnage for Steel Tubes also included other items like second grade pipes, scrap, slitted edge, hot dipped services as well as pipe-forming and slitting services, while sales tonnage for CRC also included second grade CRC, pickled and oiled CRC, and scrap.

The Group recorded Profit After Tax of RM34.7 million, compared to RM24.2 million in the previous year, a significant increase of 43.4%. This was largely contributed by the Steel Tube Division, which by itself contributed RM23.0 million, representing 66.3% of the Group's Profit After Tax. A major contributing factor for this stellar performance was the improved margins for steel tubes, as a result of lower cost for Hot Rolled Coils ("HRC"), the core raw material for manufacturing steel tubes, caused by the cessation of operation of a domestic HRC manufacturer, Megasteel Sdn Bhd, which had previously dominated the domestic industry with inflated prices.

DIVIDEND

Despite the profitable performance for the year under review, the cash flow position of the Group is still considered to be tight, especially given the price volatility for HRC and the intense competition from China as well as domestic competitors. Banking facilities continue to be very limited, with existing bankers reducing their credit exposure to the sector. The Directors therefore do not recommend the payment of any dividend for the financial year ended June 30, 2017.

CRC OPERATIONS REVIEW

During the first financial quarter, sales revenue of RM116.0 million was 10% higher than the previous quarter, while sales tonnage of 51,595 tonnes was marginally up by 0.6%. It should be noted that the fasting month and the 4-day Hari Raya Puasa (7 July 2016) shutdown, occurred during this quarter, which ordinarily would have meant lower operating activity, and historically, would have represented the lowest quarter for the Group. Due to strong sales, the Profit Before Tax ("PBT") for the quarter remained strong at RM8.19 million increasing by 8.9%.

Mycron CRC Operations		FY 2017					FY 2016
Financial Year ended 30 June		Q1	Q2	Q3	Q4	TOTAL	TOTAL
Sales Revenue	RM mil	116.0	111.7	132.4	122.0	482.1	383.6
Sales Tonnage	tonnes	51,595	48,208	50,186	41,059	191,048	186,613
Capacity Utilization	% max	79.4%	74.2%	77.2%	63.2%	73.5%	71.8%
Profit (Loss) Before Tax	RM mil	8.19	1.33	2.87	3.44	15.83	23.13

Table 1 Total Capacity 260,000t/y

For the second financial quarter, revenue dipped slightly by 3.7% to RM111.7 million, while sales tonnage dipped 6.6% to 48,208 tonnes. PBT dropped significantly to RM1.33 million, a drop of RM6.86 million, or a hefty 83.8%. Among the contributing factors for the steep decline in PBT for the quarter was the sharp increase in HRC costs caused by the weak Ringgit, which depreciated from RM3.90 in May 2016 to RM4.50 in January 2017 against the US Dollar.

For the third financial quarter, sales revenue improved to RM132.4 million, an increase of 18.5%. Sales tonnage saw a slight increase to 50,186 tonnes, an increase of 4%. PBT improved to RM2.87 million, up by 115.8%, caused by an upward revision in CRC and steel tube prices.

Financial Year 2017 was a unique period, in which two Hari Raya Puasa celebrations occurred in the same 12 month period, the second occurring on 25 June 2017. For the fourth quarter, sales revenue dropped to RM122 million, a decrease of 7.9%, whilst sales tonnage took a sharp drop to 41,059 tonnes, a decrease of 18.2%. This drop was due to the 4-day Hari Raya shutdown, as well as the restriction on heavy trucks on public roads during the period which affected deliveries to customers. PBT however continued to improve to RM3.44 million, an increase of 19.9%, as profit margins improved.

CHAIRMAN'S STATEMENT
(continued)

DOMESTIC CRC INDUSTRY STRUCTURE

Hot Rolled Coil ("HRC") steel sheets are the basic raw material used in the production of Cold Rolled Coils ("CRC") steel sheets. CRC manufacturers, in general, produce two types of CRC, namely:

1. Scrap Based CRC (produced from Scrap Based HRC), and
2. Iron Ore Based CRC (produced from Iron Ore Based HRC).

Compared to Iron Ore Based CRC, Scrap Based CRC is considered to be inferior in quality metallurgically, as the latter contains impurities in the scrap used to manufacture the HRC. Therefore, being of lower quality HRC, Scrap Based CRC are used by the downstream manufacturers mainly in the steel tube and pipes as well as the furniture sectors.

On the other hand, due to its higher quality, the Iron Ore Based CRC are used by a different group of manufacturers mainly involved in the production of steel drums for the palm oil and petroleum sectors, for producing steel sheets for color coating and galvanizing purposes, for producing electrical appliances mostly comprising of white goods like washing machines, refrigerators, microwaves ovens, rice cookers and also for producing components and parts for the automotive industry.

Of the 5 licensed CRC manufacturers, only 4 are actively still in production, with Megasteel Sdn Bhd having stopped production of its CRC plant, 2 years ago. Eonmetal Group Berhad is more concentrated on the production of machinery and equipment compared to CRC, hence their low capacity utilization. CSC Steel Berhad and YKGI Berhad are also involved in color coating and galvanizing activities, which are down-stream consumers of CRC. It should be noted that all the producers use both Scrap Based and Iron Ore Based CRC as their raw material.

CRC Industry Statistics	CRC Production (tonnes per year) *				2016 CRC		
	2013	2014	2015	2016	Capacity (t/y)	Capacity Utilization	Unused Capacity (t/y)
CRC Steel Bhd	418,000	400,000	420,000	390,200	620,000	62.9%	229,800
Mycron Steel Bhd	180,000	203,000	187,000	190,000	260,000	73.1%	70,000
YKGI Bhd	105,000	120,000	110,000	86,000	200,000	43.0%	114,000
Eonmetal Group Bhd	50,000	25,000	25,000	25,000	120,000	20.8%	95,000
	753,000	748,000	742,000	691,200	1,200,000	57.6%	508,800
Megasteel Sdn Bhd	50,000	50,000	0	0	1,450,000	0.0%	1,450,000
Total	803,000	798,000	742,000	691,200	2,650,000	30.1%	1,958,800
Capacity Utilization					* estimated calendar year production (source: MISIF)		
Excluding MegaSteel	62.8%	62.3%	61.8%	57.6%			
Including MegaSteel	30.3%	30.1%	28.0%	26.1%			

Table 2

Table 2 provides details of utilization rates and total capacity for the domestic CRC industry. It will be noted that the industry's capacity utilization rate is relatively low at 57.6%, excluding Megasteel Sdn Bhd.

For 2016, the estimated CRC production in the country was 691,200 tonnes, which means that there was unutilized capacity of 508,800 tonnes, that could have been manufactured in the country. This sizeable amount of unused capacity was a result of the huge amount of imported CRC of 899,253 tonnes in 2016, the bulk of which could have been manufactured locally.

Table 3 shows the summary of imports of flat steel into the country. It is clear from the table, that the amount of imported CRC (899,253 tonnes in 2016) has been increasing steadily over the past 5 years (765,789 tonnes in 2012).

Taking into account the sizeable imports of CRC and Related Products in 2016, the combined magnitude of cold rolled steel sheets being imported into the country, adds up to a staggering 1,566,343 tonnes. This high level of imports can be largely attributed to the dumping practices by some countries, even though there is an import duty of 15% imposed by the Malaysian Government on steel imports into the country. Unfair trade practices of providing subsidies for CRC exports by certain countries also adds to the low capacity utilization of Malaysian producers.

After numerous complaints from the domestic CRC industry, the Ministry of International Trade and Industry ("MITI") imposed anti-dumping action against certain manufacturers from China, South Korea and Vietnam in May 2016, ranging from 3.06% to 23.78%. However, as can be seen from Table 3, the situation showed limited improvement, as some of the duties imposed, were simply not high enough to deter the perpetrators. The CRC industry has recently requested MITI to undertake a review on the anti-dumping rates, to impose a more realistic check on dumping activities.

CHAIRMAN'S STATEMENT
(continued)

FLAT STEEL IMPORTS		tonnes/year					2016
Class	**Description**	**2012**	**2013**	**2014**	**2015**	**2016**	**Change**
511	**Cold Rolled Coil (CRC) Sheets (Carbon Steel)**	**765,789**	**851,234**	**814,731**	**846,304**	**899,253**	**6.3%**
	CRC Related Products						
520	Cold-Rolled Electrical Sheets	105,202	119,241	108,782	111,604	113,162	1.4%
611	Galvanized (Hot Dipped) Zinc Sheets	353,373	376,109	304,618	279,155	361,584	29.5%
612	Electro-Galvanized Iron (EGI) Sheets	149,316	131,514	108,146	74,131	50,162	-32.3%
620	Tin Plated CRC Sheets	95,380	97,248	98,805	85,057	70,822	-16.7%
692	Color Coated CRC Sheets	90,674	57,384	59,853	43,473	37,405	-14.0%
693	Other Metallic Coated CRC Sheets	20,681	23,814	28,763	37,955	33,955	-10.5%
		814,626	**805,310**	**708,967**	**631,375**	**667,090**	**5.7%**
Total CRC & CRC Related Products		**1,580,415**	**1,656,544**	**1,523,698**	**1,477,679**	**1,566,343**	**6.0%**
519	**CR Stainless Steel Sheets**	**96,495**	**95,772**	**107,157**	**112,981**	**119,060**	**5.4%**
	HRC & Related Products						
481	Hot Rolled Coil (Carbon Steel)	826,765	938,944	1,064,983	1,251,399	1,657,699	32.5%
470	Plates	331,052	389,486	359,901	283,988	351,269	23.7%
720	Welded Pipes & Tubes	529,597	631,655	552,069	162,668	366,095	125.1%
		1,687,414	**1,960,085**	**1,976,953**	**1,698,055**	**2,375,063**	**39.9%**
Total CRC, Related Products & HRC		**3,364,324**	**3,712,401**	**3,607,808**	**3,288,715**	**4,060,466**	**23.5%**
	y-o-y Change	11.5%	10.3%	-2.8%	-11.4%	12.5%	

Table 3 (source: MISIF, Malaysian Iron and Steel Industry Federation)

STEEL TUBE OPERATIONS REVIEW

MST Steel Tube Operations				FY 2017			FY 2016
Year ending 30 June		**Q1**	**Q2**	**Q3**	**Q4**	**TOTAL**	**TOTAL**
Sales Revenue	RM mil	57.4	73.3	66.3	69.8	266.8	206.1
Production Output	tonnes	21,402	24,252	23,563	20,775	89,992	72,188
Capacity Utilization	% max	57.5%	65.2%	63.3%	55.8%	60.5%	48.5%
Profit Before Tax	RM mil	5.37	10.62	7.94	6.08	30.01	9.40

Table 4 Total Capacity 148,800t/y

The year under review was a sterling one for the Steel Tube Division which saw sales revenue rising by 29.5% to RM266.8 million, from RM206.1 million in the previous year. Production tonnage also showed a similar improvement, increasing by 24.7% to 89,992 tonnes from 72,188 tonnes previously. Table 4 shows the quarterly operating performance for the Melewar Steel Tube Sdn Bhd ("MST").

For the first financial quarter, sales revenue was RM57.4 million, up 11.5% over the previous quarter's RM51.5 million, whilst production tonnage was 21,402 tonnes, up 27.1% over the previous quarter's 16,843 tonnes. This improvement in sales and production reflects the division's enhanced marketing performance, following a revamp of the sales team and their operating practices.

CHAIRMAN'S STATEMENT
(continued)

For the second financial quarter, total sales revenue improved further by 27.7% to RM73.3 million, with further increase in production tonnage by 13.3% to 24,252 tonnes. PBT surged to RM10.62 million from RM5.37 million in the previous quarter, due to higher selling prices in tandem with the upward trend of international steel prices, together with lower HRC cost following the closure of Megasteel Sdn Bhd's HRC plant in Banting, which was announced in 30 August 2016.

For the third financial quarter, sales revenue was RM66.3 million, a drop of 9.5% over the previous quarter, while production tonnage dropped to 23,563 tonnes or 2.8%. The main contributing factor was the Chinese New Year festive season, which saw a short working month in February coupled with the restriction of heavy vehicles on the road.

For the fourth quarter, sales revenue increased by 5.3% to RM69.8 million, with improved sales prices. However in terms of production tonnage, volume was down 11.8% to 20,775 tonnes, as a result of the fasting month and Hari Raya Puasa celebrations.

Overall, for 12 months under review Profit Before Tax ("PBT") improved by 219% to RM30.0 million, compared to a profit of RM9.4 million in the previous year. In general, this significant improvement was caused by a substantial fall in HRC raw material price, as a result of the division being able to import HRC competitively, coupled with a strengthening of the sales team which forged stronger relationships with its key customers.

DOMESTIC FLAT STEEL INDUSTRY SUMMARY

FLAT STEEL CONSUMPTION				tonnes/year			2016
Class	**Description**	**2012**	**2013**	**2014**	**2015**	**2016**	**Change**
511	**Cold Rolled Coil (CRC) Sheets (Carbon Steel)**	**1,567,320**	**1,563,895**	**1,589,705**	**1,534,366**	**1,484,690**	**-3.2%**
	CRC & Related Products						
520	Cold-Rolled Electrical Sheets	95,701	111,977	102,291	104,484	106,383	1.8%
611	Galvanized (Hot Dipped) Zinc Sheets	667,729	787,481	733,989	702,451	838,585	19.4%
612	Electro-Galvanized Iron (EGI) Sheets	284,970	311,378	301,282	250,430	238,026	-5.0%
620	Tin Plated CRC Sheets	155,224	170,239	164,442	172,267	178,441	3.6%
692	Color Coated CRC Sheets	275,840	252,397	235,645	238,260	216,665	-9.1%
693	Other Metallic Coated CRC Sheets	19,328	19,173	26,588	34,209	29,131	-14.8%
		1,498,792	**1,652,645**	**1,564,237**	**1,502,101**	**1,607,231**	**7.0%**
Total CRC & CRC Related Products		**3,066,112**	**3,216,540**	**3,153,942**	**3,036,467**	**3,091,921**	**1.8%**
519	**CR Stainless Steel Sheets**	**36,413**	**30,164**	**159,881**	**143,603**	**155,036**	**8.0%**
	HRC & Related Products						
481	Hot Rolled Coil (Carbon Steel)	1,848,363	2,041,342	1,779,605	1,949,788	1,724,860	-11.5%
470	Plates	441,360	516,295	476,063	441,417	526,171	19.2%
720	Welded Pipes & Tubes	550,875	742,800	302,692	285,037	949,458	233.1%
		2,840,598	**3,300,437**	**2,558,360**	**2,676,242**	**3,200,489**	**19.6%**
Total CRC, Related Products & HRC		**5,943,123**	**6,547,141**	**5,872,183**	**5,856,312**	**6,447,446**	**10.1%**
	y-o-y Change	-3.5%	10.2%	-10.3%	-0.3%	10.1%	

Table 5 (source: MISIF, Malaysian Iron and Steel Industry Federation)

In 2016, Malaysia's overall flat steel consumption increased to 6.45 million tonnes, from 5.86 million tonnes the previous year, an increase of 10.1%. Table 5 provides a breakdown of the domestic flat steel consumption for the past 5 years.

The increase in consumption was in tandem with the country's growth rate of 5%, spurred on by domestic consumption and also infrastructure projects like the MRT line from Sungai Buloh to Kajang and the Tun Razak Exchange (TRX) project.

Despite the increase in flat steel consumption, the domestic consumption of HRC fell by 11.5% to 1.72 million tonnes, a reduction of 0.23 million tonnes over the previous year. With the closure of Megasteel Sdn Bhd's HRC plant, imported HRC increased by 0.41 million tonnes to fill the gap in demand (refer to Table 3).

CHAIRMAN'S STATEMENT
(continued)

With the closure, both the CRC and Steel Tube sectors, began to import HRC relatively freely on competitive terms. This impact was more significant for the Steel Tube sector, which uses a great deal of scrap based HRC, and which previously had to buy 100% of their HRC requirements from domestic producers. The impact for CRC producers was less significant, which uses a great deal of Iron Ore Based HRC, and were always permitted to import such HRC on a duty exempt basis.

It will also be noted from Table 5 that the consumption of Welded Pipes & Tubes, increased substantially by 233.1% or 0.66 million tonnes to 0.95 million tonnes. A great deal of that consumption, was met by a surge of imports of Steel Tubes (refer to Table 3) of 0.37 million tonnes, an increase of 0.20 million tonnes or 125%. This increase was caused by dumping activities of certain countries, which even after paying the 15% duty for imports, priced imported steel tubes at lower than domestic prices.

On the CRC side, domestic consumption declined by 3.2% to 1.48 million tonnes, a slight drop over the previous year's figure of 1.53 million tonnes. Of this amount, imports increased by 6.3% to 0.90 million tonnes. The domestic CRC manufacturing industry, is hopeful that MITI can persuade local CRC users, to buy more domestic CRC, by being stricter in its issuance of duty exemptions for imported CRC which can be produced locally. In this way, capacity utilization will increase, which will lower manufacturing cost, the benefits of which may be passed on to consumers, which would benefit all participants in the CRC value added chain.

MALAYSIAN FLAT STEEL 2016		Production	Import	Export	Consumption		
Class	Description	(t/y)	(t/y)	(t/y)	2016 (t/y)	Change	2015 (t/y)
511	**Cold Rolled Coil (CRC) Sheets**	**691,205**	**899,253**	**105,768**	**1,484,690**	**-3.2%**	**1,534,336**
	CRC Related Products						
520	Cold-Rolled Electrical Sheets	0	113,162	6,780	106,382	1.8%	104,484
611	Galvanized (Hot Dipped) Zinc Sheets	527,903	361,584	50,902	838,585	19.4%	702,451
612	Electro-Galvanized Iron (EGI) Sheets	252,632	50,162	64,768	238,026	-5.0%	250,430
620	Tin Plated Sheets	175,000	70,822	67,381	178,441	3.6%	172,267
692	Color Coated Sheets	216,169	37,405	36,908	216,666	-9.1%	238,260
693	Other Metallic Coated Sheets	0	33,764	4,633	29,131	-14.8%	34,209
		1,171,704	**666,899**	**231,372**	**1,607,231**	**7.0%**	**1,502,101**
Total CRC & CRC Related Products		**1,862,909**	**1,566,152**	**337,140**	**3,091,921**	**1.8%**	**3,036,437**
519	**CR Stainless Steel Sheets**	**200,626**	**119,060**	**164,650**	**155,036**	**8.0%**	**143,603**
	HRC & Related Products						
481	Hot Rolled Coil (HRC) Sheets (Carbon Steel)	77,322	1,657,699	10,161	1,724,860	-11.5%	1,949,788
470	Plates	220,000	351,269	45,099	526,170	19.2%	441,417
720	Welded Pipes & Tubes	795,718	366,095	212,355	949,458	233.1%	285,037
		1,093,040	**2,375,063**	**267,614**	**3,200,489**	**19.6%**	**2,676,242**
Total CRC, Related Products & HRC		**3,156,575**	**4,060,275**	**769,404**	**6,447,446**	**10.1%**	**5,856,282**

Table 6 (source: MISIF)

Table 6 provides a summary of the overall movement of flat steel in Malaysia for the calendar year 2016.

In general, the flat steel industry has performed well, with domestic consumption growing by 10.1%. With respect to the sectors the Group is involved in, consumption for CRC saw a slight drop by 3.2% to 1.48 million tonnes, with CRC Related Products growing by 7.0% and Welded Pipes & Tubes growing by a substantial 233.1%. HRC consumption was the key negative component in the flat steel sector, shrinking by 11.5%.

HRC SUPPLY

Global HRC prices have been extremely volatile, and have significantly increased in Q2 FY 2017 due to the spike in the prices of coking coal and iron ore, the two key ingredients in steel making. The price of coking coal soared from USD 90/tonne in July 2016 to USD 307/tonne in November 2016 (a hike of 240%), and is currently hovering at USD 150/tonne. Similarly, iron ore also increased substantially from USD 58/tonne in early September 2016 to USD 74/tonne in November 2016, and is currently at USD 75/tonne.

The weak Malaysian Ringgit has also played havoc in the cost of domestic HRC, and thus the sales price for CRC and Steel Tubes.

CHAIRMAN'S STATEMENT
(continued)

The Ringgit had depreciated some 12% against the US Dollar, from RM3.99 on 1st July 2016 to RM4.47 in end November 2016.

In 2016, Megasteel Sdn Bhd announced the closing of their HRC plant in Banting, after many months of quality issues and delayed deliveries. Another scrap-based HRC producer, Penang based Southern Steel Berhad, also ceased their HRC production due to some technical issues, having started their operations in 2015. As of now, there is no HRC manufacturer in operations in Malaysia.

In late June 2017, Megasteel Sdn Bhd had submitted a Safeguard petition to the government, its third petition submission, since 2011. If the safeguard measure were to be executed, the Tube Division would be unable to competitively import HRC, and risked potential loss of profitability. The result on the petition acceptance is expected to be announced by the government in the near future.

The industry is confident that the Government will decide wisely and will not make any decision that would be detrimental to the steel industry as a whole.

LONG-TERM OUTLOOK

The long-term outlook for the CRC and Steel Tube industry depends on several factors, including the price of raw materials like coking coal and iron ore, global and domestic economic factors, dumping of cheap steel into Malaysia by other countries, especially China and also the weakness of the Malaysian Ringgit. Government policy also plays an important part for the well-being of the steel industry.

The Chinese Government had been actively undertaking production cuts to curb steel oversupply, following worldwide anti-dumping action taken against the country. This is in addition to the Chinese Government's initiative to reduce pollution caused by steel factories during the winter months by reducing steel output. This should temporarily check the uptrend for subsidized cheap Chinese steel exports, which would be a welcome respite for domestic steel producers.

Of some concern, is the price volatility of HRC, which has caused many of its customers, to minimize inventory holding levels. In addition, concerns about the underperformance in the automotive sales sector, may dampen sentiments for steel.

The Group is working closely with the industry, to engage MITI, in its CRC anti-dumping rate administrative review, for steel producers from China, Vietnam and Korea, to reduce the influx of imported CRC. At the same time, in a potential pre-emptive move, the industry is considering a new CRC anti-dumping action against India and Japan, if deemed necessary.

Whilst the industry's outlook is positive, the ability to source working capital to fund operations, in terms of banking facilities, remains tight, with many banks reducing loan facilities to the sector. As HRC prices increase, the steel industry faces increasing pressure, to fund their raw material purchases. Supplier credit has absorbed some of the tightening cash flows, but at a high cost. Although the Group's gearing ratios are considered low, the Group will continue to actively look to reduce its borrowing levels further, should opportunities arise.

PROSPECTS FOR THE NEW FINANCIAL YEAR

We cannot be overly optimistic for the prospects for the new financial year due to the many factors mentioned earlier, which cause volatility in the domestic as well as international steel industry.

The domestic industry is fraught with challenges such as rising costs, soft demand and sharp swings in the prices of raw materials. Despite the drawbacks, the overall sentiment of the domestic steel industry for the new financial year can best be described as cautiously positive.

As the Group has performed well within the sector, barring any unexpected circumstances or any severe external shocks, the Group is cautiously optimistic of its prospects for the next financial year.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my heartfelt appreciation and thanks to all members of the management team and their staff for their hard work and dedication as well as contribution to the Group.

It is during these hard times that we differentiate ourselves by focusing our efforts in making quality products, backed by excellent after sales services. Mycron will continue to be a force in the domestic mid-stream steel industry for many years to come. Success does not always come easy and usually start from humble origins.

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

MANAGEMENT DISCUSSION & ANALYSIS STATEMENT

This Statement provides the management's analytical overview of the Group's operations and financial performance for the financial year ended 30 June 2017 in supplement of other statements contained in this annual report such as the Chairman's statement, the Statement on Risk Management and Internal Controls and the audited Financial Statements. Analytical disclosures made herein are based on available management information which may not have been specifically audited, and are made to the extent that these do not compromise competitively sensitive information. This section may contain opinions, judgement, and forward-looking views, and as such readers' discretion is advised.

OVERVIEW

The Group's net profit for the current financial year at RM34.7 million is around 44% higher than the preceding financial year's net profit at RM24.2 million – primarily due to the absence of any lumpy impairment charge on Property, Plant and Equipment (PPE) arising from planned capital expenditure displacement in the current financial year as compared to that made in the preceding financing year. Excluding the effects of impairment charge on PPE, the Group's operating profit performance for the current financial year is up around 14% compared to the preceding financial year. The better performance for the current financial year can be attributed to the following:

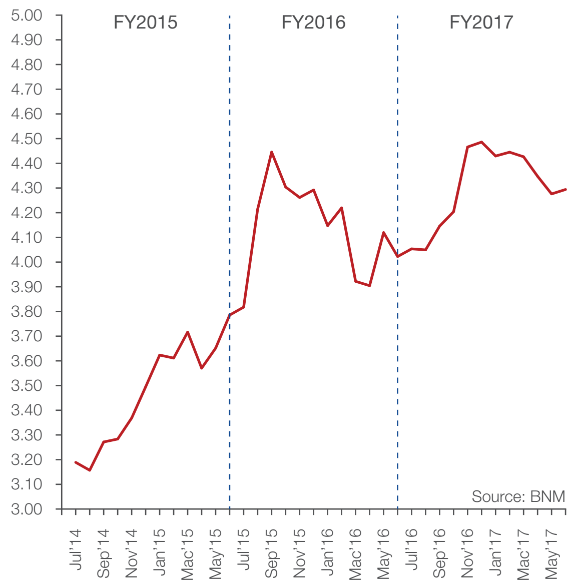
- Higher combined sales volume of the Group's Cold Rolled Coil and Steel Tube businesses by 7%; and

- Higher gross margin in absolute value by 13%.

  The gross profit margin percentage for the current financial year at 12.2% is however 166 basis-point lower compared to the preceding financial year at 13.8%. But the higher average unit selling price by 20% coupled with the higher sales volume, have contributed to the higher absolute gross margin value.

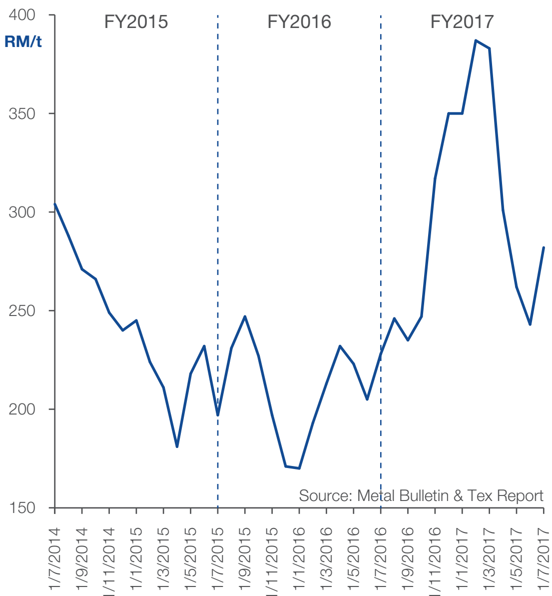
USD/MYR FX Month's End Closing Rate

Chart 1



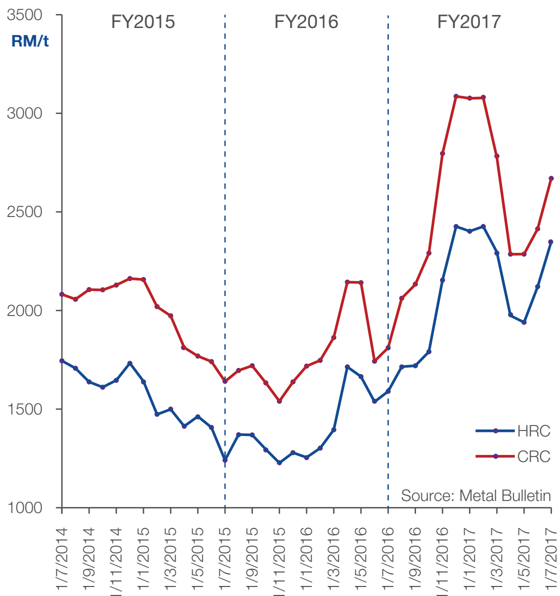
Iron Ore Average Prices in Asia (RM/t)

Chart 2



Average HRC Price vs CRC Price in Asia

Chart 3



MANAGEMENT DISCUSSION & ANALYSIS STATEMENT
(continued)

Despite the better performance, the market condition for the current financial year was actually more difficult compared to the preceding financial year in tandem with the weak economic sentiment of the Country coupled with sharp volatile movement in raw steel prices. The already weak Ringgit retreated by another 6.7% during the current financial year (see Chart 1) pushing up landed prices of raw steel materials higher which saw a resurgent in international prices due to China's buoyant economy. As an illustration, Chart 2 shows the average iron ore prices in Asia in Ringgit-terms which witnessed a dramatic 127% climb from the lows in January 2016 (preceding financial year) to peak in February 2017 (current financial year) before dropping-off 47% towards the end of the current financial year. The effects of the aforementioned on the average Hot Rolled Coil (HRC) and Cold Rolled Coil (CRC) prices in Asia – as a proxy to the price-effect on the Group – can be inferred from Chart 3. Both the Group's Cold Rolled and Steel Tube businesses consume imported HRC as raw material, and the gradual run-up in prices for the most part of the preceding financial year has been more favourable to business compared to the sharp rise and decline witnessed in the current financial year. Despite the challenges, the Group has managed to outperform the preceding financial year with reinvigorated sales and marketing strategies, and optimized operational synergies.

