



**MYCRON STEEL BERHAD**

Reg. No.: 200301020399 (622819-D)

**ANNUAL REPORT**  
**2 0 1 9**

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# NOTICE OF SIXTEENTH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the **16TH ANNUAL GENERAL MEETING** of the Company will be held at the **Crystal Function Room, 4th Floor, Mutiara Complex, 3½ Miles, Jalan Ipoh, 51200 Kuala Lumpur** on **Friday, 29 November 2019 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 2019 together with the Reports of the Directors and the Auditors thereon.  
*[Please refer to Explanatory Note A]*
2. To approve the payment of Directors' fees amounting to RM384,000.00 for the period from 1 January 2020 to 31 December 2020 to be payable quarterly in arrears to the Non-Executive Directors of the Company. 1
3. To approve an amount of up to RM97,000.00 as benefits payable to the Non-Executive Directors of the Company for the period from 1 December 2019 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) Azlan Bin Abdullah 4
5. To re-elect the following Directors of the Company who are retiring pursuant to Article 120 of the Company's Articles of Association and who, being eligible, offer themselves for re-election:
  - (i) Datin Seri Raihanah Begum Binti Abdul Rahman 5
  - (ii) Kwo Shih Kang 6
6. To re-appoint Messrs PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. 7

### AS SPECIAL BUSINESS

7. To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions :-
  - (a) **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs")** 8

"THAT the mandate granted by the shareholders of the Company on 29 November 2018 pursuant to Paragraph 10.09 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"), authorising the Company and its subsidiaries ("the Mycron Group") to enter into the RRPTs 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 A of the Circular to Shareholders dated 31 October 2019 ("the Circular") with the related parties mentioned therein, be and is hereby renewed, provided that :-

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



# NOTICE OF SIXTEENTH ANNUAL GENERAL MEETING

(continued)

(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 Companies Act 2016 ("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."

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

**9**

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

8. To consider and, if thought fit, to pass the following resolution as Special Resolution:-

**(a) Proposed Adoption of new Constitution of the Company ("Proposed Adoption")**

**Special  
Resolution 1**

"THAT the Company's existing Memorandum and Articles of Association be deleted in its entirety and that the new Constitution as set out in the Circular to Shareholders dated 31 October 2019 be and is hereby adopted as the new Constitution of the Company.

AND THAT the Directors of the Company be and are hereby authorised to do all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Adoption with full powers to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities to give effect to the Proposed Adoption."

By Order of the Board

**LILY YIN KAM MAY (MAICSA 0878038)**  
Company Secretary

Kuala Lumpur  
31 October 2019



# NOTICE OF SIXTEENTH 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 more than one (1) proxy to attend, speak and vote in his/her stead. A proxy may but need not be a member of the Company.*
3. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be presented by each proxy.*
4. *Where a member is an Exempt Authorised Nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*
5. *The instrument appointing a proxy, shall be in writing under the hand of the appointer or his attorney duly authorised in writing, and in the case of a corporation, either under seal or under the hand of an officer or attorney duly authorised.*
6. *The instrument appointing a proxy must be deposited at the Company's Registered Office, Suite 11.05, 11th Floor, No. 566, Jalan Ipoh, 51200 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.*
7. *Any alteration in the form of proxy must be initialled.*
8. *Form of Proxy sent through facsimile transmission shall not be accepted.*
9. *For the purpose of determining a member who shall be entitled to attend this 16th 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 25 November 2019. Only a depositor whose name appears on the Record of Depositors as at 25 November 2019 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and/or vote on his/her behalf.*
10. *Explanatory Notes to Ordinary Business:*

### **(A) Audited Financial Statements**

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

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

*Section 230(1) of the Act provides amongst others that the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.*

*The proposed Ordinary Resolution 2 is to seek shareholders' approval for payment of Directors' Benefits (excluding Directors' fees) to the Non-Executive Directors for the period from 1 December 2019 until the conclusion of the next AGM to be held in 2020 of the Company.*

*The benefits comprises the meeting allowances, benefits in kind and other emoluments payable to the Non-Executive Directors of the Company.*



# NOTICE OF SIXTEENTH ANNUAL GENERAL MEETING

(continued)

*In determining the estimated total amount of remuneration (excluding directors' fees) for the Non-Executive Directors of the Company, the Board considered various factors including the number of scheduled meetings for the Board and Board Committees as well as the number of Non-Executive Directors involved in these meetings.*

*The Board is of the view that it is just and equitable for the Non-Executive Directors to be paid the directors' remuneration (excluding directors' fees) as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company and its subsidiaries throughout the relevant period.*

## 11. Explanatory Notes to Special Business:

### **(C) Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (Ordinary Resolution 8)**

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

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

*The Ordinary Resolution proposed under Resolution 9 of the Agenda is a renewal of the General Mandate for the Directors to issue and allot shares pursuant to Sections 75 and 76 of the Act. This mandate will provide flexibility for the Company to undertake future possible fund raising activities, including but not limited to placement of shares for purpose of funding the Company's future investment projects, working capital and/or acquisition(s) without having to convene another general meeting.*

*The Proposed Resolution 9, if passed, will give authority to the Directors of the Company, from the date of the above AGM, to issue and allot shares in the Company up to an amount not exceeding in total ten percent (10%) of the total number of issued shares of the Company for the time being, for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM of the Company.*

*As at the date of this Notice, 43,512,144 new shares in the Company were issued pursuant to the mandate granted to the Directors at the 15th AGM held on 29 November 2018, which will lapse at the conclusion of the 16th AGM to be held on 29 November 2019.*

### **(E) Proposed Adoption of new Constitution of the Company (Special Resolution 1)**

*The proposed Special Resolution 1, if passed, shall streamline the Constitution of the Company to be aligned with the new Companies Act 2016 which came into force on 31 January 2017, the updated provision of the Listing Requirements of Bursa Malaysia Securities Berhad, and prevailing statutory and regulatory requirements as well as to render clarity and consistency throughout; details of which are as set out in the Circular to Shareholders dated 31 October 2019.*

## 12. Poll Voting

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

*The detailed information on Special Business of Agenda 7 and Agenda 8 except for Ordinary Resolution 9 as mentioned above is set out in the Circular to Shareholders of the Company dated 31 October 2019 which is despatched together with the Company's 2019 Annual Report.*



# NOTICE OF SIXTEENTH ANNUAL GENERAL MEETING

(continued)

## PERSONAL DATA POLICY

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

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Listing Requirements of Bursa Securities, the details of the Directors who are seeking for re-election or re-appointment in Agenda 4 and 5 of the Notice of the 16th AGM of the Company are set out in the Directors' Profile on pages 38 to 46 of this Annual Report. Their securities holdings in the Company are set out in the Directors' Shareholdings which appears on page 53 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 D of the Notice of the 16th AGM of the Company.

*On behalf of the Board of Directors, I present the Annual Report of Mycron Steel Berhad and its group of companies (“the Group” or “Mycron”) for the financial year ended 30 June 2019 (“FY2019”).*

**TUNKU DATO' YAACOB KHYRA**  
Executive Chairman

# CHAIRMAN'S STATEMENT





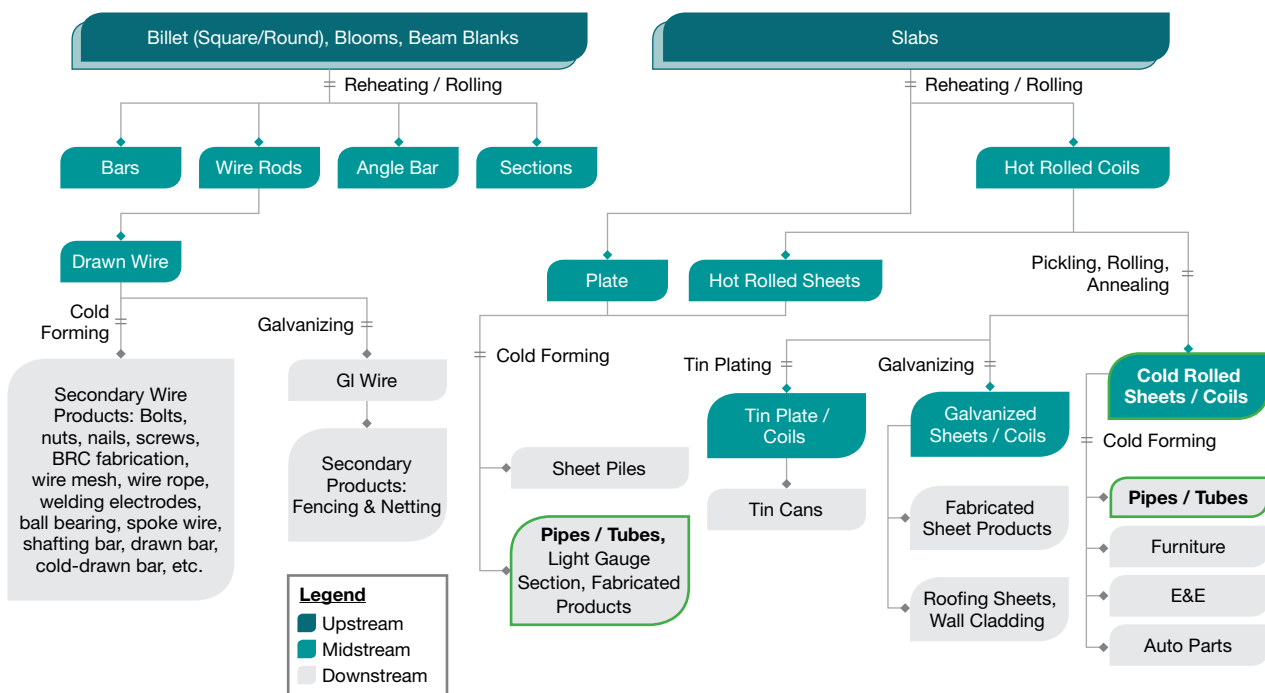
# CHAIRMAN'S STATEMENT

(continued)

## BUSINESS AND OPERATIONS

Mycron Steel Berhad encompasses the combined operations of two subsidiaries, namely Mycron Steel CRC Sdn Bhd ("MCRC") and Melewar Steel Tube Sdn Bhd ("MST"). MCRC is involved in the mid-stream sector of the steel industry, in the manufacture of Cold Rolled Coil ("CRC") steel sheets, while MST is involved in the down-stream sector, in the manufacture of Steel Tubes and Pipes ("Steel Tube").

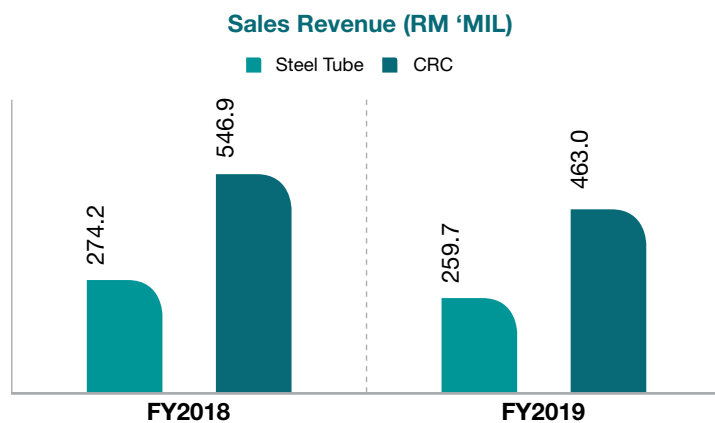
Exhibit 1: Malaysian Iron & Steel Industry



## FINANCIAL PERFORMANCE

For the year under review, the Group registered a 12.5% lower total revenue of RM 694 million as compared to RM 793 million in the preceding financial year mainly due to lower sales tonnage. The Group's FY2019 total steel sales tonnage decreased by 13.2% to 238,882 tonnes (FY2018: 275,260 tonnes).

Exhibit 2: Sales Revenue by Division – FY2018 vs FY2019



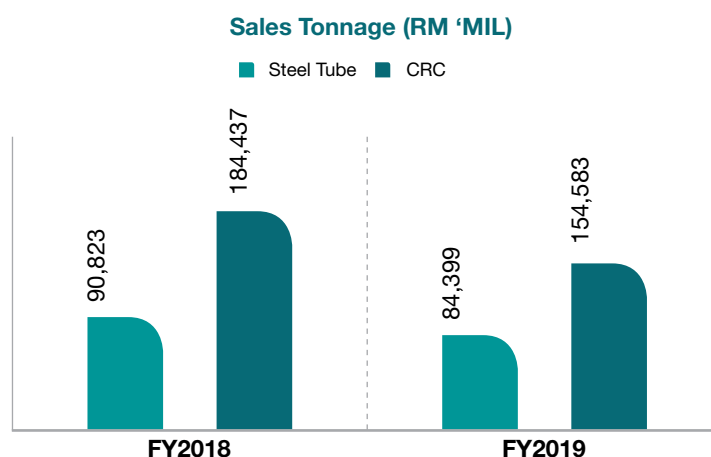


## CHAIRMAN'S STATEMENT

(continued)

Both subsidiaries were affected by low revenue. The CRC Division, recorded revenue of RM 463 million as compared to RM 547 million the previous year, representing a decrease of 15.4%. The Steel Tube Division registered revenue of RM 260 million from the preceding year's RM 274 million, a decline of 5.1%.

Exhibit 3: Sales Tonnage by Division – FY2018 vs FY2019



In terms of tonnage, CRC sales decreased by 16.2% to 154,583 tonnes, compared to 184,437 tonnes in the preceding year. CRC sales tonnage include secondary products and services, like second grade CRC, pickled and oiled, and scrap.

Steel Tube sales decreased by 7.1% to 84,399 tonnes, compared to 90,823 tonnes in the preceding year. Sales tonnage for Steel Tube include other secondary products and services, such as second grade pipes, slitted edge, hot dipping, pipe-forming and pipe slitting services, and scrap.

### DIVIDENDS

FY2019 was a challenging year for Mycron. In view of the Group's financial position, the Board of Directors do not recommend the payment of any dividend, for the financial year ended 30 June 2019.

### CRC OPERATIONS REVIEW

For FY2019, the CRC Division achieved sales revenue of RM 463 million, which was RM 84 million lower than the preceding year. The decline is mainly attributable to unfair competition caused by diversion of cheap international CRC, into vulnerable and exposed markets such as Malaysia, due to the rise in trade protectionism in the West. The constant dumping of CRC, into the domestic steel industry, throughout FY2019, has significantly impaired and injured domestic CRC manufacturers, resulting in lower margins, and lower sales volume.

The CRC segment registered a pre-tax loss of RM 16.5 million for the year.

Exhibit 4: CRC Financial Performance by Quarter

Total Capacity: 260,000 t/y

Mycron CRC Operations Financial Year	FY2019					FY2018
	Q1	Q2	Q3	Q4	Total	Total
Sales Revenue (RM mil)	124.2	132.1	108.9	97.8	463.0	546.9
Sales Tonnage (tonnes)	40,475	43,453	36,816	33,839	154,583	184,437
Capacity Utilisation (% max)	58%	66%	54%	52%	58%	73%
Profit/(Loss) Before Tax (RM mil)	(2.85)	(6.12)	(6.46)	(1.10)	(16.53)	6.55



## CHAIRMAN'S STATEMENT

(continued)

CRC's revenue for the first quarter ("Q1") was lower than the preceding quarter, with sales tonnage dipping by 11%. As a result, the segment registered a pre-tax loss of RM 2.85 million for the quarter.

In the second quarter ("Q2"), sales revenue and tonnage increased by 6.4% and 7.4% respectively. Despite the higher revenue and sales volume, CRC's pre-tax loss for the quarter, increased to RM 6.12 million, due to margin erosion caused by unfair competition, from foreign CRC producers. The continued thin-to-negative spread, between the cost of CRC's core raw material, Hot Rolled Coil ("HRC") steel sheets, and imported CRC finished goods, severely affected domestic CRC manufacturers' sales and margins.

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

Because of this "Subsidy Pass Through" practice, the US had imposed a punitive 400% duty on Vietnamese steel earlier this year. The "Subsidy Pass Through" is obvious, and the proactive US government has acted swiftly. Malaysia however, still maintains a tiny 2% duty on Vietnamese steel entering Malaysia, despite repeated call-to-action by the industry. Nevertheless, Mycron is confident that the nation's policies, will eventually be in-tune with that of the industry, and that there is hope for the future of steel in Malaysia.

The third quarter ("Q3") was similar to Q2, as escalation of the trade war between China and the US, continue to disrupt global commodity markets. The seasonal Chinese New Year holidays, during Q3 resulted in the CRC Division, posting lower revenue, lower sales tonnage, and pre-tax losses of RM 6.46 million for the quarter.

In the fourth quarter ("Q4"), sales tonnage dropped by a further 8.1% to 33,839 tonnes, whilst sales revenue dropped by 10.2% to 97.8 million. However, the segment achieved higher spread and margins for the quarter, which resulted in an improvement over the previous quarter, reducing the pre-tax loss to RM 1.1 million.

### STEEL TUBE OPERATIONS REVIEW

The Steel Tube Division's revenue decreased by 5.3% to RM 260 million for FY2019, due to slowing demand for steel pipes, caused by the soft domestic economy, halted mega projects, and the significant slowdown in the construction sector. The rising cost of Steel Tube's key raw material (i.e. HRC) during the second half of FY2019, due to the spike in iron ore prices, as a result of the Vale Tailings Dam Disaster, put further pressure on margins.

The tube segment registered a lower pre-tax profit of RM 7.24 million for FY2019 compared to the preceding year.

Exhibit 5: Steel Tube Performance by Quarter

Total Capacity: 148,800 t/y

Melewar Steel Tube Operations Financial Year ended 30 June	FY2019					FY2018
	Q1	Q2	Q3	Q4	Total	Total
Sales Revenue (RM mil)	77.8	63.8	56.6	61.5	259.7	274.2
Sales Tonnage (tonnes)	24,462	20,570	19,285	20,082	84,399	90,823
Capacity Utilisation (% max)	56%	48%	43%	44%	47%	52%
Capacity Utilisation* (% max)	58%	51%	47%	47%	51%	55%
Profit (Loss) Before Tax (RM mil)	4.91	1.15	0.20	0.98	7.24	15.39

\* Inclusive of tolling services

## CHAIRMAN'S STATEMENT

(continued)

For the first financial quarter (Q1), the Steel Tube segment was relatively stable. Sales tonnage was up by 5.0% to 24,462 tonnes, compared to the previous quarter's 23,289 tonnes. Sales revenue also increased by 6.0% to RM 77.8 million (Q4 2018: RM 73.4 million). Profit Before Tax ("PBT") for the quarter increased by 78.5% to RM 4.91 million (Q4 2018: RM 2.75 million), mainly attributed to higher deliveries caused by lower sales tonnage for the previous quarter, due to the Hari Raya Festive season in June 2018.

For Q2, the Steel Tube division recorded a significant drop in sales tonnage, revenue, and profits. Sentiment in the pipe and tube sector has been fragile, since the Malaysian General Election, as domestic steel demand and consumption significantly weakened, due to withheld government project payments. This non-payment to project contractors caused strain to the entire steel value chain, as contractors defaulted on payments, due to steel stockists and suppliers. When the steel stockists' cash flows are affected, they naturally hold back placing consistent orders for Steel Tubes.

The Steel Tube segment registered a sluggish Q3 with decline in sales tonnage, revenue, and profits. The weaker performance was due to margin squeeze, as a result of rising cost of input materials, which were affected by the Vale Dam Disaster's effect on Iron Ore prices. At the same time, the annual Chinese New Year celebrations during the month of January and February, resulted in shorter working periods during the quarter.

The fourth quarter (Q4) results, showed slight improvement with sales revenue increasing marginally by 8.7% to RM 61.5 million compared to RM 56.6 million in the previous quarter. Q4 also recorded a higher sales tonnage and pre-tax profit of RM 0.98 million. However, sales did not increase substantially due to weak demand and the Hari Raya festive season in June.

### GLOBAL AND DOMESTIC STEEL ECONOMY REVIEW

During the financial year under review, the global and domestic steel industry environment proved to be extremely challenging, on the back of significant global and domestic economic headwinds, caused by the escalation of the trade war, between the two largest economies in the world.

Steel, a business which is sensitive to changing winds of economic growth, has been battered by weaker demand, rising costs of iron ore, and an oversupply of cheap subsidised Chinese steel.

The 25% steel tariff imposed by the US, which was subsequently followed by Europe's 25% steel tariff, have split the Western market, from the rest of the world, leaving Asia to face the glut of cheap subsidised Chinese made steel.

The Group's CRC subsidiary suffered losses, due to this trade diversion, of cheap CRC, which is dumped into the vulnerable Malaysian market. Malaysian CRC manufacturers have had to endure unfair competition, from subsidised foreign CRC producers.

The Group's Steel Tubes and Pipes subsidiary saw decline in sales tonnage, revenue, and profits for the year. Overall steel demand in Malaysia has been stifled by halted mega projects, and a significant slowdown in the property and construction sector.

### 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).



## CHAIRMAN'S STATEMENT

(continued)

Scrap Based CRC is considered to be inferior in metallurgical quality, as it contains impurities derived from the scrap used to manufacture the Scrap Based HRC. Being manufactured from lower quality HRC, Scrap Based CRC is used by downstream customers, mainly in the Steel Tube and Furniture sectors, which do not require high quality CRC.

On the other hand, due to its higher quality, the Iron Ore Based CRC is used by a different group of customers, primarily involved in the production of Steel Drums for the palm oil and petroleum sectors, in the production of Colour Coated and Galvanized CRC (usually for the manufacture of roof sheet), in the production of Electrical Appliances mostly comprising of white goods like washing machines, refrigerators, microwaves ovens, rice cookers, and also in the production of components and parts for the Automotive industry.

Not long ago, all HRC and CRC Steel Manufacturers in Malaysia were Malaysian owned. However, as the years passed, one after another were either shut down, or taken over by foreign owned steel mills, the latest being YKGI Holdings Berhad's disposal of its plant and factory to NS Bluescope Sdn Bhd in 2019, due to sustained losses caused by years of battling cheap imported flat steel products. The last decade has truly been a harsh and hostile environment for Malaysian Steel mills, with rising domestic cost of electricity, natural gas and minimum wage, whilst grappling with the turmoil caused by surging steel imports that manipulate Free Trade Agreements ("FTA") and World Trade Organization ("WTO") laws.

Mycron is one of the last fully operational Malaysian owned and managed flat steel mill in the country. In 2019, the Group's pipe subsidiary, Melewar Steel Tube ("MST") celebrated its 50th Anniversary and Mycron Steel CRC ("MCRC"), celebrated its 30th Anniversary. Mycron is proud to be part of the journey of the country's goal of achieving a fully developed nation status. The Government, albeit slowly, has recognised the contribution of the Malaysian Steel Industry, and is working towards safeguarding local steel mills, such as Mycron, against unfair trade. Mycron is working closely with the Government to ensure sustainability of the local steel industry.

Exhibit 6: CRC Industry Statistics by Calendar Year

CRC Industry Statistics	Total Capacity (t/y)	CRC Production (t/y)				2018 CRC Capacity	
		2015	2016	2017	2018	Utilised (%)	Unused (t/y)
CSC Steel Holdings Bhd	480,000	420,000	390,200	275,800	325,000	68%	155,000
Mycron Steel Bhd	260,000	187,000	190,000	175,630	180,210	69%	79,790
YKGI Holdings Bhd	200,000	110,000	86,000	46,340	54,000	27%	146,000
Eonmetall Group Bhd	120,000	25,000	25,000	30,000	30,000	25%	90,000
	<b>1,060,000</b>	<b>742,000</b>	<b>691,200</b>	<b>527,770</b>	<b>589,210</b>	<b>56%</b>	<b>470,790</b>
Megasteel Sdn Bhd	1,450,000	-	-	-	-	0%	1,450,000
<b>Total</b>	<b>2,510,000</b>	<b>742,000</b>	<b>691,200</b>	<b>527,770</b>	<b>589,210</b>	<b>23%</b>	<b>1,920,790</b>
<b>Capacity Utilisation</b>							
Excluding Megasteel		70%	65%	50%	56%		
Including Megasteel		30%	28%	21%	23%		

\* Data represented above is cumulatively approximately and sourced from respective CRC mills

Exhibit 6 provides details of utilisation rates and total capacity for the domestic CRC industry. Over the past four years, Malaysian domestic CRC producers have been facing substantial under-utilisation of production capacity, at 56%, principally due to substantial CRC imports.

Domestic CRC production has dropped by 21% from 742,000 tonnes in 2015, to 589,210 tonnes in 2018, while CRC imports as a percentage of CRC consumption, stands at 67%. The ratio of imported to domestically produced CRC is 2:1, which is preposterous for any country that have domestic steel CRC producers.



# CHAIRMAN'S STATEMENT

(continued)

Exhibit 7: Flat Steel Imports by Calendar Year

Flat Steel Imports		tonnes/ year					2018 Change
Class	Description	2014	2015	2016	2017	2018	
511	Cold Rolled Coil (CRC) Sheets & Strips	814,731	846,304	899,253	876,484	847,768	-3.28%
513	Others Cold Rolled Sheet & Strips (eg. Alloy)	145,860	136,256	225,630	199,114	208,498	4.71%
		<b>960,591</b>	<b>982,560</b>	<b>1,124,883</b>	<b>1,075,598</b>	<b>1,056,266</b>	<b>-1.80%</b>
	y-o-y change		2.29%	14.48%	-4.38%	-1.80%	
	<b>CRC Related Products</b>						
520	Cold -Rolled Electrical Sheets	108,782	111,604	113,162	115,606	202,547	75.21%
611	Galvanized (Hot Dipped) Zinc Sheets	304,618	279,155	361,584	306,761	354,490	15.56%
612	Electro-Galvanized Iron (EGI) Sheets	108,146	74,131	50,162	52,124	51,206	-1.76%
620	Tin Plated CRC Sheets	98,805	85,057	70,822	84,582	89,753	6.11%
692	Color Coated CRC Sheets	59,853	43,473	37,405	19,897	35,939	80.62%
693	Other Metallic Coated CRC Sheets	28,763	37,955	33,955	50,526	48,035	-4.93%
		<b>708,967</b>	<b>631,375</b>	<b>667,090</b>	<b>629,496</b>	<b>781,970</b>	<b>24.22%</b>
	<b>Total CRC &amp; CRC Related Products</b>	<b>1,669,558</b>	<b>1,613,935</b>	<b>1,791,973</b>	<b>1,705,094</b>	<b>1,838,236</b>	<b>7.81%</b>
519	<b>CR Stainless Steel Sheets</b>	<b>107,157</b>	<b>112,981</b>	<b>119,060</b>	<b>93,695</b>	<b>99,048</b>	<b>5.71%</b>
	<b>HRC &amp; Related Products</b>						
481	Hot Rolled Coil (Carbon Steel)	1,064,983	1,251,399	1,657,699	1,683,438	1,691,683	0.49%
470	Plates	359,091	283,988	351,269	370,660	478,951	29.22%
720	Welded Pipes & Tubes	552,069	162,668	366,095	551,514	313,037	-43.24%
		<b>1,976,143</b>	<b>1,698,055</b>	<b>2,375,063</b>	<b>2,605,612</b>	<b>2,483,671</b>	<b>-4.68%</b>
	<b>Total CRC, Related Products &amp; HRC</b>	<b>3,752,858</b>	<b>3,424,971</b>	<b>4,286,096</b>	<b>4,404,401</b>	<b>4,420,955</b>	<b>0.38%</b>
	y-o-y change		-8.74%	25.14%	2.76%	0.38%	

(Source: SEASI 2018 Steel Statistical Yearbook)

Exhibit 7 shows the summary of imports of flat steel into Malaysia. Imports of Cold Rolled Coil ("CRC") sheets and strips are 1,056,266 tonnes, while the combined imports of CRC and CRC Related Products are at an astounding 1,838,236 tonnes, the bulk of which could have been manufactured locally.

To address the surge in CRC imports, Mycron continues to lead the CRC industry, in efforts to address dumped and subsidised steel imports, which injure the domestic industry, and the welfare of its workers and investors. Mycron is constantly in dialogue with the Government, about the impact of unscrupulous imports on the domestic steel industry, and about the need for the domestic steel industry to be protected.



# CHAIRMAN'S STATEMENT

(continued)

## DOMESTIC FLAT STEEL INDUSTRY SUMMARY

In 2018, Malaysia's overall flat steel consumption increased to 6.46 million tonnes, from 6.40 million tonnes the previous year, an increase of 0.97%. Exhibit 8 provides a breakdown of the domestic flat steel consumption for the past five years.

Exhibit 8: Domestic Flat Steel Consumption by Calendar Year – 5 years

Flat Steel Consumption		tonnes/ calendar year					2018 Change
Class	Description	2014	2015	2016	2017	2018	
<b>511 &amp; 513</b>	<b>Cold Rolled Coil (CRC) Sheets &amp; Strips</b>	<b>1,570,467</b>	<b>1,613,481</b>	<b>1,710,067</b>	<b>1,527,122</b>	<b>1,565,569</b>	<b>2.52%</b>
	<b>CRC Related Products</b>						
520	Cold-Rolled Electrical Sheets	102,291	104,484	106,383	107,860	185,141	71.65%
611	Galvanized (Hot Dipped) Zinc Sheets	733,989	702,451	838,585	722,918	713,450	-1.31%
612	Electro-Galvanized Iron (EGI) Sheets	301,282	250,430	238,026	247,718	222,307	-10.26%
620	Tin Plated Sheets	164,442	172,267	178,441	199,452	204,833	2.70%
692	Color Coated Sheets	235,645	238,260	216,665	179,488	199,745	11.29%
693	Other Metallic Coated Sheets	26,588	34,209	29,131	42,354	46,809	10.52%
		<b>1,564,237</b>	<b>1,502,101</b>	<b>1,607,231</b>	<b>1,499,790</b>	<b>1,572,285</b>	<b>4.83%</b>
	<b>Total CRC &amp; CRC Related Products</b>	<b>3,134,704</b>	<b>3,115,582</b>	<b>3,317,298</b>	<b>3,026,912</b>	<b>3,137,854</b>	<b>3.67%</b>
519	<b>CR Stainless Steel Sheets</b>	<b>159,881</b>	<b>143,603</b>	<b>155,036</b>	<b>236,848</b>	<b>100,894</b>	<b>-57.40%</b>
	<b>HRC &amp; Related Products</b>						
481	Hot Rolled Coil (HRC) Sheets	1,779,605	1,949,788	1,724,860	1,672,554	1,682,421	0.59%
470	Plates	476,063	441,417	526,171	490,628	602,020	22.70%
720	Welded Pipes & Tubes	302,692	285,037	949,458	969,214	935,225	-3.51%
		<b>2,558,360</b>	<b>2,676,242</b>	<b>3,200,489</b>	<b>3,132,396</b>	<b>3,219,666</b>	<b>2.79%</b>
	<b>Total Domestic Flat Steel</b>	<b>5,852,945</b>	<b>5,935,427</b>	<b>6,672,823</b>	<b>6,396,156</b>	<b>6,458,414</b>	<b>0.97%</b>
	<b>y-o-y change</b>		<b>1.41%</b>	<b>12.42%</b>	<b>-4.15%</b>	<b>0.97%</b>	

(Source: MISIF, Malaysian Iron and Steel Industry Federation)

The domestic consumption of HRC increased marginally by 0.59% to 1.68 million tonnes.

The consumption of Welded Pipes & Tubes on the other hand decreased by 3.51% to 0.94 million tonnes. The decrease is attributable to slow market demand in the pipe sector due to mega projects being put on hold and significant slowdown in the property and construction sector.

On the CRC front, domestic consumption increased by 2.52% to 1.57 million tonnes, from the previous year's 1.53 million tonnes.

The domestic CRC manufacturing industry is confident in the execution of the Prime Minister's announced "Buy Malaysian" policy. Only through such a policy will capacity utilisation increase, which will directly lower manufacturing cost, create more local jobs, and will earn more tax revenue for the government, for it to support further economic growth.



## CHAIRMAN'S STATEMENT

(continued)

Exhibit 9: Overall Movement of Flat Steel in Malaysia by Calendar Year

MALAYSIAN FLAT STEEL 2018		Production (t/y)	Import (t/y)	Export (t/y)	Net Domestic Consumption		
Class	Description				2018 (t/y)	2017 (t/y)	Change
511 & 513	<b>Cold Rolled Coil (CRC) Sheets &amp; Strips</b>	<b>589,210</b>	<b>1,056,266</b>	<b>79,907</b>	<b>1,565,569</b>	<b>1,527,122</b>	<b>2.52%</b>
	<b>CRC Related Products</b>						
520	Cold-Rolled Electrical Sheets	0	202,547	17,406	185,141	107,860	71.65%
611	Galvanized (Hot Dipped) Zinc Sheets	410,394	354,490	51,434	713,450	722,928	-1.31%
612	Electro-Galvanized Iron (EGI) Sheets	233,855	51,206	62,754	222,307	247,718	-10.26%
620	Tin Plated Sheets	156,000	89,753	40,920	204,833	199,451	2.70%
692	Colour Coated Sheets	201,319	35,939	37,513	199,745	179,488	11.29%
693	Other Metallic Coated Sheets	0	48,035	1,226	46,809	42,354	10.52%
		1,001,568	781,970	211,253	1,572,285	1,499,799	4.83%
	<b>Total CRC &amp; CRC Related Products</b>	<b>1,590,778</b>	<b>1,838,236</b>	<b>291,160</b>	<b>3,137,854</b>	<b>3,026,921</b>	<b>3.66%</b>
519	<b>CR Stainless Steel Sheets</b>	<b>275,138</b>	<b>99,048</b>	<b>273,292</b>	<b>100,894</b>	<b>236,848</b>	<b>-57.40%</b>
	<b>HRC &amp; Related Products</b>						
481	Hot Rolled Coil (HRC) Sheets	0	1,691,683	9,262	1,682,421	1,672,554	0.59%
470	Plates	205,000	478,951	81,931	602,020	490,628	22.70%
720	Welded Pipes & Tubes	804,580	313,037	182,392	935,225	969,214	-3.51%
		1,009,580	2,483,671	273,585	3,219,666	3,132,396	2.79%
	<b>Total CRC, Related Products &amp; HRC</b>	<b>2,875,496</b>	<b>4,420,955</b>	<b>838,037</b>	<b>6,458,414</b>	<b>6,396,165</b>	<b>0.97%</b>

(Source: MISIF)

Exhibit 9 provides a summary of the overall movement of flat steel in Malaysia for the calendar year 2018.

It will be noted that for CRC, of the 1.57 million tonnes consumed in 2018, 1.06 million tonnes was imported CRC, compared to only 0.59 million tonnes which was manufactured in Malaysia. With consumption being 67.5% imported CRC, and only 37.5% Malaysian CRC, and with the Malaysian CRC manufacturers operating at only 56% of capacity utilisation, it is clear that the "Buy Malaysia" policy, is still not yet being fully accepted by the government agencies.

Once the government agencies move away from their "Open Market Liberal Free Trade" stance, and comply with the Government's "Buy Malaysia" policy, the survival of the domestic CRC industry will be assured. The world has moved to a "Protectionist" stance two years ago. It is about time that the Malaysian authorities change their tone, to be in tune with the world.

In respect of Welded Pipes and Tubes, 313,037 tonnes was imported with 182,392 tonnes being exported, reflecting the movement of mostly Oil and Gas standard Steel Tubes. Production of domestically manufactured Steel Tubes was 804,580, which represents 86.0% of domestic consumption of 935,225 tonnes.



# CHAIRMAN'S STATEMENT

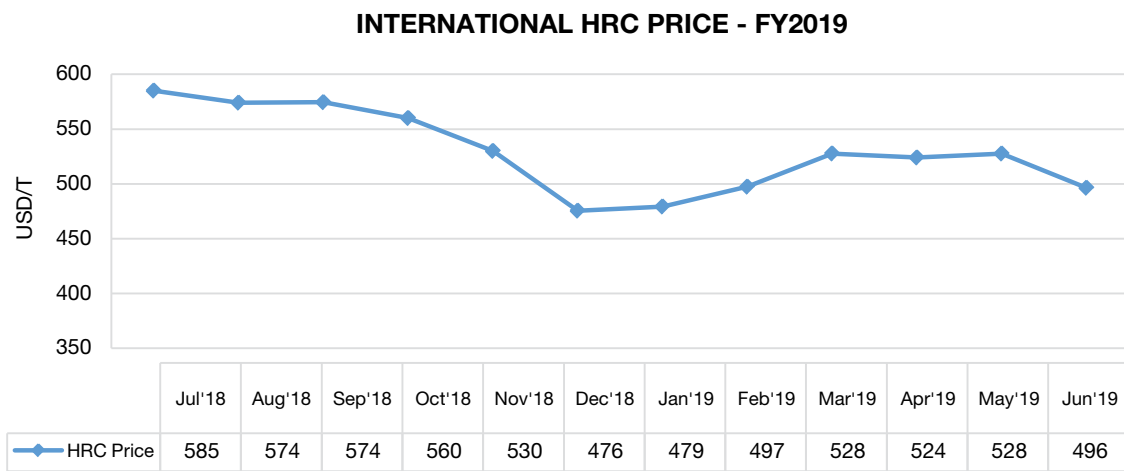
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## HOT ROLLED COIL (“HRC”) SUPPLY

Hot Rolled Coil (“HRC”) is the key raw material used by the Group, for both its CRC and Steel Tube business segments.

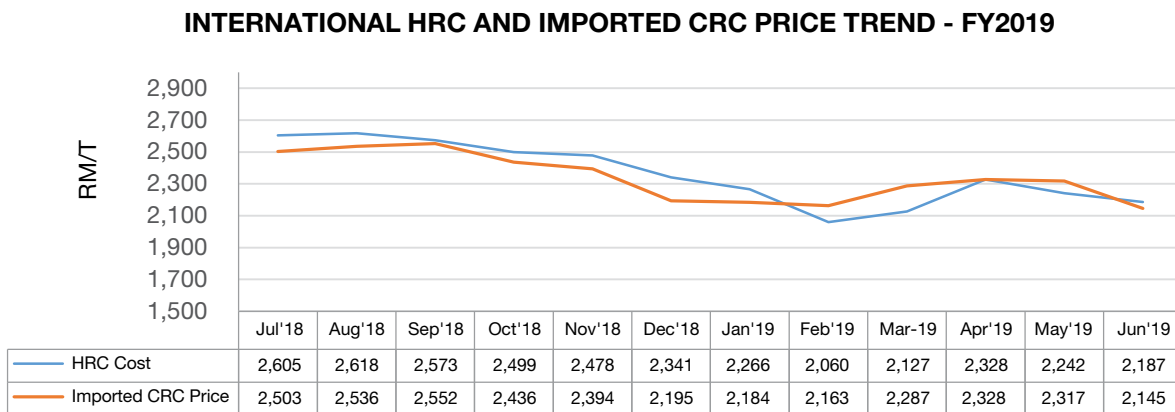
With no domestic HRC manufacturer in operation, the Group has been importing all its HRC needs from Japan. International HRC prices declined from August 2018, reaching its lowest point of USD 476 per tonne in December 2018, before gradually increasing from the start of January 2019 (refer to Exhibit 10).

Exhibit 10: International HRC Price – FY2019



Despite the drop in HRC prices, the impact of unnatural thin spreads between International HRC (the raw material) and imported CRC (the finished goods), refer to Exhibit 11, have substantially affected Mycron’s operating margins.

Exhibit 11: International HRC & Imported CRC Price Trend – FY2019



# CHAIRMAN'S STATEMENT

(continued)

## ELECTRICITY AND NATURAL GAS SUPPLY

Apart from HRC, which is the core raw material for the manufacture of CRC and Steel Tube, the industry is also a large consumer of electricity for its rolling plants, and natural gas, which is used to anneal CRC. In the past decade, Malaysian domestic CRC producers, have experienced substantial price hikes in these two inputs, which have contributed to significant margin squeeze.

Exhibit 12: Natural Gas Price Trend (MYR/mmbtu)

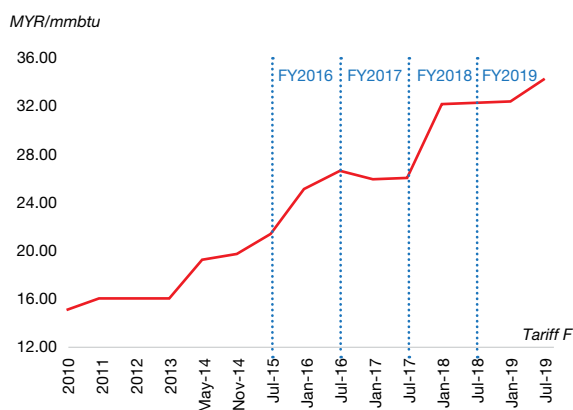
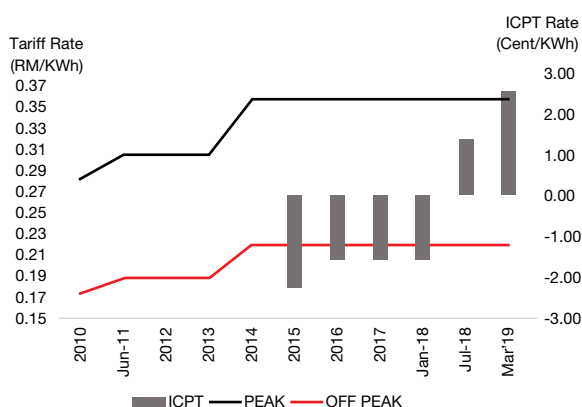


Exhibit 13: Electricity Price Trend (RM/KWh)



It can be seen from the charts that the cost of natural gas and electricity has been growing at a significant rate causing substantial cost increases to the manufacturing sector. The country's management of natural gas cost and its impact on the cost of electricity, is causing substantial challenge to the economy. With the glut in oil prices globally, the cost of oil, natural gas and power, is going down in the world. We need to manage our resources better, at best, be in line and match world trends.

To produce 180,000 tonnes of CRC in 2010, Electricity and Natural Gas, cost RM 7 million and RM 2 million respectively. Due to constant hikes in tariff, producing the same tonnage in 2019 cost RM 11 million and RM 5 million respectively, bringing the total cost to RM 16 million (2010: RM 9 million). These cost increases are external factors that are beyond Mycron's control.

## TECHNOLOGICAL ADVANCEMENT AND FUTURE INVESTMENT

As Mycron enters the 4th Industrial Revolution, both Steel Tube and CRC operations are paving way to digitally transform their operations and adopt a "Lean Manufacturing" philosophy.

MST introduced a Manufacturing Execution System ("MES") which will be integrated into its operations by improving efficiency, increasing productivity and reducing human error.

MCRC's investment in a new Acid Regeneration Plant ("ARP") and the revamping of its Continuous Pickling Line ("CPL") are in progress. The investment in the state-of-the-art pickling and acid recovery technology, aims to improve the overall conversion cost, expand into new market segments, and reduce environmental impact through a close loop acid-recycling system.



# CHAIRMAN'S STATEMENT

(continued)

Exhibit 14: Roadmap for CPL Revamping & ARP project



## LONG TERM OUTLOOK

The Malaysian Iron and Steel Industry experienced a turbulent year as a result of trade wars and decelerating global economic growth.

Asian steel surplus capacity diversions into Malaysia especially that of Chinese and Vietnamese origin, remain a major concern and threat to Malaysian CRC Producers.

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

Mycron is confident that new policies and measures will be implemented soon to protect domestic steel manufacturers and its workforce.

## PROSPECTS FOR THE NEW FINANCIAL YEAR

The Group's outlook for the new financial year remains cautious due to global economic headwinds and downward pressure on the domestic economy.

The revival of LRT 3, MRT 2, ECRL and Bandar Malaysia mega projects should be a catalyst that boost local steel demand, which in turn should benefit the Group's Steel Tube and CRC divisions.

The administrative review of Anti-Dumping duties for imports of CRC originating from China, Korea and Vietnam on the 8th of May 2019 and the initiation of a new Anti-Dumping petition on CRC imports of more than 1300mm width from China, Vietnam, Korea and Japan, should provide positive support, for Mycron's CRC division in the coming financial year.

Going forward, the Group's Steel Tube and CRC segment are developing export markets to cover the shortfall in domestic sales. Mycron has made headway and is looking to increase its export in the new financial year.

The implementation and execution of the new National Iron and Steel policy will be a game changer for the domestic steel industry.

The Group expects that its financial performance will improve in the new financial year, due to potential higher sales volume, revenue, margins and other reasons mentioned above.

## ACKNOWLEDGEMENT AND APPRECIATION

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

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



## MANAGEMENT DISCUSSION & ANALYSIS STATEMENT

This Statement provides the management's analytical overview of the Group's operations and financial performance for the financial year ended (FYE) 30 June 2019 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

After four consecutive years of profitable performance since FYE 2015, the Group hit the skid in the current financial year with a net loss of RM12.0 million (2018: net profit RM16.1 million) upon the consolidation of its Cold Rolled Coil (CRC) subsidiary's net loss contribution of RM 16.6 million (2018: net profit RM 4.7 million) and its Steel Tube subsidiary's lower net profit contribution of RM 5.1 million (2018: net profit RM 11.2 million).

Both the subsidiaries largely serve the domestic steel market which was at its weakest in FY 2019 compared to the last five years. Even-though Malaysia's economy recorded respectable growth with quarter-to-quarter GDP growth averaging above 4.5% (for the periods corresponding to our financial year) with a continued run of trade surpluses, fissures were seen in the narrow-based-growth driven largely by consumption amid declining growth in private-sector investment, unprecedented level of property overhang, and elevated debts. The current financial year corresponded with a period of escalated trade-war between the world's top two economies, and the consequential global fallout. In addition, the current financial year also corresponded with a period of 'trial and tribulation' for a new government after the 14<sup>th</sup> General Election in May 2018 – which revealed damaging past largesse; and ensuing fiscal tightening, purging of excesses, general inertia, uncertainties, and void of stimuli. To top that-off, cost of business continued to elevate under the new government with the rise in minimum wage (up 10%), and natural gas price (up 5.3%). The damping effects of the aforementioned, coupled with the weak markets, resulted in a dive in business sentiment and performance across the manufacturing sector as reflected in the below-par declines in the Nikkei Malaysia Manufacturing Purchasing Managers' Index, as well as the Business Condition Index (published by the Malaysian Institute of Economic Research.) The Group's mid-stream steel manufacturing, and the downstream manufacturing customers which it serves, bore the brunt of the slowdown.

Consequently, the Group's key financial indicators as outlined in Table 1 below showed deterioration in all key measures except for the gearing ratio.

Table 1	FYE 2019	FYE 2018
<b>Profitability</b>		
a Operational Return on Average Capital Employed (EBIT/Ave Cap)	-0.48%	5.21%
b Return on Equity (Net Earnings/Equity)	-3.04%	4.21%
<b>Liquidity</b>		
c Current Ratio (Current Assets/ Current Liabilities)	1.46	1.38
d Interest Cover Ratio (EBITDA/Net Interest Expense)	2.29	7.20
<b>Capital</b>		
e Weighted Average Cost of Capital (Cost of Equity assumed at 9%)	7.72%	6.89%
f Debt to Equity Ratio (includes all interest bearing debt)	0.30	0.31
<b>Value</b>		
g Net Asset per Share (RM/share)	1.21	1.38
h Enterprise Value to Total Comprehensive Income Ratio	-19.20	10.25



# MANAGEMENT DISCUSSION & ANALYSIS STATEMENT

(continued)

## SEGMENTS' PERFORMANCE

For the current financial year, the Steel Tube segment recorded a lower net tax profit of RM5.1 million at half the size of the preceding period's gain; whilst the CRC segment recorded a steep net tax loss of RM16.6 million at about 3.5 times the size of the preceding period's gain. The weaker performance is attributed to decline in sales volume at both the Steel Tube and the CRC segments by 7.8% and 16.2% respectively. The weaker sales volume coupled with lower price-spreads on raw materials resulted in sharp decline on gross-margin-per-tonne by around 12% and 85% respectively. The ensuing paragraphs discuss the segments' challenges.

### Steel Segments

Table 2

RM'million	Steel Tube		CRC	
	FYE 2019	FYE 2018	FYE 2019	FYE 2018
External Revenue	259.70	274.19	434.79	519.15
Net Tax Profit / (Loss)	5.06	11.19	(16.60)	4.69

#### Steel Tube Segment

The Group's steel tube operation ranks second by market share in an industry dominated by top four manufacturers (with annual production volume exceeding 60,000 tonnes each) plus many more small scale producers (with annual production volume of 36,000 tonnes or less each) of limited product-range. The Group's Steel Tube subsidiary sells to various downstream applications in steelwork fabrications & support, electric-conduits, fire-fighting systems, roofing & railings, furniture production, bike & bicycles production, and piping systems. For the financial year ended 2019, its export sales was around 7.2 % (2018: 6.3%), with the balance destined for the domestic market.

HRC raw material prices declined sharply after the 1<sup>st</sup> financial quarter as regional demand weakened due to the rise in trade conflict and protectionism, despite the spike in iron ore prices (see Chart 1 below). Under such a scenario, manufacturers would likely face a margin squeeze as they would be holding higher cost raw HRC whilst their end-products adjust to lower selling prices in-line with buyers' expectations. As a result, the steel tube subsidiary's selling price spread against HRC cost charted a steep downward trajectory for the 2<sup>nd</sup> and 3<sup>rd</sup> financial quarters with a rebound in 4<sup>th</sup> financial quarter. The margin squeeze was also exacerbated by intense price undercutting in a very soft market attributed to the unfavourable external and domestic factors. As a result, the subsidiary recorded a four-years' low EBITDA (Earnings Before Interest, Tax, Depreciation, and Amortization) of around RM13.8 million.