Consequently, the Group's key financial indicators as outlined in Table 1 below showed improvements in the key-results-areas which the Group monitors and manage.

Table 1		FYE 2017	FYE 2016
Profitability			
a.	Operational Return on Average Capital Employed (EBIT/Ave Cap)	10.33%	9.57%
b.	Return on Equity (Net Earnings/Equity)	9.29%	7.21%
c.	Economic spread (a-f)	3.43%	2.75%
Liquidity			
d.	Current Ratio (Current Asset/Current Liabilities)	1.31	1.16
e.	Interest Cover Ratio (EBITDA/Net Interest Expense)	7.31	6.22
Capital			
f.	Weigted Average Cost of Capital (Cost of Equity assumed at 9%)	6.90%	6.82%
g.	Debt to Equity Ratio (includes all interest bearing debt)	0.67	0.57
Value			
h.	Net Asset per Share (RM/share)	1.32	1.18
i.	Enterprice Value to Total Comprehensive Income Ratio	11.06	10.09

SEGMENTS' PERFORMANCE

Analyses on segments' contribution from both the Cold Rolled Coil and the Steel Tube businesses to the Group's performance are duly disclosed in Note 29 of the financial statement. This section provides supplementary ratio-analysis on the segments as outlined in Table 2 below.

Table 2	COLD ROLLED FYE 2017	COLD ROLLED FYE 2016	STEEL TUBE FYE 2017	STEEL TUBE FYE 2016
Segment's Revenue/ Assets Employed	0.97	0.88	1.34	1.34
Segment's Net Earnings/Assets Employed (Sens on Ringgit)	2.49	4.22	11.54	4.47
Segment's Assets/ Total Segment Assets	70.1%	72.5%	29.8%	27.4%
Segment's Net Earnings/Total Earnings	33.5%	71.2%	66.1%	28.5%
Operational Return on Assets (EBIT/Average Assets)	5.2%	9.1%	18.3%	7.4%

For the current financial year ended 30 June 2017, the Steel Tube segment outperformed the Cold Rolled segment and is the major contributor to the Group's overall earnings. The sharp rise and fall in HRC prices over the current financial year as shown in Chart 3 above, resulted in periods where the spread between HRC and CRC prices narrowed significantly that impinged upon cold-rollers' margin. As a results of that, the Group's Cold Rolled segment's gross margin percentage for the current financial year is around 43% lower compared to the preceding financial year. The Steel Tube segment consumes both HRC and CRC as raw materials for its steel tube production at the ratio of around 9.2 to 1, and is generally unaffected by the said narrowing price spread. On the other hand, periods of sharp rise in HRC and CRC prices may accord periods of better margins for the Steel Tube manufacturing business due to the time lag between raw materials procurement and the sale of finished goods. The contrary would occur if prices of raw materials fall unexpectedly and sharply. However, the sharp decline in HRC prices towards March 2017 was not too deep and the Group's Steel Tube segment managed to mitigate negative margins over that period to emerge for the full financial year with a gross margin percentage 55% better than that achieved in the preceding financial year.

CHALLENGES AHEAD

The Group has had a good run with two consecutive financial years' of relatively strong performance since it acquired the steel tube business in financial year 2015 which coincided with the period where the competitive landscape became more levelled due to slew of trade-actions taken by the industry against unfair imports, and the demised of upstream burden on entire the steel value chain. One of the main challenges for the Group moving ahead is to work with the various stakeholders in the Industry and the Government to preserve a levelled competitive landscape especially against product-dumping from abroad. The China-factor on international and domestic steel market dynamics would continue to pose great threats and opportunities, and the Group will focus upon building its competitive strength to deal with these challenges ahead.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

BUSINESS GOVERNANCE ETHICS

The Group is continuously committed to promote and maintain transparency, accountability and ethics in the conduct of its business and operations with the stakeholders, including our Government and Authorities, Shareholders and Investors, Customers, Suppliers, Employees and Communities. This includes the implementation of internal control systems such as a financial authority framework and risk management framework. Coupled with this, the Company's Audit Committee and Risk Management Committee periodically review these internal control systems together with recommendations from Internal and External Auditors as well as appointed Advisors for projects undertaken by the Company.

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

The Group has introduced various channel to engage with our stakeholders to understand and respond to their expectations and interests with regard to our services and operations.

The Group's main suppliers consist of equipment manufacturers and raw material suppliers, consumables. The Group works closely with the suppliers to create a high-quality, reliable supply chain that meets our high ethical standards.

The Group has had regular engagement sessions with suppliers to identify areas and methods for improvement and to resolve issues. The Group Procurement Department ensures diversification of supply chain to mitigate the risk of disruption to our operations. The Group's operations maintain at least one primary and one secondary supplier for raw material, consumables and spare parts, wherever possible.

The Company attained ISO 14001 : 2004 (Environmental Management System) in 2014 and successfully migrated to 2015 version in May 2016. This certification demonstrates that the Company has in place effective measures to improve resource efficiency reduce waste and drive down operation costs.

The Group's key CSR initiatives and commitments to Corporate Sustainability, across six (6) impact areas as follows:

1. CUSTOMER SATISFACTION

The Group is unwavering in meeting its standards of excellence by ensuring the delivery of quality in project execution and meeting all customer deliverables as detailed in our contracts.

We aspire towards full realisation of ISO standards (ISO 9001 : 2015 & ISO14001 : 2015) throughout our operations and the application of established quality practices and policies. The Group is committed to improving compliance with product requirements and the effectiveness of its Quality Management System on a continuing basis.

2. WORKPLACE

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

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

The Group is supported by a total staff strength of over 407 employees. As at the financial year ended 30 June 2017, the Gender Composition of the employees are as follows:-

GENDER	NUMBER	PERCENTAGE
Male	335	82%
Female	72	18%
Grand Total	**407**	**100%**

CORPORATE SOCIAL RESPONSIBILITY STATEMENT
(continued)

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

3. HEALTH AND SAFETY

MSB is committed to the highest standards of the Health, Safety and Environmental ("HSE") protection. It is the Group's policy to take all precautions and safety measures to ensure our employees are working in a safe and healthy environment.

The areas that the Group specifically looks at are:

(a) Safer workplace

The Directors are committed to provide a safe, healthy and quality working environment for the employees and customers and to minimize any preventable accidents and health hazards that may occur in any of the business premises. Regular Safety campaigns/briefings/trainings were conducted to create awareness of safety at all working levels.

The Company practices "Safety Day" once bi-monthly with series of activities to further enhance their knowledge in health, safety and environmental not only in the workplace but also in the communities we operate in.

(b) Human resource development

The Group also ensures there are growth, development and progression opportunities for the employees through in-house training, seminar, workshops and talks. This will equip them with the latest job-related updates and learning.

(c) Employees' welfare

In appreciation of the employees' loyalty, valuable support and commitments to the Company, Long Service awards were presented to staffs who have worked for more than 10 years with the Company.

The Company has also maintained the policy of rewarding the employees when the "Accident Frequency Rate" is kept at a minimal level under its safety campaign named "Know safety no Injury".

Implementing the "**5S**" Concept (an in-house housekeeping methodology which widely encompassed the principles of sorting, setting-in-order, systematic cleaning, standardising and sustaining discipline) in the work place as a means to continuously improve and ensure an orderly and conducive working environment.

(d) Recruitment

The recruitment of the Group is to select and recruit candidates who are most suitable for the performance of the job vacancy and does not discriminate on the gender, ethnicity, and age of the candidate being considered for recruitment.

4. MARKETPLACE

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

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

In addition to the above, the Group also focus on:

- Producing quality products at competitive prices to customers.
- Provision of technical services to customers as and when required.
- Organising product seminar and participating in product exhibition so as to share the information of our steel products with relevant parties such as architects, developers, customers, etc.
- Always sourcing for competitively priced and better quality products and services from reliable sources and passing on the savings to customers where possible.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT
(continued)

- Obtaining product certification such as SIRIM Eco-Labelling for eco-friendly products.
- Upholding the Operating Policy to continuously improve productivity, constantly develop higher value-added products and environmental-friendly products, to continually pursue excellence in quality and service exceeding customers' expectation and fulfilling our commitment to corporate social responsibility.

5. ENVIRONMENT

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

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

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

(iii) 3R programs (Reduce, Reuse & Recycle) - Encourage and implement 3R concepts across the plant to reduce waste and drive cost down. Reduce waste by improving machine efficiency and quality, Reuse the papers by enforcing double sided printing, recycle the used cotton rags and re-use them in the production for non-critical application.

(iv) Maintaining the environmental management system in line with the standards of ISO 14001 certification.

(v) Having environmental monitoring of the quality of its treated effluent, chimney stack emissions, boundary noise and ambient air quality to ensure compliance with the regulatory requirements and all environmental monitoring reports are submitted to the Department of Environment on a quarterly basis.

(vi) Enhancing plant landscaping and greening the factory premises.

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

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

6. COMMUNITY

The Group aims to add value to the community in which it operates its business, and through this engagement, enhance the long-term sustainability of the business.

In recognising the above, the Company has set up an Emergency Response Team (ERT). We have presently 32 employees in the Emergency Response Team who are being trained by Bomba.

Making charity contribution to charitable organisation.

CORPORATE INFORMATION

Domicile	:	Malaysia
Legal Form & Place of Incorporation	:	A public listed company incorporated in Malaysia under the Companies Act, 1965 and limited by shares
Directors	:	Tunku Dato' Yaacob Khyra ■ *Executive Chairman* En Azlan bin Abdullah ■ *Executive Director/Group Chief Executive Officer* Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah ■ *Non-Independent Non-Executive Director* En Roshan Mahendran Bin Abdullah ■ *Executive Director/Group Chief Operating Officer* Tan Sri Datuk Seri Razman Md Hashim ■ *Independent Non-Executive Director* Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah ■ *Independent Non-Executive Director* En Shazal Yusuf bin Mohamed Zain ■ *Independent Non-Executive Director* Mr Muk Sai Tat ■ *Independent Non-Executive Director*
Secretary	:	Ms Lily Yin Kam May
Audit Committee	:	Mr Muk Sai Tat ■ *Chairman* Tan Sri Datuk Seri Razman Md Hashim ■ *Member* En Shazal Yusuf bin Mohamed Zain ■ *Member*
Registrar & Transfer Office	:	Trace Management Services Sdn Bhd Suite 12.03, 12th Floor No. 566 Jalan Ipoh 51200 Kuala Lumpur Telephone No. : 03-6252 8880 Telefax No. : 03-6252 8080
Registered Office	:	Suite 12.03, 12th Floor No. 566 Jalan Ipoh 51200 Kuala Lumpur Telephone No. : 03-6252 8880 Telefax No. : 03-6252 8080

CORPORATE INFORMATION
(continued)

Principal Place of Business	:	Lot 717 Jalan Sungai Rasau Seksyen 16 40200 Shah Alam Selangor Darul Ehsan Telephone No. : 03-5510 6608 Telefax No. : 03-5510 3720
Solicitors	:	Cheang & Ariff No. 39, Court @ Loke Mansion No. 273A, Jalan Medan Tuanku 50300 Kuala Lumpur Telephone No. : 03-2691 0803 Telefax No. : 03-2692 8533
Auditors	:	Messrs PricewaterhouseCoopers (AF 1146) Level 10, 1 Sentral Jalan Rakyat Kuala Lumpur Sentral 50706 Kuala Lumpur Telephone No. : 03-2173 1188 Telefax No. : 03-2173 1288
Principal Bankers (In alphabetical order)	:	■ Bangkok Bank Berhad ■ Malayan Banking Berhad ■ OCBC Bank (Malaysia) Berhad ■ Standard Chartered Bank (Malaysia) Berhad
Stock Exchange Listing	:	Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) Stock Number 5087
Website	:	www.mycronsteel.com
E-mail	:	enquiry@mycronsteel.com

QUALITY RECOGNITION

Mycron Steel constantly improves its operations and strives to meet customer's expectations. In 1996, Mycron Steel achieved its ISO 9001 certification by SIRIM and IQNet. Since it was established, the effectiveness of the Quality Management System has been continually refined and adapt to global challenges.

- *In 2002 : ISO 9001 : 2000 certification in Quality Management System*
- *In 2008 : ISO 9001 : 2008 certification in Quality Management System*
- *In 2016 : ISO 9001 : 2015 certification in Quality Management System*

Mycron Steel believes it has an important role to ensure continual improvement of environmental performance in all its business operations. On 30th June 2014, Mycron Steel reached another milestone in its green environmental pathway by obtaining the ISO 14001 : 2004 Environmental Management System certification. This certification is to provide assurance that its operations not only meet the legal obligations, but also its environmental impacts are being measured. Mycron Steel sets an annual environmental improvement targets and objectives and the KPIs are regularly reviewed are publicised throughout the organisation. All the staff are committed to improve resource efficiency, promoting 3R (Reuse, Reduce & Recycle) and where possible, to work with suppliers and customers to make our factory a green and safe workplace. The certification was upgraded to ISO 14001 : 2015 on 19th June 2017.

In Sept 2016, Mycron Steel demonstrates a due diligence to ensure its products meeting the relevant criteria for quality. We have obtained our product certification by SIRIM in recognition of our product quality compliance against the Malaysian Standard (MS 2651 : 2015) and Japanese Industrial standards (JIS G3141 : 2011). Mycron Steel's products are verified, tested and confirmed in meeting the parameters covered by the two mentioned Quality Standards. This certification is beneficial not only to Mycron Steel but also the industry as a whole, and its customers, as it increases customers' confidence level in our product quality and consistency.

QUALITY RECOGNITION
(continued)

PROFILE OF DIRECTORS

Tunku Dato' Yaacob Khyra

Aged 57, Malaysian, Male

Executive Chairman

Member of the Executive Committee

Tunku Dato' Yaacob Khyra was appointed to the Board of Directors of the Company on 30 March 2004 as a Non-Independent Non-Executive Director. Subsequently, he was re-designated to Non-Independent Non-Executive Chairman of the Company on 2 May 2008.

On 2 January 2015, Tunku Dato' Yaacob was re-designated to Executive Chairman of the Company. He is also a Director of Mycron Steel CRC Sdn Bhd. He currently holds the position of Executive Chairman of MAA Group Berhad ("MAAG") and Executive Chairman of Melewar Industrial Group Berhad ("MIG").

Tunku Dato' Yaacob graduated with a Bachelor of Science (Hons) Degree in Economics and Accounting from City University, London. An accountant by training, he is a Fellow of the Institute of Chartered Accountants in England & Wales and a member of the Malaysian Institute of Accountants.

Tunku Dato' Yaacob started his career as an Auditor with Price Waterhouse in London from 1982 to 1985 and subsequently, employed by the same firm in Kuala Lumpur from 1986 to 1987. Tunku Dato' Yaacob joined Malaysian Assurance Alliance Berhad (now known as Zurich Insurance Malaysia Berhad) in 1987 until October 2006.

Currently, Tunku Dato' Yaacob is a Board Member of MAAG, MIG, Melewar Group Berhad, Khyra Legacy Berhad ("KLB"), Ithmaar Holding B.S.C., IB Capital B.S.C. (Closed) and several private limited companies. He also sits on the Board of Altech Chemicals Limited as Non-Executive Director.

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

Tunku Dato' Yaacob is the brother to Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah. Tunku Dato' Yaacob is deemed interested in Mycron by virtue of him being a beneficiary of a trust known as Khyra Legacy Berhad, being the holding company of Melewar Equities (BVI) Ltd and Melewar Khyra Sdn Bhd, who are the major/substantial shareholders of MIG, a major shareholder of Mycron. His shareholding in the Company is disclosed on page 31 of the Annual Report.

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

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

En Azlan bin Abdullah was appointed to the Board of Directors of the Company on 30 March 2004 as an Executive Director/Group Chief Executive Officer. He is currently the Managing Director/Group Chief Executive Officer of Melewar Industrial Group Berhad and sits on the Boards of MIDF Amanah Investment Bank Berhad, Langkawi Yacht Club Bhd and several other private limited companies.

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

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

En Azlan has no family ties with any of the Directors and/or major shareholders of the Company. His shareholding in the Company is disclosed on page 31 of the Annual Report.

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

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

Azlan bin Abdullah

Aged 59, Malaysian, Male

Executive Director/Group Chief Executive Officer

Chairman of the Executive Committee

PROFILE OF DIRECTORS
(continued)

Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah
Aged 61, Malaysian, Male
Non-Independent Non-Executive Director
Member of the Risk Management Committee

Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah was appointed to the Board of Directors of the Company on 10 June 2008 as a Non-Independent Non-Executive Director. He currently sits on the Boards of Melewar Group Berhad and several other private limited companies.

Tunku Dato' Kamil completed his Diploma (OND) Hotel & Catering Management in 1976 and Professional (HCIMA) Hotel Management in 1978. He also went on to earn a Diploma in Marketing in 1979. In 1990, he graduated with an Executive MBA from Boston University, Graduate School of Management, M.A., USA.

Back in Malaysia, Tunku Dato' Kamil's first job in 1979 was at the Hyatt Regency Hotel in Kuantan, where he served as Assistant Manager and later as Credit Manager. Following this, the diversified family organisation Melewar beckoned and the early 80's saw Tunku Dato' Kamil immersed in its diverse businesses, as Group Operations Director. Following the acquisition of two (2) public listed companies, Granite Industries Bhd and Malaysian Assurance Alliance Berhad (now known as Zurich Insurance Malaysia Berhad) in the mid 80's, he was appointed as the Special Projects Director and oversaw several projects, covering different industries and disciplines. In 1989, he went to Boston to do his MBA, returning in 1991 to continue his responsibilities with Melewar and Granite Industries Bhd. He also briefly served on the Board of TDM Bhd.

In mid 90's, Tunku Dato' Kamil set up a multi-concept entertainment business in Kuala Lumpur and Penang. This then saw him offering his expertise to start-up similar businesses in Southern Thailand and in Bangkok, where he also consulted for foreign companies in diverse areas such as communications, trading and defense.

Currently, as Associate Director of Business Development, Tunku Dato' Kamil spends his time evaluating new projects and finalising plans to develop his beachfront land in Cherating, Pahang for which he has incorporated a company, Ribuan Bakat Sdn Bhd, a land holding company.

Tunku Dato' Kamil is the brother to Tunku Dato' Yaacob Khyra.

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

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

Roshan Mahendran Bin Abdullah
Aged 35, Malaysian, Male
Non-Independent Executive Director
Member of the Executive Committee

En Roshan Mahendran Bin Abdullah was appointed to the Board of Directors of the Company on 18 September 2017 as a Non-Independent Executive Director.

En Roshan completed his primary and secondary education in Terengganu and Selangor, Malaysia. En Roshan's tertiary education placed emphasis on maritime and he also obtained a professional certificate from the Australia Maritime Safety Authority. En Roshan also holds a Diploma of Applied Science from Australia Maritime College (University of Tasmania).

En Roshan started his career in 1999 as a Deck Cadet for NSSPL, American President Lines, sailing worldwide on container carriers. He was a 2nd Mate/DPO for Allies Marine Equipment Sdn Bhd from 2004 to 2006, and subsequently a 1st Officer/Senior DPO cum Project Manager. In 2006, En Roshan was on the commissioning team for Offshore Subseaworks Sdn Bhd. In 2009, En Roshan became the General Manager of Jas Marine Ltd and Jas Marine Sdn Bhd. During his tenure from 2004 until 2009, En Roshan held multiple senior positions both onshore and offshore in the Upstream Oil and Gas Sector covering Transport & Installation, Subsea Construction Inspection, Repair & Maintenance, as well as Deepwater Subsea Construction.

In July 2010, En Roshan joined Melewar Industrial Group Berhad as Vice President of Business Development and was re-designated in January 2011 to Vice President cum Deputy Head, Group Commercial Department of Mycron Steel CRC Sdn Bhd. In May 2011, En Roshan became Chief Operating Officer of the CRC and Business Development divisions respectively. Subsequently, he became Group Chief Operating Officer of Mycron Steel Berhad in September 2016 and Chief Executive Officer of both Mycron Steel CRC Sdn Bhd ("MSCRC") and Melewar Steel Tube Sdn Bhd ("MST"). En Roshan is responsible for the operations of both MSCRC and MST.

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

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

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

PROFILE OF DIRECTORS
(continued)

Tan Sri Datuk Seri Razman Md Hashim

Aged 78, Malaysian, Male

Independent Non-Executive Director

Member of the Audit Committee

Chairman of the Nomination and Remuneration Committee

Tan Sri Datuk Seri Razman Md Hashim was appointed to the Board of Directors of the Company on 1 October 2012 as an Independent Non-Executive Director.

Tan Sri Datuk Seri Razman completed his early secondary education in Australia and on completion, studied Accounting and Banking where he became a member of the Australian Institute of Bankers.

Upon his return to Malaysia, Tan Sri Datuk Seri Razman joined Standard Chartered Bank Malaysia Berhad ("SCB") as an Officer Trainee in 1964. Throughout his 34 years of banking experience in SCB, he served with the bank's offices in London, Europe, Hong Kong and Singapore. In 1994, he was appointed as the Executive Director/Deputy Chief Executive of SCB until his retirement in June 1999.

In the same month in 1999, Tan Sri Datuk Seri Razman was appointed as Chairman of MBf Finance Berhad by Bank Negara Malaysia ("BNM") until January 2002 when the finance company was sold to Arab-Malaysian Group. In May 2002 he was appointed as an Independent Non-Executive Director of Affin Bank Berhad by BNM until his retirement in May 2009. He was appointed as Independent Non-Executive Director of Malaysian Assurance Alliance Berhad ("MAA") (now known as Zurich Insurance Malaysia Berhad) on 1 July 2006 until 30 September 2011 when MAA was sold to Zurich Insurance Company Ltd.

Tan Sri Datuk Seri Razman is currently the Executive Deputy Chairman of the Sunway Group of Companies and his current directorships in other public companies include SILK Holdings Berhad, Berjaya Land Berhad, Sunway Berhad and Zurich Takaful Malaysia Berhad (formerly known as MAA Takaful Berhad).

Tan Sri Datuk Seri Razman is also a Director of ASLI Foundation and Jeffrey Cheah Foundation as well as the Alternate Director in Perdana Leadership Foundation.

Tan Sri Datuk Seri Razman does not have any personal interest in any business arrangements involving the Company.

Tan Sri Datuk Seri Razman does not have any family relationship with any Director and/or major shareholders of the Company and he has had no convictions for any offences within the past five (5) years, other than traffic offences, if any, and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah

Aged 62, Malaysian, Male

Independent Non-Executive Director

Member of the Nomination and Remuneration Committee

Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah was appointed to the Board of Directors of the Company on 2 January 2015 as an Independent Non-Executive Director.

He currently sits on the Boards of Global Oriental Berhad, DutaLand Berhad, Sime Darby Property Berhad and several other private limited companies involved in property development.

Tengku Datuk Seri Ahmad Shah completed his Diploma in Business Administration from Universiti Teknologi MARA in 1974. He started his career in Charles Bradburne (1930) Sdn Bhd as a stock broker from 1974 to 1981. He was a Director of TTDI Development Sdn Bhd from 1978 to 2000 and a Director of Sime UEP Berhad from 1983 to 1987 and Tractors Malaysia Holdings Berhad from 1987 to 2007.

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

Tengku Datuk Seri Ahmad Shah does not have any personal interest in any business arrangements involving the Company.

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

PROFILE OF DIRECTORS
(continued)

En Shazal Yusuf bin Mohamed Zain was appointed to the Board of Directors of the Company on 2 January 2015 as an Independent Non-Executive Director. He currently sits on the Board of Melewar Industrial Group Berhad and several other private limited companies.

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

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

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

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

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

Shazal Yusuf bin Mohamed Zain
Aged 46, Malaysian, Male
Independent Non-Executive Director
Chairman of the Risk Management Committee
Member of the Audit Committee

Muk Sai Tat
Aged 54, Malaysian, Male
Independent Non-Executive Director
Chairman of the Audit Committee
Member of the Risk Management Committee
Member of the Nomination and Remuneration Committee

Mr Muk Sai Tat was appointed to the Board of Directors of the Company on 2 January 2015 as an Independent Non-Executive Director. He currently sits on the Boards of Melewar Industrial Group Berhad and Gabungan AQRS Berhad.

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

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

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

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

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

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

KEY SENIOR MANAGEMENT PROFILE

TUNKU DATO' YAACOB KHYRA
Malaysian, aged 57, Male
Executive Chairman

Tunku Dato' Yaacob Khyra was appointed to the Board of Directors of the Company on 30 March 2004 as a Non-Independent Non-Executive Director. Subsequently, he was re-designated to Non-Independent Non-Executive Chairman of the Company on 2 May 2008. On 2 January 2015, Tunku Dato' Yaacob was re-designated to Executive Chairman of the Company. His personal profile is listed in the Profile of Directors on page 22 of this annual report.

AZLAN BIN ABDULLAH
Malaysian, aged 59, Male
Executive Director/Group Chief Executive Officer

En Azlan bin Abdullah was appointed to the Board of Directors of the Company on 30 March 2004 as an Executive Director/Group Chief Executive Officer. His personal profile is listed in the Profile of Directors on page 22 of this annual report.

ROSHAN MAHENDRAN BIN ABDULLAH
Malaysian, aged 35, Male
Non-Independent Executive Director/Group Chief Operating Officer

Mr Roshan Mahendran bin Abdullah was appointed to the Board of Directors of the Company on 18 September 2017 as a Non-Independent Executive Director. His personal profile is listed in the Profile of Directors on page 23 of this annual report.

CHOO KAH YEAN
Malaysian, aged 52, Male
Chief Financial Officer

Mr Choo Kah Yean has been the Chief Financial Officer at Melewar Industrial Group Berhad since 1 November 2012.

Mr Choo has more than 28 years of work experience in finance functions that started in 1987 with the public accounting firm HRM Touche Ross which subsequently evolved into Arthur Anderson & Co. During those initial nine years of professional services he worked in a wide array of finance functions in various industries covering audit, corporate finance and recovery services, and business consulting. Moving on to the commercial sector, Mr Choo joined IOI Group in its corporate planning and finance function which helmed and oversaw the group's growth in its plantation, property, and downstream edible oil businesses during its formation years. Mr Choo's last engagement was with KNM Group heading the group's finance functions of its domestic and global operations involving process equipment manufacturing and engineering construction contracts.

Mr Choo holds Bachelor of Business Administration in Finance from Iowa State University, USA and Masters in Business Administration in Finance from University of Hull, UK. He is also Chartered Management Accountant of ICMA and is Chartered Accountant member of MIA.

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

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

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

DATUK UWE AHRENS
German, aged 52, Male
Chief Technical Officer

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

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

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

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

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

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

IR. CHIN SHYI HER
Malaysian, aged 52, Male
Chief Operating Officer, Tube Operations

Ir. Chin Shyi Her joined the Group on 5 June 1989. In 2004, Ir. Chin was promoted to be the Assistant Vice President to manage and oversee the entire manufacturing division of the Company and subsequently assigned to the current position in May 2011.

Ir. Chin has been in the steel pipe industry for more than 28 years since he began his career as a Technical Trainee in the Company, after graduating in June 1989. In 1995, he was promoted to head the project development of the Company responsible for the improvement and upgrade of plant and machinery.

Ir. Chin Shyi Her holds a Bachelor of Engineering Degree in Mechanical Engineering (Marine Technology) from the University Technology of Malaysia. He is a Professional Engineer registered under the Board of Engineers Malaysia and also a member of the Institute of Engineers, Malaysia.

Ir. Chin Shyi Her has no family ties with any of the Directors and/or major shareholders of the Company nor any shareholding in the Company.

Ir. Chin Shyi Her does not have any personal interest in any business arrangements involving the Company. Ir. Chin Shyi Her does not have any conflict of interest with the Company and has had no conviction for any offences within the past five (5) years, other than traffic offences, if any and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

KEY SENIOR MANAGEMENT PROFILE
(continued)

JESSIE TAN LI LI
Malaysian, aged 38, Female
Chief Commercial Officer – Commercial

Ms Jessie Tan Li Li joined Mycron Steel CRC Sdn Bhd in 2014; a subsidiary of the Company and presently oversees the Raw Material procurement, Sales & Marketing and Customer Service Departments.

Prior to 2014, she was a trading manager in SK Networks Trading Kuala Lumpur branch office, responsible for the trade steel and chemical products. She also has 2 years trade exposure in oil & gas industries in Malaysia and Singapore. Ms Jessie also has had extensive experience in raw material procurement in electronic and electrical, steel, automotive and wood industries.