HRC vs Iron Ore prices in RM/Tonne

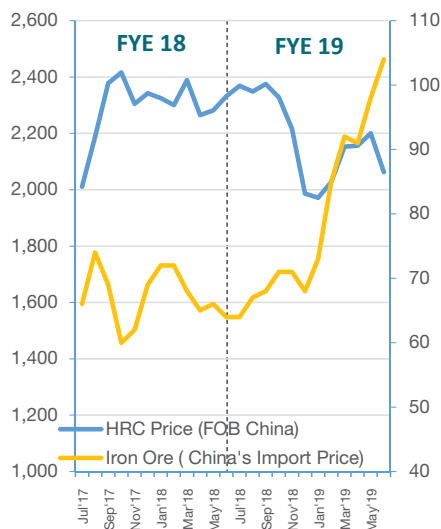


Chart 1

Steel Tube's EBITDA in RM' million

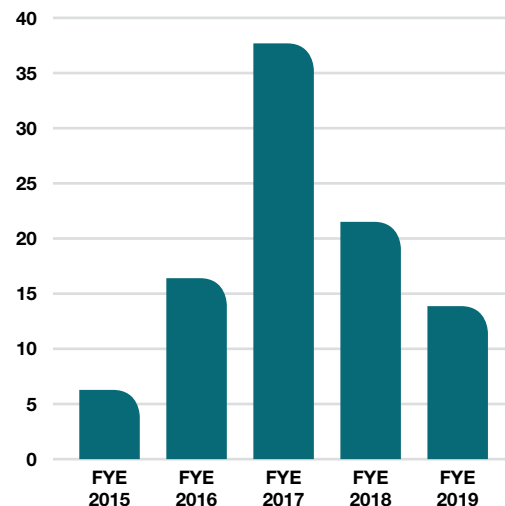


Chart 2



# MANAGEMENT DISCUSSION & ANALYSIS STATEMENT

(continued)

## Cold Rolled Segment

The Group’s CRC operation ranks second by market share in the domestic industry dominated by only a handful of four manufacturers. It sells mainly to domestic downstream manufacturers of pipe & tubes, galvanized & coated sheets, steel drums, electrical & electronic goods, automobile parts, and equipment fabrication. Around 5% to 7% of its CRC are sold to its sister company involved in the steel tube & pipe manufacturing whilst the balance are sold to local downstream manufacturers whose end-products serve both the domestic and export markets.

The trade-war which started in March 2018 with the United States’ tariff on steel and aluminium escalated quickly with similar trade barriers in Europe and other parts against Chinese steel exports. The overnight rise in global steel trade protectionism had resulted in the narrowing of international price spreads between CRC and its precursor HRC (see chart 3), and the resulting dumping of Chinese CRC into markets impervious to the onslaught. Its subsidiary had reacted early with groundwork for safeguard and petition for anti-dumping investigation with the Ministry of International Trade and Industry (MITI) to address the external threat, but that was abruptly disrupted with the change in key ministers and office-bearers pursuant to the 14<sup>th</sup> general election. The CRC subsidiary spent the greater part of the current financial year connecting with new office-bearers and rebuilding the case for administrative review of existing tariffs and for expanded anti-dumping duties on wider width CRCs to close-off loopholes. Effort on the aforementioned only begun to gain traction towards the 4<sup>th</sup> financial quarter with the authorities’ announcement on the initiation of anti-dumping duty investigation (on larger width CRC) on 29 March 2019 coupled with the upward revision of anti-dumping duties on specific CRC exporters (of smaller width) from China, Korea, and Vietnam in May 2019. Whilst the aforementioned was deemed too little and too late (with certain millers), caution casted on wayward CRC imports from China begun to translate to slightly better sales numbers in the subsidiary towards the last few months in the 4<sup>th</sup> financial quarter. Consequently, the subsidiary recorded a significantly lower pre-tax loss for the 4<sup>th</sup> quarter at around RM1.1 million to push the 9 months’ pre-tax loss of RM15.4 million to RM16.5 million for the full financial year.

The new government’s time restriction on the carrying forward period for unutilized tax losses and reinvestment allowance to 7 years, has limited the subsidiary’s ability to recognize any deferred gain on its current period’s tax losses considering its carrying unutilized tax losses from past periods. As a result, the CRC subsidiary’s after-tax losses stood at around RM16.6 million for the current financial year. It’s EBITDA (Earnings Before Interest, Tax, Depreciation, and Amortization) turned negative at around RM 0.65 million for the current financial year.

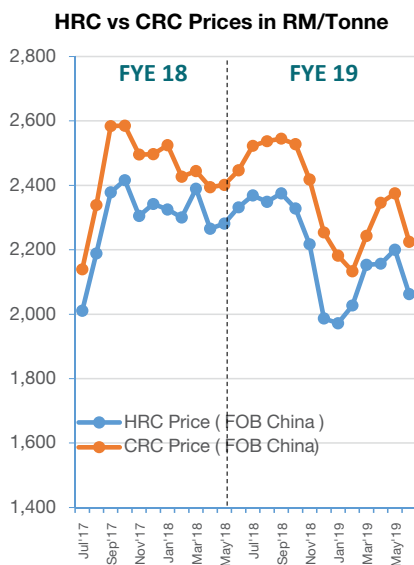


Chart 3

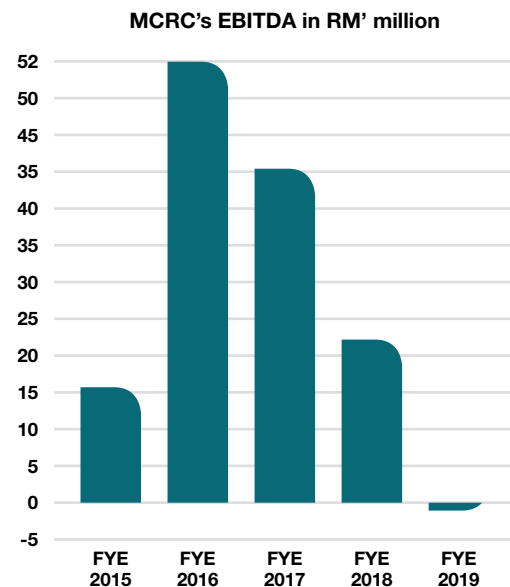


Chart 4



## MANAGEMENT DISCUSSION & ANALYSIS STATEMENT

(continued)

Consequently, the segment's performance ratios as outlined in Table 3 below (which are supplementary to the segment analyses disclosed in Note 29 of the financial statement) showed all around weaker performance.

Table 3	Cold Rolled		Steel Tube	
	FYE 2019	FYE 2018	FYE 2019	FYE 2018
Segment's Revenue / Assets Employed	0.96	1.08	1.20	1.32
Segment's Net Earnings/Assets Employed (Sens on Ringgit)	-3.66	1.04	2.33	5.38
Segment's Assets/ Total Assets	67.7%	69.8%	32.5%	30.1%
Segment's Net Earnings/Total Earnings	n.a	31.0%	n.a.	69.5%
Operational Return on Assets (EBIT/Average Assets)	-2.9%	2.1%	4.5%	8.3%

### CHALLENGES AHEAD

Outlook for the next financial year remains precarious even-though USA-China managed to strike a limited trade-truce towards mid-October 2019. This 'phase 1' trade-deal, which only halts further tariff increases but does not reverse past effected increases, is not expected to reverse the damage already done on global growth due to the prolonged trade-war and rise in trade-protectionism. That coupled with multiple destabilising geo-political threats add to business uncertainties and anxieties which would sap growth especially on emerging economies like Malaysia. The country's recently released 2020 budget outlined further increases in minimum wage and the removal of blanket fuel subsidy. This would add to the cost of doing business in the 2<sup>nd</sup> half of the next financial year, and does not bode well for the Group.

The silver-lining amongst the gloom is the announced revival of the revised Light Rail Transit Line 3, the East Coast Rail Line (ECRL), the Bandar Malaysia project, and the Rapid Transit System link between Johor and Singapore. Whilst these projects may still take some gestation period to translate into better demand and sales of the Group's steel products, it adds vigour to else a stoic outlook for the infrastructure construction sector and its supply-chain of manufacturers/ traders. Considering the country's constrained fiscal position, the government's embrace of China's belt & road initiative in the ECRL with the latter as joint owner and operator has been a coherent move to secure inflows of foreign investment surrounding the project. The prolonged U.S.-China trade tension has induced capital reallocation which contributed to record inflows of 'foreign direct investment' (FDI) into the country within the last 6 months. The inflow momentum on FDI and capital relocation is expected to accelerate in 2020 with the announced 'customized package investment incentives' to attract Fortune 500 companies and global high-tech-unicorns. On this the Government has set-up a 'National Committee on Investment' to fast-track approval of large investments. The mentioned mega projects coupled with the expected investment-inflow growth would add vigour to the domestic economy, and may just provide the needed lift to the steel market for 2020. The Group shall sustain momentum with the authorities to plug the remaining loop-holes on unfair trade practices and close-off dumping from abroad; and will continue to build upon its competitive strength to deal with the above mentioned challenges.



# SUSTAINABILITY STATEMENT

This Sustainability Statement is made in compliance with Bursa Malaysia’s Listing Requirements as specified in Appendix 9C Paragraph 29, and Practice Note 9 Paragraph 6; and is been made for the first time by the Group for categorization of “listed companies with market capitalization below RM 1 billion in-relation to annual report issued for financial year after 31 December 2018.” This Statement contains contextualized information which are integral to the overall understanding of the Group’s corporate governance practices and as such should be read in conjunction with the Group’s Corporate Governance Overview Statement; Statement on Risk Management and Internal Control; and the preceding financial year’s General Statement of Sustainability. In the making of this Statement, the Group applied the principles and standard disclosures specified in the Sustainability Reporting Guide issued by Bursa Malaysia, and where required sought further guidance from the Global Reporting Initiatives (GRI) standards issued by the Global Sustainability Standards Board.

## A. OVERVIEW

The Group’s steel businesses have been in uninterrupted continuous operations for 50 years for its Steel Tube manufacturing and 30 years for its Cold Rolled Coil manufacturing – subsisting numerous economic cycles and crises in an industry generally regarded as difficult. The Group holds the view that the preservation of its economic existence is dependent on its long-term ability to provide value to customers whilst conserving the eco-social environment in-which it operates and maintaining a win-win co-existence with various stakeholders. Illustration 1 below summarizes its view on the sustainability ecology’s dynamics

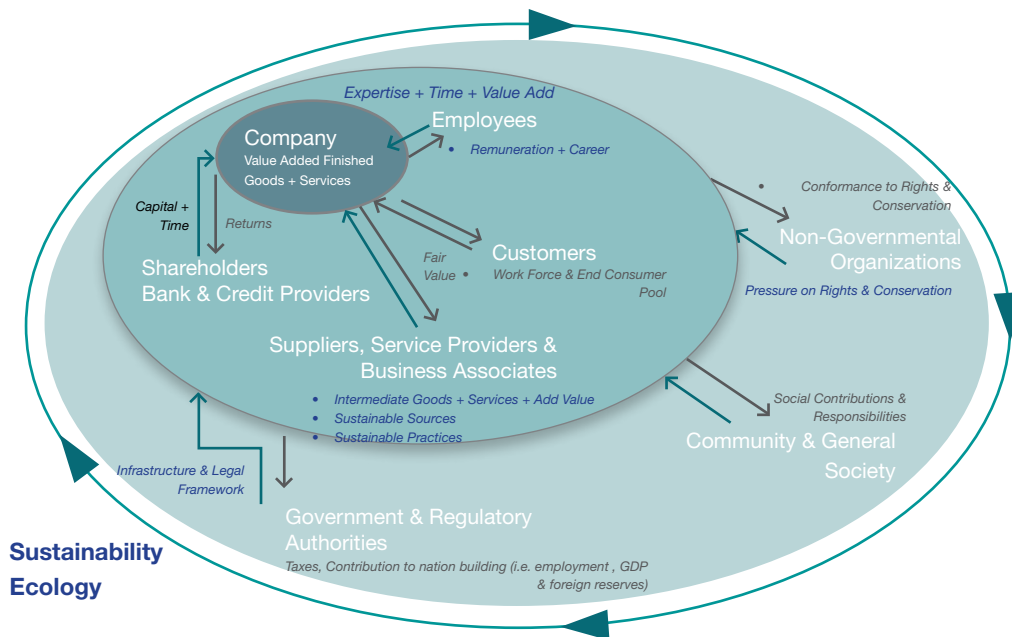


Illustration 1

# SUSTAINABILITY STATEMENT

(continued)

## B. GOVERNANCE: STRUCTURE, ROLES, & RESPONSIBILITIES

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

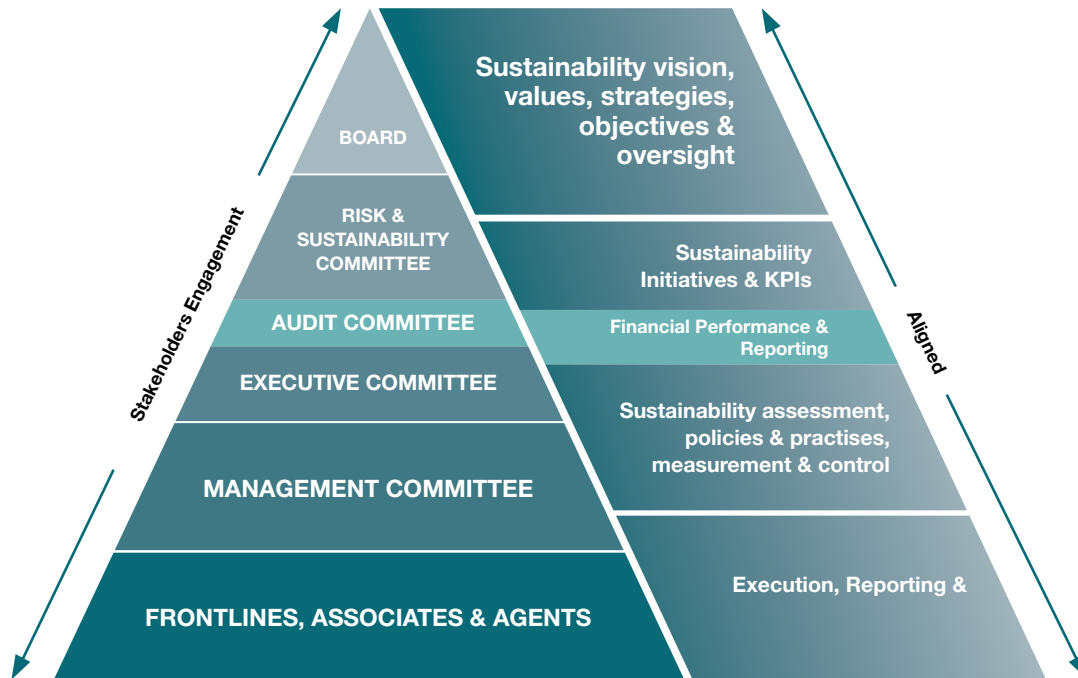


Illustration 2

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

The RSC plays an oversight role over both ‘risk and sustainability management’ undertaken by the Management. The Group’s sustainability management is intertwined with its ‘enterprise risk management’ where principal risks and opportunities’ identification, assessment, and response extend to sustainability issues covering economic, environment, and social factors. The RSC convenes quarterly with the Group’s executive management represented in an Executive Committee (EXCO) helmed by its Chairman, to review principal risks and material sustainability matters along with internal audit findings. The Internal audit (outsourced to an independent 3<sup>rd</sup> party) also provide a level of assurance on the adequacy and compliance of the Group’s sustainability framework, policies, and procedures. To ensure proper linkage between risk and sustainability management with the Group’s financial performance and reporting, the Audit Committee also plays an integral role in the governance structure to address the aforementioned with the EXCO. The EXCO in-turn steers a whole range of strategic, business and organizational matters including “sustainability” with the Cold Rolled Coil and Steel Tube operations’ respective Management Committee (MANCO). The MANCO in-turn drives frontline and functional units’ management of ‘sustainability matters’ and their day-to-day administration of sustainable business practices, in tandem with other strategic and operational undertakings. It is also at this level where the relevant sustainability Key Performance Indicators (KPIs) are measured, reported, and managed. The EXCO and MANCO convene monthly to deal with extensive strategic, management, and operational matters where ‘sustainability’ is an integrated and embedded component. In conjunction with each financial year-end reporting, every operation or functional head provides an internal sign-off with regards to its ‘risk management and internal controls’ adequacy assessment and compliance. With effect from the current financial year, this internal sign-off assurance also extends to ‘sustainable business practises.’



# SUSTAINABILITY STATEMENT

(continued)

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

## C. FRAMEWORK

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

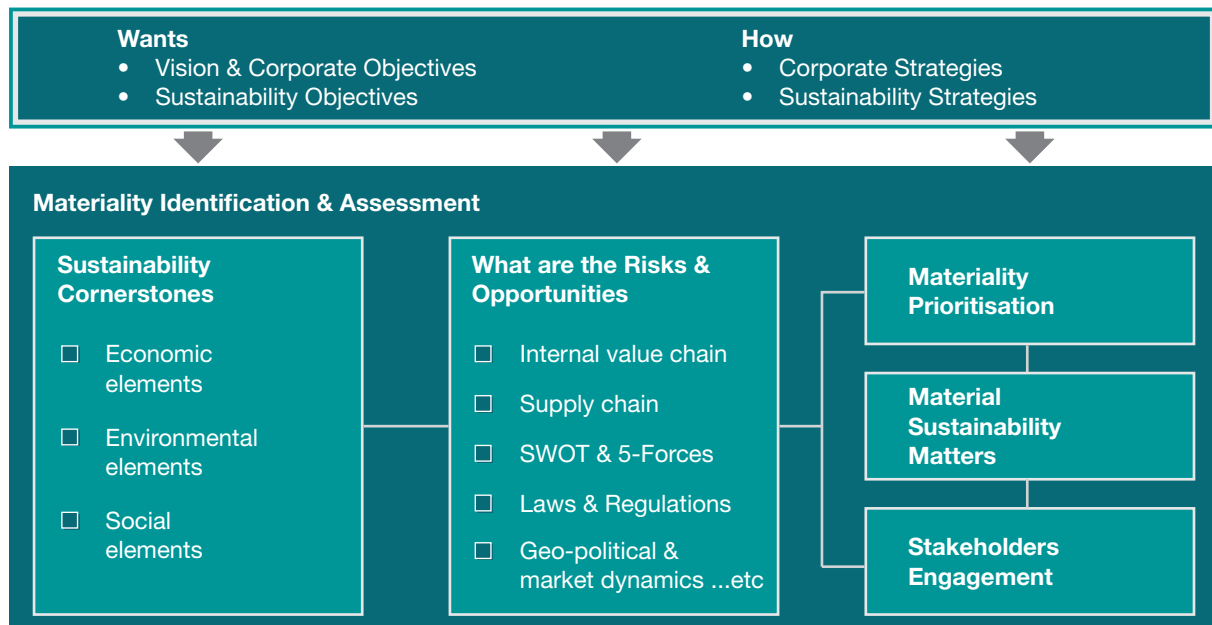


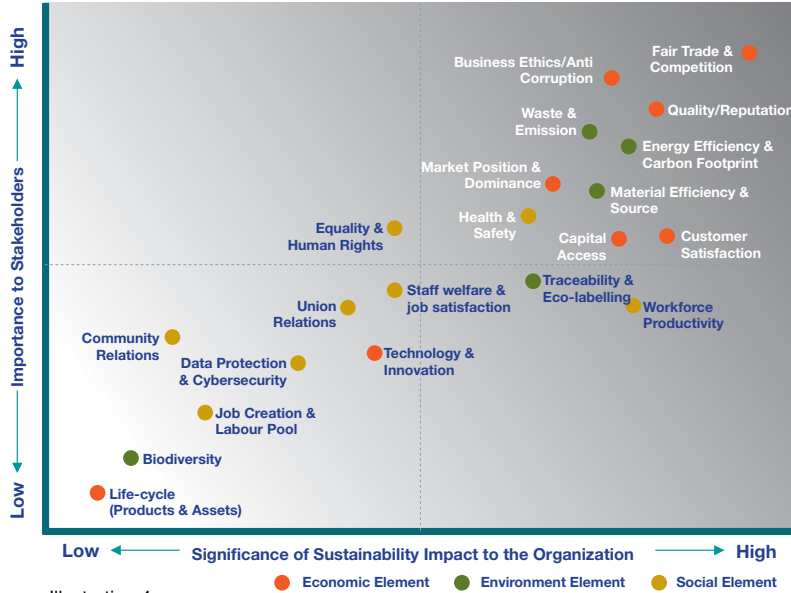
Illustration 3

The Group adopts the view that its ‘material sustainability matter’ identification and assessment process should be kept simple and agile for timely response – rather than turning it into an academic quantification exercise. The need to physically engage stakeholders during the “materiality assessment” stage rarely arises in today’s information-age, as their wants in-relation to sustainability issues are often well promulgated and can be rapidly identified. In practise, the Group’s steel businesses constantly engage stakeholders old and new in the course of their prioritized dealings – which provides a continuous loop of identification and management of material sustainability matters throughout the financial year.

Illustration 4 below is a snapshot of the Group’s materiality matrix where ‘sustainability matters’ are measured against its significance to the Group and to the stakeholders. While every mentioned ‘matter’ on the matrix is important to the Group’s long-term sustainability, the top right-hand quadrant represents those of the highest significance of-which are prioritized for reporting hereinafter.

# SUSTAINABILITY STATEMENT

(continued)



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

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

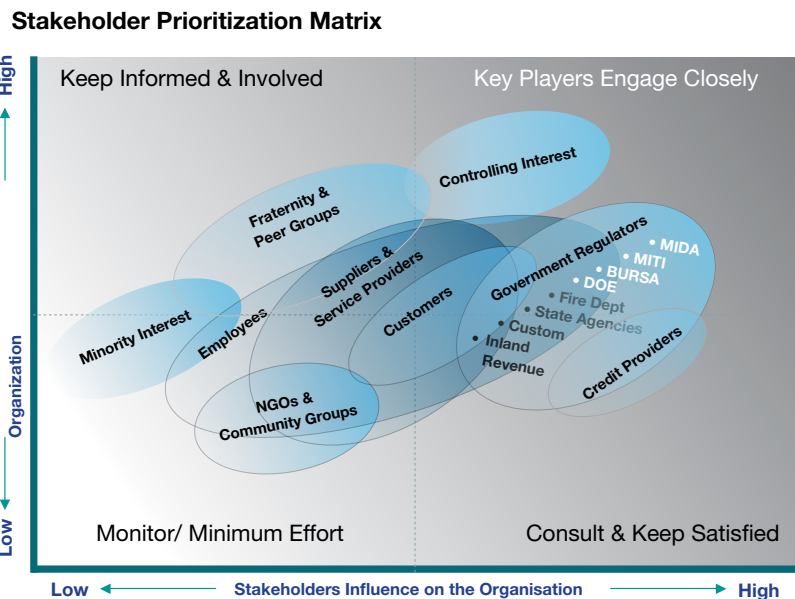


Illustration 5

The engagement approach and the frequency of engagement vary under each quadrant and for each stakeholder. Most often, stakeholder engagement in the top quadrant (requiring close engagement) involves personnel across functions and hierarchy.



# SUSTAINABILITY STATEMENT

(continued)

## D. MATERIAL SUSTAINABILITY MATTERS

Set-out below are highlights of the Group's 'material' sustainability matters. To add perspective on the Group's social contribution, a non-material sustainability matter on 'community relations' is also included.

### Economic 1.0 Fair Trade & Competition

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

As disclosed in the Chairman's Statement and in the Management's Statement, the Group's negative performance in the current financial year was largely attributed to this significant disruption caused by escalated trade protectionism in the West (initiated by the Trump administration in early 2018) and the resultant diversion of Asian's excesses (particularly of Cold-Rolled-Coil or CRC) into Malaysia and other regional economies slacking protective measures.

To address this material sustainability matter, the management had engaged various government and regulatory bodies, peers, and industry organization. In this regard, the Cold-Rolled subsidiary had in early 2018 initiated petition for anti-dumping measures on CRC with the authorities. The need to establish proof of 'injury' and the changed of vanguard in the last general election have delayed progress on the matter until late March 2019 -where the 'initiation of investigation with regards to the imports of CRC above 1300mm in width' was first announced by the authority. By early May 2019, the administrative review of anti-dumping on CRC up to 1300mm in width was also announced. As a result, the severely impeded financial performance of the cold-rolled subsidiary in first three quarters of the current financial year only began to moderate over the fourth quarter.

Besides the above, the Group also undertook the following coherent initiatives and stakeholders engagement to address the sustainability matter over the current financial quarter:

- It was (and still is) represented in the Steel Committee chaired by the 'Ministry of International Trade and Industry' which presides periodically over the approval of import duty exemption for non-locally produced steel products.
- It conducted free workshops for the Royal Customs Department on the physical identification of grades & specifications of steel coils under the various HS code classifications.
- It participated in the Malaysia Steel Council chaired by the Ministry of International Trade and Industry in the development of the White Paper on the nation's steel policy for the next decade.