Ms Jessie graduated from University of Sunderland, United Kingdom with Master of Business Administration in 2011. She also holds an International Certificate in Risk Management recognised by Institute of Risk Management, United Kingdom.

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

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

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

YUSOP BIN RAWI
Malaysian, aged 47, Male
AVP – Manufacturing

Mr Yusop Rawi joined Mycron Steel CRC, a subsidiary of the Company in May 2017.

Mr Yusop has vast experience with more than 21 years of proven track record in various MNCs as well a local company within manufacturing operation, engineering and technical functions. Prior to joining Mycron Steel, Yusop spent 4 years leading manufacturing plants for a Belgian MNC, namely Bekaert Ipoh Sdn Bhd and Bekaert Shah Alam Sdn Bhd which manufactures industrial steel wire and steel wire ropes respectively.

Mr Yusop was managing the manufacturing plant for natural rubber/ latex based physiotherapy products for 11 years when he was attached to HCM-Hygenic Corporation (M) Sdn Bhd, an American based corporation. He also has experience in high precision metal machining industry during his 2-year tenure with Alpha Precision Turning & Engineering Sdn Bhd.

Mr Yusop started his career as a mechanical engineer at River Eletec Corporation of Japan and was transferred to River Electronics Ipoh Sdn Bhd as to set up and manage the engineering department, making his tenure within the River Group of Companies, a total of 5 years. He has vast experience and expertise in leading and driving manufacturing and operational excellence activities through involvement of People, Processes and Equipment.

Mr Yusop obtained his Bachelor's Degree in Mechanical Engineering from Shizuoka University, Japan and Master's Degree in Business Administration from University Teknologi Mara (UiTM).

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

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

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

RAVINDERAN A/L THIRUMOORTHY
Malaysian, aged 47, Male
AVP – Engineering & Maintenance

Mr Ravinderan Thirumoorthy joined Mycron Steel CRC, a subsidiary of the Company in March 2017.

Prior to joining Mycron Steel, Mr Ravinderan spent 14 years in the Iron and Steel Industry serving companies such as BHP Engineering Australia and BlueScope Steel (M) Sdn Bhd covering up-stream, midstream and down-stream processes mainly in Engineering and Maintenance (E&M) functions. Mr Ravinderan was exposed to the aviation industry during his 5-year tenure with MTU Aero Engines, focusing on jet engine repair, maintenance and overhaul.

Apart from E&M and aviation, Mr Ravinderan also has 2 years of experience in building product manufacturing when he was attached to Hume Cemboard (M) Sdn Bhd. Mr Ravinderan has extensive experience and expertise in leading Engineering and Plant Maintenance activities through the involvement of People, Processes and Equipment.

Mr Ravinderan graduated from Cleveland State University with a Bachelor's Degree in Electrical Engineering.

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

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

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

GROUP FINANCIAL HIGHLIGHTS & FINANCIAL INDICATORS

		2013	2014	2015	2016	2017
1	**Financial highlights of Statements of Profit or Loss**					
	Revenue (RM mil)	513.3	448.0	518.3	566.8	726.2
	EBITDA (RM mil)	29.6	12.5	15.2	68.5	73.9
	Profit/(loss) before tax (RM mil)	11.0	(14.1)	10.5	32.4	46.4
	Profit/(loss) after tax (RM mil)	7.0	(9.2)	11.7	24.2	34.7
	Financial Year 2015 includes 3 months of the newly acquired steel tube subsidiary’s financial results.					
2	**Financial highlights of Statements of Financial Position**					
	Total assets (RM mil)	462.4	428.4	587.5	563.7	668.1
	Total borrowings (RM mil)	177.4	161.0	257.6	191.1	249.7
	Shareholders equity (RM mil)	264.0	257.9	305.9	335.4	374.2
	Financial Year 2015 includes the assets/liabilities of the newly acquired steel tube subsidiary.					
3	**Financial indicators**					
	Return on equity (%)	2.7	(3.6)	3.8	7.2	9.3
	Return on total assets (%)	1.5	(2.1)	2.0	4.3	5.2
	Gearing ratio (Times)	0.67	0.62	0.84	0.57	0.67
	Net earnings/(loss) per share (sen)	3.9	(5.2)	5.7	8.6	12.3
	Net asset per share (RM)	1.48	1.45	1.08	1.19	1.32
	PE ratio	7.1	(7.4)	5.1	5.6	6.7
	Share price as at FYE (RM)	0.28	0.38	0.29	0.48	0.82

ANALYSIS OF SHAREHOLDINGS
As at 29 September 2017

Class of Shares	-	Ordinary Shares
Total Number of Shares Issued	-	283,545,455
No. of Shareholders	-	5,749
Voting Rights	-	One vote per ordinary share

No. of Size of Holdings	No. of Holders	% of Holders	No. of Shares	% of Shares
Less than 100	594	10.33	21,662	0.01
100 - 1,000	1,918	33.36	1,029,672	0.36
1,001 - 10,000	2,213	38.49	11,404,244	4.02
10,001 - 100,000	924	16.07	27,767,381	9.79
100,001 and below 5% of issued shares	99	1.72	41,272,275	14.56
5% and above of issued shares	1	0.02	202,050,221	71.26
Total	5,749	100.00	283,545,455	100.00

THIRTY LARGEST SHAREHOLDERS
As at 29 September 2017

No.	Name	No. of Shares Held	[(a)]% of Shares
1.	Melewar Industrial Group Berhad	202,050,221	71.26
2.	UOB Kay Hian Nominees (Asing) Sdn Bhd (Beneficiary: Exempt An for UOB Kay Hian Pte Ltd)	6,320,475	2.23
3.	Cartaban Nominees (Asing) Sdn Bhd (Beneficiary: Exempt An for Daiwa Capital Markets Singapore Limited)	5,370,000	1.89
4.	Tan Cheng Chai	4,379,000	1.54
5.	Cartaban Nominees (Asing) Sdn Bhd (Beneficiary: Marubeni-Itochu Steel Inc.)	3,580,000	1.26
6.	RHB Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Lee Ngee Moi)	1,167,700	0.41
7.	Ng Teng Song	486,900	0.17
8.	Tan Aik Choon	463,600	0.16
9.	Tee Cheng Chong	450,000	0.16
10.	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Lee See Leong)	400,000	0.14
11.	Maybank Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Cheah Hong Heng)	400,000	0.14
12.	M&A Nominee (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Najihah Hanim Binti Ahmad Jamal Arbee)	389,200	0.14
13.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad (Beneficiary: Deutsche Trustees Malaysia Berhad for Hong Leong Strategic Fund)	388,600	0.14
14.	Maybank Securities Nominees (Asing) Sdn Bhd (Beneficiary: Maybank Kim Eng Securities Pte Ltd for Divyesh Nagindas Doshi)	385,200	0.14

ANALYSIS OF SHAREHOLDINGS

As at 29 September 2017
(continued)

THIRTY LARGEST SHAREHOLDERS (continued)
As at 29 September 2017

No.	Name	No. of Shares Held	[a]% of Shares
15.	Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Li Cheng Thong @ Lee Chen Thu Ng)	380,000	0.13
16.	Cimsec Nominees (Tempatan) Sdn Bhd (Beneficiary: CIMB Bank for Cheah Chee Siong)	360,000	0.13
17.	Cimsec Nominees (Tempatan) Sdn Bhd (Beneficiary: CIMB Bank for Goalkey System Sdn Bhd)	352,000	0.12
18.	Tay Pin Sun	343,300	0.12
19.	Goh Ah Kow @ Goh Bak Cheng	338,100	0.12
20.	Maybank Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Yong Choong Hing)	333,100	0.12
21.	Tan Ah Sim @ Tan Siew Wah	329,900	0.12
22.	Lim Siong Teck	329,800	0.12
23.	RHB Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Ngooi Seng Choy)	320,000	0.11
24.	Kenanga Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Tan Pei Pei)	312,800	0.11
25.	Maybank Nominees (Tempatan) Sdn Bhd (Beneficiary: Ho Keat Soong)	312,200	0.11
26.	Hlib Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Tan Kit Pheng)	305,100	0.11
27.	Beh Siew Kheng	300,000	0.11
28.	HLB Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Goh Eng Thye)	300,000	0.11
29.	RHB Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Lim Mooi Fong)	291,800	0.10
30.	Alliancegroup Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Koh Yap Heng)	290,000	0.10
	TOTAL	231,428,996	81.62

Note:

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

ANALYSIS OF SHAREHOLDINGS

As at 29 September 2017
(continued)

LIST OF SUBSTANTIAL SHAREHOLDERS
As at 29 September 2017

Name	Number of Shares Held			
	Direct	%[1]	Indirect	%[a]
Tunku Dato' Yaacob Khyra ("TY")	-	-	202,102,521	71.28[1]
Melewar Industrial Group Berhad ("MIG")	202,050,221	71.26	-	-
Melewar Equities (BVI) Ltd ("MEBVI")	-	-	202,050,221	71.26[3]
Melewar Khyra Sdn Bhd ("MKSB")	-	-	202,050,221	71.26[3]
Khyra Legacy Berhad ("KLB")	-	-	202,050,221	71.26[4]

DIRECTORS' SHAREHOLDINGS
As at 29 September 2017

Name	Number of Shares Held			
	Direct	%[1]	Indirect	%[a]
Tunku Dato' Yaacob Khyra	-	-	202,102,521	71.28[1]
Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah ("TK")	-	-	52,300	0.02[2]
Azlan bin Abdullah	100,000	0.04	-	-

Notes:

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

[1] TY is deemed interested in Mycron by virtue of him being a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB, who are the major/substantial shareholders of MIG, a major shareholder of Mycron.

[2] TK is a director and a shareholder with 16.7% shareholdings in Melewar Group Berhad ("MGB") which is the family owned investment holding company. MGB holds 0.02% of the issued and paid-up share capital of Mycron.

[3] Deemed interested by virtue of it being the major/substantial shareholder of MIG who is a major shareholder of Mycron.

[4] Deemed interested by virtue of it being the holding company of MEBVI and MKSB who are the major/substantial shareholders of MIG, a major shareholder of Mycron.

STATEMENT OF CORPORATE GOVERNANCE

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

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

1.0 ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear Functions of the Board and Management

The Board retains full and effective control of the Group. The Directors, collectively and individually, has a legal and fiduciary duty to act in the best interest of the Company and to effectively represent and promote the interests of the shareholders and stakeholders with a view to achieve its vision towards corporate sustainability.

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

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

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

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

To assist the Board in the discharge of its oversight function, four (4) board committees have been constituted with written terms of reference. All board committees are actively engaged and play an important role in ensuring good corporate governance in the Company:

- Audit Committee ("AC");
- Risk Management Committee;
- Nomination and Remuneration Committee; and
- Executive Committee ("EXCO")

These Board Committees are chaired by Independent Non-Executive Directors, except for the EXCO, who exercise skillful leadership with in-depth knowledge of the relevant industry and who have committed time and effort as members.

The EXCO comprises executive and non-executive directors who are non-independent of which the ED/GCEO is the Chairman of the EXCO with the primary objective to review and approve subject to thresholds as provided in the TAL, besides determining whether changes, improvements or other actions are needed to ensure that the Company's strategies and practises are aligned with shareholders' interests.

The Chairman of the respective Committees report on a quarterly basis to the Board on the key findings of their review and/or make recommendations to the Board. The ultimate responsibility for the final decision making, however, lies with the Board.

STATEMENT OF CORPORATE GOVERNANCE
(continued)

The Board conducts a quarterly review of the performance targets and long term goals of the business to ensure that the needs of the Group are consistently met. The Board is furnished with information relating to the running of the Group's operations through various financial and operational quarterly reports prepared by Management. This allows them to understand the operations better and make decisions with a view to steer the Group towards a profitable business. At each normal Board meeting, the Board receives from or through the ED/GCEO and the respective Senior Management the operational report and other reports and proposals and assurances as the Board considers necessary to ensure that Management's authorities are being observed.

1.2 Roles and Responsibilities of the Board

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

There is a clear division of responsibility between the Executive Chairman and the ED/GCEO to ensure there is a balance of power and authority. The Board has a collective responsibility for the management of the Group. While, the Non-Executive Directors are responsible for bringing independent judgment and scrutiny to decisions taken by the Board and providing objective challenges to the Management team. All Independent, Non-Executive Directors do not participate in the day-to-day management of the Group and do not engage in any business dealing or other relationship with the Group.

In discharging its stewardship responsibilities, the Board has formally assumed the six (6) specific responsibilities as follows:-

(i) Reviewing and adopting a strategic plan for the Group

The Board has the overall responsibility in leading and determining the Group's overall strategic direction as well as development and control of the Group without neglecting the shareholders' interest. The strategic plan of the Group includes oversight of risks encompassing strategies, marketing and financial aspects of the business.

(ii) Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed

The Board specifies the parameters within which Management decisions are to be made. In discharging its responsibilities, the Board has established the implementation of appropriate internal control systems to support, promote and ensure compliance with the laws and regulations governing the Company. This includes taking into account the Company's continuing viability as an enterprise, its financial position, its cognizance of risks and mitigating factors as well as values which embrace ethical conduct and creation of sustainable value.

(iii) Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks, if any.

The Board is responsible for reviewing principal risks, establish appropriate controls and action items to ensure that obligations to shareholders and stakeholders are met.

The review is conducted by the Board Risk Management Committee ("RMC") supported by Management Risk Management Committee ("MRMC") whose objective is to oversee and ensure that the function of the risk management process of the Group is monitored on a regular basis. The Board through the RMC oversees the risk management activities of the Group. The RMC oversees the formulation of relevant risk management policies and risk measurement parameters across the Group and makes the appropriate recommendations to the Board for its approval.

The RMC is responsible for ensuring that the risk management framework in the Group operates effectively based on the policies approved by the Board.

The risk management team reviews and presents the identified risks to the RMC on a quarterly basis prior to submission to the Board. Salient features of the risk management methodologies are set out in the section on "Directors' Statement on Risk Management and Internal Control" from pages 56 to 59 of the Annual Report 2017.

(iv) Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing Senior Management.

The Nomination and Remuneration Committee ("NRC") has been entrusted with the responsibility to review candidates for appointment to the Board, Board Committees and Senior Management. The NRC also has the responsibility to determine the remuneration of the ED/GCEO and other Senior Management personnel.

STATEMENT OF CORPORATE GOVERNANCE
(continued)

(v) Developing and implementing an investor relations program or shareholders communication policy for the Company.

The Board recognizes the importance of maintaining transparency and accountability to the shareholders and all other stakeholders. The Group maintains a website at www.mycronsteel.com which can be conveniently accessed by the shareholders and the general public. The Group's website is updated from time to time to provide the latest information about the Group, including press releases, corporate announcements and quarterly announcements of the Group's results.

The Company had established a Corporate Disclosure Policy in line with Corporate Disclosure Guide issued by Bursa Malaysia Securities Berhad ("Bursa Securities") on 28 August 2007. The Corporate Disclosure Policy of the Company provides guidance to the Board, Management, Officers and employees of the Company's disclosure requirements and practices in particular on the preparation and submission of timely, true and fair financial disclosures and material announcements to Bursa Malaysia.

This would enhance the Company's compliance, accountability and timely disclosures to all the shareholders and stakeholders.

(vi) Reviewing the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board has overall responsibility for maintaining a system of internal controls that provides reasonable assurance of effective and efficient operations, and compliance with laws and regulations, as well as with internal procedures and guidelines.

The effectiveness of the system of internal controls of the Group is reviewed by the Audit Committee periodically during its quarterly meetings. The review covers the Group's financial, accounting and reporting policies and practices, reports of the internal and external auditors and the adequacy of the system of internal controls to safeguard the shareholders' interests and Group's assets.

Summary of Key Activities of the Board during FY2017

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

(i) The intention to revamp its aging Continuous Pickling Line and the construction of a new Acid Regeneration Plant for its wholly-owned subsidiary, Mycron Steel CRC Sdn Bhd.

The Continuous Pickling Line is the first stage of the cold-rolled-coil manufacturing process, where the raw material hot-rolled coils is subjected to an acid-bath to be pickled and de-scaled for a clean surface before moving to the next processing stage. The acid used in the aforementioned process looses its concentration and needs to be top-up and be replaced regularly.

The objective of the new Acid Regeneration Plant is to retreat the 'used acid' for use again in the pickling process in a closed-loop manner. The Acid Regeneration Plant is expected to reduce acid consumption by 95% per year; whilst, the revamp of the Continuous Pickling Line which entails extensive replacement of machine and equipment would significantly extend the economic useful life of the line.

(ii) The Board also constantly reviews the Group's cash requirements on a rolling forward basis and identified financing options that are appropriate to our circumstances and are in our best interest. We continued to manage our costs, particularly content costs which are substantially USD denominated by reviewing the appropriateness of our content mix, contractual terms with key content suppliers and our hedging strategies while optimising cost to serve.

(iii) Exploring potential markets for expansion of business to other markets.

(iv) Initiatives taken/to be taken to protect the interest of the Company in matters relating to anti-dumping activities into the country.

(v) During the financial year the Board had also reviewed and discussed the fund raising corporate exercise to be undertaken by the Company involving a proposed renounceable rights issue of up to 56,709,091 shares in Mycron ("Mycron Shares")("Rights Shares") on the basis of one (1) Rights Share for every five (5) Mycron Shares held, together with up to 28,354,546 free detachable warrants ("Warrants") on the basis of one (1) Warrant for every two (2) Rights Shares ("Proposal").

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

STATEMENT OF CORPORATE GOVERNANCE
(continued)

1.3 Formalised Ethical Standards through Code of Conduct

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

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

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

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

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

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

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

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

Directors are also required to disclose their interests in accordance with Sections 219 and 221 of the Companies Act, 2016 (the "Act"). A Register of Director's interests is kept by the Company Secretary and changes, if any, are tabled at the quarterly Board meetings. Directors are required to abstain from deliberating and voting on any matter in which they may be deemed interested, directly or indirectly, at any Board meeting or if the matter is passed via written resolutions. Directors are not permitted to vote in respect of any contract or proposed contract or arrangement in which he is directly or indirectly interested.

Directors of the Company and its major subsidiaries, as well as employees who are designated as "Principal Officers" are notified in advance of the open period and closed period for dealings in the shares of the Company based on our financial meetings. The Company discloses dealings in the Company's shares by our Directors and Principal Officers to the Board as well as to Bursa Securities and such announcements can be accessed through the Company's as well as Bursa Securities' websites.

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

1.4 Strategies Promoting Sustainability

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

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

A detailed report on sustainability activities, demonstrating the Company's commitment to the environment, social, governance and sustainability agenda, appears in the Corporate Social Responsibility Statement of this Annual Report on pages 15 to 17.

1.5 Access to Information and Advice

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

STATEMENT OF CORPORATE GOVERNANCE
(continued)

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

As entrenched in our Board Charter, all Directors have full unrestricted access to information pertaining to the Group. The agenda for every Board and Board Committee meeting, together with a set of Board and Board Committees papers are furnished to all Directors for their perusal prior to the Board and Board Committees meetings. This is to ensure sufficient time is given to enable the Directors to review and consider the agenda items to be deliberated at the Board and Board Committees meetings. The Board and Board Committees papers include, amongst others, quarterly financial reports, year-end financial statements of the Group and annual budget.

The Directors have full unrestricted access to advice and services of the Company Secretary, senior management and independent professional advisers including the Internal and External Auditors, at the Company's expense.

The Company also provides a platform for dialogue between the Board and the Heads of each Division either at Board meetings or during the business unit visits. This will assist the Board in arriving at business and strategic decisions relating to the Group. When necessary, the Directors also visit locations of business units which would assist the Board to make effective decisions relating to the Group.

1.6 Qualified and Competent Company Secretary

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

The Company Secretary attends all Board and Committee meetings and ensures that all Board procedures are followed. The Company Secretary also ensures that the Company complies with all applicable statutory and regulatory rules. Together with the Management, the Company Secretary also assists the Board Chairman, the Board and Committees to implement and strengthen corporate governance practices and processes, including facilitating orientation for newly appointed Directors and appointments to Committees, and continuing training and development for the Directors. On an ongoing basis, the Directors have separate and independent access to the Company Secretary.

The Board is regularly updated by the Company Secretary on new changes to the legislations and Main Market Listing Requirements ("MMLR") and the resultant implications to the Company and the Board in discharging their duties and responsibilities.

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

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

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

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

1.7 Board Charter

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

The Board Charter was adopted and last reviewed on 24 October 2013. The Board Charter will be reviewed in near future to be in line with the new Malaysian Code on Corporate Governance 2017 ("New Code").

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

STATEMENT OF CORPORATE GOVERNANCE
(continued)

2.0 STRENGTHEN COMPOSITION

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

The Company is managed through the Board which currently comprises three (3) Executive Directors (including the Chairman), one (1) Non-Independent Non-Executive Director and four (4) Independent Non-Executive Directors. The size and composition of the Board are reviewed from time to time, taking into account the scope and nature of operations of the Company, to ensure that the size of the Board is adequate to provide for a diversity of views, facilitate effective decision-making and that the Board has an appropriate balance of executive, independent and non-independent Directors. The Board is cognizant that the composition of the Board at any one time, has to have at least two (2) or one-third (1/3) of the Board, whichever is higher, to be independent. The composition and size of the Board is reviewed from time to time to ensure its appropriateness and effectiveness. The profile of each Director is presented on pages 22 to 25.

The Group considers its complement of Non-Executive Directors provide an effective Board with a mix of industry specific knowledge and broad business and commercial experience. The presence of independent non-executive directors is particularly important in corporate accountability. They constructively challenge and contribute to the development of the business strategies and direction of the Group. This balance enables the Board to provide clear and effective leadership to the Group and to bring informed and independent judgment to many aspects of the Group's strategies and performance so as to ensure that the highest standards of conduct and integrity are maintained.

The Board has also appointed a Senior Independent Director, who serves as the point of contact between the Independent Directors and the Board Chairman on sensitive issues and acts as a designated contact to whom shareholders' concerns or queries may be raised. En Shazal Yusuf bin Mohamed Zain has been appointed the Senior Independent Non-Executive Director.

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

2.1 Nomination and Remuneration Committee ("NRC")

The Board has merged the Nomination Committee and Remuneration Committee and renamed as the Nomination and Remuneration Committee since 28 August 2013.

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

Chairman	:	Tan Sri Datuk Seri Razman Md Hashim - Independent Non-Executive Director
Members	:	Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah - Independent Non-Executive Director
		Mr Muk Sai Tat - Independent Non-Executive Director

The Board takes note that MCCG 2012 recommended that the Chairman of the Nomination Committee should be a Senior Independent Director. The Board has decided that it is not necessary as the NRC comprises all Independent Directors and there is no overlapping of roles of the NRC Chairman and the Board Chairman as the positions are held by separate individuals.

The Board is of the view that the NRC is able to perform its duties transparently and independently.

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

The NRC held three (3) meetings during the financial year ended 30 June 2017 and discussed, inter alia, the following matters:

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

STATEMENT OF CORPORATE GOVERNANCE
(continued)

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

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

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

(c) Reviewed, considered and recommended to the Board for approval, the re-election of Directors who retire by rotation pursuant to Company's Articles of Association at the forthcoming 14th Annual General Meeting ("AGM"). The Directors standing for retirement by rotation and subject to re-election at the forthcoming AGM are Tunku Dato' Yaacob Khyra and Mr Muk Sai Tat.

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

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

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

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

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

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

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

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

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

2.2 (a) Appointment to the Board

The NRC is guided by the Procedure for the Appointment and Removal of Directors which has been approved by the Board. The Board nomination and Selection Process outlines the skill sets, knowledge/experience, mindset and the intrinsic values required of the concerned Director vis-a-vis the need of the Company as well as time to effectively discharge his/her role as a Director of the Company. The process also provides the relevant point of reference in identifying the most suitable candidates to sit on the Board.

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

(b) Re-election and Re-appointment

The Articles of Association provides that every new Director appointed by the Board be subjected to re-election at the immediate AGM. Furthermore, one third (1/3) of the Directors for the time being shall, retire from office and provided always that all Directors shall retire from office at least once in every three (3) years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election. This provides an opportunity for shareholders to renew their mandates. The re-election of each Director is voted on separately.

STATEMENT OF CORPORATE GOVERNANCE
(continued)

Tan Sri Datuk Seri Razman Md Hashim, who is above the age of 70, was reappointed pursuant to Section 129 of the Companies Act 1965 at the last AGM of the Company held on 8 December 2016 to hold office until the conclusion of the next AGM. His term of office, therefore will end at the conclusion of the forthcoming 14th AGM.

With the Companies Act, 2016, which came into force on 31 January 2017, and having repealed Section 129 of the Companies Act 1965, there is no longer an age limit for Directors. The re-appointment of Tan Sri Datuk Seri Razman Md Hashim will be proposed to shareholders for approval, so that he will continue in office as Director from the date of the 14th AGM and thereafter be subject to retirement by rotation pursuant to the Articles of Association of the Company.

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

(c) Directors' Assessment/Board Evaluation

The Board recognises the importance of assessing the effectiveness of individual Directors and the Board on an annual basis. During the financial year, the Board, through the NRC has conducted a self-assessment on 28 August 2017 on the performance of each individual Director and the Board as a whole. The review shall take the form of a questionnaire comprising a self-evaluation of the Board as a whole and the individual Directors, and the responses will be collected and collated by the Company Secretary, on behalf of the NRC.

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

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

(d) Gender Diversity Policy

The Board acknowledges the importance of Board diversity, including gender diversity, for the effective functioning of the Board. In its selection for Board appointment, the Board believes in, and provides equal opportunity to candidates who have the skills, experience, core competencies and other qualities regardless of gender. In this respect, the Board has formalised the gender diversity policy on 24 October 2013.

Female representation will be considered when vacancies arise and suitable candidates, identified, under pinned by the overriding primary aim of selecting the best candidate to support the achievement of the Company's strategic objective.

2.3 Remuneration Policies and Procedures

The Company shall provide a fair, reasonable and competitive remuneration for its Executive and Non-Executive Directors to ensure that the Company attracts and retains high calibre Directors who have the skills, experience and knowledge to run the Company successfully.

Remuneration packages for Senior Management/Executive Directors are structured so as to link rewards to corporate and individual performance. The remuneration of Senior Management/Executive Directors includes salary, bonus, allowance and benefits-in-kind.

The Board, as a whole, determines the remuneration of each Director and the Directors do not participate in decisions regarding their own remuneration packages.

Currently, the Non-Executive Directors are paid Directors' fees and attendance allowance for each Board/Committee meeting they attended. The annual fees payable to the Directors are approved by the shareholders at the AGM based on the recommendation of the Board.

The NRC shall meet at least once a year. The NRC held three (3) meetings during the financial year ended 30 June 2017.

STATEMENT OF CORPORATE GOVERNANCE
(continued)

The attendance of the NRC members is as follows:-

Name of Directors	No. of Meetings Attended
Tan Sri Datuk Seri Razman Md Hashim *(Chairman)*	3/3
Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah	3/3
Mr Muk Sai Tat	3/3

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

In February and May 2017, the NRC reviewed and recommended to the Board for approval the Remuneration Framework of the Company. The Remuneration Framework is designed to increase the motivation level and productivity of the Group's employees and ensures that the salary levels commensurate to the individual staff's performance level. The Board approved the Remuneration Framework based on the NRC's recommendation.

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

The NRC also reviewed the Directors' benefits payable to the Non-Executive Directors of the Company up to an amount of RM140,000.00 from 1 February 2017 until the conclusion of the next Annual General Meeting of the Company. The proposed Directors' benefits payable to the Non-Executive Directors of the Company comprise of meeting attendance allowance and other benefits.

The Board subsequently approved the NRC's recommendation for the Company to seek the shareholders' approval at the forthcoming 14th Annual General Meeting of the Company.

Details of the Directors' remuneration during the financial year ended 30 June 2017 in aggregate, with categorisation into appropriate components, distinguishing between Executive and Non-Executive Directors, are as follows:

Received from Company

Type of Remuneration	Executive Directors RM'000	Non-Executive Directors RM'000
Salaries	300	-
Allowances	-	-
Bonuses	50	-
Fees	-	186
Benefits-In-Kind	25	-
Other Emoluments	56	71
TOTAL	431	257

Received on Group Basis

Type of Remuneration	Executive Directors RM'000	Non-Executive Directors RM'000
Salaries	1,722	-
Allowances	-	-
Bonuses	287	-
Fees	-	74
Benefits-In-Kind	36	-
Other Emoluments	395	53
TOTAL	2,440	127

STATEMENT OF CORPORATE GOVERNANCE
(continued)

Note:

- The Executive Director/Group Chief Executive Officer is remunerated by the holding company, Melewar Industrial Group Berhad.

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

Received from Company

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
RM 0	1	-
Less than RM50,000	-	2
RM50,001 to RM100,000	-	3
RM400,001 to RM450,000	1	-

Received on Group Basis

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
Less than RM50,000	-	-
RM50,001 to RM100,000	-	2
RM950,001 to RM1,000,000	1	-
RM1,450,001 to RM1,500,000	1	-

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

3.0 REINFORCE INDEPENDENCE

3.1 Annual Assessment of Independence

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

The Board shall assess the independence of the Independent Directors prior to their appointment and annually thereafter or when any new interest or relationship develops in light of interests disclosed to the Board. During the financial year, the Board, through the NRC, assessed the independence of its Independent Non-Executive Directors based on criteria set out in the MMLR of Bursa Securities. All the Independent Directors provided the NRC with written confirmation on their independence during the annual assessment exercise conducted for the financial year ended 30 June 2017.

A Director who has no relationship with the Company, its related corporation, its major shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement, is considered to be independent.

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

3.2 Tenure of Independent Directors

The tenure of an Independent Director shall not exceed a cumulative term of nine (9) years in accordance with the Code. However, upon completion of the nine (9) years, the Independent Director may continue to serve the Board subject to the Director being re-designated as a Non-Independent Director. In the event the Director is to remain as Independent Director, the Board shall first justify and obtain shareholders' approval.

STATEMENT OF CORPORATE GOVERNANCE
(continued)

In view thereof, the Board shall provide justifications and seek shareholders' approval in the event it proposes to retain an Independent Director who has served the Board in that capacity for more than nine (9) years, upon the prior review and relevant recommendation from the NRC.

The Board noted there are no Independent Directors whose tenure exceeds a cumulative term of nine (9) years in the Company during the period under review. Therefore, there is no such need for the Company to seek shareholders' approval on the said matter at the forthcoming 14th AGM of the Company.

3.3 Separation of Position of the Board Chairman and Executive Director/Group Chief Executive Officer ("ED/GCEO")

There is a division of responsibility between the Executive Chairman and the ED/GCEO to ensure a balance of power and authority. The roles of the Executive Chairman and the ED/GCEO are separate and clearly defined.

As part of good corporate governance, the Executive Chairman is responsible for ensuring board effectiveness and conduct. He ensures that all relevant issues and quality information to facilitate decision making and effective running of the Group's business are included in the meeting agenda. In doing so, the Executive Chairman will liaise with the ED/GCEO and the Company Secretary on the agenda for Board meetings. The Executive Chairman encourages healthy debates on issues raised at meetings and gives opportunity to directors who wish to speak on the motions, either for or against them. Every Board resolution is then put to a vote which would reflect the collective decision of the Board and not the views of an individual or an interested group. The Executive Chairman also chairs the meeting of shareholders of the Company. At the general meetings of the Company, the Executive Chairman will ensure that the shareholders are given the opportunity to enquire on the Group's affairs.

The ED/GCEO focuses on the business and the day-to-day management of the Company and the Group. He is the conduit between the Board and Management in ensuring the success of the Group's governance and management functions. The ED/GCEO implements the policies, strategies and decisions adopted by the Board. He is also responsible for providing leadership to Management and advancing relationships with regulators and stakeholders.

The Board is chaired by an Executive Chairman. Whilst the Company supports the recommendations made under the Code, the Company maintains that the Chairmanship of the Board shall continue to be held by a Non-Independent Executive Director. At the moment, the Board is of the view that the Executive Chairman will remain objective in expressing his views and will allow all Board members the opportunity to participate and express their views in deliberations and decision making in the Board without fear or favour. In addition, any decisions arrived by the Board are made on consensus. The Board was also of the view that the Chairman has continued to discharge his duties effectively and has shown tremendous commitment and has played an integral role in the stewardship of MSB Group.

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

As at the date of this statement, the Board comprises 8 members, out of which 4 are Independent Non-Executive Directors, 3 are Executive Directors and 1 is Non-Independent Non-Executive Director, in compliance with Paragraph 15.02(1) of the MMLR.

Despite this, the Board will endeavor that the composition of the independent directors comprise of more than one-third (1/3) of the Board to ensure balance of power and authority on the Board.

4.0 FOSTER COMMITMENT

4.1 Time Commitment

The Directors are aware of the time commitment expected from each of them to attend to matters of the Group generally including attendance at Board, Board Committee and other types of meetings.

An annual meeting calendar is planned and agreed with the Directors prior to the commencement of each new financial which sets out the scheduled dates for meetings of the Board and Board Committees, in order to facilitate and foster the Directors' time planning and commitment to the Company.

STATEMENT OF CORPORATE GOVERNANCE
(continued)

The Board met six (6) times during the financial year ended 30 June 2017. The attendance of each Director at the Board Meetings held during the financial year ended 30 June 2017 are as follows:-

Executive Directors	**No. of Attendance**	**%**
1. Tunku Dato' Yaacob Khyra *(Chairman)*	6/6	100
2. En Azlan bin Abdullah	6/6	100
Non-Independent Non-Executive Director	**No. of Attendance**	**%**
1. Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah	6/6	100
Independent Non-Executive Directors	**No. of Attendance**	**%**
1. Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah	6/6	100
2. En Shazal Yusuf bin Mohamed Zain	6/6	100
3. Mr Muk Sai Tat	6/6	100
4. Tan Sri Datuk Seri Razman Md Hashim	6/6	100

All Directors complied with the minimum attendance requirement of more than 50% of the total Board meetings held during the financial year under review.

To fulfil directors' roles and responsibilities, each director should hold no more than five (5) directorships in listed corporations pursuant to Paragraph 15.06 of the Listing Requirements. All Directors of the Company currently adhere to this requirement. All Directors are also required to provide immediate notification when accepting any new external board appointments and seek guidance from the Board Chairman on any potential conflicts of interest if necessary. Any changes to their directorships will be tabled at the quarterly Board meetings.

The Board is satisfied that the present directorships in external organisations held by the Directors do not give rise to any conflicts of interests nor impair their ability to discharge their responsibilities to the Group.

The Board will also meet on an ad-hoc basis to deliberate on urgent issues and matters that require expeditious Board direction or approval. In the intervals between Board meetings, any matters requiring urgent Board decisions and/or approval can be sought via circular resolutions which are supported with all the relevant information and explanations required for an informed decision to be made.

The Board encourages constructive and healthy debate at all meetings. The Directors are given the chance to freely express their opinions or share information with their peers in the course of deliberation as a participative Board. Any Director/Board Committees' member who has a direct or deemed interest in the subject matter to be deliberated shall abstain from deliberation and voting on the same during the meeting.

The Company Secretary would ensure a quorum is present for all meetings and that such meetings are convened in accordance with the articles of association of the Company or relevant Board Committee's terms of reference. The Company Secretary record the proceedings of all meetings including pertinent issues, the substance of inquiries (if any) and responses thereto, members' suggestions and the decisions made, as well as the rationale for those decisions. By doing so, the Company Secretary keep the Board updated on the follow-up actions arising from the Board's decisions and/or requests at subsequent meetings. The Board is therefore able to perform its fiduciary duties and fulfil its oversight role towards instituting a culture of transparency and accountability in the Company.

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

STATEMENT OF CORPORATE GOVERNANCE
(continued)

4.2 Training

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

The Company Secretary ensures that training on appropriate topics are organised for the Directors, whether conducted in-house or by external speakers where practical. In addition, the Directors are kept informed of available training programmes and a budget is provided by the Company each year to cater for such programmes.

Directors also have the opportunity to visit the Group's operational facilities and meet with Management to gain a better understanding of the business operations. The Company has set up a formal procedure for the issue of the appointment letter setting out the Directors' duties and obligations. Newly appointed Directors shall also be briefed on the business and organisational structure of the Group and its strategic directions.

The Directors have participated and continue to undergo the relevant training programmes to further enhance their skill and knowledge as well as the latest statutory and/or regulatory requirements in discharging their fiduciary duties to the Company.

Plant visit programme was also organised during the financial year 2017 for our Directors, which included Management briefings and visits to the plant and operations centres.

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

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

Members of the Board	List of Training Programmes/Seminars/Conferences Attended
Tunku Dato' Yaacob Khyra	➢ Enterprise Risk Management: Driving Organisational Sustainability, Agility and Resilience
En Azlan bin Abdullah	➢ Enterprise Risk Management: Driving Organisational Sustainability, Agility and Resilience ➢ Technology - based Innovation that Counts ➢ Leadership Energy Summit Asia 2016 ➢ Cost, Risk and Brand: The Director's Role in Protecting the Company Against Corruption ➢ Risk Sharing Finance ➢ Malaysian Institute of Corporate Governance: Boards and C-Level Executives: Balancing Trust and Tension ➢ HSBC Non-Executive Director Global Awareness E-Learning Module ➢ What Directors Need to Know on Reporting & Disclosure Obligations to Prevent Public Reprimand & Fines by The Regulators
Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah	➢ Enterprise Risk Management: Preparing for a Black Swan. ➢ Enterprise Risk Management: Driving Organisational Sustainability, Agility and Resilience ➢ Enterprise Risk Management Global Conference 2017: Harnessing Disruption ➢ Enterprise Risk Management: Post Conference Workshop
Tan Sri Datuk Seri Razman Md Hashim	➢ The New Companies Bill 2015 ➢ Directors' Induction Training & Crush Course on Takaful/Shariah Session

STATEMENT OF CORPORATE GOVERNANCE
(continued)

Members of the Board	List of Training Programmes/Seminars/Conferences Attended
Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah	➢ Enterprise Risk Management: Driving Organisational Sustainability, Agility and Resilience
En Shazal Yusuf bin Mohamed Zain	➢ Enterprise Risk Management: Driving Organisational Sustainability, Agility and Resilience ➢ Malaysian Institute of Corporate Governance: Boards and C-Level Executives: Balancing Trust and Tension ➢ Enterprise Risk Management Global Conference 2017: Harnessing Disruption
Mr Muk Sai Tat	➢ Enterprise Risk Management: Driving Organisational Sustainability, Agility and Resilience ➢ MIA International Accountants Conference 2016 ➢ Malaysian Institute of Corporate Governance: Boards and C-Level Executives: Balancing Trust and Tension ➢ What Directors Need to Know on Reporting & Disclosure Obligations to Prevent Public Reprimand & Fines by the Regulators ➢ Enterprise Risk Management Global Conference 2017: Harnessing Disruption

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

5.0 UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance with Applicable Financial Reporting Standards

The Directors are responsible to ensure that the financial statements have been properly drawn up in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of their financial performance and cash flows for the financial year under review. The Audit Committee assist the Board to oversee the Group's financial reporting process and the quality of its financial reporting by reviewing the information to be disclosed, to ensure completeness, accuracy and adequacy prior to endorsing the same to the Board for release to Bursa Securities and Securities Commission respectively.

The Chief Financial Officer ("CFO") also updates the AC regularly on the Group's financial performance and highlights key issues in connection with the preparation of the financial results, including adoption of new accounting standard/policies.

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

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

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

STATEMENT OF CORPORATE GOVERNANCE
(continued)

5.2 Assessment of Suitability and Independence of External Auditors

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

The external auditors are invited to attend the meetings of the AC and the Board whenever necessary to discuss the Group's Financial Statements.

On annual basis and prior to the commencement of the audit engagement, external auditors present the Audit Plan and provide written assurance to the AC on their independence in relation to the audit works to be performed and their commitment to communicate to the AC on their independence status throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants.

The AC noted for the financial year ended 30 June 2017, PwC, the external auditors of the Company confirmed that the engagement and members of the engagement team in the course of their audits were and had been independent for the purpose of the audit in accordance with the terms of relevant professional and regulatory requirements.

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

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

During the financial year under review, the AC met with the external auditors two (2) times without the presence of the Executive Directors and Senior Management staff. This is to encourage free and honest exchange of view and opinion between both parties.

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

The roles of the AC in relation to the internal audit and external audit are set out in the Report of the Audit Committee of this annual report.

The Statement of Responsibility by Directors in respect of the preparation of the annual audited financial statements of the Company is set out on page 55 of the Annual Report 2017.

6.0 RECOGNISE AND MANAGE RISKS

6.1 Sound Framework to Manage Risks

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

The Risk Management Committee comprises of three (3) Directors, majority of whom are Independent Non-Executive Directors. The Risk Management Committee is responsible to identify the principal risks affecting the Company and the Group and ensures the implementation of a sound risk management framework and appropriate systems to manage these risks.

The Group's Statement on Risk Management and Internal Control is set out on pages 56 to 59 of this Annual Report.

6.2 Internal Audit Function

The internal audit function of the Company and the Group has been outsourced to an independent party, Messrs Baker Tilly Monteiro Heng Governance Sdn Bhd ("BTMH") who reports to the AC. The internal audit function is expected to meet the standard set by internationally recognized professional bodies including the Standards for the Professional Practise of Internal Auditing set by The Institute of Internal Auditors.

STATEMENT OF CORPORATE GOVERNANCE
(continued)

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

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

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

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

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

7.0 ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policies and Procedures

The Company has in place a Corporate Disclosure Policies and Procedures which sets out clear procedures on corporate disclosure, designated corporate disclosure officer and appointed spokespersons for the Company to ensure that material information disclosed by the Company is accurate, timely and complete. Clear roles and responsibilities of Directors, Management and employees are provided together with levels of authority provided to designated persons in handling and disclosing material information.

7.2 Leverage of Information Technology for Effective Dissemination of Information

The Board is mindful of its obligation to provide timely and fair disclosure of material information to shareholders. Shareholders and investors are kept abreast of results and other material information concerning the Group through regular and timely dissemination of information. The Company's website at www.mycronsteel.com as well as Bursa Malaysia Securities Berhad's corporate website at www.bursamalaysia.com contains information about the Company including all publicly disclosed financial information, corporate announcements, annual reports and profiles of the Company and the Group.

8.0 STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND ITS SHAREHOLDERS

8.1 Shareholders Participation at General Meetings

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

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

All our Directors and senior leadership together with key corporate advisors attended the 2016 AGM. Q&A sessions were also held, whereby our shareholders were given the opportunity to raise questions on the agenda items to our Board and Management. In line with best practices, the Chairman convened the Meeting with the required quorum and the Secretary of the Company explained the voting procedures. Voting was carried out on a poll.

The results of all the resolutions set out in the Notice of the 14th AGM will be announced on the same day to the Bursa Securities, which is accessible on the Bursa Securities' website.

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

STATEMENT OF CORPORATE GOVERNANCE
(continued)

The Board ensures that full information of the Directors who are retiring at the AGM and willing to serve if re-elected are disclosed in the Notice of the AGM. The explanatory notes facilitating full understanding and evaluation of issues involved in the proposed resolutions accompanying each item of special business is included in the Notice of the AGM.

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

8.2 Poll Voting

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

At the previous AGM of the Company held on 8 December 2016, a poll voting was conducted on all resolutions as set out in the Notice of the 13th AGM for the interest of all shareholders.

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

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

8.3 Effective Communication and Proactive Engagement

The forthcoming AGM will be a good opportunity for proactive engagement and communication between the Board, shareholders and investors.

The Chairman and the Board members together with Management and the External Auditors will be present to address all queries from shareholders on issues related to the Company. The shareholders will have direct access to the Board and are encouraged to participate in the question and answer session.

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

(i) En Shazal Yusuf bin Mohamed Zain can be contacted as follows:
Telephone number: +603-5510 6608 Facsimile number: +603-5510 3720
Email address: shazal@mycronsteel.com

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

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

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

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

9.0 COMPLIANCE WITH CODE

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

STATEMENT OF CORPORATE GOVERNANCE
(continued)

COMPLIANCE STATEMENT

The Board has deliberated, reviewed and approved this Statement on Corporate Governance. The Board considers that the Statement on Corporate Governance provides the information necessary to enable shareholders to evaluate how the Code has been applied. The Board has considered and is satisfied that the Company has fulfilled its obligation under the Code, the Listing Requirements of Bursa Securities and all applicable laws and regulations throughout the financial year ended 30 June 2017.

This Statement was made in accordance with the approval of the Board of Directors on 24 October 2017.

OTHER BURSA SECURITIES COMPLIANCE INFORMATION

1. MATERIAL CONTRACTS

Other than those disclosed in the financial statements, there were no material contracts including contracts for any loans entered into by the Company and/or its subsidiaries involving the interests of the directors, chief executive who is not a director and major shareholders.

2. MATERIAL CONTRACTS RELATED TO LOAN

There were no material contracts related to loans entered into by the Company and/or its subsidiary companies involving the Company's Directors and/or major shareholders' interests during the financial year under review.

3. AUDIT FEES

The amount of audit fees charged for services rendered to the Group and the Company by the External Auditors for the financial year ended 30 June 2017 amounted to RM338,627 and RM121,343 respectively.

4. NON-AUDIT FEES

There were no non-audit fees charged for services rendered to the Group and the Company by the External Auditors for the financial year ended 30 June 2017.

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

On 8 December 2016, the Company sought approval for a shareholders' mandate for Mycron Group to enter into Recurrent Transactions (as defined in the Circular to Shareholders dated 31 October 2016) in their ordinary course of business with related parties ("Shareholders' Mandate") as defined in Chapter 10 of the MMLR.

The aggregate value of transactions conducted during the financial year ended 30 June 2017 in accordance with the Shareholders' Mandate obtained at the last AGM were as follows:

A. RRPTs with Melewar Group of Companies

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Parties		Value of Transaction (1/07/2016 – 30/06/2017)
				Director	**Major Shareholder**	
1.	Trace Management Services Sdn Bhd ("Trace")	Provision of corporate secretarial services by Trace to Mycron Steel Berhad ("MSB") and its subsidiaries ("Mycron Group")	**Interested Directors** Tunku Dato' Yaacob Khyra ("TY") and Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah ("TK")	TY and TK are deemed interested in Trace by virtue of their major interests in The Melewar Corporation Berhad ("TMC"), who in turn is the Major Shareholder of Trace; TMC is the family owned investment holding company.	Nil	181,662

STATEMENT OF CORPORATE GOVERNANCE
(continued)

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

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Parties		Value of Transaction (1/07/2016 – 30/06/2017)
				Director	Major Shareholder	
1.	MAA Corporate Advisory Sdn Bhd ("MAACA")	Provision of corporate consultancy services by the Related Party to Mycron Group	**Interested Director** TY **Interested Major Shareholders** Melewar Equities (BVI) Ltd ("MEBVI"), Melewar Khyra Sdn Bhd ("MKSB") and Khyra Legacy Berhad ("KLB")	TY is deemed interested in MAACA. TY is the beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB.	MAACA is a wholly owned subsidiary of MAA Corporation Sdn Bhd who in turn is a wholly owned subsidiary of MAAG whose ultimate Major Shareholder is KLB.	-

C. RRPTs with Melewar Industrial Group Berhad ("MIG") and its subsidiaries, collectively ("MIG Group")

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Parties		Value of Transaction (1/07/2016 – 30/06/2017)
				Director	Major Shareholder	
1.	MIG	Provision of treasury services by the Related Party to Mycron Steel CRC Sdn Bhd ("MSCRC")	**Interested Director** TY **Interested Major Shareholders** MIG, MEBVI, MKSB and KLB	TY is deemed interested in MIG and MSCRC by virtue of him being the beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major/substantial shareholders of MIG.	MSCRC is a wholly owned subsidiary of Mycron. MIG is the Major Shareholder of Mycron by virtue of its 71.26% shareholding in Mycron.	-
2.	Melewar Steel Mills Sdn Bhd ("MSM")	Rental charged by MSCRC to the Related Party for using land belonging to MSCRC	**Interested Director** TY **Interested Major Shareholders** MIG, MEBVI, MKSB and KLB	TY is deemed interested in MSM and MSCRC by virtue of him being the beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major/substantial shareholders of MIG.	MSM is a wholly owned subsidiary of MIG. MSCRC is a wholly owned subsidiary of Mycron. MIG is the Major Shareholder of Mycron by virtue of its 71.26% shareholding in Mycron.	-

STATEMENT OF CORPORATE GOVERNANCE
(continued)

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Parties		Value of Transaction (1/07/2016 – 30/06/2017)
				Director	Major Shareholder	
3.	MIG	Sale of pipes by the Related Party to MSCRC	**Interested Director** TY **Interested Major Shareholders** MIG, MEBVI, MKSB and KLB	TY is deemed interested in MIG and MSCRC by virtue of him being the beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major/substantial shareholders of MIG.	MSCRC is a wholly owned subsidiary of Mycron. MIG is the Major Shareholder of Mycron by virtue of its 71.26% shareholding in Mycron.	-
4.	MSM	Sale of scrap by MSCRC to the Related Party	**Interested Director** TY **Interested Major Shareholders** MIG, MEBVI, MKSB and KLB	TY is deemed interested in MSM and MSCRC by virtue of him being the beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major/substantial shareholders of MIG.	MSM is a wholly owned subsidiary of MIG. MSCRC is a wholly owned subsidiary of Mycron. MIG is the Major Shareholder of Mycron by virtue of its 71.26% shareholding in Mycron.	-
5.	Melewar Integrated Engineering Sdn Bhd (“MIE”)	Provision of technical and consultancy services by the Related Party to MSCRC for expansion projects in cold roll mill	**Interested Director** TY **Interested Major Shareholders** MIG, MEBVI, MKSB and KLB	TY is deemed interested in MIE and MSCRC by virtue of him being the beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major/substantial shareholders of MIG.	MIE is a wholly owned subsidiary of MIG. MSCRC is a wholly owned subsidiary of Mycron. MIG is the Major Shareholder of Mycron by virtue of its 71.26% shareholding in Mycron.	-
6.	MIG	Management fees for the provision of management services/advice charged by Related Party to MSCRC	**Interested Director** TY **Interested Major Shareholders** MIG, MEBVI, MKSB and KLB	TY is deemed interested in MIG and MSCRC by virtue of him being the beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major/substantial shareholders of MIG.	MSCRC is a wholly owned subsidiary of Mycron. MIG is the Major Shareholder of Mycron by virtue of its 71.26% shareholding in Mycron.	1,320,000

STATEMENT OF CORPORATE GOVERNANCE
(continued)

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Parties: Director	Manner of relationship with the Related Parties: Major Shareholder	Value of Transaction (1/07/2016 – 30/06/2017)
7.	Melewar Steel Services Sdn Bhd ("MSS")	Rental charged by the Related Party to Melewar Steel Tube Sdn Bhd ("MST") for the use of the factory belonging to MSS. (Lot 16)	**Interested Director** TY **Interested Major Shareholders** MIG, MEBVI, MKSB and KLB	TY is deemed interested in MSS and MST by virtue of him being the beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major/substantial shareholders of MIG.	MST is a wholly owned subsidiary of Mycron. MSS is a wholly owned subsidiary of MIG. MIG is the Major Shareholder of Mycron by virtue of its 71.26% shareholding in Mycron.	500,940
8.	MIG	Rental charged by the Related Party to MST for the use of the factory belonging to MIG. (Lot 10, Lot 49 and Lot 53)	**Interested Director** TY **Interested Major Shareholders** MIG, MEBVI, MKSB and KLB	TY is deemed interested in MIG and MST by virtue of him being the beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major/substantial shareholders of MIG.	MST is a wholly owned subsidiary of Mycron. MIG is the Major Shareholder of Mycron by virtue of its 71.26% shareholding in Mycron.	4,963,860
9.	MIE	Technical Advisory fees charged by the Related Party to MST	**Interested Director** TY **Interested Major Shareholders** MIG, MEBVI, MKSB and KLB	TY is deemed interested in MIE and MST by virtue of him being the beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major/substantial shareholders of MIG.	MST is a wholly owned subsidiary of Mycron. MIE is a wholly owned subsidiary of MIG. MIG is the Major Shareholder of Mycron by virtue of its 71.26% shareholding in Mycron.	96,000
10.	MSM	Sale of scrap by MST to Related Party	**Interested Director** TY **Interested Major Shareholders** MIG, MEBVI, MKSB and KLB	TY is deemed interested in MSM and MST by virtue of him being the beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major/substantial shareholders of MIG.	MST is a wholly owned subsidiary of Mycron. MSM is a wholly owned subsidiary of MIG. MIG is the Major Shareholder of Mycron by virtue of its 71.26% shareholding in Mycron.	-

STATEMENT OF CORPORATE GOVERNANCE
(continued)

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Parties: Director	Manner of relationship with the Related Parties: Major Shareholder	Value of Transaction (1/07/2016 – 30/06/2017)
11.	MIE	Technical advisory fees charged by the Related Party to MSCRC	**Interested Director** TY **Interested Major Shareholders** MIG, MEBVI, MKSB and KLB	TY is deemed interested in MIE and MSCRC by virtue of him being the beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major/substantial shareholders of MIG.	MSCRC is a wholly owned subsidiary of Mycron. MIE is a wholly owned subsidiary of MIG. MIG is the Major Shareholder of Mycron by virtue of its 71.26% shareholding in Mycron.	192,000
12.	MIG	Provision of management fees charged by the Related Party to MST	**Interested Director** TY **Interested Major Shareholders** MIG, MEBVI, MKSB and KLB	TY is deemed interested in MIG and MST by virtue of him being the beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major/substantial shareholders of MIG.	MST is a wholly owned subsidiary of Mycron. MIG is the Major Shareholder of Mycron by virtue of its 71.26% shareholding in Mycron.	1,320,000
13.	Ausgard Quick Assembly Systems Sdn Bhd (“AQAS”)	Sale of pipes by MST to the Related Party	**Interested Director** TY **Interested Major Shareholders** MIG, MEBVI, MKSB and KLB	TY is deemed interested in AQAS and MST by virtue of him being the beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major/substantial shareholders of MIG.	MST is a wholly owned subsidiary of Mycron. AQAS is a wholly owned subsidiary of MIG. MIG is the Major Shareholder of Mycron by virtue of its 71.26% shareholding in Mycron.	10,392

STATEMENT OF CORPORATE GOVERNANCE
(continued)

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Parties		Value of Transaction (9/12/2016 – 30/06/2017)
				Director	Major Shareholder	
14.	MSM	Scrap handling commission fee charged by Related Party to MSCRC	**Interested Director** TY **Interested Major Shareholders** MIG, MEBVI, MKSB and KLB	TY is deemed interested in MSM and MSCRC by virtue of him being the beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major/substantial shareholders of MIG.	MSM is a wholly owned subsidiary of MIG. MSCRC is a wholly owned subsidiary of Mycron. MIG is the Major Shareholder of Mycron by virtue of its 71.26% shareholding in Mycron.	1,329,047
15.	MSM	Scrap handling commission fee charged by Related Party to MST	**Interested Director** TY **Interested Major Shareholders** MIG, MEBVI, MKSB and KLB	TY is deemed interested in MSM and MST by virtue of him being the beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major/substantial shareholders of MIG.	MSM is a wholly owned subsidiary of MIG. MST is a wholly owned subsidiary of Mycron. MIG is the Major Shareholder of Mycron by virtue of its 71.26% shareholding in Mycron.	297,941

(D) Financial assistance between Mycron Group and classes of related parties

Type of Financial Assistance	Related Party	Interested Related Parties	Manner of relationship with the Related Party		Value of Transaction (1/07/2016 – 30/06/2017) (RM)
			Director	Major Shareholder	
Provision of guarantees, indemnity or such other collateral to or in favour of another person which is necessary in order for MIE to procure a contract or secure work from the other person or to enable the other person to commence and/or complete a contract or work for Mycron Group.	MIE	**Interested Director** TY **Interested Major Shareholders** MIG, MEBVI, MKSB and KLB	TY is deemed interested in MIE by virtue of him being the beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major/substantial shareholders of MIG.	MIE is a wholly owned subsidiary of MIG. MIG is the Major Shareholder of Mycron by virtue of its 71.26% shareholding in Mycron.	-

STATEMENT OF CORPORATE GOVERNANCE
(continued)

Type of Financial Assistance	Related Party	Interested Related Parties	Manner of relationship with the Related Party		Value of Transaction (1/07/2016 – 30/06/2017) (RM)
			Director	Major Shareholder	
Provision of financial assistance to MIG Group by the pooling of funds via a centralized treasury management function within Mycron Group on a short or medium term basis i.e. for a duration not exceeding three (3) years.	MIG Group	**Interested Director** TY **Interested Major Shareholders** MIG, MEBVI, MKSB and KLB	TY is deemed interested in MIG by virtue of him being the beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major/substantial shareholders of MIG.	MIG is the Major Shareholder of Mycron by virtue of its 71.26% shareholding in Mycron.	-
Provision of corporate guarantee to financial institutions, as and when required, to secure the continuing trade facilities extended to direct and indirect subsidiaries.	MIG Group	**Interested Director** TY **Interested Major Shareholders** MIG, MEBVI, MKSB and KLB	TY is deemed interested in MIG by virtue of him being the beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major/substantial shareholders of MIG.	MIG is the Major Shareholder of Mycron by virtue of its 71.26% shareholding in Mycron.	-

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF FINANCIAL STATEMENTS

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

The Board has received assurance from the Executive Director/Group Chief Executive Officer and the Chief Financial Officer that the financial records have been properly maintained and the financial statements for the financial year ended 30 June 2017 give a true and fair view of the Company's operations and finances; and of the effectiveness of the Company's risk management and internal control systems. In preparing the financial statements, the Directors have:

➢ adopted appropriate accounting policies which were consistently applied;

➢ made judgments and estimates that are reasonable and prudent;

➢ ensured that all applicable accounting standards have been followed; and

➢ considered the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operations for the foreseeable future.