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



# SUSTAINABILITY STATEMENT

(continued)

Social-  
Economic

## 2.0 Quality & Customers Satisfaction

95% of the Group's steel customers have been with it for more than 5 years. The key to the Group's high customer's retention rate and long-term sustainability is its 'value proposition' on product quality and customers' satisfaction. The steel operations adopt a 'zero-tolerance-for-defects policy' and endeavour to ensure that its products meet most stringent quality standards for both domestic and international markets. In this regard, the steel operations have over the years attained extensive quality and environmental accreditations as outlined in pages 34 to 37.

Despite the extensive quality systems and checks, product quality issues from customers' feedback or returns exist sporadically, and these are diligently reported, assessed, and remedied. Outlined in Table 1 below is the steel operations' quality issue record for the current and preceding financial year.

	Table 1		Steel Tube		Cold Rolled	
	FYE 19	FYE 18	FYE 19	FYE 18	FYE 19	FYE 18
a. Number of quality issues raised by customers (cases)	22	21	18	17		
b. Technically justified quantity involved (tonnes)	10.32	11.67	36.48	79.8		
c. Percentage of (b) over production volume - %	0.013%	0.014%	0.02%	0.05%		

Whilst 'product quality' is one of the basic customers' requirement, the steel operations also focus on three other performance yardsticks in the delivery of total customers' satisfaction. Outlined in Table 2 below is a summary of the annual customer satisfaction survey for the current and the preceding financial year.

### Summary of Customers Satisfaction Survey

	Table 2		Steel Tube		Cold Rolled Coil	
	Scoring marks (0% to 100%)		FYE 19	FYE 18	FYE 19	FYE 18
a. Product (Range & Quality)	80.16%	79.21%	73.39%	70.65%		
b. Order Management (efficiency & experience)	76.81%	75.75%	78.02%	75.27%		
c. Technical Service (support)	77.45%	75.12%	72.78%	70.92%		
d. People (knowledge & service)	81.87%	84.82%	81.45%	80.87%		

Social-  
Economic

## 3.0 Business Ethics & Anti-Corruption

The Group strives to maintain the highest standards of business integrity as set-out in its Code of Conduct which is indoctrinated in its employees' handbook, and published on its website. The Code outlines expected ethics, business conduct, and ramifications. The Group is against bribery or corruption practices, and is in the process of firming-up its 'anti-corruption compliance programme' in-line with recent amendments to section 17 of the Malaysian Anti-Corruption Commission Act. Conformance is assured through a multi-check system comprising of:

- A secured channel for anonymous whistle-blowing by internal and external parties
- Dedicated direct communication access to a Senior Independent Non-Executive Director who is assigned as the first point of contact for such matters
- Periodic internal audit coverage on such risk areas
- Annual signed disclosure by senior management on any incidences of suspected fraud, corruption, or violation of its Code of Conduct
- Embedded in its employees' annual performance assessment



# SUSTAINABILITY STATEMENT

(continued)

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

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

## Economic

### 4.0 Access to Capital

The mid-stream steel manufacturing businesses of the Group are generally capital intensive. Whilst capital asset investments are one-off with comparatively long economic useful life, the operations require substantial working capital to tie-over the procurement of raw materials and the credit sales to selected customers where practised in the industry. The Group taps on both equity and debt sources for capital, depending on the nature of financing. To ensure the sustainability of access to capital, the Group aims to provide a "fair" return to both its equity and debt capital providers, and in ways where the providers are kept abreast of the businesses and risk-return profile through the following:

#### i) Active Engagement

The Group's engagement with equity providers goes beyond listing and securities-exchange rules & compliances, as it also engages with analysts and institutional-investors to facilitate securities coverage and to ensure its long term value proposition is conveyed. Debt-capital providers are kept informed of periodic performance and are engaged to facilitate annual credit review.

#### ii) Proper Governance

The Group strive to ensure transparent and responsible deployment of its capital and that these are appropriately disclosed in its quarterly and annual financial reports. The Group maintains a clean debt-service record with strict compliance on covenants and securities-market rules.

The Group's long-term access to capital faced some friction in the current financial year as the steel industry is not favoured by capital providers. Whilst the Group upheld its clean debt-service record, its cold-rolled coil subsidiary failed to meet a covenant on "debt-service-cover-ratio" due to its net loss position in the current financial year. Even-though the lender has granted a waiver on the aforementioned, it left a blemish on relations. Outlined below is the Group's debt-capital utilisation and headroom position.

### Debt Capital

	Steel Tube		Cold Rolled Coil	
	FYE 19	FYE 18	FYE 19	FYE 18
<b>Banks</b>				
a. Drawn (%)	67.23%	86.75%	39.48%	57.12%
b. Headroom (%)	32.77%	13.25%	60.52%	42.88%
<b>Non-Banks</b>				
a. Drawn (%)	16.70%	35.62%	42.71%	53.50%
b. Headroom (%)	83.30%	64.38%	57.29%	46.50%



# SUSTAINABILITY STATEMENT

(continued)

Economic  
(Cont'd)

The financial year ended 2019 also represents the second consecutive year the Group has failed to deliver a targeted return higher than the weighted average cost of capital employed. With the net loss recorded, equity-capital providers are in a disadvantaged position compared to debt-capital providers. This fissure is reflected in the less than full subscription of the Group's recently completed Rights Issue with free warrants on 31 January 2019 which recorded a take-up rate of only 76.73%. The Group desires to get back to providing a positive economic return to its capital-providers in the future.

Environment-  
Economic

## 5.0 Efficiency & Emission

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

### i) Sourcing

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

### ii) Production

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

### iii) Carbon Footprint

The Group tracks the carbon emission equivalent from the usage of electricity, gas, fuel, and water by its factories; and constantly seek ways to reduce the same. In this regard, the committee directs technical audits of its operations to identify gaps and solutions. For the current financial year under review, the following initiatives/ programmes were carried out to reduce the carbon footprint of the operations.

- Conducted energy saving awareness & methods training to all production staff
- Replaced all hi-bay filament lightings (250w) to LED (100w)
- Optimized rain-water harvesting & recycled water usage in the operations
- Initiated study on solar photovoltaic solution to supplement electricity usage by the factories under the government initiated 'Net Energy Metering Scheme'

## Environment

	Table 4		Steel Tube		Cold Rolled Coil	
	FYE 19	FYE 18	FYE 19	FYE 18	FYE 19	FYE 18
a. Estimated CO <sub>2</sub> Emission (tonnes)	3,037	3,368	14,499	16,043		
b. CO <sub>2</sub> Emission per tonne of steel output (kg/tonne)	38.3	39.4	101	93		



# SUSTAINABILITY STATEMENT

(continued)

Environment-  
Economic  
(Cont'd)

## iv) Waste & Emission

The sustainability objective in this area is to minimize waste and by-products whilst maximizing recovery with minimum impact on the environment. The operations' primary waste by-product is steel scrap, and the operations have been working continuously over the years to minimize scrap output (measured as 'yield loss') through numerous raw material optimisation and production-line refinement initiatives. Outlined in Table 5 below are records of its yield loss on raw coils, which are recovered through scrap aggregation and sale.

### Environment

Table 5	Steel Tube		Cold Rolled Coil	
	FYE 19	FYE 18	FYE 19	FYE 18
Steel scrap yield loss -%	3.60%	3.75%	5.41%	5.04%

In maximizing the recovery of its steel scrap, the operations have comprehensive aggregation points, and conduct monthly scrap tender to secure the best market price.

For the current financial year under review, the following initiatives/ programmes were also carried out to optimize sustainability wins on other waste and emission.

- Initiated the construction of an acid recovery plant at the Cold-Rolled operation which would recycle spent-acid and reduce waste by 80%.
- Commissioned a zinc-ash processing plant at the Steel Tube galvanizing operation which would recover zinc and improve ash purity for various downstream applications

The steel operations passed all environmental audit conducted by the DOE (Department of Environment) in the current financial year.

Economic-  
Environment &  
Social

## 6.0 Health & Safety

Regulatory 'Health and Safety' (H&S) requirements are particularly pertinent and elaborate for factory operations, and as such is one of the key sustainability matter for the Group's steel manufacturing operations. H&S requirements are governed particularly by the 'Occupational Safety and Health Act' and the 'Factories and Machinery Act' which combined covers wide ranging regulations including licensing, machinery upkeep, environmental management, and staff welfare. The Group's operations work vigorously to comply with these, and its Steel Tube and Cold Rolled each has established a H&S committee aided by a designated officer to oversee initiatives, awareness & training, incidents management, and compliance. The Group's H&S policies, processes, and procedures are duly incorporate into its quality management system, and Internal Control Procedures. The H&S committee presided over the following H&S events during the current financial period:

- HSE (health, safety, & environment) campaign
- Series of HSE training for staff
- Internal HSE Kaizen and SoHELP (systematic occupational Health Enhancement Level Program)
- Initiative towards ISO 45001
- DOSH (Department on Safety & Health) audits



# SUSTAINABILITY STATEMENT

(continued)

Economic-  
Environment &  
Social  
(Cont'd)

Group’s factories have elaborate rules to ensure safe and conducive work environment for the staff. Factory floor staff are equipped with hardhats, safety attire, and safety shoes. Factory floor visitors must be guided and are required to attend a safety video debrief before being allowed access. The Group gives first priority to local hirings, and shortfalls are filled by foreign contract workers (averaging 24% of its factories’ combined workforce). It is the Group’s policy to only hire only legalized foreign workers through licensed channels devoid of any insinuation of force labour or human trafficking. All workers (local and foreign) are treated equally and given equal access to basic staff welfare and training; and no staff are allowed overtime work beyond the limits prescribed by the Employment Act.

Despite elaborate training on HSE rules and procedures, incidences of H&S failures (as per summary table below) still occurred due to staff unsafe conduct and lapses in safety rules compliance:

### Health & Safety

	Table 6			
	Steel Tube		Cold Rolled Coil	
	FYE 19	FYE 18	FYE 19	FYE 18
a. Number of recorded incidents or failures	16	7	2	7
b. Number of cases involving injury	16	7	1	5

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

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

Social

### 7.0 Community Relations

Even-though ‘community relations’ does not fall within the high materiality quadrant nor bears perceptible sustainability risk, the Group believes that it has a corporate responsibility to contribute back to the communities within its operational footprint in whatever small ways it can, as the ‘communities’ ultimately represents the consumer and labour pool.

In that regard, the Group conducted a donation drive within the organization for the benefit of the following selected homes for the destitute and underprivileged in the current financial year:

- House of Love – Home for orphans, abused, abandoned & neglected children
- Wen Zhao Old Folks Home – Shelter & hospice care for destitute old folks
- Rumah Penyayang Ulin Nuha – Home for orphans & underprivileged children
- Pusat Jagaan Baitus Sofwah – Home for orphans & underprivileged children

Staff teams visited each of the ‘homes’ to deliver the donations and had cheerful interaction with the residents. Over the current financial year, the Group also have expended RM22,000 in donations to two registered charity organizations.

The Group hopes to do more in the next financial year.



# 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 Roshan Mahendran  
 bin Abdullah**  
*Group Chief Executive Officer*

**En Azlan bin Abdullah**  
*Non-Independent Non-Executive  
 Director*

**Tunku Dato' Kamil Ikram bin  
 Tunku Tan Sri Abdullah**  
*Non-Independent Non-Executive  
 Director*

**Tan Sri Datuk Seri Razman Md  
 Hashim Bin Che Din 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**  
*Senior Independent Non-Executive  
 Director*

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

**Mr Kwo Shih Kang**  
*Independent Non-Executive  
 Director*

## SECRETARY

Ms Lily Yin Kam May

## AUDIT AND GOVERNANCE COMMITTEE

Mr Kwo Shih Kang  
 Chairman

En Shazal Yusuf bin Mohamed Zain  
 Member

Tan Sri Datuk Seri Razman Md  
 Hashim  
 Member

Datin Seri Raihanah Begum Binti  
 Abdul Rahman  
 Member

## REGISTRAR & TRANSFER OFFICE

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 59000 Kuala Lumpur  
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## AUDITORS

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 Level 10, 1 Sentral  
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 50706 Kuala Lumpur  
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## PRINCIPAL BANKERS

(In alphabetical order)

AmBank (M) Berhad  
 Bangkok Bank Berhad  
 CIMB Islamic Bank Berhad  
 Malayan Banking Berhad  
 Maybank Islamic Berhad  
 OCBC Bank (Malaysia) Berhad

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia  
 Securities Berhad  
 ("Bursa Securities") Stock Number  
 5087

## WEBSITE

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## E-MAIL

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# QUALITY RECOGNITION

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

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



SIRIM ISO 9001 : 2015

# QUALITY RECOGNITION

(continued)

In September 2016, MCRC obtained product certification by SIRIM in recognition product quality compliance against the Malaysian Standard (MS 2651 : 2015) and Japanese Industrial Standards (JIS G3141 : 2011). Our products are verified, tested and confirmed, in meeting the parameters covered by the two mentioned Quality Standards. These certifications are beneficial not only to MCRC, but also the industry as a whole, as they provide our customers with assurance of quality and reliability. We are continually raising the bar as far as quality is concerned, aligned with our mission, to be the highest Quality Cold Rolled Steel Sheets manufacturer in Malaysia.



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





# QUALITY RECOGNITION

(continued)

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

### International Standards:



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

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

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

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



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

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

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

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



# QUALITY RECOGNITION

(continued)

**Malaysian Standards:**



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



MS 863 : 2010 for Welded Steel Pipe



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



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

**Other Certifications:**



**IRON AND STEEL PRODUCTS**

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



**IRON AND STEEL PRODUCTS**

- Carbon Steel Pipes For Ordinary Piping
- Cold Formed Structural Steel Hollow Section



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



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



## PROFILE OF DIRECTORS



### Tunku Dato' Yaacob Khyra

Aged 59, Male, Malaysian  
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 redesignated to Non-Independent Non-Executive Chairman of the Company on 2 May 2008.

On 2 January 2015, Tunku Dato' Yaacob was redesignated to Executive Chairman of the Company. He is also a Director of Mycron Steel CRC Sdn Bhd and Melewar Steel Tube Sdn Bhd. He currently holds the position of Executive Chairman of MAA Group Berhad ("MAAG") and 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 Life 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"), Yayasan Khyra, MAA Bancwell Trustee Berhad, Ithmaar Holding B.S.C., Ithmaar Bank B.S.C. (Closed) and several private limited companies. He also sits on the Board of Altech Chemicals Limited which is listed in Australia as Non-Executive Director.

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 KLB, being the holding company of Melewar Equities (BVI) Ltd and Melewar Khyra Sdn Bhd, who are the major shareholders of MIG, a major shareholder of Mycron. His shareholding in the Company is disclosed on page 53 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.



## PROFILE OF DIRECTORS

(continued)



### Azlan bin Abdullah

Aged 61, Male, Malaysian  
Non-Independent Non-Executive Director

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. On 2 April 2018, he was redesignated from Group Chief Executive Officer to Group Managing Director. Subsequently, on 11 August 2018 he was redesignated to Non-Independent Non-Executive Director of the Company.

En Azlan currently sits on the Boards of Melewar Industrial Group Berhad, MIDF Amanah Investment Bank Berhad, Langkawi Yacht Club Bhd and several other private limited companies.

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

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

En Azlan has no family ties with any of the Directors and/or major shareholders of the Company. His shareholding in the Company is disclosed on page 53 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.



## PROFILE OF DIRECTORS

(continued)

### Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah

Aged 63, Male, Malaysian  
Non-Independent Non-Executive Director  
Member of the Risk & Sustainability 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. Tunku Dato' Kamil is a Member of the Risk & Sustainability Committee of the Company. 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 Life 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, the Executive Chairman of the Company.

His shareholding in the Company is disclosed on page 53 of the Annual Report.

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.



## PROFILE OF DIRECTORS

(continued)

### Roshan Mahendran bin Abdullah

Aged 37, Male, Malaysian  
Group Chief Executive Officer



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. Subsequently, he was appointed as the Group Chief Executive Officer of the Company on 2 April 2018.

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 Allied Marine Equipment Sdn Bhd from 2004 to 2006. In 2006, En Roshan was on the commissioning team for Offshore Subseaworks Sdn Bhd and subsequently served as 1st Officer/Senior DPO cum Project Manager. 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 CEO 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 80, Male, Malaysian  
Independent Non-Executive Director  
Member of the Audit & Governance Committee  
Chairman of the Nomination & 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 is the Chairman of the Nomination & Remuneration Committee and a Member of the Audit & Governance Committee of the Company.

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 Life 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 Marine & General Berhad (formerly known as 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 has no family ties with any of the Directors and/or major shareholders of the Company nor any shareholding in the Company.

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 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)



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

Aged 64, Male, Malaysian  
Independent Non-Executive Director  
Member of the Nomination & 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. Tengku Datuk Seri Ahmad Shah is a Member of the Nomination & Remuneration Committee of the Company.

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)

### Shazal Yusuf bin Mohamed Zain

Aged 48, Male, Malaysian  
Senior Independent Non-Executive Director  
Member of the Audit & Governance Committee  
Chairman of the Risk & Sustainability Committee



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. En Shazal is the Chairman of the Risk & Sustainability Committee and a Member of the Audit & Governance Committee of the Company. He currently sits on the Boards 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.



## PROFILE OF DIRECTORS

(continued)

### Datin Seri Raihanah Begum binti Abdul Rahman

Aged 57, Female, Malaysian  
Independent Non-Executive Director  
Member of Audit & Governance Committee  
Member of Risk & Sustainability Committee  
Member of Nomination & Remuneration Committee



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

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

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

She left Malene in 1997 when she was the Acting Chief Executive Officer, to dedicate more time in bringing up her three young children. To ensure that she was in touch with the insurance industry and coupled with her experience and knowledge in

insurance underwriting and broking, she made time, from 1998 to 1999, while being a homemaker, to be a part-time lecturer with the Malaysian Insurance Institute who conducted short courses for those in the insurance industry to obtain a more in-depth knowledge of the business.

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

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

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

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

Datin Seri Raihanah does not have any conflict of interest with the Company and she has had no 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)



### Kwo Shih Kang

Aged 59, Male, Malaysian  
Independent Non-Executive Director  
Chairman of the Audit & Governance Committee  
Member of the Risk & Sustainability Committee

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

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

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

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

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

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

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



## KEY SENIOR MANAGEMENT PROFILE



### Tunku Dato' Yaacob Khyra

Malaysian, aged 59, 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 38 of this annual report.



### Roshan Mahendran Bin Abdullah

Malaysian, aged 37, Male  
Executive Director/Group Chief Executive Officer

Mr Roshan M. Abdullah was appointed to the Board of Directors of the Company on 18 September 2017 as a Non-Independent Executive Director and was appointed as the Group CEO of Mycron Steel Berhad on 2 April 2018. His personal profile is listed in the Profile of Directors on page 41 of this annual report.



### Choo Kah Yean

Malaysian, aged 54, 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 32 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.



## KEY SENIOR MANAGEMENT PROFILE

(continued)

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

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

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

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



### **Ir. Chin Shyi Her**

Malaysian, aged 54, 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 30 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.



### **Jessie Tan Li Li**

Malaysian, aged 40, Female  
Chief Commercial Officer – Commercial



## KEY SENIOR MANAGEMENT PROFILE

(continued)

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 steel and chemical products trading. 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.



### Fanny Tan Boon Sim

Malaysian, aged 41, Female  
Chief Operations Officer – CRC Operations

Ms Fanny first joined the Group in September 2011 and resigned in April 2017 before coming on board again on 11 June 2018 as the Chief Operations Officer of the Cold Rolled Coil division. Ms Fanny was attached to Kossan Group as a General Manager before re-joining the Mycron group.

Ms Fanny began her career in Amsteel Mills Sdn Bhd before shifting her career path to BlueScope Steel (M) Sdn Bhd from 2005 until 2011. She has 15 years of experience in the Iron and Steel industry covering up-stream, mid-stream and down-stream processes; namely in Quality Management and Manufacturing functions. She also has vast experience and expertise in leading and driving operational excellence through the evolvement of People, Processes and Equipment.

Ms Fanny holds a Bachelor of Science (Hons) Degree in Engineering (Materials and Manufacturing) from Sheffield Hallam University, UK. She also holds a Lean Six Sigma Black Belt Certification from the International Association for Six Sigma Certification (IASSC).

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

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

Ms Fanny does not have any conflict of interest with the Company and she has had no conviction for any offences within the past 5 (five) 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

	2015	2016	2017	2018	2019
<b>1 Financial highlights of Statements of Profit or Loss</b>					
Revenue (RM mil)	518.3	566.8	726.2	793.4	694.5
EBITDA (RM mil)	15.2	68.5	73.9	44.3	12.8
Profit/(loss) before tax (RM mil)	10.5	32.4	46.4	22.5	(9.7)
Profit/(loss) after tax (RM mil)	11.7	24.2	34.7	16.1	(12.0)
Financial Year 2015 includes 3 months of the newly acquired steel tube subsidiary's financial results.					
<b>2 Financial highlights of Statements of Financial Position</b>					
Total assets (RM mil)	587.5	563.7	668.1	694.5	666.9
Total borrowings (RM mil)	257.6	191.1	249.7	120.4	119.6
Shareholders equity (RM mil)	305.9	335.4	374.2	391.6	395.9
Financial Year 2015 includes the assets/liabilities of the newly acquired steel tube subsidiary.					
<b>3 Financial indicators</b>					
Return on equity (%)	3.8	7.2	9.3	4.1	(3.0)
Return on total assets (%)	2.0	4.3	5.2	2.3	(1.8)
Gearing ratio (Times)	0.84	0.57	0.67	0.31	0.30
Net earnings/(loss) per share (sen)	5.7	8.6	12.3	5.7	(3.9)
Net asset per share (RM)	1.08	1.19	1.32	1.38	1.21
PE ratio	5.1	5.6	6.7	6.8	(7.6)
Share price as at FYE (RM)	0.29	0.48	0.82	0.39	0.30



# ANALYSIS OF SHAREHOLDINGS

As at 1 October 2019

Total Number of Issued Shares	-	327,057,599
Class of Shares	-	Ordinary Shares
No. of Shareholders	-	5,268
Voting Rights	-	One (1) vote per ordinary share

No. of Size of Holdings	No. of Holders	% of Holders	No. of Shares	% of Shares
Less than 100	669	12.70	22,201	0.01
100 - 1,000	1,853	35.17	960,054	0.29
1,001 - 10,000	1,832	34.78	9,192,492	2.81
10,001 - 100,000	814	15.45	25,424,472	7.77
100,001 and below 5% of issued shares	99	1.88	48,998,115	14.98
5% and above of issued shares	1	0.02	242,460,265	74.13
<b>Total</b>	<b>5,268</b>	<b>100.00</b>	<b>327,057,599</b>	<b>100.00</b>

## THIRTY LARGEST SHAREHOLDERS

As at 1 October 2019

No.	Name	No. of Shares Held	(a)% of Shares
1.	Melewar Industrial Group Berhad	242,460,265	74.13
2.	UOB Kay Hian Nominees (Asing) Sdn Bhd (Beneficiary : Exempt an for UOB Kay Hian Pte Ltd)	7,584,570	2.32
3.	CIMB Group Nominees (Asing) Sdn Bhd (Beneficiary: Exempt an for DBS Bank Ltd)	7,254,800	2.22
4.	Cartaban Nominees (Asing) Sdn Bhd (Beneficiary: Exempt an for Daiwa Capital Markets Singapore Limited)	5,370,000	1.64
5.	Tan Cheng Chai	4,379,000	1.34
6.	Cartaban Nominees (Asing) Sdn Bhd (Beneficiary: Marubeni-Itochu Steel Inc.)	3,580,000	1.09
7.	Darabif Sdn Bhd	1,048,600	0.32
8.	Tan Aik Choon	543,600	0.17
9.	Maybank Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Chau Guan Fock)	534,000	0.16
10.	Maybank Nominees (Tempatan) Sdn Bhd (Beneficiary: Ho Keat Soong)	532,800	0.16
11.	Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Li Cheng Thong @ Lee Chen Thu Ng)	510,000	0.16
12.	Ng Teng Song	486,900	0.15
13.	Maybank Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Yong Choong Hing)	480,000	0.15
14.	CGS-CIMB Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Tey Ay Mian)	431,280	0.13
15.	Tee Cheng Hua	415,400	0.13



# ANALYSIS OF SHAREHOLDINGS

As at 1 October 2019  
(continued)

## THIRTY LARGEST SHAREHOLDERS (CONTINUED)

As at 1 October 2019

No.	Name	No. of Shares Held	<sup>(a)</sup> % of Shares
16.	Maybank Securities Nominees (Asing) Sdn Bhd (Beneficiary: Maybank Kim Eng Securities Pte Ltd for Divyesh Nagindas Doshi)	385,200	0.12
17.	Cimsec Nominees (Tempatan) Sdn Bhd (Beneficiary: CIMB Bank for Cheah Chee Siong)	361,100	0.11
18.	Phua Cheng Wah	340,000	0.10
19.	Goh Ah Kow @ Goh Bak Cheng	338,100	0.10
20.	Ooi Chun Hua	335,000	0.10
21.	Lim Seng Chee	333,000	0.10
22.	Tan Ah Sim @ Tan Siew Wah	329,900	0.10
23.	Alliancegroup Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Lim Siong Teck)	329,800	0.10
24.	Law Kok Thye	315,000	0.10
25.	Pang Poh York	300,700	0.09
26.	Beh Siew Kheng	300,000	0.09
27.	Jeremiah Lim Kuang Liang	280,000	0.09
28.	Wong Ai Ling	279,000	0.09
29.	RHB Nominees (Tempatan) Sdn Bhd (Beneficiary : Pledged securities account for Lim Mooi Fong)	277,000	0.08
30.	Maybank Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Bong Poh Fong)	275,200	0.08
<b>Total</b>		<b>280,390,215</b>	<b>85.73</b>

Note:

<sup>(a)</sup> The percentages of thirty largest shareholders are calculated by dividing the shares held by the respective shareholders with the total number of issued shares.



# ANALYSIS OF SHAREHOLDINGS

As at 1 October 2019  
(continued)

## LIST OF SUBSTANTIAL SHAREHOLDERS

As at 1 October 2019

Name	Direct	Number of Shares Held		% <sup>(a)</sup>
		% <sup>(1)</sup>	Indirect	
Melewar Industrial Group Berhad ("MIG")	242,460,265	74.13	–	–
Melewar Equities (BVI) Ltd ("MEBVI")	–	–	242,460,265	74.13 <sup>(3)</sup>
Melewar Khyra Sdn Bhd ("MKSB")	–	–	242,460,265	74.13 <sup>(3)</sup>
Khyra Legacy Berhad ("KLB")	–	–	242,460,265	74.13 <sup>(4)</sup>

## DIRECTORS' SHAREHOLDINGS

As at 1 October 2019

Name	Direct	Number of Shares Held		% <sup>(a)</sup>
		% <sup>(1)</sup>	Indirect	
Tunku Dato' Yaacob Khyra ("TY")	–	–	242,523,025	74.15 <sup>(1)</sup>
Tunku Dato' Kamil Ikram bin	–	–	62,760	0.02 <sup>(2)</sup>
Tunku Tan Sri Abdullah ("TK")	–	–	–	–
Azlan bin Abdullah	100,000	0.03	–	–

### Notes:

- (a) The percentages of substantial shareholders and Directors' shareholdings are calculated by dividing the shares held by the respective substantial shareholders and Directors with the total number of issued shares.
- (1) Deemed indirect interest by virtue of TY being a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB, who are the Major Shareholders of MIG, a Major Shareholder of Mycron.
- (2) TK is a director and a shareholder with 12.5% shareholdings in Melewar Group Berhad ("MGB") which is the family owned investment holding company. MGB holds 0.02% of the issued share capital of Mycron.
- (3) Deemed indirect interest by virtue of it being the Major Shareholder of MIG who is a Major Shareholder of Mycron.
- (4) Deemed indirect interest by virtue of it being the holding company of MEBVI and MKSB, who are the Major Shareholders of MIG, a Major Shareholder of Mycron.



# ANALYSIS OF WARRANT HOLDINGS

As at 1 October 2019

Number of Warrants Issued	-	21,756,070
Number of Warrants Exercised	-	-
Number of Warrants Unexercised	-	21,756,070
Number of Warrants Holders	-	146
Exercise Price	-	RM0.60 per warrant
Exercise Period	-	28 January 2019 to 26 January 2024

No. of Size of Holdings	No. of Holders	% of Holders	No. of Warrants	% of Issued Warrants
Less than 100	10	6.85	420	0.00
100 - 1,000	73	50.00	39,730	0.18
1,001 - 10,000	46	31.51	165,916	0.76
10,001 - 100,000	14	9.59	415,335	1.91
100,001 and below 5% of issued warrants	2	1.37	929,647	4.27
5% and above of issued warrants	1	0.68	20,205,022	92.87
Director	0	0.00	0	0.00
<b>Total</b>	<b>146</b>	<b>100.00</b>	<b>21,756,070</b>	<b>100.00</b>

## THIRTY LARGEST WARRANT HOLDERS

As at 1 October 2019

No.	Name	No. of Warrants Held	(a)% of Issued Warrants
1.	Melewar Industrial Group Berhad	20,205,022	92.87
2.	UOB Kay Hian Nominees (Asing) Sdn Bhd (Beneficiary: Exempt an for UOB Kay Hian Pte Ltd)	632,047	2.91
3.	Ng Wai Yuan	297,600	1.37
4.	Kenangan Nominees (Tempatan) Sdn Bhd (Beneficiary : Abdul Rasik bin Talip)	60,000	0.28
5.	Maybank Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Chau Guan Fock)	44,500	0.20
6.	Maybank Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Yong Choong Hing)	40,000	0.18
7.	Chee See Giap @ Sin Chien	39,145	0.18
8.	CGS-CIMB Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Tey Ay Mian)	35,940	0.17
9.	Tee Cheng Hua	30,450	0.14
10.	Eu Mui @ Ee Soo Mei	26,900	0.12
11.	Chia Hock Chye	25,000	0.11
12.	See Chai Seng	25,000	0.11
13.	HLIB Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged Securities Account for Lee Eng Min)	20,100	0.09
14.	Walter Wurtz	20,000	0.09
15.	CGS-CIMB Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Leong Kam Leng)	18,300	0.08



# ANALYSIS OF WARRANT HOLDINGS

As at 1 October 2019  
(continued)

## THIRTY LARGEST WARRANT HOLDERS (CONTINUED)

As at 1 October 2019

No.	Name	No. of Warrants Held	(a)% of Issued Warrants
16.	Ng Kim Kuan	16,000	0.07
17.	Lok Wei Seong	14,000	0.06
18.	HLB Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Yeo Siew Hee)	10,000	0.05
19.	RHB Capital Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Francis Chia Mong Tet)	10,000	0.05
20.	TA Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Yong Choong Hing)	10,000	0.05
21.	Lee Wai Shiem @ Lee Wai Shien	8,500	0.04
22.	Maybank Nominees (Tempatan) Sdn Bhd (Beneficiary: Yong Choong Hing)	8,500	0.04
23.	Malacca Equity Nominees (Tempatan) Sdn Bhd (Beneficiary: Exempt an for Phillip Capital Management Sdn Bhd)	7,000	0.03
24.	Lee Choon Hooi	6,400	0.03
25.	RHB Nominees (Tempatan) Sdn Bhd (Beneficiary: Amara Investment Management Sdn Bhd for Ong Boon Kien)	6,000	0.03
26.	Maybank Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Mohammad Anuwar bin Ahmad)	5,910	0.03
27.	Melewar Group Berhad	5,230	0.02
28.	Chew Boon Tee	5,000	0.02
29.	Loh Teik Chye @ Loh Loon Teik	5,000	0.02
30.	Yeoh Kok Soo	4,540	0.02
<b>TOTAL</b>		<b>21,642,084</b>	<b>99.48</b>

### Note:

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



# ANALYSIS OF WARRANT HOLDINGS

As at 1 October 2019  
(continued)

## LIST OF SUBSTANTIAL WARRANT HOLDERS

As At 1 October 2019

Name	Direct	Number of Warrant Held		% <sup>(a)</sup>
		% <sup>(a)</sup>	Indirect	
Melewar Industrial Group Berhad ("MIG")	20,205,022	92.87	–	–
Melewar Equities (BVI) Ltd ("MEBVI")	–	–	20,205,022	92.87 <sup>(3)</sup>
Melewar Khyra Sdn Bhd ("MKSB")	–	–	20,205,022	92.87 <sup>(3)</sup>
Khyra Legacy Berhad ("KLB")	–	–	20,205,022	92.87 <sup>(4)</sup>

## DIRECTOR'S WARRANT HOLDINGS

As at 1 October 2019

Name	Direct	Number of Warrant Held		% <sup>(a)</sup>
		% <sup>(a)</sup>	Indirect	
Tunku Dato' Yaacob Khyra ("TY")	–	–	20,210,252	92.89 <sup>(1)</sup>
Tunku Dato' Kamil Ikram bin	–	–	5,230	0.02 <sup>(2)</sup>
Tunku Tan Sri Abdullah ("TK")	–	–		

### Notes:

- (a) The percentages of substantial warrant holders and Director's warrant holdings are calculated by dividing the warrants held by the respective substantial warrant holders and Director with the total number of issued warrants.
- (1) Deemed indirect interest by virtue of TY being a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB, who are the Major Shareholders of MIG, a Major Shareholder of Mycron.
- (2) TK is a director and a shareholder with 12.5% shareholdings in Melewar Group Berhad ("MGB") which is the family owned investment holding company. MGB holds 0.02% of the issued share capital of Mycron.
- (3) Deemed indirect interest by virtue of it being the Major Shareholder of MIG who is a Major Shareholder of Mycron.
- (4) Deemed indirect interest by virtue of it being the holding company of MEBVI and MKSB, who are the Major Shareholders of MIG, a Major Shareholder of Mycron.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“the Board”) of Mycron Steel Berhad (“MSB” or “the Company”) is fully supportive of the latest Malaysian Code of Corporate Governance 2017 (“MCCG 2017”) issued on 26 April 2017. The Company has also used its best endeavours to enhance its policies and procedures in order to apply the principles of the MCCG 2017.

The Company’s Corporate Governance Overview Statement (“CG Statement”) is to be read together with the Corporate Governance Report for the financial year ended 30 June 2019 (“CG Report”) which is available on the Company’s corporate website at [www.mycronsteel.com/annualreport.asp](http://www.mycronsteel.com/annualreport.asp)

A summary of the CG practices of the Company is as described below, under each CG Principle:

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

### 1. Board Responsibilities

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

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

Management’s role is to implement and execute the strategies adopted by our Board and has delegated authority to manage the business on a day to day basis. The limits of Management’s authority are embedded in the Internal Control Procedure (“ICP”) document, known as the Transaction Authority Limits (“TAL”) which sets out the delegation of authority by our GCEO/Executive Chairman to the senior leadership, generally covering approvals for operational and capital expenditure, execution of contracts, procurement and investments up to a certain monetary threshold. Any commitments outside the TAL will require the prior approval of our Board and any changes to the TAL is also subject to Board’s approval.

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

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

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

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

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



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

### 2. Chairman and GCEO

The positions of the Executive Chairman of the Board and GCEO are held by two (2) different individuals and each has a clear accepted division of responsibilities to ensure a balance of power and authority.

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

The GCEO is overall responsible for the business operations and day-to-day management of the Group and the implementation of the Board's policies and decisions.

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

### 3. Qualified and Competent Company Secretary

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

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

On an ongoing basis, the Directors have separate and independent access to the Company Secretary. The Board is regularly updated by the Company Secretary on new changes to the legislations and the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the resultant implications to the Company and the Board in discharging their duties and responsibilities.

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

### 4. Access to Information and Meeting Materials

Prior to the scheduled meeting, Directors will be provided a structured agenda together with management reports and proposal papers, if any, to enable them to have an effective discussion on the subject matters tabled to the Boards. The Board papers provide, among others, periodic financial information, operational and corporate issues, investment proposals and management proposals that require Board's approval.

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

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



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

### 5. Board Charter

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

The Board reviews and updates its Board Charter regularly as to keep itself up to date with new changes in regulations and best practices and to ensure its effectiveness and relevance to the Board's objectives. The Board Charter was last reviewed and approved by the Board on 28 May 2018 to re-align the existing governance policies in the Company with the good standard of corporate governance practices prescribed by MCGG 2017 and the MMLR, where applicable or relevant.

The Board Charter is available on the Company's website at [www.mycronsteel.com](http://www.mycronsteel.com)

### 6. Code of Conduct and Ethics

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

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

The Company's Code of Conduct and Ethics is available on the Company's website at [www.mycronsteel.com](http://www.mycronsteel.com).

### 7. Whistleblowing Policy

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

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

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

The Whistle-Blowing Policy can be found in the Company's website at [www.mycronsteel.com](http://www.mycronsteel.com) for easy access by the shareholders and the public.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

### 8. Board Composition

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

With the appointment of Mr Kwo Shih Kang, the Board now comprise of:

- one (1) Executive Chairman;
- one (1) Executive Director;
- two (2) Non-Independent Non-Executive Directors; and
- five (5) Independent Non-Executive Directors.

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

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

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

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

Directors	Designation
Tunku Dato' Yaacob Khyra	Executive Chairman
En Roshan Mahendran bin Abdullah	Group Chief Executive Officer
En Azlan bin Abdullah	Non-Independent Non-Executive Director
Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah	Non-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	Senior Independent Non-Executive Director
Tan Sri Datuk Seri Razman Md Hashim	Independent Non-Executive Director
Datin Seri Raihanah Begum binti Abdul Rahman (Appointed 8 April 2019)	Independent Non-Executive Director
Mr Kwo Shih Kang (Appointed 23 August 2019)	Independent Non-Executive Director
Mr Muk Sai Tat (Resigned 7 April 2019)	Independent Non-Executive Director

The Group considers its complement of Non-Executive Directors provide an effective Board with a mix of knowledge and broad business and commercial experience. The Independent Non-Executive Directors of the Company are independent of management and free from any business relationship which could materially interfere with the exercise of their judgement. They provide guidance, unbiased, fully balanced and independent views, advice and judgement to many aspects of the Group's strategy so as to safeguard the interests of minority shareholders and to ensure that the highest probable standards of conduct and integrity are maintained by the Group. All Independent Non-Executive Directors do not participate in the day-to-day management of the Group and do not engage in any business dealing or other relationship with the Group.

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

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



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

### 9. Tenure of Independent Director

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

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

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

The Board noted that there are no Independent Directors whose tenure will exceed a cumulative term of nine (9) years in the Company during the period under review.

### 10. Diversity of Board and Senior Management

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

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

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

The Diversity Policy can be found at the Company's website at [www.mycronsteel.com](http://www.mycronsteel.com).

### 11. Sourcing of Directors to the Board

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

The NRC is also guided by the Procedure for the Appointment and Removal of Directors which was approved by the Board on 28 May 2018. The Board Nomination and Selection Process outlines the skill sets, knowledge/experience, mindset and the intrinsic values required of the concerned Director vis-a-vis the need of the Company as well as time to effectively discharge his/her role as a Director of the Company. The process also provides the relevant point of reference in identifying the most suitable candidates to sit on the Board.

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



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

### 11. Sourcing of Directors to the Board (continued)

The NRC had reviewed and recommended the appointment of the following new Directors:

- (i) Datin Seri Raihanah Begum binti Abdul Rahman who was appointed to the Board on 8 April 2019;
- (ii) Mr Kwo Shih Kang who was appointed to the Board on 23 August 2019.

The profiles of Datin Seri Raihanah Begum and Mr Kwo Shih Kang are set out in the Directors' profile section of the Annual Report.

The Board is of the view that the current directorship is adequate with the appropriate mix of skills and experience required for the Group.

The Terms of Reference of the NRC is made available for reference in the Company's corporate website at [www.mycronsteel.com](http://www.mycronsteel.com).

### 12. NRC

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

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

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

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

Chairman : 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

Datin Seri Raihanah Begum binti Abdul Rahman  
– Independent Non-Executive Director  
(Appointed 8 April 2019)

Muk Sai Tat  
– Independent Non-Executive Director  
(Resigned 7 April 2019)

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



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

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

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

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

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

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 2019 as well as Mr Kwo Shih Kang who was appointed after the financial year ended 30 June 2019.

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

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

### 14. Summary of Activities Undertaken by the NRC in respect of Financial Year 2019

The NRC had discussed, inter-alia, the following matters in respect of financial year 2019:

- (a) Reviewed and recommended the appointment of Datin Seri Raihanah Begum binti Abdul Rahman which took effect on 8 April 2019.
- (b) The NRC conducted annual assessment on the effectiveness of the Board and Committees covering areas such as Board structure and operation, management relationship with the Board, Board's role and responsibilities, the required mix of skills and experience of the Directors, time commitments, characters, experiences, integrity and competencies to effectively discharge the role as a Director for the financial year ended 30 June 2019 and reported the findings in the Board meeting.

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



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

### 14. Summary of Activities Undertaken by the NRC in respect of Financial Year 2019 (continued)

- (c) 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.
- (d) Reviewed, considered and recommended to the Board for approval, the re-election of Directors who retire by rotation pursuant to the Company's Constitution at the forthcoming 16th 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 En Azlan Bin Abdullah.
- (e) Reviewed the tenure of service for Independent Non-Executive Directors.
- (f) Reviewed the terms of office and performance of the AGC and its members to determine whether the AGC and its members have carried out their duties in accordance with their terms of reference.
- (g) Reviewed the remuneration policies applicable to Directors, GCEO and Senior Management.
- (h) Reviewed the performance bonuses for the Executive Directors/Senior Management.
- (i) Reviewed attendance of Directors at Board/Board Committees, to ensure compliance to minimum attendance requirement of Board meetings of not less than fifty percent (50%) of the total meetings held during the financial year.

### 15. Time Commitment of the Directors

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

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

During the annual Board evaluation, each Director was assessed whether he was able to devote adequate time and attention for Board meetings, Committee meetings and activities of the Company. Overall, the Board was satisfied with the commitment of all members of the Board and the time contributed by each of them.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

### 15. Time Commitment of the Directors (continued)

The Board met six (6) times during the financial year ended 30 June 2019. The attendance of each Director at the Board Meetings held during the financial year ended 30 June 2019 are as follows:

<b>Executive Directors</b>		<b>No. of Attendance</b>	<b>%</b>
1.	Tunku Dato' Yaacob Khyra (Chairman)	6/6	100
2.	En Roshan Mahendran Bin Abdullah	6/6	100
<b>Non-Independent Non-Executive Directors</b>		<b>No. of Attendance</b>	<b>%</b>
1.	Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah	4/6	67
2.	En Azlan bin Abdullah	6/6	100
<b>Independent Non-Executive Directors</b>		<b>No. of Attendance</b>	<b>%</b>
1.	Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah	5/6	83
2.	En Shazal Yusuf bin Mohamed Zain	5/6	83
3.	Mr Muk Sai Tat (Resigned 7 April 2019)	5/5	100
4.	Tan Sri Datuk Seri Razman Md Hashim	6/6	100
5.	Datin Seri Raihanah Begum binti Abdul Rahman (Appointed 8 April 2019)	1/1	100

Note : Mr Kwo Shih Kang was appointed on 23 August 2019 and therefore his attendance was not included in the table above which is in reference to the financial year ended 30 June 2019.

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

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

### 16. Continuing Education and Training of Directors

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

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



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

### 16. Continuing Education and Training of Directors (continued)

The Directors have participated in conferences, seminars and training programmes, and during the financial year ended 30 June 2019, the following training programmes and seminars were attended by the Directors:

Members of the Board	List of Training Programmes/ Seminars/ Conferences Attended
Tunku Dato' Yaacob Khyra	<ul style="list-style-type: none"> <li>➤ Sustainability Engagement Series for Directors/Chief Executive Officers 2018.</li> <li>➤ Anti-Corruption Legislation and Regulations.</li> <li>➤ Board Evaluation.</li> <li>➤ Digitalization.</li> </ul>
En Azlan bin Abdullah	<ul style="list-style-type: none"> <li>➤ Knowledge Sharing on Shariah Non-Compliance Risk Management – Issues &amp; Challenges.</li> </ul>
Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah	<ul style="list-style-type: none"> <li>➤ 5th Annual IERP Global Conference 2018 – Enterprise Risk Management : The New Paradigm.</li> </ul>
Tan Sri Datuk Seri Razman Md Hashim	<ul style="list-style-type: none"> <li>➤ Sunway Leadership Conference.</li> </ul>
Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah	<ul style="list-style-type: none"> <li>➤ Sime Darby Property Bridging Session – Shaping the Future : Navigating through uncertainty.</li> </ul>
En Shazal Yusuf bin Mohamed Zain	<ul style="list-style-type: none"> <li>➤ 2019 Malaysia Economic Strategic Outlook Forum.</li> </ul>
En Roshan Mahendran bin Abdullah	<ul style="list-style-type: none"> <li>➤ Board Evaluation &amp; Effectiveness Assessment.</li> </ul>
Datin Seri Raihanah Begum binti Abdul Rahman	<ul style="list-style-type: none"> <li>➤ Cyber Security in the Boardroom.</li> </ul>
Muk Sai Tat (Resigned 7 April 2019)	<ul style="list-style-type: none"> <li>➤ Sustainability Engagement Series for Directors/Chief Executive Officers.</li> <li>➤ MIA International Accountants Conference 2018.</li> <li>➤ Business Transformation Challenges.</li> <li>➤ Would a Business Judgment Rules Help Directors Sleep Better at Night?</li> <li>➤ 2019 Malaysia Economic and Strategic Outlook Forum</li> </ul>

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

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



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

### 17. Remuneration Policies and Remuneration of Directors and Senior Management

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

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

The determination of remuneration packages of Executive Directors and Non-Executive Directors including Executive Chairman as well as Senior Management, should be a matter for the Board as a whole where the individuals concerned shall abstain from discussion of their own remuneration. All recommendations of the NRC are subject to endorsement of the Board.

As such, Procedures for determining the remuneration of Directors and Executive Directors as well as Senior Management was endorsed and approved by the Board on 26 February 2019 in line with the MMLR of Bursa Securities and MCGG 2017.

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

The Non-Executive Directors are remunerated based on fixed annual Director's fees and fixed meeting allowances. All Non-Executive Directors are paid Directors' Fees of RM48,000 per annum each for serving as members of the Board. The Directors who serve on the AGC and RSC will also receive additional RM6,000 per annum for each committee that they serve in, in recognition of their commitment and additional time contributed. The Directors' fees are appropriate to their contribution, taking into consideration effort, commitment and time spent as well as the responsibilities of the Directors.

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

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

For the FY2019, the NRC had performed its duty to assess the remuneration package of its Executive Directors and Senior Management.

In addition, the NRC had also deliberated on the Directors' fees for the financial year ending 2020 which is subject to the shareholders' approval at the forthcoming AGM. Further to the deliberations, the NRC had reported to the Board its recommendation and findings.

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

For the year 2020, the Board of Directors decided that the Directors' fees be maintained as the previous year for each Director and will recommend to the shareholders for approval at the forthcoming 16th AGM.

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



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

### 17. Remuneration Policies and Remuneration of Directors and Senior Management (continued)

The relevant resolutions in relation to the Directors' fees and benefits payable to the Directors will be presented to the shareholders for approval at the forthcoming 16th AGM.

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

The Detailed Remuneration of the Directors for the financial year ended 30 June 2019 is set out below:

#### Received from Company

Name	Salary (RM'000)	Bonus (RM'000)	Benefits in Kind* (RM'000)	Fees (RM'000)	Meeting Allowance (RM'000)	Others** (RM'000)
<b>Executive Directors</b>						
Tunku Dato' Yaacob Khyra	300	50	45.6	-	-	52.5
Roshan Mahendran Bin Abdullah	-	-	-	-	-	-
<b>Non-Independent Non-Executive Directors</b>						
Azlan bin Abdullah	-	-	-	42.7	2.5	-
Tunku Dato' Kamil Ikram Bin Tunku Tan Sri Abdullah	-	-	1.5	54	2.5	-
<b>Independent Non-Executive Directors</b>						
Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah	-	-	1.5	48	3.5	-
Shazal Yusuf bin Mohamed Zain	-	-	-	60	6	-
Muk Sai Tat (Resigned 7 April 2019)	-	-	-	46	5.5	-
Tan Sri Datuk Seri Razman Md Hashim	-	-	0.1	54	5.5	-
Datin Seri Raihanah Begum binti Abdul Rahman (Appointed 8 April 2019)	-	-	-	13.8	1.5	-



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

### 17. Remuneration Policies and Remuneration of Directors and Senior Management (continued)

#### Received from Group

Name	Salary (RM'000)	Bonus (RM'000)	Benefits in Kind* (RM'000)	Fees (RM'000)	Meeting Allowance (RM'000)	Others** (RM'000)
<b>Executive Directors</b>						
Tunku Dato' Yaacob Khyra	1,080	180	27.4	-	-	189
Roshan Mahendran Bin Abdullah	1,311	461.9	41.1	-	-	365.2
<b>Non-Independent Non-Executive Directors</b>						
Azlan bin Abdullah	251.9	27.5	12.9	14.3	1	122.5
Tunku Dato' Kamil Ikram Bin Tunku Tan Sri Abdullah	-	-	-	-	-	-
<b>Independent Non-Executive Directors</b>						
Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah	-	-	-	-	-	-
Shazal Yusuf bin Mohamed Zain	-	-	1.5	49.2	7	-
Muk Sai Tat (Resigned 7 April 2019)	-	-	1.5	37.7	7.5	-
Tan Sri Datuk Seri Razman Md Hashim	-	-	-	-	-	-
Datin Seri Raihanah Begum binti Abdul Rahman (Appointed 8 April 2019)	-	-	-	10.7	1.5	-

\* Benefits in kind include company car, driver, club membership subscription and medical insurance benefits.