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

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

DIRECTORS' STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

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

BOARD RESPONSIBILITIES

The Board acknowledges its overall responsibility and accountability for a sound system of risk management framework to be established and supported by internal controls that ensures the reliability and integrity of the financial and operational information, effectiveness and efficiency of operations. As there are limitations inherent in any systems of internal control, therefore, it shall be noted that the controls are designed and positioned to mitigate risks but not eliminate the present and future risks. In this connection, it shall be noted that systems of internal control can only provide reasonable but not absolute assurance against material misstatements, frauds and losses.

The Board has delegated the implementation of these internal control systems to the Executive Directors and Senior Management who regularly reports to the Audit and Risk Management Committees on risks identified and action steps taken to mitigate and/or minimise these risks.

The Board is primarily responsible for strategic risks management while the responsibility to address all risks associated with the business operations rests with the top senior management.

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

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

The Board has delegated the responsibilities to the Risk Management Committee ("RMC") to include the role of monitoring of all internal controls on behalf of the Board and to report to the Board accordingly. This process is regularly reviewed by the Board and the Internal Auditors respectively. The internal audit function is outsourced to an independent party, Messrs Baker Tilly Monteiro Heng Governance Sdn Bhd ("BTMH").

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

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

RISK MANAGEMENT COMMITTEE

The RMC was established by the Board on 31 March 2004. The RMC had met four (4) times during the financial year. The members of the RMC as at the date of this Annual Report are as follows:

Chairman	:	En. Shazal Yusuf bin Mohamed Zain
Members	:	Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah
	:	Mr. Muk Sai Tat

DIRECTORS' STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(continued)

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

Name of Committee Members	Total Meetings attended
En. Shazal Yusuf bin Mohamed Zain *(Chairman, Independent Non-Executive Director)*	4/4
Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah *(Non-Independent Non-Executive Director)*	3/4
Mr Muk Sai Tat *(Independent Non-Executive Director)*	4/4

RISK MANAGEMENT FRAMEWORK

The RMC had formally adopted a Risk Management Framework for the Group in 2005 which is based on internationally recognised framework, Australian/New Zealand Standard, AS/NZS 4360:2004, Risk management (the Standard). The objective of this framework is to provide guidance to the Group to facilitate a structured approach in identifying, evaluating and managing significant risks and to achieve a level of adequacy and standard reporting by the operating subsidiaries and business divisions to the holding company in a timely manner. Recognizing that the framework requires enhancement based on the current business operating environment, the Company will be reviewing the framework with the assistance of Deloitte Enterprise Risk Services Sdn Bhd who was recently engaged as the new outsourcing provider to undertake the internal audit requirements of the Group.

The roles of the Board of Directors, Risk Management Committee and the respective Division Heads are well defined under the framework with clear lines of accountability. Management is responsible for the identification and evaluation of the key risks applicable to their areas of business units/segments on a continuous basis. The Group recognizes that Risk Management involves a structured approach, combining the efforts of all functions within the Group, to minimize the possibility and impact of unexpected damages so as to contribute towards greater efficiency and better decision making.

The RMC will assist and coordinate the implementation of the risk management programme for the Group. The implementation of the risk management programme will provide a consistent approach and guideline in managing the Group's significant risk exposures. It has been a practice for the RMC to invite the relevant Heads of Division/Department to attend the RMC Meetings, where appropriate.

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

INTERNAL CONTROL PROCESS

The key elements of the Group's system of internal controls that the Board has established in reviewing the adequacy and effectiveness of the risk management and internal control system during the financial year ended 30 June 2017 were as follows:

1. Organisation structure and delegation of authority

   The Group has an appropriate organizational structure for planning, executing, controlling and monitoring business operations in order to achieve the Group's business objectives. Lines of responsibility and delegations of authority are clearly defined.

2. Internal Control Procedures

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

   - Petty Cash Procedure
   - Motor Vehicle Expenses Reimbursement Procedure
   - Company Car Maintenance Procedure
   - Outstation Travel Requisition & Reimbursement Procedure
   - Entertainment Reimbursement Procedure
   - Hand Phone Expenses Reimbursement Procedure
   - Capital Asset Acquisition Procedure
   - Capital Asset Disposal Procedure
   - Investment Procedure
   - Credit Control Procedure

DIRECTORS' STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(continued)

- Raw Material Purchase Procedure
- Sub-raw Materials, Tooling, Hardware, Consumable, Equipment, Fuel, Lubricants and Miscellaneous Items Purchase Procedure
- Sales Procedure
- Internal Security Procedure
- Whistle-Blowing Policy
- Intercompany Transactions/Loans/Advances Procedure
- FX Risk Management
- Manual Journal Transaction Procedure
- Employee Advance Control Procedure
- Miscellaneous Payment Procedure

The ICPs are subject to review on a regular basis along with the internal audit review of the selected area of operations.

3. Policies and Procedures

Operational policies and procedures are formalised to serve as a guiding principle to all employees within the Group for their day-day activities. It shall be periodically reviewed and updated to cater for the changing business environment.

4. Internal audit function

The Group outsourced its internal audit function to Baker Tilly Monteiro Heng Governance Sdn Bhd. The Group's internal auditor reports directly to the Audit Committee after conducting reviews on the systems of internal control and the effectiveness of processes that are in place to identify, manage and report risks.

The internal audit function plays a role to provide some comfort to the Board on the adequacy and effectiveness of the risk management practices of the Group by adopting a risk-based approach and focusing on the key risks areas to determine the auditees and auditable areas.

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

5. Managers Meeting ("MANCO")

The Managers of each business division meets on a monthly basis to review, deliberate and resolve various operational issues, financial and key management issues.

EXCO will also meet the MANCO on monthly basis to deliberate on similar matters mentioned above. The minutes of EXCO's meetings are included in the papers for quarterly Board meetings.

6. The Group has successfully attained the new ISO 9001:2015 certification on 29 April 2016 and such quality management system provides the Group with an improved control of key processes and a foundation for improving quality, customer service and customer satisfaction.

ISO Certifications

The Group had been awarded with the following ISO certifications by Sirim QAS International Sdn Bhd during the financial year and up to the date of approval of this Statement for inclusion into the Annual Report:-

(i) Melewar Steel Tube Sdn Bhd

(a) In May 2017, the business unit has been upgraded from the ISO 9001:2008 certification to ISO 9001:2015 which is applicable to the manufacturing of Cold-Rolled, Hot-Rolled and Aluminised Pipes, Black and Galvanised Steel Pipes, Electrical Conduits, Square and Rectangular Hollow Sections, Lipped Channels, U-Channels and Gate Channels.

(ii) Mycron Steel CRC Sdn Bhd

(a) In November 2016, the business unit has been upgraded from the ISO 14001:2008 certification to ISO 14001:2015 which is applicable to the environment management system manufacturing of Cold Rolled Steel Sheets in Coil.

DIRECTORS' STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(continued)

The implementation of the ISO certification will help to transform the Quality Management Systems of the applicable processes and departments/divisions into effective functional units that are of International Standards and aligned with the Group's objectives, besides creating a more conducive operating environment for the management and employees. The internal benefits gained continuously from the certifications granted will drive better financial results, hence creating more value for the business and stakeholders.

CONCLUSION

For the financial year under review and up to the date the of issuance of this Statement, the Management continues to monitor all major risks affecting the Group and the necessary measures to mitigate or minimise them as well as continue to enhance the adequacy and effectiveness of the risk management and internal control system of the Group mainly focusing on strategic, financial, operational and compliance aspect. In this regard, the Executive Director/Group Chief Executive Officer ("ED/GCEO") and the Chief Financial Officer ("CFO") have given assurance to the Board that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management model adopted by the Group and the declarations made by the respective Heads of each Division. To the best of knowledge, nothing has come to the attention of the ED/GCEO, CFO and the Management which may render the financial results presented and the information provided to be misleading in any material respect.

The Board is of the view that the risk management and internal control system of the Group is adequate and effective to safeguard the shareholders' investments, Group's assets and the interests of other stakeholders. During the financial year under review, it has not resulted in any material losses to the Group. Nevertheless, taking into account the rapid changing environment and circumstances, the Board continues to evaluate and take precautionary measures and steps to further strengthen the control environment.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Recommended Practice Guide ("RPG") 5 (Revised 2015) issued by the Malaysian Institute of Accountants. RPG 5 (Revised 2015) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board of Directors dated 24 October 2017.

AUDIT COMMITTEE REPORT

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

The AC had also carried out its duties and responsibilities in accordance with its terms of reference and held discussions with the internal auditors, External Auditors and relevant members of Management. The AC is of the view that no material misstatements or losses, contingencies or uncertainties have arisen, based on the reviews made and discussions held.

COMPOSITION

The Audit Committee comprises of three (3) members, all of who are Independent and Non-Executive Directors in compliance with the requirements of paragraph 15.09(1)(a) and (b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") as follows:

Name	Designation	Directorship
Mr Muk Sai Tat	Chairman	*Independent Non-Executive Director*
Tan Sri Datuk Seri Razman Md Hashim	Member	*Independent Non-Executive Director*
En Shazal Yusuf bin Mohamed Zain	Member	*Senior Independent Non-Executive Director*

The Chairman of the Audit Committee, Mr Muk Sai Tat is a member of the Malaysian Institute of Accountants and therefore meets the requirements of paragraph 15.09(1)(c) of the MMLR. The Directors' profiles are set out on pages 22 to 25 in the Annual Report.

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

In August 2017, the Nomination and Remuneration Committee ("NRC") reviewed the terms of office and performance of the Audit Committee and its members through an annual evaluation focusing on the adequacy and effectiveness of the Audit Committee based on the self-assessed evaluations carried out by the Audit Committee members as well as the NRC's own assessment on the performance and effectiveness as a Board Committee.

Based on the NRC's assessment and recommendation, the Board was satisfied that the Audit Committee and its members have carried out their functions, duties and responsibilities in accordance with its Terms of Reference.

TERMS OF REFERENCE

The Audit Committee is governed by its Terms of Reference (TOR), approved by the Board, which will be periodically reviewed and updated. The latest review was on 26 August 2016 which incorporated the latest amendments to the Bursa MMLR. The revised TOR is made available on the Company's website (www.mycronsteel.com).

MEETINGS AND MINUTES

The Audit Committee shall meet at least four (4) times annually or more frequently as circumstances dictate. The Executive Director/ Group Chief Executive Officer ("ED/GCEO") and Chief Financial Officer ("CFO") should normally attend meetings. Other Board members, employees, a representative of the External Auditors and External Independent Professional Advisers may attend meetings upon the invitation of the Audit Committee.

The Company Secretary shall be the secretary to the Audit Committee. Minutes of each meeting shall be distributed to each member prior to the meeting. The Chairman of the Audit Committee shall report to the Board, a summary of significant matters arising at each meeting.

During the financial year ended 30 June 2017, five (5) Audit Committee meetings were held. The details of attendance of each Committee member are as follows:

Members	No. of Meetings Attended	%
Mr Muk Sai Tat *(Chairman)*	5/5	100
Tan Sri Datuk Seri Razman Md Hashim	5/5	100
En Shazal Yusuf bin Mohamed Zain	5/5	100

AUDIT COMMITTEE REPORT
(continued)

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

Besides the Company Secretary, ED/GCEO, CFO, Financial Controller, Commercial Division, the External Auditors and the outsourced Internal Auditors attended the Committee meetings on the standing invitation of the Committee Chairman during the financial year ended 30 June 2017.

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

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

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

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

Financial Reporting	(i) Reviewed the unaudited quarterly and annual financial results of the Group for financial year ended 30 June 2017 which were drawn up in accordance with the applicable Malaysian Financial Reporting Standards and the International Financial Reporting Standards issued by the Malaysian Accounting Standards Board and the Malaysian Companies Act, 2016. This also included the announcements pertaining to the release of financial results to Bursa Securities prior to recommending to the Board for approval. (ii) Sought clarification from Management especially from the Chief Financial Officer of the Group on the following information for better understanding of the overall state of the financial position of the Company: ➢ Performance of the key divisions of the Company including the variations and contributing factors to the performance; ➢ Foreign exchange exposure; ➢ Cash flow position of the Group with specific details on the compliance to the financial covenants with the various financial institutions who had granted facilities to the Group; ➢ Position of the gearing ratio of the Company. (iii) Reviewed the key audit matters highlighted in the auditors' report based on auditors' professional judgement which were considered as most significant in their audit of the financial statements of the Group and of the Company for the current financial year. (iv) Reviewed and ascertained that the audited annual financial statements do not contain any misstatement of transactions and the auditors are in a position to issue an unqualified opinion on the matter of truth and fairness of the financial performance and the financial position of the Company and of the Group.

AUDIT COMMITTEE REPORT
(continued)

External audit and interim review	(i) Discussed with the External Auditors on their annual audit plan, nature and scope of audit focus on key risk areas as well as audit procedures, prior to the commencement of audit. (ii) Reviewed the External Auditors' annual audit report and accompanying reports to management, reports of their other examinations and management letters on internal control matters, including management's response and the level of co-operation given by employees to the External Auditors. (iii) Evaluated the External Auditors' independence, objectivity and terms of engagement before recommending their re-appointment and remuneration. (iv) Discussed problems and reservations arising from the interim and final external audits, and any matters the External Auditors may wish to discuss in the absence of Management. (v) Reviewed with the External Auditors the Statement on Risk Management and Internal Control of the Group for inclusion in the Annual Report. (vi) Received updates on the statutory and regulatory requirements including the implementation of the accounting standards applicable in the preparation of financial statements and their implications of the financial statements. (vii) Assessed the suitability and independence of External Auditors and obtained written assurance from the External Auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the Malaysian Institute of Accountants. The External Auditors provided written assurance of their independence as stated in their Audit Plan dated 24 May 2017 to the AC that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. (viii) Conducted two (2) private sessions with the External Auditors, without the presence of Executive Directors and Management.
Internal control and internal audit	(i) Reviewed and approved the Internal Audit Consultants' Annual Internal Audit Plan and ensured principal risks, key entities, scope and functions were adequately identified and covered in the plan. (ii) Reviewed and evaluated the overall adequacy and effectiveness of the risk management and Group's internal control system on a quarterly basis through review of results of work performed by internal and External Auditors and discussions with the Management. (iii) Reviewed the internal audit reports presented by the Internal Audit Consultants at each Audit Committee meeting and their activities with respect to: ➢ Status of audit activities as compared to the approved Annual Audit Plan. ➢ Monitored the outcome of the audits, follow-up, investigative and special audits conducted to ascertain all action plans were adequately implemented to address the key risks. ➢ Adequacy of Management's responsiveness to the audit findings and recommendations. ➢ Adequacy of audit resources of the Internal Audit Consultants. ➢ Reviewed and monitored the implementation status of the audit recommendations made by the auditors to ensure that key risks and controls have been addressed. This includes any improvement on the system of the internal controls and procedures. ➢ Reviewed the adequacy of the scope, functions, and competency of the internal audit function. ➢ Reviewed and recommended to the Board the re-appointment of the external service provider for internal audit services and their audit fee.

AUDIT COMMITTEE REPORT
(continued)

<table>
<tr><td></td><td>(iv) Considered the views of management and both Internal and External Auditors on the following issues:

<u>Mycron Steel Berhad</u>
➢ Corporate Governance Compliance
➢ Personal Claim Processing

<u>Mycron Steel CRC Sdn Bhd</u>
➢ Maintenance Management & Property, Plant and Equipment Management
➢ Human Resource Management
➢ Purchasing and Receiving Control-Sub Raw Material and Consumables
➢ Personal Claim Processing
➢ Inventory Management and Control
➢ Purchasing, Health, Safety and Environmental and Security

<u>Melewar Steel Tube Sdn Bhd</u>
➢ Purchasing and Receiving Control-Sub Raw Material and Consumables
➢ Personal Claim Procedures and Processing
➢ Finance Management, Human Resource Management and EDP Support Function
➢ Inventory Management and Control

(v) Reviewed and debated on the recommendations made by the Internal Audit Consultants on the areas where further improvements are required in respect of the abovementioned scopes covered with subsequent recommendation to the Board the steps to improve the system of internal control derived from the findings of the Internal and External Auditors.</td></tr>
<tr><td>Internal audit function</td><td>(i) Since 2004, the Company had outsourced its internal audit function to external service provider. Having assessed the performance of Messrs Baker Tilly Monteiro Heng Governance Sdn Bhd who has been the outsourced internal auditor since 2008, the AC was of the view that it was timely to review their position objectively during the financial year ended 30 June 2017 for good corporate governance.

Having carried out a Request for Proposal exercise, Management had shortlisted Deloitte Enterprise Risk Services Sdn Bhd to provide the internal audit services for Mycron Group in place of Messrs Baker Tilly Monteiro Heng Governance Sdn Bhd for a period of 3 years up to 30 June 2020. This recommendation was approved by the Board.</td></tr>
<tr><td>Corporate Governance requirements</td><td>(i) Reviewed and monitored the disclosure of related party transactions and any conflict of interest situation and questionable transactions to ensure compliance with the MMLR and that they were not favourable to the related parties than those generally available to the public and were not detrimental to minority shareholders.

(ii) Reviewed the disclosure statements on compliance of Malaysian Code on Corporate Governance, Board's responsibility on the annual audited financial statements and the state of internal control and other relevant documents for publication in the Company's Annual Report.

(iii) Reviewed the following draft Circular to Shareholders and recommended the same to the Board for approval:

(a) Proposed share buy-back of up to three percent (3%) of the issued and paid-up share capital of the Company; and

(b) Proposed renewal of shareholders' mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and Provision of Financial Assistance.

(iv) Reviewed the Internal Audit Charter of the Mycron Group for adoption by the Board of Directors.</td></tr>
</table>

AUDIT COMMITTEE REPORT
(continued)

INTERNAL AUDIT FUNCTIONS

The Internal Audit function of the Company and the Group has been outsourced to an independent party, Messrs Baker Tilly Monteiro Heng Governance Sdn Bhd ("BTMH"). BTMH assists the Audit Committee in discharging its duties and responsibilities, and is independent of the activities they audit.

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

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

The AC and the Board had on 26 May 2017 approved to adopt the Internal Audit Charter to assist the organisation in accomplishing its objectives through the provision of audit assurance on the adequacy and effectiveness of its corporate governance processes, risk management, and internal controls.

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

The 2016 Annual Internal Audit Plan which was developed based on a risk based approach was approved by the Audit Committee at its meeting held on 28 August 2014. The Internal Audit reports, which highlight internal control weaknesses were deliberated by the Audit Committee and the recommendations were duly acted upon by the Management.

During the year under review, BTMH had carried out and completed twelve (12) audits including follow up audit assignments according to the internal audit plan which had been approved by the Audit Committee. Internal audits were carried out to provide assurance that internal controls are established and operating as intended to achieve effective and efficient operations and adherence to applicable policies, guidelines and procedures. BTMH had conducted independent reviews and risk exposures evaluation relating to the operations and management information system. In performing such reviews, recommendations for improvements and enhancements to the existing internal control system and work processes were made.

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

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

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

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

The proposed Internal Audit Plan for financial year ending 2017 was approved by the Audit Committee at its meeting held on 26 May 2016.

AUDIT COMMITTEE REPORT
(continued)

The role to be carried out by the Internal Audit with regards to the Group's risk management framework is explained in the Statement on Risk Management and Internal Control as set out on pages 56 to 59 of the Annual Report.

The total cost incurred by the Group in relation to the conduct of the internal audit function of the Group during the financial year ended 30 June 2017 was approximately RM 87,000.00.

Based on the internal controls established and maintained by the Group, works performed by the Internal Auditor and reviews performed, the Board with concurrence of the Audit Committee was of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology controls and risk management systems were adequate and effective as at 30 June 2017.

This Report on Audit Committee was made in accordance with the approval of the Board on 24 October 2017.

DIRECTORS' REPORT
For the Financial Year Ended 30 June 2017

The Directors hereby submit their report together with the audited financial statements of the Group and the Company for the financial year ended 30 June 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Company are of investment holding and the provision of management services to its subsidiaries. The principal activities of the subsidiaries are that of mid-stream steel cold rolled coil manufacturing and steel tube manufacturing as disclosed in Note 13 to the financial statements.

FINANCIAL RESULTS

	Group	Company
	RM	RM
Net profit for the financial year	34,743,313	64,118

DIVIDENDS

There were no dividends declared or paid by the Company since 30 June 2016.

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

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

The Company did not issue any new shares and debentures during the current financial year ended 30 June 2017.

DIRECTORS

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

Tunku Dato' Yaacob Khyra
Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah
Azlan bin Abdullah
Tan Sri Datuk Seri Razman Md Hashim bin Che Din Md Hashim
Muk Sai Tat
Shazal Yusuf bin Mohamed Zain
Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah
Roshan Mahendran bin Abdullah (appointed on 18 September 2017)

In accordance with Article 113(1) of the Company's Article of Association, Tunku Dato' Yaacob Khyra, Muk Sai Tat and Tan Sri Datuk Seri Razman Md Hashim bin Che Din Md Hashim are to retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' REPORT

For the Financial Year Ended 30 June 2017
(continued)

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
	At 1.7.2016	**Bought**	**Sold**	**At 30.6.2017**
Melewar Industrial Group Berhad (Ultimate holding company)				
Tunku Dato' Yaacob Khyra				
- deemed indirect interest	82,381,232	-	-	82,381,232
Azlan bin Abdullah				
- direct interest	133,333	-	-	133,333

	Number of ordinary shares			
	At 1.7.2016	**Bought**	**Sold**	**At 30.6.2017**
Mycron Steel Berhad (the Company)				
Tunku Dato' Yaacob Khyra				
- deemed indirect interest	202,102,521	-	-	202,102,521
Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah				
- deemed indirect interest	52,300	-	-	52,300
Azlan bin Abdullah				
- direct interest	247,000	-	(147,000)	100,000

By virtue of Tunku Dato' Yaacob Khyra's deemed indirect interests in shares in the ultimate holding company, he is deemed to have an interest in the shares in all the subsidiaries to the extent the ultimate holding company has an interest.

None of the other Directors holding office at the end of the financial year had any interest in ordinary shares in the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

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

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

DIRECTORS' REMUNERATION

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

DIRECTORS' REPORT
For the Financial Year Ended 30 June 2017
(continued)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

(b) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

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

In the opinion of the Directors:

(a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than impairment loss on property, plant and equipment as disclosed in Note 12 to the financial statements; and

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

ULTIMATE AND IMMEDIATE HOLDING COMPANY

The Directors regard Melewar Industrial Group Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad as both the immediate and the ultimate holding company.

SUBSIDIARIES

Details of subsidiaries are set out in Note 13 to the financial statements.

AUDITORS' REMUNERATION

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

DIRECTORS' REPORT
For the Financial Year Ended 30 June 2017
(continued)

AUDITORS

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

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

TUNKU DATO' KAMIL IKRAM
BIN TUNKU TAN SRI ABDULLAH
DIRECTOR

AZLAN BIN ABDULLAH
EXECUTIVE DIRECTOR/
GROUP CHIEF EXECUTIVE OFFICER

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah and Azlan bin Abdullah, two of the Directors of Mycron Steel Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 75 to 130 are drawn up so as to give a true and fair view of the financial position of the Group and Company as at 30 June 2017 and financial performance of the Group and the Company for the financial year ended 30 June 2017 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 supplementary information set out in Note 34 on page 131 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of Directors in accordance with a resolution dated 27 October 2017.

TUNKU DATO' KAMIL IKRAM
BIN TUNKU TAN SRI ABDULLAH
DIRECTOR

AZLAN BIN ABDULLAH
EXECUTIVE DIRECTOR/
GROUP CHIEF EXECUTIVE OFFICER

STATUTORY DECLARATION

Pursuant to Section 251(1) of the Companies Act 2016

I, Choo Kah Yean, the officer primarily responsible for the financial management of Mycron Steel Berhad, do solemnly and sincerely declare that the financial statements set out on pages 75 to 130 are, in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHOO KAH YEAN
CHIEF FINANCIAL OFFICER

Subscribed and solemnly declared by the abovenamed Choo Kah Yean, at Kuala Lumpur in Malaysia on 27 October 2017, before me.

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

To the Members of MYCRON STEEL BERHAD
(Incorporated in Malaysia) (Company No. 622819-D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 30 June 2017 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 75 to 130.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Our audit approach

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

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

Key audit matters

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

INDEPENDENT AUDITORS' REPORT

To the Members of MYCRON STEEL BERHAD
(Incorporated in Malaysia) (Company No. 622819-D)
(continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Key audit matters (continued)

Key audit matters (Consolidated financial statements)	**How our audit addressed the key audit matters**
Valuation of land and buildings, plant, machinery and electrical installation Refer to Note 2(d) Property, plant and equipment – Summary of significant accounting policies, Note 3 – Critical accounting estimates and judgements and Note 12 – Property, plant and equipment to the financial statements. The Group carries its land and buildings, plant, machinery and electrical installation at values approximating their fair values. As at 30 June 2017, the carrying amount of the Group's land and buildings, plant, machinery and electrical installation is RM289.7 million. The valuation of the Group's land and buildings, plant, machinery and electrical installation are carried out by independent professional valuers on an annual basis. The valuation of the land and buildings is inherently subjective due to the individual nature of each property and its location; whereas the plant, machinery and electrical installation is inherently subjective due to the physical condition of the individual assets at the point of valuation. We focused on this area because there are significant judgements and estimates made in relation to the valuation of the Group's land and buildings, plant, machinery and electrical installation.	Evaluation of the valuers' objectivity and competency We read the valuation reports for the land and buildings, plant, machinery and electrical installation and discussed the reports with each of the valuer. We found that the valuation approach for each category of asset was performed in accordance with MFRS 13 "Fair value measurement" in determining the fair values as at 30 June 2017. We evaluated the valuers' competence by checking the valuers' qualifications and their registration to the Board of Valuers. We read their terms of engagement to determine whether there were any matters that might have affected their objectivity. Estimates on land and buildings For the land and buildings revalued during the year, the fair values were determined based on the Market approach which entails separate valuations of the land and buildings to arrive at the fair value. The fair values of the land and building were determined based on open market basis by reference to observable prices in the market or recent market transactions on arm's length terms (Level 2). Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is selling price per square meter. We tested a sample of land and buildings by comparing the fair value per square meter with transacted values of similar land and buildings in and around the area. The values were obtained from independent online property portal website. Estimates on plant, machinery and electrical installation For plant, machinery and electrical installation, the fair values were determined based on depreciated replacement cost method, which is based on the current cost of reproduction or replacement of an asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation (Level 3). We obtained an understanding on the basis of valuation and checked the reasonableness of the basis of valuation through discussions with valuers on the basis of their estimates.

There are no key audit matters in relation to the financial statements of the Company.