\*\* Others include car allowance, provision for Directors' leave pay, travelling allowances and EPF.

Note : Mr Kwo Shih Kang was only appointed to the Board on 23 August 2019.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

### 17. Remuneration Policies and Remuneration of Directors and Senior Management (continued)

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

Remuneration Bands	Number of Key Senior Management
RM500,001 to RM550,000	1
RM550,001 to RM600,000	1
RM650,001 to RM700,000	1
RM750,001 to RM800,000	1
RM800,001 to RM850,000	1

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

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

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

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

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

## PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

### 1. AGC

The Board established the Audit and Governance Committee ("AGC") since 1 June 2005. During the financial year, the AGC comprised three (3) members, all of whom are Independent Non-Executive Directors.

With the resignation of Mr Muk Sai Tat from the Board of Directors of the Company on 7 April 2019, En Shazal Yusuf bin Mohamed Zain, who is an Independent Non-Executive of the Company was appointed as the Chairman of the AGC in place of Mr Muk Sai Tat.

With the appointment of Mr Kwo Shih Kang to the Board on 23 August 2019, the Board had unanimously agreed for Mr Kwo Shih Kang to be appointed the Chairman of the AGC in place of En Shazal Yusuf bin Mohamed Zain on 28 August 2019.

All three (3) gentlemen, Mr Muk Sai Tat, En Shazal Yusuf bin Mohamed Zain and Mr Kwo Shih Kang are not the Chairman of the Board which therefore is in compliance with Practice 8.1 of MCCG 2017 which stipulates that the Chairman of the AGC is not the Chairman of the Board.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

## PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

### 1. AGC (continued)

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

The composition and summary of activities of the AGC during the financial year under review are disclosed in the AGC Report as set out on page 91 to 97 of this Annual Report.

### 2. Oversight of External Auditors by the AGC

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

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

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

The AGC was satisfied with the competence and independence of the External Auditors and had recommended the re-appointment of the External Auditors for shareholders' consideration at the forthcoming 16th AGM.

### 3. Qualification of the AGC

Collectively, the members of the AGC have the relevant experience and expertise in finance and accounting, and have carried out their duties in accordance with the Terms of Reference of the AGC. The qualification and experience of the individual AGC members are disclosed in the Directors' Profiles on pages 42 to 46 of this Annual Report.

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

### 4. Establishment of Risk Management and Internal Control Framework

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

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

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



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

## PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

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

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

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

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

The internal audit function is guided by Internal Audit Charter which was approved by the AGC and Board of Directors on 26 May 2017. Audit engagement is focused on areas of priority according to their risk assessment and in accordance with the annual audit plans approved by the AGC.

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

### 1. Communication with Stakeholders

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

The Board is mindful of its obligation to provide timely and fair disclosure of material information to shareholders. Shareholders and investors are kept abreast of results and other material information concerning the Group through regular and timely dissemination of information which is made available at the Company's website at [www.mycronsteel.com](http://www.mycronsteel.com) as well as Bursa Malaysia Securities Berhad's corporate website at [www.bursamalaysia.com](http://www.bursamalaysia.com).

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

- (i) En Shazal Yusuf bin Mohamed Zain can be contacted as follows:  
Telephone number: +603-5510 6608 Facsimile number: +603-5510 3720  
Email address: [shazal@mycronsteel.com](mailto: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 Roshan Mahendran Bin Abdullah (Group Chief Executive Officer)  
Telephone number: +603-5510 6608 Facsimile number: +603-5510 3720  
Email address: [roshan@mycronsteel.com](mailto:roshan@mycronsteel.com)
- (iv) Ms Lily Yin Kam May (Company Secretary, for shareholders' enquiries)  
Telephone number: +603-6252 8880 Facsimile number: +603-6252 8080



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

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

### 2. Conduct of General Meetings

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

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

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

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

In accordance with the MMLR, a summary of the key decisions and discussions arising from the AGM in November 2019 will also be posted on our website.

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

### 3. Encourage Poll Voting

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

The Company's General Meeting is not held in a remote location. At the previous AGM of the Company held on 29 November 2018, a poll voting was conducted on all resolutions as set out in the Notice of the 15th AGM and for the interest of all shareholders a summary of key matters discussed at the AGM was posted on the Company's website.

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

## COMPLIANCE STATEMENT

The Board has deliberated, reviewed and approved this Corporate Governance Overview Statement. The Board considers that the Statement on Corporate Governance Overview provides the information necessary to enable shareholders to evaluate how the Code has been applied. The Board has considered and is satisfied that the Company has fulfilled its obligation under the MCCG 2017, the MMLR of Bursa Securities and all applicable laws and regulations throughout the financial year ended 30 June 2019.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

## OTHER BURSA SECURITIES COMPLIANCE INFORMATION

### 1. MATERIAL CONTRACTS

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

### 2. MATERIAL CONTRACTS RELATED TO LOAN

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

### 3. AUDIT FEES

The amount of audit fees charged for services rendered to the Group and the Company by the External Auditors for the financial year ended 30 June 2019 amounted to RM355,380 and RM128,680 respectively.

### 4. NON-AUDIT FEES

The amount of non-audit fees charged for services rendered to the Group and the Company by the External Auditors for the financial year ended 30 June 2019 amounted to RM13,160 and RM13,160 respectively.

### 5. RECURRENT RELATED PARTY TRANSACTIONS ("RRPTs") ENTERED INTO DURING THE FINANCIAL YEAR ENDED 30 JUNE 2019

On 29 November 2018, the Company sought approval for a shareholders' mandate for Mycron Group to enter into RRPTS (as defined in the Circular to Shareholders dated 31 October 2018) 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 2019 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 (1/07/2018 – 30/06/2019) RM
				Director	Major Shareholder	
1.	Trace Management Services Sdn Bhd ("Trace")	Provision of corporate secretarial services by the Related Party to Mycron Steel Berhad ("MSB") and its subsidiaries ("Mycron Group")	<b>Interested Directors</b>  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 holding company of Trace; TMC is the family owned investment holding company.	Nil	255,328



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

## OTHER BURSA SECURITIES COMPLIANCE INFORMATION (CONTINUED)

### 5. RECURRENT RELATED PARTY TRANSACTIONS (“RRPTs”) ENTERED INTO DURING THE FINANCIAL YEAR ENDED 30 JUNE 2019 (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 (1/07/2018 – 30/06/2019) RM
				Director	Major Shareholder	
1.	MAACA Legal Advisory Sdn Bhd (formerly known as MAA Corporate Advisory Sdn Bhd (“MAACA Legal Advisory”))	Provision of corporate consultancy services by the Related Party to Mycron Group	<p><b>Interested Director</b></p> <p>TY</p> <p><b>Interested Major Shareholders</b></p> <p>Melewar Equities (BVI) Ltd (“MEBVI”), Melewar Khyra Sdn Bhd (“MKSB”) and Khyra Legacy Berhad (“KLB”)</p>	<p>TY is deemed interested in MAACA Legal Advisory.</p> <p>TY is a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB.</p>	MAACA Legal Advisory 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.	Nil
2.	MAAG	Human Resource fee charged by the Related Party to Mycron	<p><b>Interested Director</b></p> <p>TY</p> <p><b>Interested Major Shareholders</b></p> <p>MEBVI, MKSB and KLB</p>	<p>TY is deemed interested in MAAG.</p> <p>TY is a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB.</p>	KLB is the ultimate Major Shareholder of MAAG.	89,047



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

## OTHER BURSA SECURITIES COMPLIANCE INFORMATION (CONTINUED)

### 5. RECURRENT RELATED PARTY TRANSACTIONS (“RRPTs”) ENTERED INTO DURING THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

#### 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 (1/07/2018 – 30/06/2019) RM
				Director	Major Shareholder	
1.	MIG	Provision of treasury services by the Related Party to Mycron Steel CRC Sdn Bhd (“MSCRC”)	<p><b>Interested Director</b></p> <p>TY</p> <p><b>Interested Major Shareholders</b></p> <p>Melewar Equities (BVI) Ltd (“MEBVI”), Melewar Khyra Sdn Bhd (“MKSB”) and Khyra Legacy Berhad (“KLB”)</p>	TY is deemed interested in MIG and MSCRC by virtue of him being a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major shareholders of MIG.	<p>MSCRC is a wholly owned subsidiary of Mycron.</p> <p>MIG is the Major Shareholder of Mycron by virtue of its 74.13 % shareholding in Mycron.</p>	Nil
2.	MIG	Sale of pipes by the Related Party to MSCRC	<p><b>Interested Director</b></p> <p>TY</p> <p><b>Interested Major Shareholders</b></p> <p>MIG, MEBVI, MKSB and KLB</p>	TY is deemed interested in MIG and MSCRC by virtue of him being a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major shareholders of MIG.	<p>MSCRC is a wholly owned subsidiary of Mycron.</p> <p>MIG is the Major Shareholder of Mycron by virtue of its 74.13 % shareholding in Mycron.</p>	Nil
3.	Melewar Steel Mills Sdn Bhd (“MSM”)	Sale of scrap by MSCRC to the Related Party	<p><b>Interested Director</b></p> <p>TY</p> <p><b>Interested Major Shareholders</b></p> <p>MIG, MEBVI, MKSB and KLB</p>	TY is deemed interested in MSM and MSCRC by virtue of him being a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major shareholders of MIG.	<p>MSM is a wholly owned subsidiary of MIG.</p> <p>MSCRC is a wholly owned subsidiary of Mycron.</p> <p>MIG is the Major Shareholder of Mycron by virtue of its 74.13 % shareholding in Mycron.</p>	Nil



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

## OTHER BURSA SECURITIES COMPLIANCE INFORMATION (CONTINUED)

### 5. RECURRENT RELATED PARTY TRANSACTIONS (“RRPTs”) ENTERED INTO DURING THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

#### C. RRPTs with Melewar Industrial Group Berhad (“MIG”) and its subsidiaries, collectively (“MIG Group”) (continued)

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Parties		Value of Transaction (1/07/2018 – 30/06/2019) RM
				Director	Major Shareholder	
4.	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	<b>Interested Director</b>  TY  <b>Interested Major Shareholders</b>  MIG, MEBVI, MKSB and KLB	TY is deemed interested in MIE and MSCRC by virtue of him being a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major shareholders of MIG.	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 74.13 % shareholding in Mycron.	Nil
5.	MIG	Management fees for the provision of management services/advice charged by the Related Party to MSCRC	<b>Interested Director</b>  TY  <b>Interested Major Shareholders</b>  MIG, MEBVI, MKSB and KLB	TY is deemed interested in MIG and MSCRC by virtue of him being a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major shareholders of MIG.	MSCRC is a wholly owned subsidiary of Mycron.  MIG is the Major Shareholder of Mycron by virtue of its 74.13 % shareholding in Mycron.	1,620,000



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

## OTHER BURSA SECURITIES COMPLIANCE INFORMATION (CONTINUED)

### 5. RECURRENT RELATED PARTY TRANSACTIONS (“RRPTs”) ENTERED INTO DURING THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

#### C. RRPTs with Melewar Industrial Group Berhad (“MIG”) and its subsidiaries, collectively (“MIG Group”) (continued)

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Parties		Value of Transaction (1/07/2018 – 30/06/2019) RM
				Director	Major Shareholder	
6.	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)	<b>Interested Director</b>  TY  <b>Interested Major Shareholders</b>  MIG, MEBVI, MKSB and KLB	TY is deemed interested in MSS and MST by virtue of him being a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major shareholders of MIG.	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 74.13 % shareholding in Mycron.	Nil
7.	MIG	Rental charged by the Related Party to MST for the use of the factory belonging to MIG.  (Lot 10 and Lot 49)	<b>Interested Director</b>  TY  <b>Interested Major Shareholders</b>  MIG, MEBVI, MKSB and KLB	TY is deemed interested in MIG and MST by virtue of him being a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major shareholders of MIG.	MST is a wholly owned subsidiary of Mycron.  MIG is the Major Shareholder of Mycron by virtue of its 74.13 % shareholding in Mycron.	3,693,328
8.	MIE	Technical Advisory fees charged by the Related Party to MST	<b>Interested Director</b>  TY  <b>Interested Major Shareholders</b>  MIG, MEBVI, MKSB and KLB	TY is deemed interested in MIE and MST by virtue of him being a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major shareholders of MIG.	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 74.13 % shareholding in Mycron.	64,000



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

## OTHER BURSA SECURITIES COMPLIANCE INFORMATION (CONTINUED)

### 5. RECURRENT RELATED PARTY TRANSACTIONS (“RRPTs”) ENTERED INTO DURING THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

#### C. RRPTs with Melewar Industrial Group Berhad (“MIG”) and its subsidiaries, collectively (“MIG Group”) (continued)

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Parties		Value of Transaction (1/07/2018 – 30/06/2019) RM
				Director	Major Shareholder	
9.	MSM	Sale of scrap by MST to the Related Party	<p><b>Interested Director</b></p> <p>TY</p> <p><b>Interested Major Shareholders</b></p> <p>MIG, MEBVI, MKSB and KLB</p>	<p>TY is deemed interested in MSM and MST by virtue of him being a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major shareholders of MIG.</p>	<p>MST is a wholly owned subsidiary of Mycron.</p> <p>MSM is a wholly owned subsidiary of MIG.</p> <p>MIG is the Major Shareholder of Mycron by virtue of its 74.13 % shareholding in Mycron.</p>	Nil
10.	MIE	Technical advisory fees charged by the Related Party to MSCRC	<p><b>Interested Director</b></p> <p>TY</p> <p><b>Interested Major Shareholders</b></p> <p>MIG, MEBVI, MKSB and KLB</p>	<p>TY is deemed interested in MIE and MSCRC by virtue of him being a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major shareholders of MIG.</p>	<p>MSCRC is a wholly owned subsidiary of Mycron.</p> <p>MIE is a wholly owned subsidiary of MIG.</p> <p>MIG is the Major Shareholder of Mycron by virtue of its 74.13 % shareholding in Mycron.</p>	128,000



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

## OTHER BURSA SECURITIES COMPLIANCE INFORMATION (CONTINUED)

### 5. RECURRENT RELATED PARTY TRANSACTIONS (“RRPTs”) ENTERED INTO DURING THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

#### C. RRPTs with Melewar Industrial Group Berhad (“MIG”) and its subsidiaries, collectively (“MIG Group”) (continued)

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Parties		Value of Transaction (1/07/2018 – 30/06/2019) RM
				Director	Major Shareholder	
11.	MIG	Provision of management fees charged by the Related Party to MST	<b>Interested Director</b>  TY  <b>Interested Major Shareholders</b>  MIG, MEBVI, MKSB and KLB	TY is deemed interested in MIG and MST by virtue of him being a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major shareholders of MIG.	MST is a wholly owned subsidiary of Mycron.  MIG is the Major Shareholder of Mycron by virtue of its 74.13 % shareholding in Mycron.	1,620,000
12.	Ausgard Quick Assembly Systems Sdn Bhd (“AQAS”)	Sale of pipes by MST to the Related Party	<b>Interested Director</b>  TY  <b>Interested Major Shareholders</b>  MIG, MEBVI, MKSB and KLB	TY is deemed interested in AQAS and MST by virtue of him being a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major shareholders of MIG.	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 74.13 % shareholding in Mycron.	Nil
13.	MSM	Scrap handling commission fee charged by the Related Party to MSCRC	<b>Interested Director</b>  TY  <b>Interested Major Shareholders</b>  MIG, MEBVI, MKSB and KLB	TY is deemed interested in MSM and MSCRC by virtue of him being a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major shareholders of MIG.	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 74.13 % shareholding in Mycron.	1,921,558



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

## OTHER BURSA SECURITIES COMPLIANCE INFORMATION (CONTINUED)

### 5. RECURRENT RELATED PARTY TRANSACTIONS (“RRPTs”) ENTERED INTO DURING THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

#### C. RRPTs with Melewar Industrial Group Berhad (“MIG”) and its subsidiaries, collectively (“MIG Group”) (continued)

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Parties		Value of Transaction (1/07/2018 – 30/06/2019) RM
				Director	Major Shareholder	
14.	MSM	Scrap handling commission fee charged by the Related Party to MST	<p><b>Interested Director</b></p> <p>TY</p> <p><b>Interested Major Shareholders</b></p> <p>MIG, MEBVI, MKSB and KLB</p>	<p>TY is deemed interested in MSM and MST by virtue of him being a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major shareholders of MIG.</p>	<p>MSM is a wholly owned subsidiary of MIG.</p> <p>MST is a wholly owned subsidiary of Mycron.</p> <p>MIG is the Major Shareholder of Mycron by virtue of its 74.13 % shareholding in Mycron.</p>	307,092
15.	Melewar Steel UK Ltd (“MSUK”)	Purchase of steel pipes and tubes by the Related Party from MST	<p><b>Interested Director</b></p> <p>TY</p> <p><b>Interested Major Shareholders</b></p> <p>MIG, MEBVI, MKSB and KLB</p>	<p>TY is deemed interested in MST and MSUK by virtue of him being a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major shareholders of MIG.</p>	<p>MST is a wholly owned subsidiary of Mycron.</p> <p>MSUK is a wholly owned subsidiary of Melewar Imperial Limited (“MIL”), which in turn is a wholly owned subsidiary of MIG.</p> <p>MIG is the Major Shareholder of Mycron by virtue of its 74.13 % shareholding in Mycron</p>	Nil



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

## OTHER BURSA SECURITIES COMPLIANCE INFORMATION (CONTINUED)

### 5. RECURRENT RELATED PARTY TRANSACTIONS (“RRPTs”) ENTERED INTO DURING THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

#### C. RRPTs with Melewar Industrial Group Berhad (“MIG”) and its subsidiaries, collectively (“MIG Group”) (continued)

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Parties		Value of Transaction (1/07/2018 – 30/06/2019) RM
				Director	Major Shareholder	
16.	Jack Nathan Limited (“JNL”)	Purchase of steel pipes and tubes by the Related Party from MST	<b>Interested Director</b>  TY  <b>Interested Major Shareholders</b>  MIG, MEBVI, MKSB and KLB	TY is deemed interested in MST and JNL by virtue of him being a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major shareholders of MIG.	MST is a wholly owned subsidiary of Mycron.  JNL is a wholly owned subsidiary of MIL, which in turn is a wholly owned subsidiary of MIG.  MIG is the Major Shareholder of Mycron by virtue of its 74.13 % shareholding in Mycron	770,326

#### D. Financial assistance between Mycron Group and classes of related parties

Type of Financial Assistant	Related Party	Interested Related Parties	Manner of relationship with the Related Parties		Value of Transaction (1/07/2018 – 30/06/2019) 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	<b>Interested Director</b>  TY  <b>Interested Major Shareholders</b>  MIG, MEBVI, MKSB and KLB	TY is deemed interested in MIE by virtue of him being a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major shareholders of MIG.  MIE is a wholly owned subsidiary of MIG.	MIG is the Major Shareholder of Mycron by virtue of its 74.13 % shareholding in Mycron.	Nil



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

## OTHER BURSA SECURITIES COMPLIANCE INFORMATION (CONTINUED)

### 5. RECURRENT RELATED PARTY TRANSACTIONS (“RRPTs”) ENTERED INTO DURING THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

#### D. RRPTs with Melewar Industrial Group Berhad (“MIG”) and its subsidiaries, collectively (“MIG Group”) (continued)

Type of Financial Assistant	Related Party	Interested Related Parties	Manner of relationship with the Related Parties		Value of Transaction (1/07/2018 – 30/06/2019) 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	<b>Interested Director</b>  TY  <b>Interested Major Shareholders</b>  MIG, MEBVI, MKSB and KLB	TY is deemed interested in MIG by virtue of him being a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major shareholders of MIG.	MIG is the Major Shareholder of Mycron by virtue of its 74.13 % shareholding in Mycron.	Nil
Provision of corporate guarantee to financial institutions, as and when required, to secure the continuing trade facilities extended to direct and indirect subsidiaries.	MIG Group	<b>Interested Director</b>  TY  <b>Interested Major Shareholders</b>  MIG, MEBVI, MKSB and KLB	TY is deemed interested in MIG by virtue of him being a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the major shareholders of MIG.	MIG is the Major Shareholder of Mycron by virtue of its 74.13 % shareholding in Mycron.	Nil



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

## 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 requirements of the Act and applicable approved accounting standards to give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of the results and cash flows of the Group and the Company for the financial year. Where there are new accounting standards or policies that become effective during the financial year, the impact of these new treatments would be stated in the notes to the financial statements, accordingly.

The Board has received assurance from the 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 2019 give a true and fair view of the Company's operations and finances; and of the effectiveness of the Company's risk management and internal control systems. In preparing the financial statements, the Directors have:

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

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

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



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

Pursuant to Rule 15.26(b) of the Listing Requirements of Bursa Securities and Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, the Board is pleased to present the Statement on Risk Management and Internal Control ("Statement") which outlines the governance policies, key elements, nature and scope of risk management and internal control of the Group during financial year ended 30 June 2019.

## BOARD RESPONSIBILITY

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

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

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

From time to time, the Board receives assurances from the Group Chief Executive Officer ("GCEO"), Chief Financial Officer ("CFO") and Chief Operating Officer ("COO") on the efficacy of the risk management and internal control system and that it sufficiently safeguards the interests of the Group.

## RISK MANAGEMENT

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

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

GCEO, Senior Management, Division Heads and Departmental Heads are responsible for identifying, assessing and managing the risks of their respective business units, operational units and departments. The specific business risks identified encompasses risks on finance, operations, regulatory compliance and cyber security, including respective internal controls in place to manage the risks. It assures the Board that the Group's risks are effectively managed based on the Risk Management Framework adopted by the Group and the Internal Controls System are operating adequately and effectively, in all material aspects.

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



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(continued)

## RISK AND SUSTAINABILITY COMMITTEE

The RSC was established by the Board on 31 March 2004. The members of the RSC 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

Datin Seri Raihanah Begum binti Abdul Rahman  
(Appointed 8 April 2019)

Mr Muk Sai Tat  
(Resigned 7 April 2019)

Mr Kwo Shih Kang  
(Appointed 28 August 2019)

During the financial year ended 30 June 2019, four (4) RSC meetings were held. The details of attendance of each Committee member are as follows:

Name of Committee Members	Total Meetings attended
Shazal Yusuf bin Mohamed Zain (Chairman, Independent Non-Executive Director)	4/4
Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah (Non-Independent Non-Executive Director)	3/4
Datin Seri Raihanah Begum binti Abdul Rahman (Independent Non-Executive Director) (Appointed 8 April 2019)	1/1
Muk Sai Tat (Independent Non-Executive Director) (Resigned 7 April 2019)	3/3

Note : Mr Kwo Shih Kang was appointed on 28 August 2019 and therefore his attendance was not included in the table above which is in reference to the financial year ended 30 June 2019.

## RISK MANAGEMENT FRAMEWORK

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

The RSC had formally adopted a Risk Management Framework for the Group in 2005. The objective of this framework is to provide guidance to the Group to facilitate a structured approach in identifying, evaluating and managing significant risks and to achieve a level of adequacy and standard reporting by the operating subsidiaries and business divisions to the holding company in a timely manner.

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

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



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(continued)

## RISK MANAGEMENT FRAMEWORK (CONTINUED)

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

The framework is reviewed and revised as and when necessary to ensure it remains relevant and adequate to manage the MSB Group's risks, which continue to evolve along with the changing business environment.

## INTERNAL CONTROL

The key elements of the Group's system of internal controls that the Board has established in reviewing the adequacy and effectiveness of the risk management and internal control system during the financial year ended 30 June 2019 are summarised as follows:

### 1. Authority and Responsibility

- (a) Responsibilities are delegated to Board Committees through clearly defined Terms of Reference ("TOR") which are reviewed and revised when necessary. The TOR was last reviewed and updated on 28 May 2018.
- (b) The Group has a clear organisation structure with well-defined lines of reporting and appropriate levels of responsibility.
- (c) The Authority Limits is reviewed and revised when necessary to reflect the authority and authorisation limits of Management.

### 2. Internal Control Procedures

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

- Internal Control Procedure
- Petty Cash Procedure
- 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
- 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.



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(continued)

## INTERNAL CONTROL (CONTINUED)

### 3. Policies and Procedures

Operational policies and procedures are formalised to serve as a guiding principle to all employees within the Group for their day to day activities and to ensure compliance with internal controls and relevant laws and regulations. The policies and procedures are documented in the Internal Control Procedures and are reviewed and updated when applicable.

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

### 4. Internal Audit Function

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

Audit issues and actions taken by the Management to address the shortcomings raised by Deloitte were deliberated and accepted during the AGC meetings. Additionally, the AGC also reviewed the implementation progress of the corrective action plans committed by the Management for all key findings and recommendations highlighted in the previous Internal Audit Reports until the corrective actions were implemented appropriately and as committed. Minutes of the AGC meetings which recorded these deliberations and decisions were subsequently presented to the Board for notation.