Information other than the financial statements and auditors' report thereon

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

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

INDEPENDENT AUDITORS' REPORT

To the Members of MYCRON STEEL BERHAD
(Incorporated in Malaysia) (Company No. 622819-D)
(continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Information other than the financial statements and auditors' report thereon (continued)

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

To the Members of MYCRON STEEL BERHAD
(Incorporated in Malaysia) (Company No. 622819-D)
(continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

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

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

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

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

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 34 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

LEE YOKE KHAI
01589/08/2019J
Chartered Accountant

Kuala Lumpur
27 October 2017

STATEMENTS OF COMPREHENSIVE INCOME

For the Financial Year Ended 30 June 2017

		Group		Company	
	Note	**2017 RM**	**2016 RM**	**2017 RM**	**2016 RM**
Revenue	6	726,196,369	566,809,455	2,447,394	2,288,789
Cost of sales		(637,937,479)	(488,537,072)	-	-
Gross profit		88,258,890	78,272,383	2,447,394	2,288,789
Other operating income		452,587	195,443	-	32,000
Net foreign exchange loss		(751,045)	(733,993)	-	-
Selling and distribution costs		(6,158,665)	(4,969,522)	-	-
Administrative expenses		(23,117,075)	(21,343,685)	(2,258,326)	(2,117,304)
Impairment loss on property, plant and equipment	8	(2,107,535)	(8,057,174)	-	-
Finance income	7	950,983	446,779	1,816	593
Finance costs	7	(11,157,464)	(11,409,804)	(7,779)	(1,945)
Profit before tax	8	46,370,676	32,400,427	183,105	202,133
Taxation	10	(11,627,363)	(8,222,585)	(118,987)	(120,659)
Net profit for the financial year		34,743,313	24,177,842	64,118	81,474
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
- Revaluation surplus on property, plant and equipment, net of tax		2,989,245	5,374,814	-	-
Total comprehensive income for the financial year		37,732,558	29,552,656	64,118	81,474
Net profit for the financial year attributable to owners of the Company		34,743,313	24,177,842	64,118	81,474
Total comprehensive income for the financial year attributable to owners of the Company		37,732,558	29,552,656	64,118	81,474
Earnings per share attributable to equity holders of the Company					
- basic and diluted (sen)	11	12.26	8.56		

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	12	294,514,192	304,738,504	283,606	316,330
Investments in subsidiaries	13	-	-	217,790,679	224,290,679
Intangible assets	14	20,000,000	20,000,000	-	-
		314,514,192	324,738,504	218,074,285	224,607,009
CURRENT ASSETS					
Inventories	15	177,176,498	96,740,097	-	-
Trade and other receivables	16	106,248,880	100,860,355	10,413	5,989
Amount owing by ultimate holding company	17	262,880	6,992,246	-	-
Amounts owing by subsidiaries	18	-	-	202,187	63,903
Amounts owing by related companies	19	4,859,971	5,796,422	-	-
Tax recoverable		257,772	226,101	121,068	67,779
Derivative financial assets	20	142,073	704,614	-	-
Cash and cash equivalents	21	64,588,049	27,630,395	260,756	298,831
		353,536,123	238,950,230	594,424	436,502
LESS: CURRENT LIABILITIES					
Trade and other payables	22	181,469,032	116,118,872	309,140	311,446
Amount owing to ultimate holding company		4,000,000	-	4,000,000	-
Amounts owing to subsidiaries	18	-	-	7,500,000	18,878,906
Amount owing to a related company	19	1,073,151	534,597	-	-
Tax payable		1,651,036	887,875	-	-
Derivative financial liabilities	20	3,036,852	3,263,972	-	-
Borrowings	24	78,609,835	84,338,603	40,869	40,869
		269,839,906	205,143,919	11,850,009	19,231,221
NET CURRENT ASSETS/(LIABILITIES)		83,696,217	33,806,311	(11,255,585)	(18,794,719)
LESS: NON-CURRENT LIABILITIES					
Deferred tax liabilities	23	19,758,492	15,864,769	5,599	4,738
Borrowings	24	4,298,277	7,241,264	194,045	234,914
		24,056,769	23,106,033	199,644	239,652
		374,153,640	335,438,782	206,619,056	205,572,638
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Share capital	25	206,363,671	70,886,364	206,363,671	70,886,364
Non-distributable capital reserve	26	-	115,753,842	-	115,753,842
Share premium	26	-	19,100,456	-	19,100,456
Treasury shares	27	-	(359,291)	-	(359,291)
Asset revaluation reserve		25,533,861	22,544,616	-	-
Retained earnings		142,256,108	107,512,795	255,385	191,267
TOTAL EQUITY		374,153,640	335,438,782	206,619,056	205,572,638

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 30 June 2017

		Attributable to owners of the Company							
	Note	Share capital	Capital reserve	Share premium	Paid-in capital	Treasury shares	Asset revaluation reserves	Retained earnings	Total
		RM	RM	RM	RM	RM	RM	RM	RM
At 1 July 2016		70,886,364	115,753,842	19,100,456	8,569	(367,860)	22,544,616	107,512,795	335,438,782
Disposal of treasury shares	27	-	-	-	614,440	367,860	-	-	982,300
Net profit for the financial year		-	-	-	-	-	-	34,743,313	34,743,313
Other comprehensive income:									
- Revaluation surplus on property, plant and equipment, net of tax	12	-	-	-	-	-	2,989,245	-	2,989,245
Total comprehensive income for the financial year		-	-	-	-	-	2,989,245	34,743,313	37,732,558
Transition to no-par value regime on 31 January 2017 [(a)]		135,477,307	(115,753,842)	(19,100,456)	(623,009)	-	-	-	-
At 30 June 2017		206,363,671	-	-	-	-	25,533,861	142,256,108	374,153,640

		Attributable to owners of the Company							
	Note	Share capital	Capital reserve	Share premium	Paid-in capital	Treasury shares	Asset revaluation reserves	Retained earnings	Total
		RM	RM	RM	RM	RM	RM	RM	RM
At 1 July 2015		70,886,364	115,753,842	19,100,456	-	(382,685)	17,169,802	83,334,953	305,862,732
Disposal of treasury shares	27	-	-	-	8,569	14,825	-	-	23,394
Net profit for the financial year		-	-	-	-	-	-	24,177,842	24,177,842
Other comprehensive income:									
- Revaluation surplus on property, plant and equipment, net of tax	12	-	-	-	-	-	5,374,814	-	5,374,814
Total comprehensive income for the financial year		-	-	-	-	-	5,374,814	24,177,842	29,552,656
At 30 June 2016		70,886,364	115,753,842	19,100,456	8,569	(367,860)	22,544,616	107,512,795	335,438,782

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

COMPANY STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 30 June 2017

	Note	Share capital RM	Non-Distributable Capital reserve RM	Non-Distributable Share premium RM	Paid-in capital RM	Treasury shares RM	Retained earnings/ (Accumulated losses) RM	Total RM
At 1 July 2016		70,886,364	115,753,842	19,100,456	8,569	(367,860)	191,267	205,572,638
Disposal of treasury shares	27	-	-	-	614,440	367,860	-	982,300
Net profit for the financial year		-	-	-	-	-	64,118	64,118
Transition to no-par value regime on 31 January 2017 [(a)]		135,477,307	(115,753,842)	(19,100,456)	(623,009)	-	-	-
At 30 June 2017		206,363,671	-	-	-	-	255,385	206,619,056
At 1 July 2015		70,886,364	115,753,842	19,100,456	-	(382,685)	109,793	205,467,770
Disposal of treasury shares	27	-	-	-	8,569	14,825	-	23,394
Net profit for the financial year		-	-	-	-	-	81,474	81,474
At 30 June 2016		70,886,364	115,753,842	19,100,456	8,569	(367,860)	191,267	205,572,638

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

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 30 June 2017

	Note	Group		Company	
		2017	2016	2017	2016
		RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		46,370,676	32,400,427	183,105	202,133
Adjustments for:					
Property, plant and equipment:					
- depreciation		15,219,116	16,015,089	32,724	10,908
- net gain on disposals		(123,142)	(64,235)	-	(32,000)
- impairment loss		2,107,535	8,057,174	-	-
- write-off		30,026	589,706	-	-
Net unrealised gain on foreign exchange		(195,777)	(233,123)	-	-
Interest income		(950,983)	(446,779)	(1,816)	(593)
Interest expense		11,157,464	11,409,804	7,779	1,945
Impairment of receivables		346,457	475,367	-	-
		73,961,372	68,203,430	221,792	182,393
Changes in working capital:					
- inventories		(80,436,401)	(7,800,665)	-	-
- trade and other receivables		(6,039,115)	2,629,963	(4,424)	2,272
- trade and other payables		65,804,769	27,994,513	(2,306)	(83,031)
- intercompany balances		9,657,862	2,515,618	(1,017,190)	305,011
Cash generated from/(used in) Operations		62,948,487	93,542,859	(802,128)	406,645
Interest paid		(10,583,023)	(11,784,275)	(7,779)	(1,945)
Interest received		950,983	446,779	1,816	593
Tax paid		(6,950,059)	(1,553,598)	(171,415)	(198,000)
Tax refund		28,936	55,178	-	55,178
Net cash generated from/(used in) operating activities		46,395,324	80,706,943	(979,506)	262,471
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of property, plant and equipment		(3,901,547)	(3,224,123)	-	(47,417)
Proceeds from disposal of property, plant and equipment		328,552	265,570	-	38,180
Repayment from ultimate holding company		7,693,719	-	-	-
Repayment to ultimate holding company		(7,747,464)	-	-	-
Advances to ultimate holding company		(964,028)	(2,565,166)	-	-
Repayment from a subsidiary		-	-	6,500,000	6,000,000
Repayment to fellow subsidiaries		(505,813)	-	-	(6,000,000)
Net cash (used in)/generated from investing activities		(5,096,581)	(5,523,719)	6,500,000	(9,237)

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 30 June 2017
(continued)

	Note	Group		Company	
		2017	2016	2017	2016
		RM	RM	RM	RM
CASH FLOWS FROM FINANCING ACTIVITIES					
Payment to hire-purchase creditors		(40,869)	-	(40,869)	-
Disposal of treasury shares		982,300	23,394	982,300	23,394
Repayments of borrowings		(236,872,615)	(449,503,550)	-	(10,217)
Proceeds from borrowings		227,520,000	362,086,000	-	-
Advances from ultimate holding company		4,000,000	-	4,000,000	-
Repayment from fellow subsidiaries		70,095	-	-	-
Repayment to subsidiary		-	-	(10,500,000)	-
Net cash (used in)/generated from financing activities		(4,341,089)	(87,394,156)	(5,558,569)	13,177
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		36,957,654	(12,210,932)	(38,075)	266,411
CASH AND CASH EQUIVALENTS:					
- at beginning of the financial year		27,630,395	39,841,327	298,831	32,420
- at end of the financial year	21	64,588,049	27,630,395	260,756	298,831

During the financial year, the Group made non-cash purchases of property, plant and equipment amounting to RM528,010 (2016: RM790,713) by utilising hire-purchase loans (Note 12).

Notes to the Financial Statements

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NOTES TO THE FINANCIAL STATEMENTS

30 June 2017

1 GENERAL INFORMATION

The principal activities of the Company are of investment holding and the provision of management services to its subsidiaries. The principal activities of the subsidiaries are that of mid-stream steel cold rolled coil manufacturing, and steel tube manufacturing as disclosed in Note 13 to the financial statements.

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

The registered office of the Company is:
Suite 12.03, 12th Floor
No. 566 Jalan Ipoh
51200 Kuala Lumpur

The principal place of business of the Company is:
Lot 717 Jalan Sungai Rasau
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

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

(a) Basis of preparation

The financial statements of the Group and of 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, as modified by the revaluation of land and buildings, and financial assets and financial liabilities (including derivative instruments) measured at fair value through profit or loss.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires the Directors to exercise their judgement in the process of applying the Group 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 judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

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 101 'Presentation of financial statements' - Disclosure Initiative
- 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 as set out below are effective for financial year beginning after 1 January 2017.

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

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 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

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

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

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

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 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:

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard are as follows:

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

Financial year beginning on or after 1 July 2019

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

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

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

  The right-of-use asset is depreciated in accordance with the principle in MFRS 116 ‘Property, Plant and Equipment’ and the lease liability is accreted over time with interest expense recognised in the income statement.

  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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation

(i) Investment in subsidiaries

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

The excess of the consideration transferred, 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.

Inter-company transactions, balances and unrealised gains 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 comprehensive income, statement of changes in equity and statement of financial position respectively.

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

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

(iii) Disposal of subsidiaries

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in the 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 and liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the profit or loss.

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

(iv) Acquisitions

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017
(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Investment in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the 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 investments in the subsidiaries.

(d) 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. 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 plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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

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, whilst parts affirmed to be replaced in the immediate term are assessed for impairment provision. All other repairs and maintenance are recognised as expenses in the profit or loss during the period in which they are incurred.

Increase 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 in profit or loss, the increase is first recognised in profit or loss. Decrease that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. When property, plant and equipment is revalued, the carrying amount of property, plant and equipment is adjusted to the revalued amount. At the date of the revaluation, the accumulated depreciation is eliminated against the gross carrying amount of the property, plant and equipment. The revaluation surplus included in equity in respect of property, plant and equipment will be transferred directly to retained earnings when the assets are derecognised.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017
(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

(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:

Buildings	50 years
Plant, machinery and electrical installation	4 – 40 years
Motor vehicles, furniture, fittings and office equipment	10 years

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

(e) 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 by lessee

(i) Finance leases

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

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in borrowings. 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 are depreciated over the shorter of the estimated useful life of the asset or the lease term if there is no reasonable certainty if 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.

(f) Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost 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 an impairment are reviewed for possible reversal of the impairment at each reporting date.

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. Impairment losses on goodwill are not reversed. 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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017
(continued)

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

(g) **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 settled within 12 months; otherwise, they are classified as non-current.

In addition, certain financial assets are designated at initial recognition at 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; and
- 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 comprise of 'trade and other receivables (excluding prepayments)', 'amount owing by ultimate holding company' and 'amounts owing by related companies' in the financial statements (Note 33).

(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 the investment matures or management intends to dispose the investment within 12 months of the end of the reporting date.

Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on trade date i.e. the date on which the Group and the Company commit to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed to the profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2017
(continued)

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

(g) Financial assets (continued)

Subsequent measurement – impairment of financial assets

(i) Assets carried at amortised cost

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 asset's carrying amount is reduced and the amount of the loss is recognised in the profit or loss. If 'loans and receivables' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

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

(h) De-recognition of financial assets

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.

Receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

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

(i) Offsetting financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017
(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.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives 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 the accounting policy set out in Note 2(g).

Derivatives that qualify for hedge accounting are designated as either:

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

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 or cash flows of hedged items.

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

Fair value hedge

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

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

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

(k) Intangible assets

The Group carries an intangible asset relating to the licenses, patents and trademarks from the consolidation of its acquired Steel Tube subsidiary since the preceding financial year ended 30 June 2015.

Licences, patents and trademarks are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Licences, patents and trademarks that have a finite useful life are carried at cost less accumulated amortisation and accumulated losses. Amortisation is calculated using the straight-line method over their estimated useful lives. Trademarks and tradenames that can be renewed perpetually with nominal sums are treated as having an indefinite useful life and are not subjected to amortisation but annually assessed for impairment.

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(f) on impairment of non-financial assets.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017
(continued)

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

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. 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 and discounts.

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

(m) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and 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.

(n) 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 (excluding prepayments)’, ‘amounts owing to subsidiaries’, ‘amount owing to a related company’ 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 their fair values, net of transaction cost incurred. Borrowings are subsequently stated at amortised cost; any difference between initial recognised amount and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

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.

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.

(o) Provisions

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

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised in the same class of obligations may be small.

Provisions are measured at the present value of the 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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017
(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Share capital

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, any 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.

(q) Revenue recognition

Revenue is measured at the fair value of 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 and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group 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 measureable 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 sales taxes and discounts and after eliminating sales within the Group.

(ii) Processing service and management fee income

Processing service and management fee income are recognised on accrual basis when services are rendered.

(iii) Dividend income

Dividend income is recognised when the Group's right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

(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.

(r) Employees' benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits 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 to the Employees' 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 financial obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017
(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Current and deferred income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting date in Malaysia.

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 recognised 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 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 transactions 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 at the end of the reporting date and are expected to apply when the related deferred tax assets is realised or the deferred tax liability is settled.

Deferred tax assets (including tax benefits 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 except where timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

(t) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. However, exchange differences are deferred in other comprehensive income when they arose from qualifying cash flow or net investment hedges or are attributable to items that form part of the net investment in a foreign operation.

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 profit or loss under a separate 'net foreign exchange gain or loss' line item.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017
(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Segment reporting

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

(v) Contingent liabilities and contingent assets

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

(w) Financial guarantee contracts

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

A financial guarantee contract is recognised as a financial liability at the time the guarantee is issued. Liabilities arising from financial guarantee contracts, including the Group's and the Company's guarantees for its subsidiaries through deeds of cross guarantee, 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.

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

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

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) Impairment of assets due to change in circumstances

The Company's Cold Rolled subsidiary has an imminent plan to upgrade a particular processing-line and to replace certain motors of another processing line, where the implementation thereof will result in the carrying revalued amount not being fully recoverable due to the displaced parts or components. The Directors have made certain assumptions in assessing the recoverable amount of those affected lines in-order to determine the appropriate provision for impairment as disclosed in Note 12.

(b) Revaluation of property, plant, and equipment

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 judgment and made assumptions in the selection and deployment of the most suitable valuation techniques in the ensuing fair value determination.

NOTES TO THE FINANCIAL STATEMENTS

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(continued)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The operations of the Group are subject to a variety of financial risks. The Group's overall financial risk management objective is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from its exposure to various financial risks as discussed hereinafter. Financial risk management is carried out at both functional and operational levels, and to the extent possible is embedded into its policies, processes, and controls. 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 the controlling and managing of financial risks in the day-to-day operations of the Group for 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; and (ii) to ensure uninterrupted and adequate supply of capital to fulfil objective (i).

The Group views its equity (shareholders' fund less intangibles including deferred tax if any) and interest bearing debts as capital resources (RM623.6 million), and has a policy to maintain the debt-equity ratio below 1.5 times or in accordance with its financial covenants. Capital deployment amongst the Group's subsidiaries and/or business units is at the purview of the Board, but each of its subsidiaries and/or business units is primarily responsible for the management of its allocated capital subject to the oversight by the Executive Committee and the Board.

The Group's subsidiaries are subjected to financial covenants on minimum adjusted shareholders' funds and maximum allowable 'debt-to-equity' ratio computed at both the entity and Group levels under their respective debenture. The adjusted shareholders' fund is calculated as total equity less intangibles, whilst the 'debt-to-equity' ratio is calculated as total interest bearing liabilities divided by the adjusted shareholders' fund.

For the reporting period, the Group's subsidiaries complied with their respective debenture-imposed capital covenants, and generally have been capital-sufficient in meeting peak business needs. Over the current reporting period, equity capital deployed in the Group has increased by around RM38.7 million (or up 12%) whilst interest-bearing-debt capital has increased by around RM58.6 million (or up 31%) due to higher inventory value arising from higher raw steel material prices. The Group's debt-equity ratio closed at 0.7 times for the current reporting period compared to 0.6 times at the preceding close.

(b) Liquidity risk

Liquidity risk is the risk that the Group's and/or the Company's financial resources are insufficient to meet financial obligations as when due, or have to be met at an 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, and in a cost effective manner.

The Group's financial obligations are primarily incepted at the respective Cold-Rolled-Coil and Steel Tube subsidiaries, and these are mainly in the form of short-term obligations (less than 12 months) comprising of trade or credit facilities utilisation. The Cold-Rolled-Coil and Steel Tube subsidiaries' short term bank debts-to-total bank debts ratio at the close of the current reporting period is 93.2% and 98.8% respectively. However, the said subsidiaries have adequate short-term assets to meet short-term liabilities as reflected in the Group's current-ratio of 1.31 times at the close of the current reporting period (compared to 1.16 times for the preceding period).

The Company's net current liabilities position at the close of the current financial year of RM11.3 million (2016: RM18.8 million) is attributed to the novation of RM24 million debt owing by MIG to the Steel Tube subsidiary as part of the purchase consideration in the acquisition of the latter in financial year 2015. This materially large net current liabilities position does not pose any liquidity risk on the Company given that it is an intra-group debt and the timing of the repayment can be controlled by the Company.

Neither the Group nor the Company has in any instances failed to meet any of its financial obligations when due during the current financial year. This is attributed to the positive performance of the Group coupled with its liquidity risk management policies and methods comprising a combination of the following:

- Maintaining sufficient back-up credit facilities and the continuing support from a diversified range of funding sources;
- Maintaining a strict debt servicing plan vis-à-vis its cash flows generated from operations and from available financial assets;
- Rolling short-term cash flows planning on weekly, monthly and annual basis;
- Managing the concentration and maturity profile of both financial and non-financial liabilities vis-à-vis its financial assets and free-cash-flow from operations; and
- Managing cash conversion cycles and optimising working capital deployment.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017
(continued)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk (continued)

The Group's subsidiaries are subjected to certain liquidity covenants such as the minimum allowable 'EBITDA to Interest Expense' ratio and 'Debt Service Cover Ratio'. For the reporting period, the Group's subsidiaries duly complied with the aforementioned liquidity covenants imposed at the subsidiaries level.

The Group's significant reliance on bank trade facilities (which are callable on demand) as a source of funding poses a degree of liquidity risk. To diversify the risk, the Cold Rolled subsidiary and the Steel Tube subsidiary have a total trade credit-line of USD40.0 million (RM171.8 million) and USD32.1 million (RM137.8 million) respectively from key suppliers.

At the reporting date, the Company's exposure to liquidity risk arises from corporate guarantees issued to the Cold-Rolled subsidiary's outstanding bank debts of RM55.2 million (2016: RM59.1 million), and to the Steel-Tube subsidiary's outstanding bank debts of RM26.7 million (2016: RM29.4 million). The Directors are of the opinion that the default risk by the subsidiaries on both the aforementioned is negligible.

Total undrawn banking trade-line facilities balance for the subsidiaries at the reporting date is around RM61.7 million (2016: RM75.7 million).

The maturity analysis of the Group's financial liabilities at the reporting date based on contractual undiscounted repayment obligations are set out in the table below:

Group	Carrying amount	Contractual interest rate	Contractual cash flows	Current	1 – 2 years	2 – 3 years	> 3 years
At 30 June 2017	**RM**	**%**	**RM**	**RM**	**RM**	**RM**	**RM**
Non-derivative financial liabilities							
Bankers' acceptance	66,730,000	4.99% - 7.15%	67,389,083	67,389,083	-	-	-
Revolving credits	8,400,000	5.30%	8,424,395	8,424,395	-	-	-
Term Loan 1	6,817,102	6.25%	7,277,505	3,388,935	3,134,332	754,238	-
Hire-purchase creditors	961,010	2.44% - 3.38%	1,064,245	457,629	306,890	166,026	133,700
Trade payables	166,744,684	1.72% - 5.33%	166,668,426	166,668,426	-	-	-
Trade and other payables	11,304,626		11,304,626	11,304,626	-	-	-
Amount owing to ultimate holding company	4,000,000		4,000,000	4,000,000	-	-	-
Amount owing to a related company	1,073,151		1,073,151	1,073,151	-	-	-
	266,030,573		267,201,431	262,706,245	3,441,222	920,264	133,700
Derivative financial liabilities	3,036,852		3,036,852	3,036,852	-	-	-
	269,067,425		270,238,283	265,743,097	3,441,222	920,264	133,700

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017
(continued)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk (continued)

The maturity analysis of the Group's financial liabilities at the preceding financial year's reporting date as comparison based on contractual undiscounted repayment obligations are set out in the table below:

Group At 30 June 2016	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Current RM	1 – 2 years RM	2 – 3 years RM	> 3 years RM
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	-	-	-
Term Loan 1	9,850,078	6.25%	10,819,812	3,609,410	3,321,832	3,134,332	754,238
Term Loan 2	2,338,092	6.00%	2,405,159	2,405,159	-	-	-
Hire-purchase creditors	831,697	2.44% - 3.38%	926,251	374,162	258,356	111,386	182,347
Trade payables	99,474,756	2.50% - 5.50%	99,474,756	99,474,756	-	-	-
Trade and other payables	16,644,116		16,644,116	16,644,116	-	-	-
Amount owing to a related company	534,597		534,597	534,597	-	-	-
	208,233,336		210,459,449	202,696,958	3,580,188	3,245,718	936,585
Derivative financial liabilities	3,263,972		3,263,972	3,263,972	-	-	-
	211,497,308		213,723,421	205,960,930	3,580,188	3,245,718	936,585

The maturity analysis of the Company's financial liabilities at the reporting date (and preceding year's reporting date as comparison) based on contractual undiscounted repayment obligations are set out in the respective tables below:

Company At 30 June 2017	Carrying amount RM	Contractual cash flows RM	Current RM	1 – 2 years RM	More than 2 years RM
Trade and other payables	309,140	309,140	309,140	-	-
Hire-purchase creditors (contractual interest rate 2.72%)	234,914	279,644	48,648	48,648	182,348
Amount due to holding company	4,000,000	4,000,000	4,000,000	-	-
Amounts due to subsidiaries	7,500,000	7,500,000	7,500,000	-	-
Financial guarantee contracts	-	172,350,000	172,350,000	-	-
At 30 June 2016					
Trade and other payables	311,446	311,446	311,446	-	-
Hire-purchase creditors (contractual interest rate 2.72%)	275,783	328,291	48,648	48,648	230,995
Amounts due to subsidiaries	18,878,906	18,878,906	18,878,906	-	-
Financial guarantee contracts	-	202,800,000	202,800,000	-	-

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017
(continued)

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 objective on credit risk management is to minimise the probability of financial loss resulting from any counterparty's default.

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

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

At the reporting date, the Group has significant concentration of credit risk in its trade receivables where the top 10 corporate customers' outstanding of the Cold Rolled and the Steel Tube subsidiaries represent about 90% (2016: 91%) and 35% (2016: 44%) of their respective trade receivables. The Company has no other significant concentration of credit risk except for amounts due from subsidiaries. At the reporting date, the Group has 2 (2016: 2) external customers that contributes to more than 10% of the Group's revenue. The revenue contributed by the said customers amounted to RM159.4 million (2016: RM146.3 million).

The Group's and the Company's major classes of financial assets are as disclosed in Note 33 to the financial statements. The maximum exposure to credit risk for each class of financial assets is the carrying amount of each class of financial assets presented in the statements of financial position. Nevertheless, management obtains corporate guarantees and personal indemnities from trade debtors where possible in managing exposure to credit risk.

Other financial assets are of deposits with licensed banks, bank balances and derivative financial assets that are placed with licensed financial institutions. The Directors are of the view that the risk of non-performance by these reputable financial institutions is remote.

Details of the Group's financial assets after credit impairment assessment (excluding cash and bank balances) at the reporting date are set out in the table below:

				Past due not impaired					
	Total	Impaired	Neither past due nor impaired	< 30 days	31 – 60 days	61 – 90 days	91 – 180 days	> 181 days	Total past due not impaired
	RM	RM	RM	RM	RM	RM	RM	RM	RM
Group									
At 30 June 2017									
Trade receivables	100,253,783	594,758	74,563,496	23,555,864	1,015,565	436,645	83,634	3,821	25,095,529
Other receivables	1,857,409	-	1,857,409	-	-	-	-	-	-
Deposits	961,873	-	961,873	-	-	-	-	-	-
Amount owing by ultimate holding company	262,880	-	262,880	-	-	-	-	-	-
Amounts owing by related companies	5,384,563	524,592	68,179	38,621	-	-	5,688	4,747,483	4,791,792
Derivative financial assets	142,073	-	142,073	-	-	-	-	-	-
	108,862,581	1,119,350	77,855,910	23,594,485	1,015,565	436,645	89,322	4,751,304	29,887,321

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 after credit impairment assessment (excluding cash and bank balances) at the preceding financial year's reporting date as comparison are set out in the table below:

				Past due not impaired					
	Total	**Impaired**	**Neither past due nor impaired**	**< 30 days**	**31 – 60 days**	**61 – 90 days**	**91 – 180 days**	**> 181 days**	**Total past due not impaired**
	RM	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
Group									
At 30 June 2016									
Trade receivables	97,256,475	248,301	82,049,963	13,996,867	847,008	110,371	-	3,965	14,958,211
Other receivables	10,848,835	9,622,484	1,226,351	-	-	-	-	-	-
Deposits	1,078,178	-	1,078,178	-	-	-	-	-	-
Amount owing by ultimate holding company	6,992,246	-	6,992,246	-	-	-	-	-	-
Amounts owing by related companies	6,321,014	524,592	289,827	-	-	-	-	5,506,595	5,506,595
Derivative financial assets	704,614	-	704,614	-	-	-	-	-	-
	123,201,362	10,395,377	92,341,179	13,996,867	847,008	110,371	-	5,510,560	20,464,806

Similar analysis on financial assets at Company level (at the reporting date and preceding reporting date) being principally amounts owing by subsidiaries is deemed unnecessary as the balances are neither past due nor impaired and these amounts are expected to be recovered within the next financial year.

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

Financial assets of the Group that are past due but not impaired comprised mainly of trade receivables. Majority of these balances arose from customers that have been trading with the Group for more than three years, and based on historical trends these past due amounts are usually collected in full albeit some delay. As at the approval date of the financial statements, the Group has received 99% of the outstanding sums from these customers.

At the reporting date, the related company balances comprise of trade balances amounting to RM4,472,734 (2016: RM5,506,595) and non-trade balances amounting to RM319,058 (2016: Nil). Management believes that these amounts are recoverable as the Group has been receiving regular payments from these related companies with trade terms of 60 days (2016: 60 days).

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

Trade and other receivables that are neither past due nor impaired are generally credit customers within approved credit period. The Group's and the Company's trade receivables credit term ranges from 3 days to 90 days (2016: 3 days to 90 days).

At the reporting date, the related company balances comprise of non-trade balances amounting to RM68,179 (2016: RM289,827).

The Group and the Company do not have any receivables that are neither past due nor impaired that have been negotiated during the financial year.

(iii) Financial assets that are impaired

During the current financial year, the Group's Steel Tube subsidiary made full impairment on a customer amounting to RM346,457 as there are objective evidences that the debt may not be recoverable.

Beside the aforementioned, there are no other financial assets that warranted impairment but not impaired during or at the close of the financial year.

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)

Movement of the Group's allowance for impairment of trade and other receivables is as follows:

Group	Trade receivables (Note 16) RM	Other receivables (Note 16) RM	Amount owing by related co. (Note 19) RM	Total RM
As at 30 June 2017				
Allowance for impairment:				
1 July 2016	248,301	9,622,484	524,592	10,395,377
Impairment charge for the financial year	346,457	-	-	346,457
Written off	-	(9,622,484)	-	(9,622,484)
30 June 2017	594,758	-	524,592	1,119,350
As at 30 June 2016				
Allowance for impairment:				
1 July 2015	248,301	9,147,117	524,592	9,920,010
Impairment charge for the financial year	-	475,367	-	475,367
30 June 2016	248,301	9,622,484	524,592	10,395,377

Movement of the Company's allowance for impairment of other receivables is as follows:

	2017 (Note 16) RM	2016 (Note 16) RM
Company		
Other receivables		
Allowance for impairment:		
1 July	9,147,117	9,147,117
Written-off	(9,147,117)	-
30 June	-	9,147,117

The amount written-off in the impairment allowance account in the current financial year relates to a claim against a vendor for failure to meet certain guaranteed performance under a share sale agreement which was impaired in financial year 2012.

(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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017
(continued)

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

(d) **Interest rate risk** (continued)

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

The floating rate term loan instrument is subjected quarterly revision of the lender's cost of funds in computing the interest rate. Over the current financial year, the term loan's interest rate was revised twice with a full financial year net downward adjustment of 10 basis-point. The short-term fixed rate trade and credit instruments are subject 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 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:

	2017	**2016**
	RM	**RM**
Fixed rate borrowings, denominated in RM	76,091,010	81,729,789
Floating rate borrowings, denominated in RM	6,817,102	9,850,078
Fixed rate credit from supplier, denominated in USD (Note 22)	148,518,861	82,236,184
Fixed rate credit from supplier, denominated in RM (Note 22)	18,225,823	17,238,572
	249,652,796	191,054,623

The Group's outstanding interest bearing financial instruments at the close of the current financial year has increased by 31% compared to the preceding financial year attributed to higher trade credits drawn to finance higher inventory.

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 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 RM1.8 million (2016: RM1.4 million). A 1% lower interest rate would have the equal but opposite effect to the aforementioned amounts.

(e) **Foreign currency exchange risk**

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

As a policy, the Group would seek natural hedging methods to mitigate its FX exposure before incepting any derivative as a hedging instrument. The Group mainly uses forward exchange contracts to hedge its foreign currency risk.

The Group's Cold Rolled and Steel Tube operations' revenue stream are mainly denominated in their Ringgit functional currency, whilst their raw material coils procurement are mostly imported from abroad denominated in USD. The Steel Tube operations also derive 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 Group's Cold Rolled and Steel Tube subsidiaries accept forward orders from their customers, and these forward orders' are priced using appropriate reference forward market FX rates on its cost components which utilise imported raw materials. The Group would hedge at least 80% of its purchase commitment/order with a matching FX forward contract (depending on the availability of limited FX facilities with the counterparty banks, and on the forward duration period) 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 mostly in SGD. 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 20 on derivatives.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017
(continued)

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		
FX Fair Value	Unrealised RM'000	Realised RM'000	Total RM'000	Unrealised RM'000	Realised RM'000	Total RM'000
FX Hedging Instrument						
Not hedge accounted	(110)	189	79	39	(41)	(2)
Hedge accounted	(2,791)	5,712	2,921	(2,598)	1,503	(1,095)
	(2,901)	5,901	3,000	(2,559)	1,462	(1,097)
FX Hedged Items						
Not hedge accounted	299	(1,129)	(830)	194	(926)	(732)
Hedge accounted	2,791	(5,712)	(2,921)	2,598	(1,503)	1,095
	3,090	(6,841)	(3,751)	2,792	(2,429)	363
Net FX Gain/(Loss)	189	(940)	(751)	233	(967)	(734)

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

	From USD	From EURO	From SGD	From YEN	Total
As at 30 June 2017					
Financial assets					
Trade and other receivables	824,878	212,221	4,847,288	319,239	6,203,626
Cash and bank balances	165,722	-	405,719	-	571,441
	990,600	212,221	5,253,007	319,239	6,775,067
Less: Financial liabilities					
Trade and other payables	148,518,861	-	-	-	148,518,861
Net financial (liabilities)/assets	(147,528,261)	212,221	5,253,007	319,239	(141,743,794)
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	(11,376,683)	212,221	4,314,088	319,239	(6,531,135)

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	-	771,160	1,481,625
	851,146	24,597	3,747,387	4,623,130
Less: Financial liabilities				
Trade and other payables	83,062,143	-	-	83,062,143
Net financial (liabilities)/assets	(82,210,997)	24,597	3,747,387	(78,439,013)
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	(11,304,767)	24,597	2,121,497	(9,158,673)

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

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

	Increase/(decrease) 2017 RM	2016 RM
Group		
RM appreciates against USD by 3%	259,388	257,749
RM appreciates against EURO by 3%	(4,839)	(561)
RM appreciates against SGD by 3%	(98,361)	(48,370)
RM appreciates against YEN by 3%	(7,279)	-

A 3% depreciation of the foreign exchange rate would have the equal but opposite effect to the amount shown above, on the basis that all other variables remain constant.

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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 that are measured at fair value at the reporting date:

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
30 June 2017				
Financial assets				
Derivative financial assets	-	142,073	-	142,073
Financial liabilities				
Derivative financial liabilities	-	3,036,852	-	3,036,852
30 June 2016				
Financial assets				
Derivative financial assets	-	704,614	-	704,614
Financial liabilities				
Derivative financial liabilities	-	3,263,972	-	3,263,972

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

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

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30 June 2017
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6 REVENUE

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Sale of goods	723,450,260	563,040,067	-	-
Processing service income	2,746,109	3,769,388	-	-
Management fee income	-	-	2,447,394	2,288,789
	726,196,369	566,809,455	2,447,394	2,288,789

7 FINANCE INCOME AND COSTS

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Finance income:				
Interest on deposits with financial institutions	950,983	446,779	1,816	593
Finance costs:				
Interest expenses:				
Interest on borrowings	5,867,532	7,459,769	-	-
Interest on suppliers' credit	5,252,144	3,903,757	-	-
Interest on hire-purchase	37,788	46,278	7,779	1,945
Total finance costs	11,157,464	11,409,804	7,779	1,945

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017
(continued)

8 PROFIT BEFORE TAX

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Profit before tax is arrived at after charging/(crediting):				
Auditors' remuneration:				
- current financial year	338,627	298,148	121,343	104,950
- under accruals in the prior financial years	27,643	21,834	10,618	7,822
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 12):				
- depreciation	15,219,116	16,015,089	32,724	10,908
- gain on disposals	(123,142)	(64,235)	-	(32,000)
- impairment loss	2,107,535	8,057,174	-	-
- write offs	30,026	589,706	-	-
Impairment of receivables (Note 16)	346,457	475,367	-	-
Rental of buildings	5,482,800	5,482,800	-	-
Staff costs (excluding remuneration of Executive Directors):				
- salaries, bonuses and allowances	24,992,920	22,256,858	753,005	709,131
- defined contribution plan – contributions	3,468,586	3,048,720	119,373	95,832
- others	2,587,212	2,281,682	84,702	99,724
Net unrealised gain on foreign exchange	(195,777)	(233,123)	-	-
Net realised loss on foreign exchange	946,822	967,116	-	-

A significant item impacting the current financial year's Profit before Tax at the Group level is the impairment loss on property, plant and equipment (see Note 12) of RM2.1 million (2016: RM8.1 million).

9 DIRECTORS REMUNERATION

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

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Non-Executive Directors:				
- fees	186,000	195,300	186,000	195,300
- other emoluments	71,000	61,500	71,000	61,500
Executive Directors:				
- salaries and other emoluments	349,800	350,180	349,800	350,180
- defined contribution plan	56,250	56,250	56,250	56,250
	663,050	663,230	663,050	663,230

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017
(continued)

9 DIRECTORS REMUNERATION (continued)

The estimated monetary value of benefits-in-kind received and receivable by the Directors of the Group and of the Company are RM24,600 (2016: RM22,700) and RM24,600 (2016: RM22,700) respectively.

The number of Directors whose total remuneration fall within the following bands are as follows:

	Number of Directors			
	Executive		Non-Executive	
	2017	2016	2017	2016
Range of remuneration				
Nil	1	1	-	-
RM1 to RM50,000	-	-	2	4
RM50,001 to RM350,000	1	1	3	2
	2	2	5	6

10 TAXATION

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Current tax:				
- current tax expense	6,852,693	2,909,828	124,438	115,921
- under/(over) provision in prior financial years	799,920	(144,823)	(6,312)	-
	7,652,613	2,765,005	118,126	115,921
Deferred tax: (Note 23)				
- origination and reversal of temporary differences	3,974,750	5,457,580	861	4,738
Tax expense	11,627,363	8,222,585	118,987	120,659

The explanation of the relationship between taxation and profit before tax is as follows:

Numerical reconciliation between taxation and the product of accounting profit multiplied by the Malaysian tax rate.

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Profit before tax	46,370,676	32,400,427	183,105	202,133
Tax calculated at the Malaysian tax rate of 24% (2016: 24%)	11,128,962	7,776,102	43,945	48,512
Tax effects of:				
- expenses not deductible for tax purposes	1,462,986	925,583	82,228	79,969
- tax incentive obtained for double deductions	-	(75,307)	-	-
- income not subject to tax	(875,226)	(258,970)	(435)	(7,822)
- under/(over) provision in prior financial years	799,920	(144,823)	(6,312)	-
- exempt income	(889,279)	-	(439)	-
Tax expense	11,627,363	8,222,585	118,987	120,659

NOTES TO THE FINANCIAL STATEMENTS
30 June 2017
(continued)

11 EARNINGS PER SHARE

(a) Basic earnings per share

	Group 2017	Group 2016
Net profit attributable to equity holders of the Company (RM)	34,743,313	24,177,842
Weighted average number of ordinary shares (excluding treasury shares)	283,332,955	282,515,230
Basic earnings per share (sen)	12.26	8.56

The weighted average number of ordinary shares for the current financial year 2017 is slightly higher due to the disposal of treasury shares compared with the preceding financial year.

(b) Diluted earnings per share

The diluted earnings per share is the same as basic earnings per share as the Company did not issue any financial instruments that may entitle its holders to new ordinary shares causing dilution.

12 PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM	Buildings RM	Plant, machinery and electrical installation RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Construction in progress RM	Spare parts RM	Total RM
Group								
Cost/Valuation								
At 1 July 2016								
- cost	-	-	-	2,378,988	3,349,286	628,678	-	6,356,952
- valuation	53,000,000	55,700,000	211,190,467	-	-	-	-	319,890,467
Additions	-	45,391	3,263,213	347,845	434,610	236,465	102,033	4,429,557
Disposals	-	-	(608,787)	(100,248)	(4,948)	-	-	(713,983)
Write offs	-	-	(29,919)	-	(7,117)	-	-	(37,036)
Revaluation during the financial year	4,100,000	(1,029,924)	(161,858)	-	-	-	-	2,908,218
Transfer	-	-	221,418	-	-	(582,230)	360,812	-
Effects of elimination of accumulated depreciation on revaluation	-	(1,815,467)	(12,346,379)	-	-	-	-	(14,161,846)
At 30 June 2017	57,100,000	52,900,000	201,528,155	2,626,585	3,771,831	282,913	462,845	318,672,329
Accumulated depreciation								
At 1 July 2016	-	-	-	429,262	1,325,950	-	-	1,755,212
Charge for the financial year	-	1,815,467	12,789,611	276,614	337,424	-	-	15,219,116
Disposals	-	-	(441,175)	(63,091)	(4,307)	-	-	(508,573)
Write offs	-	-	(2,057)	-	(4,953)	-	-	(7,010)
Effects of elimination of accumulated depreciation on revaluation	-	(1,815,467)	(12,346,379)	-	-	-	-	(14,161,846)
At 30 June 2017	-	-	-	642,785	1,654,114	-	-	2,296,899

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017
(continued)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land	Buildings	Plant, machinery and electrical installation	Motor vehicles	Furniture, fittings and office equipment	Construction in progress	Spare parts	Total
	RM	RM	RM	RM	RM	RM	RM	RM
Group (continued)								
Accumulated impairment								
At 1 July 2016	-	-	19,753,703	-	-	-	-	19,753,703
Charge for the financial year	-	-	2,107,535	-	-	-	-	2,107,535
At 30 June 2017	-	-	21,861,238	-	-	-	-	21,861,238
Net book value	57,100,000	52,900,000	179,666,917	1,983,800	2,117,717	282,913	462,845	294,514,192
Representing:								
- cost	-	-	-	1,983,800	2,117,717	282,913	462,845	4,847,275
- valuation	57,100,000	52,900,000	179,666,917	-	-	-	-	289,666,917
	57,100,000	52,900,000	179,666,917	1,983,800	2,117,717	282,913	462,845	294,514,192

	Freehold land	Buildings	Plant, machinery and electrical installation	Motor vehicles	Furniture, fittings and office equipment	Construction in progress	Total
	RM	RM	RM	RM	RM	RM	RM
Group							
Cost/Valuation							
At 1 July 2015							
- cost	-	-	-	2,225,269	3,165,278	1,201,478	6,592,025
- valuation	47,500,000	57,500,000	221,823,980	-	-	-	326,823,980
Additions	-	-	2,784,344	832,393	186,079	212,020	4,014,836
Disposals	-	-	(159,697)	(678,674)	(1,500)	-	(839,871)
Write offs	-	-	(630)	-	(571)	(588,820)	(590,021)
Revaluation during the financial year	5,500,000	14,391	182,730	-	-	-	5,697,121
Transfer	-	-	196,000	-	-	(196,000)	-
Effects of elimination of accumulated depreciation on revaluation	-	(1,814,391)	(13,636,260)	-	-	-	(15,450,651)
At 30 June 2016	53,000,000	55,700,000	211,190,467	2,378,988	3,349,286	628,678	326,247,419
Accumulated depreciation							
At 1 July 2015	-	-	-	816,230	1,013,395	-	1,829,625
Charge for the financial year	-	1,814,391	13,648,605	239,074	313,019	-	16,015,089
Disposals	-	-	(12,172)	(625,900)	(464)	-	(638,536)
Write offs	-	-	(173)	(142)	-	-	(315)
Effects of elimination of accumulated depreciation on revaluation	-	(1,814,391)	(13,636,260)	-	-	-	(15,450,651)
At 30 June 2016	-	-	-	429,262	1,325,950	-	1,755,212

NOTES TO THE FINANCIAL STATEMENTS
30 June 2017
(continued)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land	Buildings	Plant, machinery and electrical installation	Motor vehicles	Furniture, fittings and office equipment	Construction in progress	Total
	RM	RM	RM	RM	RM	RM	RM
Group (continued)							
Accumulated impairment							
At 1 July 2015	-	-	11,696,529	-	-	-	11,696,529
Charge for the financial year	-	-	8,057,174	-	-	-	8,057,174
At 30 June 2016	-	-	19,753,703	-	-	-	19,753,703
Net book value	53,000,000	55,700,000	191,436,764	1,949,726	2,023,336	628,678	304,738,504
Representing:							
- cost	-	-	-	1,949,726	2,023,336	628,678	4,601,740
- valuation	53,000,000	55,700,000	191,436,764	-	-	-	300,136,764
	53,000,000	55,700,000	191,436,764	1,949,726	2,023,336	628,678	304,738,504

	Motor vehicles	Furniture, fittings and office equipment	Total
	RM	RM	RM
Company			
At 30 June 2017			
Cost			
At 1 July 2016/30 June 2017	327,238	180,512	507,750
Accumulated depreciation			
At 1 July 2016	10,908	180,512	191,420
Charge for the financial year	32,724	-	32,724
At 30 June 2017	43,632	180,512	224,144
Net book value			
At 30 June 2017	283,606	-	283,606
At 30 June 2016			
Cost			
At 1 July 2015	576,291	180,512	756,803
Additions	333,418	-	333,418
Disposals	(582,471)	-	(582,471)
At 30 June 2016	327,238	180,512	507,750
Accumulated depreciation			
At 1 July 2015	576,291	180,512	756,803
Charge for the financial year	10,908	-	10,908
Disposals	(576,291)	-	(576,291)
At 30 June 2016	10,908	180,512	191,420
Net book value			
At 30 June 2016	316,330	-	316,330

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017
(continued)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Freehold land and buildings, plant, machinery and electrical installation of the Group were revalued in the financial year ended 30 June 2017 by an independent firm of professional valuers, PA International Property Consultants (KL) Sdn Bhd based on open market value and depreciated replacement costs method respectively in ascertaining their fair values.

Arising from the valuation above, the total revaluation gain on property, plant and equipment amounting to RM2,908,218 (2016: RM5,697,121) was recognised during the financial year, with a corresponding revaluation reserve, adjusted for deferred tax, amounting to RM2,989,245 (2016: RM5,374,814) been recognised in the other comprehensive income. Arising from the same valuation, there was also a revaluation loss on plant, machinery and electrical installation which resulted in the recognition of a net impairment charge of RM2,319,535 (2016: RM1,057,174) on the statement of comprehensive income.

At the close of the previous financial year, the Group's Cold Rolled subsidiary has an imminent plan to upgrade a certain production line; add an acid regeneration plant to supplement that line; and to replace certain legacy motors of another production line which will affect certain existing assets' carrying revalued amount. At the close of the current financial year, the subsidiary has yet to carry out the line upgrade and supplement 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)

All property, plant and equipment of the steel subsidiaries are pledged for banking facilities.

Plant and machinery of the Group's steel tube subsidiary amounting to RM33,023,000 (2016: RM36,209,000) are located on properties belonging to the ultimate holding company.

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 costs less accumulated depreciation are as follows:

	Group	
	2017 RM	2016 RM
Freehold land	31,300,000	31,300,000
Buildings	51,995,676	54,034,117
Plant, machinery and electrical installation	194,417,045	204,919,412
	277,712,721	290,253,529

(a) Valuation of property, plant and equipment

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 Directors relied upon the valuations obtained during the financial year based on the following methodologies:

(i) Freehold land and properties - 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)

(ii) Plant, machinery and electrical installation - 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)

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30 June 2017
(continued)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Asset acquired under hire-purchase arrangements

Additions to property, plant and equipment of the Group during the financial year amounting to RM4,429,557 includes those acquired by means of hire-purchase totalling RM528,010.

As at 30 June 2017, the net book value of the assets under hire-purchase arrangements in the Group is RM1,460,790 (2016: RM1,287,207).

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

	2017 RM	2016 RM
Plant, machinery and electrical installation		
Opening balance	191,436,764	210,127,451
Additions	3,263,213	2,784,344
Disposals	(608,787)	(159,697)
Write offs	(29,919)	(630)
Revaluation during the financial year	(161,858)	182,730
Impairment charge for the financial year	(2,107,535)	(8,057,174)
Effects of elimination of accumulated depreciation on revaluation	(12,346,379)	(13,636,260)
Transfer from construction-in-progress	221,418	196,000
Closing balance	179,666,917	191,436,764

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	179,666,917	Depreciated replacement cost method	Useful life	1 years – 39 years (20)	The longer the useful life, the higher the fair value

On an annual basis, the Group engages external, independent and qualified valuers to determine the fair value of the Group's plant and machinery. As at 30 June 2017, the fair value of the land and building have been determined by PA International Property Consultants (KL) Sdn Bhd.

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 increase by one year, the fair value of the plant and machinery would increase by approximately RM12.8 million.

If the unobservable input based on the useful life of the plant and machinery decrease by one year, the fair value of the plant and machinery would decrease by approximately RM12.8 million.

NOTES TO THE FINANCIAL STATEMENTS

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13 INVESTMENTS IN SUBSIDIARIES

	Company	
	2017	2016
	RM	RM
Unquoted shares, at cost		
Mycron Steel CRC Sdn Bhd ("MSCRC")	134,061,998	134,061,998
Melewar Steel Tube Sdn Bhd ("MST")	55,201,472	55,201,472
Amount owing by MSCRC	28,527,209	35,027,209
	217,790,679	224,290,679

The amount owing by MSCRC was reclassified since financial year 2009 as part of the Company's interest in the subsidiary as it is the intention of the Company to treat this amount as a long-term source of capital to the subsidiary. During the financial year, the Company rebalanced the capital deployment in MSCRC by reducing the aforementioned amount by RM6.5 million and correspondingly reducing the amount owing by the Company to MST by the same amount which arose from the assumed debts pursuant to its acquisition of MST in the financial year 2015.

The details of the subsidiaries are as follows:

Name	Principal activities	Group's equity interest 2017	2016
		%	%
Mycron Steel CRC Sdn. Bhd. ("MSCRC")	Manufacturing and trading of steel cold rolled coiled sheets	100	100
Melewar Steel Tube Sdn. Bhd. ("MST")	Manufacturing and trading of steel tubes and pipes	100	100
Subsidiary of MSCRC			
Silver Victory Sdn. Bhd.	Trading	100	100

All subsidiaries are incorporated in Malaysia and are audited by PricewaterhouseCoopers, Malaysia.

(a) Investment in Mycron Steel CRC Sdn. Bhd. ("MSCRC")

The cost of investment amounting to RM163 million (inclusive of amount owing by the subsidiary company which the Company treats as a long-term source of capital) has been assessed for any indication of impairment which the Company concludes that there is none. For the current financial year ended 30 June 2017, MSCRC recorded a net profit of RM11.4 million with a shareholders' fund of RM252.9 million. The indicative recoverable amount (based on fair value less cost to sell) of the investment is higher than its carrying amount.

(b) Investment in Melewar Steel Tube Sdn Bhd ("MST")

The Company acquired MST on 1 April 2015 in financial year 2015 from its ultimate holding company Melewar Industrial Group Bhd ("MIG") for a consideration sum fair-valued on acquisition date at RM54.3 million which comprised of 104,545,455 new ordinary shares of the Company (then marked-to-market at quoted price of 29 sens per share for a total fair value of around RM30.3m) and its assumption of trade-debt owing by MIG to MST amounting to RM24 million. This coupled with incurred direct attributable costs of RM0.9 million, the carrying cost of its investment in MST was recognised at RM55.2 million. The fair valuation of the acquired assets and liabilities of MST on acquisition date resulted in the recognition of a 'gain from bargain purchase' of RM21.3 million in financial year 2015.

This cost of investment has been assessed for any indication of impairment which the Company concludes that there is none. For the current financial year ended 30 June 2017, MST recorded a net profit of RM23.0 million with a shareholders' fund of RM112.1 million. The indicative recoverable amount (based on fair value less cost to sell) of the investment is higher than its carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017
(continued)

14 INTANGIBLE ASSETS

The Group's intangible assets amounting to RM20 million represent the fair value of registered tradenames with the rights to use and sell under the tradenames of Aurora and MIG-Melewar which are duly held by Melewar Steel Tube Sdn Bhd ("MST").

These trademarks have indefinite useful lives, and as such are not subjected to periodic amortisation but annual impairment tests. In this regard, an impairment test using Fair Value Less Cost To Sell ("FVLCTS"), determined by relief-from-royalty method was carried out. A 5-year statement of cash flows has been performed which takes into consideration of the discounted estimated royalty payments that are expected to be avoided as a result of the trademarks being owned. It was determined that no impairment was necessary as the indicative recoverable amount is higher than its carrying amount.

The FVLCTS computation adopted the following assumptions:

Assumption	Rate	Approach used to determining value
Royalty in-lieu rate	1.19% of revenue	Based on the agreed rate between seller and buyer, taken into consideration of industry average rate
Discount rate	9.50%	Reflect specific risk relating to the relevant industries and country in which the company operates
Growth rate	0%	Conservative scenario

The Directors and management have considered and assessed reasonable variations in the underlying key assumptions used in the computation of the recoverable amount and is satisfied with the headroom of the intangible asset's carrying amount.

15 INVENTORIES

	Group	
	2017 RM	2016 RM
Raw materials	120,451,218	58,940,140
Consumables	2,166,743	2,101,010
Work-in-progress	24,558	1,898,505
Finished goods	54,533,979	33,800,442
	177,176,498	96,740,097

16 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Current				
Trade receivables	100,253,783	97,256,475	-	-
Less: Accumulated impairment loss	(594,758)	(248,301)	-	-
	99,659,025	97,008,174	-	-
Other receivables	1,737,281	10,633,262	500	9,147,617
Less: Accumulated impairment loss	-	(9,622,484)	-	(9,147,117)
	1,737,281	1,010,778	500	500
Staff loans	120,128	173,408	-	-
Deposits	961,873	1,078,178	4,500	4,500
Prepayments	1,883,599	1,547,652	-	-
GST receivable	1,886,974	42,165	5,413	989
Total trade and other receivables	106,248,880	100,860,355	10,413	5,989

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017
(continued)

17 AMOUNT OWING BY ULTIMATE HOLDING COMPANY

Amount owing by ultimate holding company are mainly due to payments on behalf and are unsecured, interest free and repayable upon demand.

18 AMOUNTS OWING BY/(TO) SUBSIDIARIES

Amounts owing by subsidiaries arising mainly from management fee charges and reimbursable payments are unsecured, interest free and repayable upon demand.

The amounts owing to subsidiaries also include the assumed debt owing to the Steel tube subsidiary being part of the purchase consideration for the acquisition of the former in the preceding financial year (see Notes 13b). This amount owing is unsecured, interest free and repayable upon demand.

19 AMOUNTS OWING BY RELATED COMPANIES/(TO) A RELATED COMPANY

Amounts owing by related companies arising mainly from trade are unsecured and subject to credit terms of 30 days (2016: 30 days). Amounts owing to a related company are arising from expenditures paid-on-behalf which are unsecured and not subject to specific credit terms.

20 DERIVATIVE FINANCIAL ASSETS/(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)

The Group's derivatives comprise solely of Currency Exchange Forward Contracts incepted to hedge its foreign currency exposures arising mainly from forward purchases of raw materials in USD and partially from 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.

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)

NOTES TO THE FINANCIAL STATEMENTS
30 June 2017
(continued)

20 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) (continued)

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

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 85% to 120% effective range using the 'dollar off-set' method.

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 85% to 120% effective range using the 'dollar off-set' method.

(ii) Derivatives not designated and not hedge accounted

<u>As at 30 June 2017</u>

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	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)

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017
(continued)

20 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) (continued)

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

As at 30 June 2016

Forward foreign currency exchange contracts as hedge instrument

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

			Fair value	
Maturity period of contract	Notional value short SGD	Average contracted rate SGD/RM	Financial assets RM	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 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).

21 CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash in hand	3,764	1,303	2	2
Bank balances	6,172,943	7,504,087	237,316	277,207
Deposits with licensed financial institutions	58,411,342	20,125,005	23,438	21,622
	64,588,049	27,630,395	260,756	298,831

NOTES TO THE FINANCIAL STATEMENTS
30 June 2017
(continued)

21 CASH AND CASH EQUIVALENTS (continued)

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

	Group		Company	
	2017	2016	2017	2016
	%	%	%	%
	per annum	per annum	per annum	per annum
Bank balances	2.05	2.81	2.45	2.81
Deposits with licensed financial institutions	2.60	2.38	-	-

Deposits with licensed financial institutions of the Group have a maturity period ranging between 1 and 30 days (2016: 4 days). Bank balances are deposits held at call with licensed banks.

22 TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Trade payables	167,802,976	101,368,263	-	-
Other payables	7,041,702	8,440,691	182,197	127,996
Prepayments received from customers	3,419,722	1,005,706	-	-
Accruals	3,204,632	5,281,322	126,943	183,450
GST payable	-	22,890	-	-
	181,469,032	116,118,872	309,140	311,446

Trade payables include specific interest bearing suppliers' credit with balances amounting to RM166,744,684 (2016: RM99,474,756). These credit facilities have interest bearing credit periods up to 150 days (2016: 150 days).

The remaining trade and other payables are generally interest free and within accorded interest free credit periods ranging between 7 to 60 days (2016: 7 to 60 days).

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017
(continued)

23 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	2016	2017	2016
	RM	RM	RM	RM
Deferred tax liabilities				
- Deferred tax liabilities to be recovered after more than 12 months	(19,758,492)	(15,864,769)	(5,599)	(4,738)
At 1 July	(15,864,769)	(10,084,882)	(4,738)	-
(Charged)/credited to the profit or loss (Note 10):				
- property, plant and equipment	(3,974,750)	(5,457,580)	(861)	(4,738)
- other liabilities	-	-	-	-
	(3,974,750)	(5,457,580)	(861)	(4,738)
Debited to assets revaluation reserve:				
- property, plant and equipment	81,027	(322,307)	-	-
At 30 June	(19,758,492)	(15,864,769)	(5,599)	(4,738)
Subject to income tax:				
Deferred tax assets (before offsetting):				
- unutilised tax losses	6,140,542	6,140,542	-	-
- unutilised reinvestment allowance	19,096,762	19,096,762	-	-
	25,237,304	25,237,304	-	-
Offsetting	(25,237,304)	(25,237,304)	-	-
Deferred tax assets (after offsetting)	-	-	-	-
Deferred tax liabilities (before offsetting):				
- property, plant and equipment	(38,050,282)	(34,361,560)	(5,599)	(4,738)
- intangible assets	(4,800,000)	(4,800,000)	-	-
Offsetting	25,237,303	25,237,304	-	-
	(17,612,979)	(13,924,256)	(5,599)	(4,738)
Subject to real property gain tax Deferred tax liabilities:				
- Freehold land	(2,145,513)	(1,940,513)	-	-
Deferred tax liabilities (after offsetting)	(19,758,492)	(15,864,769)	(5,599)	(4,738)
Deferred tax liabilities (cumulative amount charged to equity)	1,842,978	1,924,005	-	-

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017
(continued)

24 BORROWINGS

The Group and Company do not have any overdue on borrowings from financial institutions. The Group's and Company's borrowings are as disclosed below:

		Group		Company	
		2017	2016	2017	2016
		RM	RM	RM	RM
Current					
Bankers' acceptance	(i)	66,730,000	68,960,000	-	-
Revolving credits	(i)	8,400,000	9,600,000	-	-
Term Loan 1	(i)	3,067,102	3,100,078	-	-
Term Loan 2	(ii)	-	2,338,092	-	-
Hire-purchase creditors	(iii)	412,733	340,433	40,869	40,869
		78,609,835	84,338,603	40,869	40,869
Non-current					
Term Loan 1	(i)	3,750,000	6,750,000	-	-
Hire-purchase creditors	(iii)	548,277	491,264	194,045	234,914
		4,298,277	7,241,264	194,045	234,914
Bankers' acceptance		66,730,000	68,960,000	-	-
Revolving credits		8,400,000	9,600,000	-	-
Term Loan 1		6,817,102	9,850,078	-	-
Term Loan 2		-	2,338,092	-	-
Hire-purchase creditors		961,010	831,697	234,914	275,783
Total		82,908,112	91,579,867	234,914	275,783

The Group's total interest cost attributed to the above borrowings for the current financial year is RM5.9 million (2016: RM7.5 million). The carrying amount of the borrowings approximate their fair values at reporting date.