### 5. Managers Meeting (“MANCO”)

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

### 6. Risk Management Process

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

## REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide (“AAPG”) 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(continued)

## CONCLUSION

For the financial year under review and up to the date the of issuance of this Statement, the Management continues to monitor all major risks affecting the Group and the necessary measures to mitigate or minimise them as well as continue to enhance the adequacy and effectiveness of the risk management and internal control system of the Group mainly focusing on strategic, financial, operational and compliance aspect.

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

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



# AUDIT AND GOVERNANCE COMMITTEE REPORT

The Board of Directors (“Board”) of Mycron Steel Berhad (“MSB” or “the Company”) is pleased to present the Audit and Governance Committee Report including a summary of the activities of the Audit and Governance Committee (“AGC”) which provides insights into the manner in which the AGC discharged its function for the Group for the financial year ended 30 June 2019.

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

## TERMS OF REFERENCE

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

Practice 8.2 of the MCCG 2017 requires the Audit Committee to have a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as member of the Audit Committee.

The AGC had amended its Terms of Reference to reflect the requirements in Practice 8.2 of the MCCG 2017.

The TOR of the AGC is available at the Company’s website at [www.mycronsteel.com](http://www.mycronsteel.com).

## COMPOSITION

As at the date of this Annual Report, the AGC comprises of four (4) members, all of whom are Independent and Non-Executive Directors in compliance with the requirements of paragraph 15.09(1)(a) and (b) of the MMLR of Bursa Securities. No Alternate Director is appointed as a member of the AGC.

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

Designation	Name	Directorship
Chairman	Mr Kwo Shih Kang (Appointed 28 August 2019)	Independent Non-Executive Director
Members	Tan Sri Datuk Seri Razman Md Hashim	Independent Non-Executive Director
	En Shazal Yusuf bin Mohamed Zain (Redesignated to Member on 28 August 2019)	Senior Independent Non-Executive Director
	Datin Seri Raihanah Begum binti Abdul Rahman (Appointed 8 April 2019)	Independent Non-Executive Director
	Mr Muk Sai Tat (Resigned 7 April 2019)	Independent Non-Executive Director

During the financial year, the Chairman of the AGC were held by:

- (i) Mr Muk Sai Tat (from 1 July 2018 to 7 April 2019)
- (ii) En Shazal Yusuf bin Mohamed Zain (from 8 April 2019 to 28 August 2019)
- (iii) Mr Kwo Shih Kang (from 28 August 2019 to present)

All three (3) Chairman are Independent Non-Executive Directors, and are not the Chairman of the Board.



# AUDIT AND GOVERNANCE COMMITTEE REPORT

(continued)

## COMPOSITION (CONTINUED)

Subsequently, on 28 August 2019 Mr Kwo Shih Kang was appointed Chairman of the AGC, in place of En Shazal Yusuf bin Mohamed Zain, who was redesignated from Chairman of the AGC to Member of the AGC.

The Chairman of the AGC, Mr Kwo Shih Kang, is a graduate from CASS Business School, London with a Master of Business Administration, majoring in Finance. He is also a Fellow of the Society of Actuaries, USA. Mr Kwo Shih Kang is a Registered Financial Planner. The Company is therefore in compliance with Paragraph 15.09(1)(c) of the MMLR of Bursa Securities. The Directors' profiles are set out on pages 42 to 46 in the Annual Report.

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

## MEETINGS AND ATTENDANCE

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

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

During the financial year ended 30 June 2019, five (5) AGC meetings were held. The details of attendance of each Committee member are as follows:

Members	No. of Meetings Attended	%
En Shazal Yusuf bin Mohamed Zain	4/5	80
Tan Sri Datuk Seri Razman Md Hashim	5/5	100
Mr Muk Sai Tat (Resigned 7 April 2019)	4/4	100
Datin Seri Raihanah Begum binti Abdul Rahman (Appointed 8 April 2019)	1/1	100

Note : Mr Kwo Shih Kang was appointed on 28 August 2019 and therefore his attendance was not included in the table above which is in reference to the financial year ended 30 June 2019.

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

The External Auditors were also invited to present to the AGC the audit plan, the audit findings, the independent auditors' report as well as any other matters which they considered were important for the AGC's attention. During the financial year under review, the AGC had conducted two (2) private meetings with the External Auditors, to give opportunity to the External Auditors to raise any matters without the presence of the executive board members and the Management.



# AUDIT AND GOVERNANCE COMMITTEE REPORT

(continued)

## MEETINGS AND ATTENDANCE (CONTINUED)

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

The Nomination and Remuneration Committee (“NRC”) had on 27 August 2019 reviewed the terms of office and performance of the AGC members. The Board, through its NRC, reviewed the performance of the AGC and the skills, experience and competencies possessed by the members of the AGC through an annual AGC effectiveness assessment.

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

## SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR 2019

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

Financial Reporting	<p>(a) The AGC reviewed the unaudited quarterly financial results and audited financial statements of the Group with the aim to ensure that the interim financial reports and financial statements were prepared in accordance with the approved Malaysian Financial Reporting Standards (“MFRSs”), the International Financial Reporting Standards (“IFRSs”), the Companies Act 2016 and other statutory requirements. In reviewing the interim financial report, the CFO provided explanations on the analysis of the quarterly results and major variances. The AGC was also briefed on the Group’s business operations, factors affecting the Group’s performance and market outlook.</p> <p>(b) Sought clarification from Management especially from the CFO of the Group on the following information for better understanding of the overall state of the financial position of the Company:</p> <ul style="list-style-type: none"> <li>➤ Performance of the key divisions of the Company including the variations and contributing factors to the performance;</li> <li>➤ Foreign exchange exposure;</li> <li>➤ 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;</li> <li>➤ Position of the gearing ratio of the Company.</li> </ul> <p>(c) Reviewed the key audit matters highlighted in the auditors’ report based on auditors’ professional judgement which were considered as most significant in their audit of the financial statements of the Group and of the Company for the current financial year.</p> <p>(d) Reviewed and ascertained that the audited annual financial statements do not contain any misstatement of transactions and the auditors are in a position to issue an unqualified opinion on the matter of truth and fairness of the financial performance and the financial position of the Company and of the Group.</p> <p>(e) The AGC discussed the impact of any changes to the accounting policies and adoption of new accounting standards as well as accounting treatments used in the financial statements in particular with regards to MFRS 16 “Leases”.</p>
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# AUDIT AND GOVERNANCE COMMITTEE REPORT

(continued)

## SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR 2019 (CONTINUED)

<p>External Audit and Interim Review</p>	<p>(a) Discussed with the External Auditors on their annual audit plan, nature and scope of audit focus on key risk areas as well as audit procedures, prior to the commencement of audit.</p> <p>(b) Reviewed the External Auditors' annual audit report and accompanying reports to management, reports of their other examinations and management letters on internal control matters, including management's response and the level of co-operation given by employees to the External Auditors.</p> <p>(c) Evaluated the External Auditors' independence, objectivity and terms of engagement before recommending their re-appointment and remuneration. In ensuring independence, the AGC :-</p> <ul style="list-style-type: none"> <li>- took into consideration the criteria stipulated under Paragraph 15.21 of the MMLR when deciding on the External Auditors.</li> <li>- ensured audit partner responsible for external audit of MSB is subject to rotation at least every seven (7) financial years in accordance with the MIA By-Laws which requires that the engagement partner involved in the external audit should not remain in a key audit role beyond seven (7) years. The last audit partner rotation was in 2018.</li> </ul> <p>(d) Reviewed with the External Auditors the Statement on Risk Management and Internal Control which provides an overview of the state of internal controls and risk management within the Group and also the AGC's Report prior to the Board's approval for inclusion in the Annual Report.</p> <p>(e) Received updates on the statutory and regulatory requirements including the implementation of the accounting standards applicable in the preparation of financial statements and their implications on the financial statements.</p> <p>(f) Assessed the suitability and independence of External Auditors and obtained written assurance from the External Auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the Malaysian Institute of Accountants as well as other regulatory requirements.</p> <p>(g) Conducted two (2) private sessions with the External Auditors, without the presence of Executive Directors and Management, to review the adequacy and effectiveness of the system of internal control and any other areas of concern arising from their interim and final audit. No major concerns were raised by the External Auditors.</p>
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# AUDIT AND GOVERNANCE COMMITTEE REPORT

(continued)

## SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR 2019 (CONTINUED)

<p>Internal Control and Internal Audit</p>	<p>(a) Reviewed and approved the Internal Audit Consultants' Annual Internal Audit Plan and ensured principal risks, key entities, scope and functions were adequately identified and covered in the plan.</p> <p>(b) Reviewed and evaluated the overall adequacy and effectiveness of the risk management and Group's internal control system on a quarterly basis through review of results of work performed by Internal and External Auditors and discussions with the Management.</p> <p>(c) Reviewed the internal audit reports presented by the Internal Audit Consultants at each AGC meeting and their activities with respect to:</p> <ul style="list-style-type: none"> <li>➤ Status of audit activities as compared to the approved Annual Audit Plan.</li> <li>➤ Monitored the outcome of the audits, follow-up, investigation to ascertain all action plans were adequately implemented to address the key risks.</li> <li>➤ Adequacy of Management's responsiveness to the audit findings and recommendations.</li> <li>➤ Adequacy of audit resources of the Internal Audit Consultants.</li> <li>➤ 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.</li> <li>➤ Reviewed the adequacy of the scope, functions, competency and resources of the internal audit function.</li> <li>➤ Reviewed and recommended to the Board the re-appointment of the external service provider for internal audit services.</li> </ul> <p>(d) 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.</p>
<p>Corporate Governance</p>	<p>(a) Reviewed and monitored the disclosure of related party transactions and any conflict of interest situation and questionable transactions to ensure compliance with the MMLR and that they were not favourable to the related parties than those generally available to the public and were not detrimental to minority shareholders.</p> <p>(b) Reviewed the following draft Circular to Shareholders and recommended the same to the Board for approval:</p> <ul style="list-style-type: none"> <li>(i) Proposed renewal of shareholders' mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and Provision of Financial Assistance; and</li> <li>(ii) Proposed adoption of New Constitution of the Company.</li> </ul> <p>(c) Reviewed the AGC Report, Corporate Governance Overview Statement, Corporate Governance Report, Board's responsibility on the Statement on Risk Management and Internal Control and other relevant documents for publication in the Company's Annual Report.</p>



# AUDIT AND GOVERNANCE COMMITTEE REPORT

(continued)

## SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR 2019 (CONTINUED)

Rights Issue with Warrants	<p>During the financial year 2019, the Group undertook a fund raising exercise through the issuance of renounceable rights issue of 56,709,091 new ordinary shares on the basis of one (1) Right Share for every five (5) existing Mycron Shares together with 28,354,546 free detachable warrants on the basis of one (1) warrant for every two (2) right share subscribed at an issue price of RM0.30 per right share ("Rights Issue with Warrants").</p> <p>The Company issued and listed 43,512,144 new ordinary shares and 21,756,070 Warrants pursuant to its Rights Issue with free Warrant exercise.</p> <p>The Company completed its Rights Issue with Warrant exercise on 31 January 2019.</p>
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## SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

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

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

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

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

During the financial year ended 30 June 2019, the Internal Audit Consultants had carried out a review on the Group's policies, procedures, processes and controls covering the following areas based on the approved audit plan for 2018/2020:

Companies	Key Areas	Activities
Mycron Steel CRC Sdn Bhd ("MSCRC")  Melewar Steel Tube Sdn Bhd ("MST")  Silver Victory Sdn Bhd ("SVSB")	Revenue Recognition, Billing, Collection and Credit Controls	<ul style="list-style-type: none"> <li>• Reviewed the billing and collection internal control procedure and identified areas of improvement where applicable.</li> <li>• Reviewed the compliance on the debt collection internal control procedure.</li> <li>• Reviewed the accuracy and timeliness of revenue recognition.</li> <li>• Assessed the adequacy of revenue collection process and whether all collections have been received in a timely manner.</li> <li>• Reviewed the governance over any discount or rebates given to customers.</li> <li>• Assessed the controls over revenue collection, closing process and recognition of revenue within the system.</li> <li>• Reviewed the monitoring process for debtors aging and collection process.</li> <li>• Reviewed the controls and validity for any debtors' provision made.</li> <li>• Reviewed the adequacy of tracking, segregation of duties, disbursement and monitoring of petty cash management.</li> </ul>



# AUDIT AND GOVERNANCE COMMITTEE REPORT

(continued)

## SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION (CONTINUED)

Companies	Key Areas	Activities
MSCRC and MST	Production Operations	<ul style="list-style-type: none"> <li>Reviewed the internal control procedures pertaining to production within the production line/facility and identified any areas of improvement within the internal control procedure where applicable.</li> <li>Reviewed usage of raw materials and utilities during the production time and assessed the trend of the variances on the usage.</li> <li>Reviewed the factory production planning and actual monthly output generated and analysis on any variances.</li> <li>Reviewed the production output analysis by comparing actual production against targeted production.</li> <li>Analysed factory production planning versus actual monthly production output.</li> <li>Reviewed timeliness of updating finished goods produced in the ERP system.</li> <li>Reviewed production schedule planning, monitoring and reporting process.</li> <li>Reviewed tracking of output from production line to inventory.</li> <li>Reviewed production downtime monitoring and reporting.</li> <li>Reviewed the ISO audit report issued by the SIRIM Auditor.</li> </ul>
MSCRC and MST	Inventory and Warehouse Management	<ul style="list-style-type: none"> <li>Compliance with established policies and procedures in relation to inventory and warehouse management.</li> <li>Compliance with approved Limits of Authority in relation to transactions related to inventory (i.e. stock adjustment, stock write-off, disposal and scrap, etc.).</li> <li>Reviewed the adequacy of internal control procedures and supporting documents for stock movements (i.e. incoming /outgoing of materials, work in-progress and finished goods).</li> <li>Reviewed the internal control procedures for the classification and disposal of scrap materials.</li> <li>Monitoring and recording of inventory disposal / scrap, write-off and materials waste.</li> <li>Monitoring and recording of material variances (i.e. excess / shortage of materials issuance from the warehouse to production).</li> <li>Recording and recognition of inventory in inventory system.</li> <li>Monitoring of stock ageing and identification of slow-moving and non-moving inventory.</li> <li>Reviewed controls over traceability and location monitoring of materials and finished goods.</li> <li>Reviewed adequacy of warehouse security and safeguarding controls.</li> <li>Reviewed sufficiency of insurance coverage for inventories.</li> </ul>



# AUDIT AND GOVERNANCE COMMITTEE REPORT

(continued)

## SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION (CONTINUED)

Companies	Key Areas	Activities
MSCRC and MST	Production Operations	<ul style="list-style-type: none"> <li>• Reviewed the internal control procedures pertaining to production within the production line/ facility and identified any areas of improvement within the internal control procedure where applicable.</li> <li>• Reviewed usage of raw materials and utilities during the production time and assessed the trend of the variances on the usage.</li> <li>• Reviewed the factory production planning and actual monthly output generated and analysis on any variances.</li> <li>• Reviewed the production output analysis by comparing actual production against targeted production.</li> <li>• Analysed factory production planning versus actual monthly production output.</li> <li>• Reviewed timeliness of updating finished goods produced in the ERP system.</li> <li>• Reviewed production schedule planning, monitoring and reporting process.</li> <li>• Reviewed tracking of output from production line to inventory.</li> <li>• Reviewed production downtime monitoring and reporting.</li> <li>• Reviewed the ISO audit report issued by the SIRIM Auditor.</li> </ul>
MST	Occupational Health, Safety, Security and Environment	<ul style="list-style-type: none"> <li>• Reviewed the internal control procedures pertaining to occupational health, safety, security and environment to identify any areas of improvement, where applicable.</li> <li>• Reviewed the results of safety audit and safety reports conducted by the Safety Officer.</li> <li>• Reviewed the incident reporting process in Factory 1 to Factory 3.</li> </ul>
Mycron Steel Berhad MSCRC MST	Information Technology ("IT") Governance Review	<ul style="list-style-type: none"> <li>• Reviewed compliance with the established policies and procedures in relation to information system management.</li> <li>• Reviewed security administration controls.</li> <li>• Reviewed IT helpdesk management.</li> <li>• Reviewed user access controls and authorisation.</li> <li>• Reviewed segregation of administrative duties for IT - administrators and support IT personnel.</li> <li>• Reviewed back-up and test restoration processes.</li> <li>• Reviewed back-up data media management.</li> </ul>

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

The AGC had noted the overall findings covering the above auditable area and was generally satisfied with the results of the audit.

The costs incurred in respect of the internal audit reviews performed by the professional services firm was RM69,077 for the financial year ended 30 June 2019.



# DIRECTORS' REPORT

For the financial year ended 30 June 2019

The Directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 30 June 2019.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are that 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.

There have been no significant changes in the nature of these activities during the financial year.

## FINANCIAL RESULTS

	<b>Group RM</b>	<b>Company RM</b>
Net loss for the financial year	11,985,498	585,958

## DIVIDENDS

There were no dividends declared or paid by the Company over the current financial year.

The Directors do not recommend the payment of any dividend for the financial year ended 30 June 2019.

## 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 completed its 'Rights Issue with Warrants' exercise on 31 January 2019, and had raised RM13,053,644 from valid acceptance and excess applications of 43,512,144 Rights shares representing a 76.73% take-up rate over the total Rights shares available for subscription. The 43,512,144 new shares and the corresponding 21,756,070 free detachable warrants were listed on 31 January 2019.

The Company does not have any debenture.



# DIRECTORS' REPORT

For the financial year ended 30 June 2019  
(continued)

## 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  
 Shazal Yusuf bin Mohamed Zain  
 Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah  
 Roshan Mahendran bin Abdullah  
 Datin Seri Raihanah Begum binti Abdul Rahman (*appointed on 8 April 2019*)  
 Kwo Shih Kang (*appointed on 23 August 2019*)  
 Muk Sai Tat (*resigned on 7 April 2019*)

In accordance with Article 113(1) of the Company's Article of Association, Tunku Dato' Yaacob Khyra and Azlan bin Abdullah are to retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. In accordance with Article 120 of the Company's Article of Association, Datin Seri Raihanah Begum binti Abdul Rahman and Kwo Shih Kang are due to retire.

## DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Number of ordinary shares			At 30.6.2019
	At 1.7.2018	Acquired	Disposed	
<b>Melewar Industrial Group Berhad</b> (Ultimate holding company)				
Tunku Dato' Yaacob Khyra - deemed indirect interest <sup>(a)</sup>	82,381,232	82,381,232 <sup>(b)</sup>	-	164,762,464
Azlan bin Abdullah - direct interest	133,333	-	-	133,333

(a) Deemed indirect interest by virtue of Tunku Dato' Yaacob Khyra being a beneficiary of a trust known as Khyra Legacy Berhad, being the holding company of Melewar Equities (BVI) Ltd and Melewar Khyra Sdn Bhd who are the Major/Substantial Shareholders of Melewar Industrial Group Berhad.

(b) Arising from Rights Issue exercise.



# DIRECTORS' REPORT

For the financial year ended 30 June 2019  
(continued)

## DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONTINUED)

	Number of ordinary shares			At 30.6.2019
	At 1.7.2018	Acquired	Disposed	
<b>Mycron Steel Berhad</b> (the Company)				
Tunku Dato' Yaacob Khyra - deemed indirect interest <sup>(a)</sup>	202,102,521	40,420,504 <sup>(c)</sup>	-	242,523,025
Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah - deemed indirect interest <sup>(b)</sup>	52,300	10,460 <sup>(c)</sup>	-	62,760
Azlan bin Abdullah - direct interest	100,000	-	-	100,000

(a) Deemed indirect interest by virtue of Tunku Dato' Yaacob Khyra being a beneficiary of a trust known as Khyra Legacy Berhad, being the holding company of Melewar Equities (BVI) Ltd and Melewar Khyra Sdn Bhd who are the Major/Substantial Shareholders of Melewar Industrial Group Berhad, a Major Shareholder of Mycron Steel Berhad.

(b) Tunku Dato' Kamil Ikram is a director and a shareholder with 12.5% shareholdings in Melewar Group Berhad ("MGB") which is the family owned investment holding company. MGB holds 0.02% of the issued share capital of Mycron Steel Berhad.

(c) Arising from Rights Issue exercise.

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

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.

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



# DIRECTORS' REPORT

For the financial year ended 30 June 2019  
(continued)

## DIRECTORS' REMUNERATION

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

## INDEMNITY AND INSURANCE COSTS

The Directors and officers of the Group and the Company are covered by Directors and Officers Liability Insurance ("D&O") for any liability incurred in the discharge of their duties provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The premium borne by the Group and the Company for the D&O coverage during the financial year was both approximately RM20,000.

## OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Group and the Company were prepared, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of 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
  - (ii) 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.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
  - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (c) At the date of this report,
- (i) there are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year which secures the liabilities of any other person; and
  - (ii) there are no contingent liabilities in the Group and in the Company which have arisen since the end of the financial year.



## DIRECTORS' REPORT

For the financial year ended 30 June 2019  
(continued)

### OTHER STATUTORY INFORMATION (CONTINUED)

- (d) No contingent or other liability of any company in the Group has become enforceable or is likely to become enforceable within the period of 12 months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company and its subsidiaries to meet their obligations when they fall due.
- (e) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the respective financial statements misleading.
- (f) In the opinion of the Directors:
  - (i) the results of the operations of the Group and the Company 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 8 and Note 12 to the financial statements; and
  - (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

### 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.

### LIST OF DIRECTORS OF SUBSIDIARIES

Pursuant to Section 253 of the Companies Act 2016, the list of Directors of the subsidiaries during the financial year up to the date of this report and the statement is as follows:

Tunku Dato' Yaacob Khyra  
Azlan bin Abdullah  
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah  
Roshan Mahendran bin Abdullah

### SUBSIDIARIES

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



# **DIRECTORS' REPORT**

For the financial year ended 30 June 2019  
(continued)

## **AUDITORS' REMUNERATION**

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

## **AUDITORS**

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

This report was approved by the Board of Directors on 22 October 2019. Signed on behalf of the Board of Directors:

**ROSHAN MAHENDRAN BIN ABDULLAH**  
EXECUTIVE DIRECTOR/ GROUP CHIEF EXECUTIVE OFFICER

**AZLAN BIN ABDULLAH**  
DIRECTOR



## STATEMENT BY DIRECTORS

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

We, **Roshan Mahendran bin Abdullah** and **Azlan bin Abdullah**, two of the Directors of **Mycron Steel Berhad**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 110 to 194 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019 and financial performance of the Group and of the Company for the financial year ended 30 June 2019 in accordance with the Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards (“IFRS”) and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 22 October 2019.

**ROSHAN MAHENDRAN BIN ABDULLAH**  
EXECUTIVE DIRECTOR/ GROUP CHIEF EXECUTIVE OFFICER

**AZLAN BIN ABDULLAH**  
DIRECTOR

## STATUTORY DECLARATION

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

I, **Choo Kah Yeap**, 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 110 to 194 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

**CHOO KAH YEAN**  
CHIEF FINANCIAL OFFICER  
MIA Number: 24018

Subscribed and solemnly declared by the abovenamed, at Wilayah Persekutuan Kuala Lumpur on 22 October 2019, before me.

**COMMISSIONER FOR OATHS**



# INDEPENDENT AUDITORS' REPORT

to the members of Mycron Steel Berhad

## 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 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 30 June 2019 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 financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 110 to 194.

### 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.



# INDEPENDENT AUDITORS' REPORT

to the members of Mycron Steel Berhad  
(continued)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### 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 for the current year. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Key audit matters (Group)</b>	<b>How our audit addressed the key audit matters</b>
<p><b><u>Valuation of land and buildings, plant, machinery and electrical installation</u></b></p> <p>Refer to Note 2(d) Property, plant and equipment – Summary of significant accounting policies, Note 3(b) Revaluation of certain property, plant and equipment – Critical accounting estimates and judgements and Note 12 – Property, plant and equipment to the financial statements.</p> <p>The Group carries its land and buildings, plant, machinery and electrical installation at values approximating their fair values.</p> <p>As at 30 June 2019, the carrying amount of the Group's land and buildings, plant, machinery and electrical installation is RM305.0 million.</p> <p>The valuation of the Group's land and buildings, plant, machinery and electrical installation are carried out by independent professional valuer on an annual basis. The valuation of the land and buildings is inherently subjective due to the individual nature of each property and its location; whereas the plant, machinery and electrical installation is inherently subjective due to the physical condition of the individual assets at the point of valuation.</p>	<p><u>Evaluation of the valuer's objectivity and competency</u></p> <p>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 2019.</p> <p>We evaluated the valuer's competence by checking the valuer's qualifications and their registration to the Board of Valuers. We read their terms of engagement to determine whether there were any matters that might have affected their objectivity.</p> <p><u>Estimates on land and buildings</u></p> <p>For the land and buildings revalued during the financial year, the fair values were determined based on the Market approach which entails separate valuations of the land and buildings to arrive at the fair value. The fair values of the land and buildings were determined based on open market basis by reference to observable prices in the market or recent market transactions 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.</p> <p>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.</p>



# INDEPENDENT AUDITORS' REPORT

to the members of Mycron Steel Berhad  
(continued)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Key audit matters (continued)

Key audit matters (Group) (continued)	How our audit addressed the key audit matters (continued)
<p><b><u>Valuation of land and buildings, plant, machinery and electrical installation</u></b> (continued)</p> <p>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.</p>	<p><u>Estimates on plant, machinery and electrical installation</u></p> <p>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).</p> <p>We obtained an understanding on the basis of valuation including the underlying estimates and appropriateness of the unobservable inputs used through discussion with the valuer, checked the reasonableness of the basis of valuation and unobservable inputs used to the valuer's working, and inspected evidence corroborating the key judgement applied by management.</p>

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 Directors' Report and other sections of the 2019 Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

# INDEPENDENT AUDITORS' REPORT

to the members of Mycron Steel Berhad

(continued)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Responsibilities of the Directors for the financial statements

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

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

### Auditors' responsibilities for the audit of the financial statements

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.