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 years
			RM	RM	RM	RM	RM	RM
Group								
At 30 June 2017								
Secured								
Bankers' acceptance	4.99% - 7.15%	RM/RM	66,730,000	66,730,000	-	-	-	-
Revolving credits	5.30%	RM/RM	8,400,000	8,400,000	-	-	-	-
Term Loan 1	6.25%	RM/RM	6,817,102	3,067,102	3,000,000	750,000	-	-
Hire-purchase creditors	2.44% - 3.38%	RM/RM	961,010	412,733	281,448	154,521	40,869	71,439
			82,908,112	78,609,835	3,281,448	904,521	40,869	71,439

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017
(continued)

24 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 years RM
Group								
At 30 June 2016								
Secured								
Bankers' acceptance	5.25% - 7.45%	RM/RM	68,960,000	68,960,000	-	-	-	-
Revolving credits	5.45%	RM/RM	9,600,000	9,600,000	-	-	-	-
Term Loan 1	6.25%	RM/RM	9,850,078	3,100,078	3,000,000	3,000,000	750,000	-
Hire-purchase creditors	2.44% - 3.38%	RM/RM	831,697	340,433	237,888	100,200	40,869	112,307
			89,241,775	82,000,511	3,237,888	3,100,200	790,869	112,307
Unsecured								
Term Loan 2	6.00%	RM/RM	2,338,092	2,338,092	-	-	-	-
			91,579,867	84,338,603	3,237,888	3,100,200	790,869	112,307

	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 years RM
Company								
At 30 June 2017								
Secured								
Hire-purchase creditors	2.72%	RM/RM	234,914	40,869	40,869	40,869	40,869	71,438
At 30 June 2016								
Secured								
Hire-purchase creditors	2.72%	RM/RM	275,783	40,869	40,869	40,869	40,869	112,307

NOTES TO THE FINANCIAL STATEMENTS
30 June 2017
(continued)

24 BORROWINGS (continued)

(i) Term Loan 1 and a portion of the bankers' acceptance is secured with fixed and floating charge via a debenture by the Cold Rolled subsidiary. The revolving credits and a portion of the bankers' acceptance is secured with fixed and floating charge via a separate debenture by the Steel tube subsidiary. (Refer Note 12).

(ii) Term Loan 2 has been fully redeemed in the current financial year. Term Loan 2 was unsecured and subordinated to those secured borrowings under the mentioned debentures.

(iii) The hire-purchase creditors at the reporting date are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Analysis of hire-purchase creditors:				
Payable within one year	457,629	374,162	48,648	48,648
Payable between one and two years	306,890	258,356	48,648	48,648
Payable between two and three years	166,026	111,386	48,648	48,648
Payable between three and five years	133,700	182,347	133,700	182,347
	1,064,245	926,251	279,644	328,291
Less: Future finance charges	(103,235)	(94,554)	(44,730)	(52,508)
Present value	961,010	831,697	234,914	275,783
Present value of hire-purchase creditors:				
Payable within one year	412,733	340,433	40,869	40,869
Payable between one and two years	281,448	237,888	40,869	40,869
Payable between two and three years	154,521	100,200	40,869	40,869
Payable between three and five years	112,308	153,176	112,307	153,176
	961,010	831,697	234,914	275,783

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

	Group		Company	
	2017	2016	2017	2016
	% per annum	% per annum	% per annum	% per annum
Bankers' acceptance	5.57	5.84	-	-
Revolving credits	5.30	5.45	-	-
Term loan 1	6.23	6.25	-	-
Term loan 2	-	6.00	-	-
Hire-purchase creditors	2.83	2.83	2.72	2.72

The Group and the subsidiaries complied with all the covenant clauses set out in the facilities agreements for the current and preceding financial years. Refer to Notes 4 (a) and (b) for further details.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017
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25 SHARE CAPITAL

	Group/Company			
	2017		2016	
	Number of shares	Nominal value RM	Number of shares	Nominal value RM
Authorised				
Ordinary shares of RM0.25 each	-	-	2,000,000,000	500,000,000
Issued and fully paid				
- At 1 July				
Ordinary shares of RM0.25 each	283,545,455	70,886,364	283,545,455	70,886,364
Transition to no-par value regime on 31 January 2017	-	135,477,307	-	-
- At 30 June Ordinary shares with no par value (2016: par value of RM0.25 each)	283,545,455	206,363,671	283,545,455	70,886,364

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 non-distributable reserves (ie. Paid-in Capital and the Other Non-Distributable Capital Reserve) 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 RM135,477,307 for purposes as set out in Sections 618 (3) where permitted. 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.

26 SHARE PREMIUM AND NON-DISTRIBUTABLE CAPITAL RESERVE

	Group/Company	
	2017 RM	2016 RM
Share Premium (a)	-	19,100,456
Non-Distributable Capital Reserve (b)	-	115,753,842

(a) The Share Premium relates to the Company's ordinary shares.
(b) The Non-Distributable Capital Reserve arose from the par value reduction exercise undertaken in financial year 2015.

The share premium and non-distributable capital reserve has become part of share capital with effect from 31 January 2017. (Refer to Note 25)

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017
(continued)

27 TREASURY SHARES

The shareholders of the Company, by an ordinary resolution passed at the last Annual General Meeting on 8 December 2016, approved the renewal of authority for the Company to purchase its own shares. The Directors of the Company are committed to enhancing the value of the Company and its shareholders.

The shares repurchased in the prior financial years are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965 in Malaysia and carried at historical cost of repurchase. The Company has the right to reissue these shares at a later date. As treasury shares, the rights attached as to voting, dividends and participation in other distribution are suspended. During the current financial year, the Company did not repurchase any of its own shares, but sold all of its Treasury shares. Details on the Treasury shares movement for the financial year are as follows:

	Treasury Shares	
	Number	**Average sen/share**
Opening 1 July 2016	1,000,000	36.8
Less: Disposal on 20 September 2016	(50,000)	88.0
Less: Disposal on 21 September 2016	(100,000)	88.8
Less: Disposal on 22 September 2016	(100,000)	92.5
Less: Disposal on 23 September 2016	(200,000)	92.9
Less: Disposal on 24 October 2016	(200,000)	110.0
Less: Disposal on 27 October 2016	(200,000)	116.5
Less: Disposal on 26 April 2017	(1,000)	84.0
Less: Disposal on 28 April 2017	(149,000)	83.3
Closing 30 June 2017	-	

At the reporting date, the number of outstanding shares in issue is 283,545,455 (2016: 282,545,455 net treasury shares).

28 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions which were carried out on terms and conditions negotiated between the related parties.

The Group has related party transactions with the following related companies:

	Relationship
Melewar Industrial Group Berhad	Ultimate holding company
Melewar Steel Mills Sdn. Bhd.	Related company
Melewar Integrated Engineering Sdn. Bhd.	Related company
Melewar Steel Services Sdn. Bhd.	Related company
Ausgard Quick Assembly Systems Sdn. Bhd.	Related company
Mycron Steel CRC Sdn. Bhd.	Subsidiary
Melewar Steel Tube Sdn. Bhd.	Subsidiary
Silver Victory Sdn. Bhd.	Subsidiary
Trace Management Services Sdn. Bhd.	A company which certain Directors have financial interests

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017
(continued)

28 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

		Group	
Entities	**Type of transaction**	**2017**	**2016**
		RM	**RM**
Trade: received/receivable			
Fellow subsidiary			
Melewar Steel Mills Sdn. Bhd.	Sales of scrap	-	4,003,974
Melewar Steel Mills Sdn. Bhd.	Repayment received	894,995	3,987,104
Non-trade: received/receivable			
Ultimate holding company			
Melewar Industrial Group Berhad	Advances received	4,000,000	5,289,100
Melewar Industrial Group Berhad	Repayment received	7,693,719	1,895,335
Trade: paid/payable			
Fellow subsidiaries			
Melewar Integrated Engineering Sdn. Bhd.	Technical advisory fees	(288,000)	(288,000)
Melewar Steel Mills Sdn. Bhd.	Scrap handling commission	(2,700,806)	(528,756)
Melewar Steel Mills Sdn. Bhd.	Repayment made	(2,430,966)	(703,429)
Non-trade: paid/payable			
Ultimate holding company			
Melewar Industrial Group Berhad	Management fees	(2,640,000)	(2,640,000)
Melewar Industrial Group Berhad	Rental of buildings	(4,963,860)	(4,963,860)
Melewar Industrial Group Berhad	Advances provided	(964,028)	(3,076,799)
Melewar Industrial Group Berhad	Repayment made	(7,747,464)	(13,168,365)
Fellow subsidiary			
Melewar Steel Services Sdn. Bhd.	Rental of buildings	(500,940)	(500,940)
Melewar Steel Services Sdn. Bhd.	Repayment made	(501,834)	(501,148)
Related Parties			
MAA Takaful Berhad	Insurance expense	-	(1,290,520)
Trace Management Services Sdn. Bhd.	Corporate secretarial services	(181,662)	(181,584)

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017
(continued)

28 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

		Company	
Entity	Type of transaction	2017 RM	2016 RM
Trade: received/receivable			
Subsidiary			
Mycron Steel CRC Sdn. Bhd.	Management fee income	2,447,394	2,288,789
Mycron Steel CRC Sdn. Bhd.	Repayment received	1,200,000	2,900,000
Non-trade: received/receivable			
Subsidiary			
Melewar Steel Tube Sdn. Bhd.	Advances repaid	(10,500,000)	(6,000,000)
Non-Trade : paid/payable			
Ultimate holding company			
Melewar Industrial Group Bhd.	Advances received	4,000,000	-

(b) Significant outstanding balances arising from the above are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Amounts owing by/(to) subsidiaries				
Mycron Steel CRC Sdn. Bhd.	-	-	138,284	(878,906)
Silver Victory Sdn. Bhd.	-	-	63,903	63,903
Melewar Steel Tube Sdn. Bhd.	-	-	(7,500,000)	(18,000,000)
Amounts owing by/(to) related companies				
Melewar Steel Mills Sdn. Bhd.	4,039,177	5,284,060	-	-
Melewar Integrated Engineering Sdn. Bhd.	(221,526)	(22,323)	-	-
Melewar Steel Services Sdn. Bhd.	3,619	-	-	-
Ausgard Quick Assembly Systems Sdn. Bhd.	(34,450)	-	-	-
Amount owing by/(to) ultimate holding company				
Melewar Industrial Group Berhad	(3,737,120)	6,992,246	(4,000,000)	-
	49,700	12,253,983	(11,297,813)	(18,815,003)

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017
(continued)

28 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) 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 9 to the financial statements.

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Fees, salaries and bonuses	3,866,829	2,679,047	349,800	350,180
Defined contribution plan	580,581	400,426	56,250	56,250
Benefit in kind	59,025	58,975	24,600	22,700
	4,506,435	3,138,448	430,650	429,130

29 SEGMENTAL ANALYSIS

The steel tube manufacturing segment is in the business of manufacturing and sale of steel pipes and tubes.

The cold rolled segment is in the business of manufacturing and sale of cold rolled coils.

'Others' comprise of investment holding companies and trading companies.

The strategic business units offer different products and services, and are managed separately. The Group's Executive Committee comprising of key management personnel 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 businesses of the Group are substantially carried out in Malaysia.

	Cold rolled coil	Steel tube	Others	Total
	RM	**RM**	**RM**	**RM**
2017				
Revenue				
Total revenue	482,110,349	266,828,536	7,315,717	756,254,602
Inter segment	(27,610,839)	-	(2,447,394)	(30,058,233)
External revenue	454,499,510	266,828,536	4,868,323	726,196,369
Segment results				
Total profit before tax	15,828,221	30,013,853	262,910	46,104,984
Consolidation elimination^	265,692	-	-	265,692^
External profit before tax	16,093,913	30,013,853	262,910	46,370,676
Tax	(4,444,232)	(7,043,496)	(139,635)	(11,627,363)
Net profit after tax	11,649,681	22,970,357	123,275	34,743,313
Total segment assets	473,882,501	214,424,899	218,685,917	906,993,317
Consolidation elimination*	(6,012,207)	(15,337,772)	(217,992,868)	(239,342,847)*
Net segment assets	467,870,294	199,087,127	693,049	667,650,470

^ Related to elimination of unrealised profit on closing inventories (RM 266 thousand).

* Major items included intercompany balances elimination (RM 13.4 million), elimination of cost of investment (RM 217.8 million), elimination of goodwill (RM 7.5 million) and elimination of unrealised profit on closing inventories (RM 663 thousand).

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017
(continued)

29 SEGMENTAL ANALYSIS (continued)

	Cold rolled coil RM	Steel tube RM	Others RM	Total RM
2017				
Other information				
Depreciation of property plant and equipment	12,341,663	2,844,728	32,725	15,219,116
Impairment losses:				
- property, plant and equipment	732,749	1,374,786	-	2,107,535
Additions of property, plant and equipment	3,125,684	1,303,873	-	4,429,557
2016				
Revenue				
Total revenue	383,560,898	206,096,735	2,288,789	591,946,422
Inter segment	(22,848,178)	-	(2,288,789)	(25,136,967)
External revenue	360,712,720	206,096,735	-	566,809,455
Segment results				
Total profit before tax	23,133,025	9,399,739	194,593	32,727,357
Consolidation elimination^	(326,930)	-	-	(326,930)^
External profit before tax	22,806,095	9,399,739	194,593	32,400,427
Tax	(5,591,707)	(2,510,219)	(120,659)	(8,222,585)
Net profit after tax	17,214,388	6,889,520	73,934	24,177,842
Total segment assets	418,132,826	179,769,402	224,977,734	822,879,962
Consolidation elimination*	(10,173,327)	(25,594,032)	(224,354,584)	(260,121,943)*
Net segment assets	407,959,499	154,175,370	623,150	562,758,019

^ Related to elimination of unrealised profit on closing inventories (RM 327 thousand).

* Major items included intercompany balances elimination (RM 27.4 million), elimination of cost of investment (RM 224.3 million), elimination of goodwill (RM 7.5 million) and elimination of unrealised profit on closing inventories (RM 929 thousand).

	Cold rolled coil RM	Steel tube RM	Others RM	Total RM
2016				
Other information				
Depreciation of property plant and equipment	13,025,083	2,979,098	10,908	16,015,089
Impairment losses:				
- property, plant and equipment	7,948,310	108,864	-	8,057,174
Additions of property, plant and equipment	2,823,888	857,528	333,420	4,014,836

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

	2017 RM	2016 RM
Segment assets	667,650,470	562,758,019
Derivatives	142,073	704,614
Tax recoverable	257,772	226,101
	668,050,315	563,688,734

Information about major customers

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

NOTES TO THE FINANCIAL STATEMENTS
30 June 2017
(continued)

30 FINANCIAL GUARANTEES

As at 30 June 2017, the Company has corporate guarantees issued to lenders for borrowings extended to its principal subsidiaries, Mycron Steel CRC Sdn. Bhd. and Melewar Steel Tube Sdn. Bhd. amounting to RM127.2 million (2016: RM145.7 million) and RM45.2 million (2016: RM57.1 million) respectively.

31 LITIGATION, COMMITMENT AND CONTINGENCY

a) There are imminent plans to upgrade and supplement certain production lines which will incur capital expenditure commitment in the near term (See Note 12). At the end of the financial year, the Group's Cold Rolled subsidiary has an outstanding capital commitment of around USD0.85m (RM3.65m) for the motor replacement, while the upgrade of certain production line is still being finalized and has yet to be approved or contracted for. Other than these, there are no material capital expenditures approved but not contracted for at the close of the current financial year.

b) The Directors are not aware of any circumstances or developments giving rise to contingent liabilities or assets warranting disclosure.

c) The future aggregate minimum lease payments under non-cancellable operating leases relating to the rental of the factories' land and buildings by the Steel Tube operations (with a combined area of 826,881 sq. ft.) are as follows:

	2017 RM	2016 RM
No later than 1 year	5,464,800	5,464,800
Later than 1 year and no later than 5 years (i)	15,483,600	4,554,000
Total	20,948,400	10,018,800

(i) For financial year ended 2017, the future rental later than 1 year is for 34 months based on exercised renewal.

32 SIGNIFICANT EVENTS AFTER REPORTING DATE

On 23 August 2017, the Company 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 RM28.3 million to fund the Cold Rolled Coil's capital expenditure program (see Note 12) and both the steel businesses' 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.

Besides the above, there were no other material events occurring between 1 July 2017 and the date of this report that warrant adjustments or disclosure to the financial statements for the financial year ended 30 June 2017.

33 FINANCIAL INSTRUMENTS BY CATEGORY

	2017		2016	
	Loans and receivables RM	Fair value through profit or loss RM	Loans and receivables RM	Fair value through profit or loss RM
<u>Group</u>				
Financial assets per statement of financial position:				
Current assets:				
Derivative financial assets	-	142,073	-	704,614
Trade and other receivables (excluding prepayments and GST receivables)	102,478,307	-	99,270,259	-
Cash and cash equivalents	64,588,049	-	27,630,395	-
Amount owing by ultimate holding company	262,880	-	6,992,246	-
Amounts owing by related Companies	4,859,971	-	5,796,422	-
Total financial assets	172,189,207	142,073	139,689,322	704,614

NOTES TO THE FINANCIAL STATEMENTS

30 June 2017
(continued)

33 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

	2017 RM	2016 RM
Group		
Financial liabilities per statement of financial position:		
Other financial liabilities at amortised cost		
Current liabilities:		
Trade and other payables (excluding prepayments)	178,049,310	115,113,166
Borrowings	78,609,835	84,338,603
Amount owing to ultimate holding company	4,000,000	-
Amount owing to a related company	1,073,151	534,597
Non-current liability:		
Borrowings	4,298,277	7,241,264
	266,030,573	207,227,630
Fair value through profit or loss		
Current liabilities:		
Derivative financial liabilities	3,036,852	3,263,972
Total financial liabilities	269,067,425	210,491,602
Company		
Financial assets per statement of financial position:		
Loans and receivables		
Current assets:		
Trade and other receivables (excluding prepayments and GST receivables)	5,000	5,000
Cash and cash equivalents	260,756	298,831
Amounts owing by subsidiaries	202,187	63,903
Total financial assets	467,943	367,734
Financial liabilities per statement of financial position:		
Other financial liabilities at amortised cost		
Current liabilities:		
Trade and other payables	309,140	311,446
Amount owing to ultimate holding company	4,000,000	-
Amounts owing to subsidiaries	7,500,000	18,878,906
Borrowings	40,869	40,869
	11,850,009	19,231,221
Non-current liability:		
Borrowings	194,045	234,914
Total financial liabilities	12,044,054	19,466,135

SUPPLEMENTARY INFORMATION

34 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	
	2017	**2016**
	RM	**RM**
Total retained earnings of Mycron Steel Berhad and its subsidiaries:		
- realised	160,193,378	123,361,973
- unrealised	(17,719,738)	(15,631,646)
	142,473,640	107,730,327
Add: Consolidation adjustments	(217,532)	(217,532)
Total Group's consolidated retained earnings	142,256,108	107,512,795

	Company	
	2017	**2016**
	RM	**RM**
Total retained earnings of Mycron Steel Berhad:		
- realised	255,385	191,267
- unrealised	-	-
Total retained earnings	255,385	191,267

The disclosure of realised and unrealised retained earnings above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

PROPERTIES OWNED

By Mycron Steel Berhad and Its Subsidiaries

Address of Property	Lease expiry date	Brief description and existing use	Land area	Approximate age of buildings (years)	Net book value (RM)
Lot 717, Jalan Sungai Rasau, Seksyen 16, 40200 Shah Alam, Selangor.	Freehold	Factory cum office building	763,758 sq.ft. (17.53 acres)	28	110,000,000

Note: The above property was revalued in 2017.

MYCRON STEEL BERHAD
(622819-D)

FORM OF PROXY
(please refer to the notes below)

No. of ordinary shares held

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

of ____
(Full address)

____

being a member/members of **MYCRON STEEL BERHAD** hereby appoint *Chairman of the meeting or

______________________ of ______________________________ or failing him/her
(Name of proxy, NRIC No.) (Full Address)

______________________ of ______________________________ as *my/our proxy
(Name of proxy, NRIC No.) (Full Address)

to vote for *me/us and on *my/our behalf at the **14th Annual General Meeting ("AGM")** of the Company to be held at the **Crystal Function Room, 4th Floor, Mutiara Complex, 3½ Miles, Jalan Ipoh, 51200 Kuala Lumpur** on **Thursday, 30 November 2017 at 10.00 a.m.** or at any adjournment thereof on the following resolutions referred to in the Notice of the 14th AGM. My/our proxy is to vote as indicated below:

		FIRST PROXY		SECOND PROXY	
		For	**Against**	**For**	**Against**
RESOLUTION 1	TO APPROVE THE PROPOSED INCREASE IN MONTHLY DIRECTORS' FEES FROM RM3,100 TO RM4,000 FOR THE PERIOD FROM 1 JANUARY 2018 TO 31 DECEMBER 2018 TOTALLING RM240,000 TO BE PAYABLE QUARTERLY IN ARREARS TO THE NON-EXECUTIVE DIRECTORS OF THE COMPANY.				
RESOLUTION 2	TO APPROVE AN AMOUNT OF UP TO RM140,000 AS BENEFITS PAYABLE TO THE NON-EXECUTIVE DIRECTORS OF THE COMPANY FOR THE PERIOD FROM 1 FEBRUARY 2017 UNTIL THE CONCLUSION OF THE NEXT AGM OF THE COMPANY.				
	TO RE-ELECT THE FOLLOWING DIRECTORS OF THE COMPANY WHO ARE RETIRING PURSUANT TO ARTICLE 113(1) OF THE COMPANY'S ARTICLES OF ASSOCIATION:-				
RESOLUTION 3	(i) TUNKU DATO' YAACOB KHYRA				
RESOLUTION 4	(ii) MUK SAI TAT				
RESOLUTION 5	TO RE-ELECT ROSHAN MAHENDRAN BIN ABDULLAH WHO IS RETIRING PURSUANT TO ARTICLE 120.				
RESOLUTION 6	TO RE-APPOINT TAN SRI DATUK SERI RAZMAN MD HASHIM AS INDEPENDENT NON-EXECUTIVE DIRECTOR OF THE COMPANY.				
RESOLUTION 7	TO RE-APPOINT MESSRS PRICEWATERHOUSECOOPERS AS AUDITORS OF THE COMPANY AND TO AUTHORISE THE DIRECTORS TO FIX THEIR REMUNERATION.				
RESOLUTION 8	TO APPROVE THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY.				
RESOLUTION 9	TO APPROVE THE PROPOSED RENEWAL AND NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS.				
RESOLUTION 10	AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016.				

(Please indicate with a "✓" or "**X**" in the spaces provided above on how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion).

The proportion of my holdings to be represented by my *proxy/proxies are as follows:

	Number of Shares	Percentage
First proxy		%
Second proxy		%
Total		**100%**

Dated this ________ day of ____________________ 2017

____
Signature of Shareholder(s) / Common Seal

NOTES:

1. *Applicable to shares held through a nominee account.*
2. *A member entitled to attend, speak and vote at a meeting of the Company is entitled to appoint not more than two (2) proxies to attend, speak and vote in his/her stead. A proxy may but need not be a member of the Company.*
3. *Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be presented by each proxy.*
4. *Where a member is an Exempt Authorised Nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*
5. *The instrument appointing a proxy, shall be in writing under the hand of the appointer or his attorney duly authorised in writing, and in the case of a corporation, either under seal or under hand of an officer or attorney duly authorised.*
6. *The instrument appointing a proxy must be deposited at the Company's Registered Office, Suite 12.03, 12th Floor, No. 566, Jalan Ipoh, 51200 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.*
7. *Any alteration in the form of proxy must be initialled.*
8. *Form of Proxy sent through facsimile transmission shall not be accepted.*
9. *For the purpose of determining a member who shall be entitled to attend this 14th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Articles 79(a), 79(b) and 79(c) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 24 November 2017. Only a depositor whose name appears on the Record of Depositors as at 24 November 2017 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and/or vote on his/her behalf.*
10. *Explanatory Notes to Ordinary Business:*
    (A) Audited Financial Statements
    This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Act, does not require a formal approval of the shareholders and hence, is not put forward for voting.
    (B) Benefits Payable to Non-Executive Directors (Resolution 2)
    Section 230(1) of the Companies Act, 2016 requires that benefits payable to the Non- Executive Directors of the Company must be approved at a general meeting. Accordingly, shareholders' approval is sought for the payment of Meeting Attendance Allowances and any other benefits (excluding directors' fees) payable to the Non- Executive Directors which shall take effect from 1 February 2017 and shall continue to be in force until such time that a revision is proposed.
    (C) To re-appoint Tan Sri Datuk Seri Razman Md Hashim as Independent Non-Executive Director of the Company (Resolution 6)
    The Proposed Resolution 6 is to re-appoint Tan Sri Datuk Seri Razman Md Hashim who is over 70 years of age and was re-appointed at the 13th AGM of the Company held on 8 December 2016 pursuant to Section 129(6) of the Companies Act, 1965 (which was then in force) to hold office until the conclusion of the next AGM to be held in 2017. The said Section 129(6) is now superseded by the Act which does not require a director over 70 years of age to be re-appointed at the AGM. The Proposed Resolution 6 once passed will confirm the appointment of Tan Sri Datuk Seri Razman Md Hashim without any further requirement for him to seek re-appointment in future except that he shall still be subject to the Article 113(1) of the Company's Articles of Association requiring one-third of the directors to retire from office in every subsequent year.

Fold This Flap For Sealing

11. *Explanatory Notes to Special Business:*
    (D) *Proposed Renewal of Share Buy-Back Authority (Resolution 8)*
    The Proposed Resolution 8, if passed, would empower the Directors to exercise the power of the Company to purchase its own shares ("the Proposal") by utilising its financial resources not immediately required. The Proposal may have a positive impact on the market price of the Company's shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.
    (E) *Proposed Renewal and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") (Resolution 9)*
    The Proposed Resolution 9, if passed, will empower the Company to conduct recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, and will eliminate the need to convene separate general meetings from time to time to seek shareholders' approval. This will substantially reduce administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.
    (F) Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Act (Resolution 10)
    The Ordinary Resolution proposed under Resolution 10 of the Agenda is a renewal of the General Mandate for the Directors to issue and allot shares pursuant to Sections 75 and 76 of the Act. This mandate will provide flexibility for the Company to undertake future possible fund raising activities, including but not limited to placement of shares for purpose of funding the Company's future investment projects, working capital and/or acquisition(s) without having to convene another general meeting.
    The Proposed Resolution 10, if passed, will give authority to the Directors of the Company, from the date of the above AGM, to issue and allot shares in the Company up to an amount not exceeding in total ten percent (10%) of the total number of issued shares of the Company for the time being, for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM of the Company.
    As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the 13th AGM held on 8 December 2016 and which will lapse at the conclusion of the 14th AGM to be held on 30 November 2017.
12. *Poll Voting*
    All the Resolutions mentioned above will be put to vote by Poll.

The detailed information on Special Business of Agenda 8 except for Ordinary Resolution 10 as mentioned above is set out in the Circular to Shareholders of the Company dated 31 October 2017 which is despatched together with the Company's 2017 Annual Report.

** Please strike out whichever is not desired. (Unless otherwise instructed, the proxy may vote as he/she thinks fit).*

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STAMP

The Secretary
Mycron Steel Berhad
Suite 12.03, 12th Floor
No. 566 Jalan Ipoh
51200 Kuala Lumpur

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NOTICE

There will be no distribution of door gifts.

MYCRON STEEL BERHAD
(622819-D)

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