# INDEPENDENT AUDITORS' REPORT

to the members of Mycron Steel Berhad  
(continued)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

## OTHER MATTERS

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

**PRICEWATERHOUSECOOPERS PLT**  
LLP0014401-LCA & AF 1146  
Chartered Accountants

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

Kuala Lumpur  
22 October 2019



# STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 30 June 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
Revenue	6	694,483,673	793,374,314	2,326,355	3,581,513
Cost of sales		(666,509,884)	(731,881,841)	(1,845,962)	(1,762,374)
Gross profit		27,973,789	61,492,473	480,393	1,819,139
Other operating income		1,721,559	116,259	–	–
Net foreign exchange (loss)/gain	4(e)	(229,603)	636,801	–	–
Selling and distribution costs		(5,652,826)	(6,418,583)	–	–
Administrative expenses		(26,258,339)	(26,225,400)	(1,115,834)	(1,546,064)
Impairment loss on property, plant and equipment	12	(1,673,403)	(901,064)	–	–
Finance income	7	1,330,014	1,390,582	99,379	9,736
Finance costs	7	(6,903,850)	(7,549,873)	(18,939)	(7,779)
(Loss)/Profit before tax	8	(9,692,659)	22,541,195	(555,001)	275,032
Taxation	10	(2,292,839)	(6,440,424)	(30,957)	(367,287)
Net (loss)/profit for the financial year		(11,985,498)	16,100,771	(585,958)	(92,255)
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
- Revaluation surplus on property, plant and equipment, net of tax	12	3,256,506	1,317,687	–	–
Total comprehensive (loss)/income for the financial year		(8,728,992)	17,418,458	(585,958)	(92,255)



# STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 30 June 2019

(continued)

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
Net (loss)/profit for the financial year attributable to owners of the Company		(11,985,498)	16,100,771	(585,958)	(92,255)
Total comprehensive (loss)/income for the financial year attributable to owners of the Company		(8,728,992)	17,418,458	(585,958)	(92,255)
(Loss)/Earnings per share attributable to equity holders of the Company - basic (sen)	11	(3.92)	5.54		

**STATEMENTS OF FINANCIAL POSITION**

as at 30 June 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	12	317,815,066	288,469,858	877,749	250,882
Investments in subsidiaries	13	–	–	214,215,679	211,790,679
Intangible assets	14	20,000,000	20,000,000	–	–
		<b>337,815,066</b>	<b>308,469,858</b>	<b>215,093,428</b>	<b>212,041,561</b>
<b>CURRENT ASSETS</b>					
Inventories	15	187,491,036	205,190,250	–	–
Trade and other receivables	16	89,428,978	122,670,642	7,773	17,568
Amount owing by ultimate holding company	17	15,097	1,861,297	–	–
Amounts owing by subsidiaries	18	–	–	63,903	256,255
Amounts owing by related companies	19	745,994	1,887,416	–	–
Derivative financial assets	20	799,891	3,341,051	–	–
Cash and cash equivalents	21	50,177,502	51,022,964	8,215,361	580,164
Tax recoverable		424,214	23,097	206,313	–
		<b>329,082,712</b>	<b>385,996,717</b>	<b>8,493,350</b>	<b>853,987</b>
<b>LESS: CURRENT LIABILITIES</b>					
Trade and other payables	22	135,816,348	187,001,249	257,233	565,722
Amounts owing to subsidiaries	18	–	–	3,617,688	5,500,000
Amount owing to a related company	19	1,022,807	1,212,092	–	–
Derivative financial liabilities	20	230,009	2,570	–	–
Borrowings	24	88,463,881	90,735,555	170,877	40,869
Tax payable		28,692	607,935	–	95,675
		<b>225,561,737</b>	<b>279,559,401</b>	<b>4,045,798</b>	<b>6,202,266</b>
<b>NET CURRENT ASSETS/ (LIABILITIES)</b>		<b>103,520,975</b>	<b>106,437,316</b>	<b>4,447,552</b>	<b>(5,348,279)</b>



# STATEMENTS OF FINANCIAL POSITION

as at 30 June 2019

(continued)

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
<b>LESS: NON-CURRENT LIABILITIES</b>					
Deferred tax liabilities	23	23,764,165	21,699,216	11,700	13,304
Borrowings	24	21,675,126	1,635,860	534,793	153,177
		45,439,291	23,335,076	546,493	166,481
		395,896,750	391,572,098	218,994,487	206,526,801
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>					
Share capital	25	217,676,829	206,363,671	217,676,829	206,363,671
Warrant reserves	26	1,740,486	–	1,740,486	–
Asset revaluation reserve	27	30,108,054	26,851,548	–	–
Retained earnings/ (accumulated losses)		146,371,381	158,356,879	(422,828)	163,130
<b>TOTAL EQUITY</b>		395,896,750	391,572,098	218,994,487	206,526,801



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2019

Note	← Attributable to owners of the Company →				Total RM
	Share capital RM	Warrant reserves RM	Asset revaluation reserves RM	Retained earnings RM	
At 1 July 2018	206,363,671	-	26,851,548	158,356,879	391,572,098
Transaction with owners: - Rights issue with warrants	25 & 26	11,313,158	1,740,486	-	13,053,644
Net loss for the financial year		-	-	(11,985,498)	(11,985,498)
Other comprehensive income: - Revaluation surplus on property, plant and equipment, net of tax	12	-	3,256,506	-	3,256,506
Total comprehensive loss for the financial year		-	3,256,506	(11,985,498)	(8,728,992)
At 30 June 2019	217,676,829	1,740,486	30,108,054	146,371,381	395,896,750

Note	← Attributable to owners of the Company →				Total RM
	Share capital RM	Asset revaluation reserves RM	Retained earnings RM	Total RM	
At 1 July 2017	206,363,671	25,533,861	142,256,108	374,153,640	
Net profit for the financial year		-	-	16,100,771	16,100,771
Other comprehensive income: - Revaluation surplus on property, plant and equipment, net of tax	12	-	1,317,687	-	1,317,687
Total comprehensive income for the financial year		-	1,317,687	16,100,771	17,418,458
At 30 June 2018	206,363,671	26,851,548	158,356,879	391,572,098	



## COMPANY STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2019

	Note	Share capital RM	Warrant reserves RM	Retained earnings/ (accumulated losses) RM	Total RM
At 1 July 2018		206,363,671	-	163,130	206,526,801
Transactions with owners					
- Rights issue with warrants	25 & 26	11,313,158	1,740,486	-	13,053,644
Total comprehensive loss for the financial year		-	-	(585,958)	(585,958)
At 30 June 2019		217,676,829	1,740,486	(422,828)	218,994,487
At 1 July 2017		206,363,671	-	255,385	206,619,056
Total comprehensive loss for the financial year		-	-	(92,255)	(92,255)
At 30 June 2018		206,363,671	-	163,130	206,526,801

**STATEMENTS OF CASH FLOWS**

for the financial year ended 30 June 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
(Loss)/Profit before tax		(9,692,659)	22,541,195	(555,001)	275,032
Adjustments for:					
Property, plant and equipment:					
- depreciation	12	15,198,056	14,742,520	99,288	32,724
- net (gain)/loss on disposals	8	(1,387,971)	1,717	-	-
- impairment loss	12	1,673,403	901,064	-	-
- write-off	12	-	119,957	-	-
Net unrealised loss/(gain) on foreign exchange	4(e)	(237,934)	511,132	-	-
Interest income	7	(1,330,014)	(1,390,582)	(99,379)	(9,736)
Interest expense	7	6,903,850	7,549,873	18,939	7,779
Write back of impairment of receivables	4(c)	(283,381)	-	-	-
		10,843,350	44,976,876	(536,153)	305,799
Changes in working capital:					
- inventories		17,699,214	(28,013,752)	-	-
- trade and other receivables		33,525,045	(16,391,204)	9,795	(7,155)
- trade and other payables		(48,178,368)	(196,442)	(308,489)	256,582
- intercompany balances		2,798,337	3,107,154	192,352	(54,068)
Cash generated from/(used in) operations		16,687,578	3,482,632	(642,495)	501,158
Interest paid		(6,936,036)	(8,623,198)	(18,939)	(7,779)
Interest received		1,330,014	1,390,582	99,379	9,736
Tax paid		(3,422,933)	(5,931,276)	(334,549)	(271,003)
Tax refunded		23,155	207,038	-	128,164
Net cash generated from/(used in) operating activities		7,681,778	(9,474,222)	(896,604)	360,276



# STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2019

(continued)

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchases of property, plant and equipment		(13,270,659)	(6,861,859)	(76,155)	-
Proceeds from disposal of property, plant and equipment		1,591,823	141,959	-	-
Repayment from ultimate holding company		-	558,913	-	-
Advances to ultimate holding company		-	(2,152,988)	-	-
Advances to a subsidiary		-	-	(2,425,000)	-
Repayment from a subsidiary		-	-	-	6,000,000
Net cash (used in)/generated from investing activities		(11,678,836)	(8,313,975)	(2,501,155)	6,000,000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Rights issue with warrants		13,053,644	-	13,053,644	-
Repayments of borrowings		(220,134,494)	(160,646,888)	(138,376)	(40,868)
Proceeds from borrowings		210,232,446	168,870,000	-	-
Repayment of advances to ultimate holding company		-	(4,000,000)	-	(4,000,000)
Repayment of advances to subsidiary		-	-	(1,882,312)	(2,000,000)
Net cash generated from/(used in) financing activities		3,151,596	4,223,112	11,032,956	(6,040,868)
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>		(845,462)	(13,565,085)	7,635,197	319,408
<b>CASH AND CASH EQUIVALENTS:</b>					
- at beginning of the financial year		51,022,964	64,588,049	580,164	260,756
- at end of the financial year	21	50,177,502	51,022,964	8,215,361	580,164

During the financial year, the Group and the Company made non-cash purchases of property, plant and equipment amounting to RM27,701,826 (2018: RM1,267,225) and RM650,000 (2018: Nil) respectively via mortgage loan and hire-purchase arrangements (Note 12).



# STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2019

(continued)

Cash-flow movement in-relation to 'changes in liabilities arising from financing activities' during the financial year is outlined below:

	Bankers' acceptance RM	Term loan RM	Hire purchase RM	Mortgage loan RM	Total RM
<b>Group</b>					
At 1 July 2018	87,060,000	3,790,068	1,521,347	-	92,371,415
<u>Cash flows:</u>					
Proceeds from borrowings	206,401,000	3,831,446	-	-	210,232,446
Repayment of borrowings	(212,811,000)	(3,972,224)	(2,174,583)	(1,176,687)	(220,134,494)
Interest paid	(4,374,110)	(170,690)	(192,778)	(906,447)	(5,644,025)
<u>Non-cash changes:</u>					
Purchase of property, plant and equipment:					
- hire purchase arrangements	-	-	6,701,826	-	6,701,826
- mortgage loan	-	-	-	21,000,000	21,000,000
Interest charged	4,374,110	138,504	192,778	906,447	5,611,839
At 30 June 2019	80,650,000	3,617,104	6,048,590	19,823,313	110,139,007

	Bankers' acceptance RM	Term loan RM	Hire purchase RM	Revolving credit RM	Amount owing to immediate holding company RM	Total RM
<b>Group</b>						
At 1 July 2017	66,730,000	6,817,102	961,010	8,400,000	4,000,000	86,908,112
<u>Cash flows:</u>						
Proceeds from borrowings	168,870,000	-	-	-	-	168,870,000
Repayment of borrowings	(148,540,000)	(3,000,000)	(706,888)	(8,400,000)	-	(160,646,888)
Repayment of advances from ultimate holding company	-	-	-	-	(4,000,000)	(4,000,000)
Interest paid	(3,322,753)	(354,627)	(90,228)	(284,433)	-	(4,052,041)
<u>Non-cash changes:</u>						
Purchase of property, plant and equipment:						
- hire purchase arrangements	-	-	1,267,225	-	-	1,267,225
Interest charged	3,322,753	327,593	90,228	284,433	-	4,025,007
At 30 June 2018	87,060,000	3,790,068	1,521,347	-	-	92,371,415



## STATEMENTS OF CASH FLOWS

For the financial year ended 30 June 2019

(continued)

Cash-flow movement in-relation to 'changes in liabilities arising from financing activities' during the financial year is outlined below: (continued)

	Hire purchase RM	Amounts owing to subsidiaries RM	Total RM
<b>Company</b>			
At 1 July 2018	194,046	5,500,000	5,694,046
<u>Cash flows:</u>			
Repayment of advances	-	(1,882,312)	(1,882,312)
Repayment of borrowings	(138,376)	-	(138,376)
Interest paid	(18,939)	-	(18,939)
<u>Non-cash changes:</u>			
Purchase of property, plant and equipment:			
- hire purchase arrangements	650,000	-	650,000
Interest charged	18,939	-	18,939
At 30 June 2019	705,670	3,617,688	4,323,358

	Hire purchase RM	Amounts owing to subsidiaries RM	Amount owing to ultimate holding company RM	Total RM
<b>Company</b>				
At 1 July 2017	234,914	7,500,000	4,000,000	11,734,914
<u>Cash flows:</u>				
Repayment of advances	-	(2,000,000)	(4,000,000)	(6,000,000)
Repayment of borrowings	(40,868)	-	-	(40,868)
Interest paid	(7,779)	-	-	(7,779)
<u>Non-cash changes:</u>				
Interest charged	7,779	-	-	7,779
At 30 June 2018	194,046	5,500,000	-	5,694,046

# NOTES TO THE FINANCIAL STATEMENTS

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# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

## 1 GENERAL INFORMATION

The principal activities of the Company are that 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 11.05, 11th 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 2019, all monetary assets and liabilities of the Group and the Company are denominated in Ringgit Malaysia, unless otherwise stated.

The financial statements were approved and authorised for issue in accordance with a resolution of the Board of Directors on 22 October 2019.

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of preparation (continued)

#### Standards, amendments to published standards and interpretations that are effective

The Group has adopted the following amendments for the first time for the financial year beginning on 1 July 2018 on its 2019 financial statements:

- MFRS 9 'Financial Instruments'
- MFRS 15 'Revenue from Contracts with Customers'
- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'

#### **MFRS 9 "Financial Instruments" replaces 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 contractual 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 fair value change due to an entity's own credit risk is recorded in other comprehensive income, unless this creates an accounting mismatch.

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

The Group has applied MFRS 9 retrospectively with the date of initial application of 1 July 2018. In accordance with the transitional provisions provided in MFRS 9, comparative information for 2018 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139.

The Group has applied the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Group's provision matrix is based on its historical credit loss experience with trade receivables of similar credit risk characteristics, adjusted for forward-looking factors specific to the category of debtors and the economic environment.

The impact on adoption of MFRS 9 at the date of initial application of 1 July 2018 are as follows:

- (i) Reclassification of loans and receivables to financial assets at amortised cost
- (ii) Change in accounting policies

The impact of the change in accounting policy on financial assets is disclosed in Note 2(g) to the financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of preparation (continued)

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

#### **MFRS 15 “Revenue from Contracts with Customers” replaces MFRS 118 “Revenue” and MFRS 111 “Construction Contracts”**

The Group has applied MFRS 15 with the date of initial application of 1 July 2018 by using the modified retrospective transition method.

Under the modified retrospective transition method, the Group applies the new policy retrospectively only to contracts that are not completed contracts at the date of initial application. Accordingly, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 15 were recognised as an adjustment to the opening balance of retained earnings as at 1 July 2018. The comparative information continued to be reported under the previous accounting policies governed under MFRS 118.

In addition, the Group has elected the practical expedient not to retrospectively restate contracts that were modified before the date of initial application.

The main changes to accounting policy on revenue is as follows:

- Revenue relating to sales of steel products will be recognised when control of the products has transferred, being the point when the products are delivered to the customer. As the transfer of risks and rewards generally coincides with the transfer of control at a point in time, the timing and amount of revenue recognised for the sales of steel products under MFRS 15 does not have any impact on the current practice.
- Revenue relating to services will be recognised in the accounting period in which the services are rendered. Revenue relating to revenue from services will be recognised over time. Under MFRS 15, the revenue recognition for services does not have any impact on its current practice.

The impact of the change in accounting policy on revenue is disclosed in Note 2(p) to the financial statements.

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



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of preparation (continued)

#### Standards and amendments that have been issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 July 2019. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

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

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

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

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

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

As at 30 June 2019, the Group have non-cancellable operating lease commitments of approximately RM6.3 million. Upon the adoption of MFRS 16, the Group will recognise a liability for the future operating lease payments and right-of-use assets, unless the underlying right-of-use asset is of low value or they are short-term leases, in its statements of financial position. Correspondingly, the Group will also recognise a value on the ‘Rights of Use’ of the lease assets. This would result in a gross-up on both total assets and total liabilities with a negligible net impact. However, the Group does not expect the adoption of MFRS 16 to have any significant impact on profit or loss.

The Group will apply the standard from its mandatory adoption date of 1 July 2019. The Group intend to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

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

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

IC Interpretation 23 will be applied retrospectively.



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(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)

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

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

The amendments will be applied retrospectively.

- Annual Improvements to MFRSs 2015 – 2017 Cycle:
  - Amendments to MFRS 3 'Business Combinations' (effective from 1 January 2019) clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.
  - Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.
  - Amendments to MFRS 123 'Borrowing Costs' (effective from 1 January 2019) clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.
- Amendments to MFRS 3 'Definition of a Business' (effective 1 January 2020) revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

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

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

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

The amendments shall be applied prospectively.

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



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 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.



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Basis of consolidation (continued)

#### (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.

### (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. Land, building, 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 derecognised, 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.



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Property, plant and equipment (continued)

#### (i) Measurement basis (continued)

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 off.

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.

#### (ii) Depreciation

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Each lease payment is allocated between the liability and finance charges so as to archive a constant rate on the remaining balance of the liability. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the estimated useful life of the asset or the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in 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 2019

(continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Financial assets

The Group and the Company have adopted MFRS 9, which resulted in some changes in accounting policies. The main changes prior and post adoption are as follows.

#### Accounting policies applied until 30 June 2018

The details of accounting policies applied until 30 June 2018 for financial instruments are as follows:

##### 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.

- 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 and GST recoverable)', 'cash and cash equivalents', 'amount owing by ultimate holding company' and 'amounts owing by related companies' in the Note 33 to the financial statements.

##### 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.



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Financial assets (continued)

#### Accounting policies applied until 30 June 2018 (continued)

##### Subsequent measurement – gains and losses

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.

##### Subsequent measurement - impairment of financial assets

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

##### De-recognition of financial assets

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

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.



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Financial assets (continued)

#### Accounting policies applied from 1 July 2018

##### Classification

From 1 July 2018, the Group and the Company classify its financial assets in the following measurement categories:

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

The Group and the Company reclassify debt investments when and only when its business model for managing those assets changes.

##### Recognition and derecognition

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

##### Measurement

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

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

##### Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group and the Company classify its debt instruments:

#### (i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are recognised in profit or loss in the period which it arises.

#### (ii) FVTPL

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



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Financial assets (continued)

#### Accounting policies applied from 1 July 2018 (continued)

##### Equity instruments

The Group and the Company subsequently measure all equity investments at fair value. Where the Group's and the Company's management have elected to present fair value gains and losses on equity investments in other comprehensive income ("OCI"), there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's and the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in profit or loss in the period which it arises.

##### Subsequent measurement - Impairment for debt instruments

The Group and the Company assess on a forward looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost and financial guarantee contracts issued. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group and the Company have the following types of financial instruments that are subject to the ECL model:

- Trade receivables
- Other receivables
- Inter-company balances
- Financial guarantee contracts

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

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group and the Company expect to receive, over the remaining life of the financial instrument. For guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group and the Company expects to receive from the holders, the debtor or any other party.

The measurement of ECL reflects:

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



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Financial assets (continued)

#### Accounting policies applied from 1 July 2018 (continued)

##### Subsequent measurement - Impairment for debt instruments (continued)

- (a) General 3-stage approach for other receivables, inter-company balances and financial guarantee contracts issued

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

- (b) Simplified approach for trade receivables

The Group and the Company apply the MFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance for all trade receivables. The Group's provision matrix is based on its historical credit loss experience with trade receivables of similar credit risk characteristics, adjusted for forward-looking factors specific to the category of debtors and the economic environment.

##### Significant increase in credit risk

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

The following indicators are incorporated:

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

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

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 60 days past due in making a contractual payment.



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Financial assets (continued)

#### Accounting policies applied from 1 July 2018 (continued)

##### Definition of default and credit-impaired financial assets

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

##### *Quantitative criteria*

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

##### *Qualitative criteria:*

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

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

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

##### Groupings of instruments for ECL measured on collective basis

##### (i) Collective assessment

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

##### (ii) Individual assessment

Trade receivables and contract assets which are in default or credit-impaired are assessed individually.

Amount due from subsidiaries in the Company's separate financial statements are assessed on individual basis for ECL measurement.



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Financial assets (continued)

#### Accounting policies applied from 1 July 2018 (continued)

##### Write-off

#### (a) Trade receivables

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

Impairment losses on trade receivables are presented as net impairment losses in profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

#### (b) Other receivables

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

### (h) 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.

### (i) 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).



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Derivative financial instruments and hedging activities (continued)

Derivatives that qualify for hedge accounting are designated as either:

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

Since the adoption of MFRS 9, the Group documents at the inception of the hedge relationship, the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

Prior to 1 July 2018, 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.

### (j) Intangible assets

The Group carries an intangible asset relating to the licences, patents and trademarks from the consolidation of its acquired Steel Tube subsidiary.

Licences, patents and trademarks are shown at historical cost. Licences, patents and trademark 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 2019

(continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) 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.

### (l) 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 and other short term highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### (m) Financial liabilities

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

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

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

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

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

#### (ii) Financial liabilities subsequently measured at amortised cost

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (n) Provisions

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

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

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

### (o) Share capital

Ordinary shares are classified as equity. Liability is recognised for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the Company on or before the end of the reporting date but not distributed at the end of the reporting date.

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

### (p) Revenue recognition

#### Accounting policies applied until 30 June 2018

#### (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.

#### (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.



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (p) Revenue recognition (continued)

#### Accounting policies applied from 1 July 2018

##### Revenue with contracts with customers

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

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

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

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Group's obligation to transfer goods or services to a customer for which the Group has received consideration in advance from customer is presented as prepayment from customers (contract liability) within trade and other payables.

##### (ii) Processing service income

The Group offers tolling service to its customers. Revenue from providing such service is recognised in the accounting period in which service is rendered.

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

##### (iii) Management fees income

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



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (p) Revenue recognition (continued)

#### Accounting policies applied from 1 July 2018 (continued)

##### Revenue from other sources

#### (i) Dividend income

Dividends are received from financial assets. Dividend is recognised when the Group's right to receive payment is established. Dividend income is recognised as part of revenue on these financial instruments.

#### (ii) Interest income

Interest income is recognised using the effective interest method.

### (q) 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.

### (r) 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.



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (r) Current and deferred income tax (continued)

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.

### (s) Foreign currencies

#### (i) Functional and presentation currency

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



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (t) 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.

### (u) Contingent liabilities and contingent assets

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

### (v) 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.

#### Accounting policies applied until 30 June 2018

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.

#### Accounting policies applied from 1 July 2018

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 'Financial Instruments' and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 'Revenue from Contracts with Customers', where appropriate.



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 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 non-financial assets

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

The Group's Cold Rolled subsidiary has a firm commitment to upgrade a particular processing line, where the implementation thereof will result in the carrying revalued amount not being fully recoverable due to the replaced 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 to the financial statements.

### (b) Revaluation of certain property, plant, and equipment

As disclosed in Note 12 to the financial statements, the Group carries its land and buildings, plant, machinery and electrical installation at values approximating their fair values. On an annual basis, the Group appoints independent professional firms to determine the fair valuation of these property, plant and equipment which generally do not have quoted prices in active markets for identical assets. The Directors at the advice of the appointed professional-valuers exercised judgement and made assumptions in the selection and deployment of the most suitable valuation techniques in the ensuing fair value determination.

### (c) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences or unutilised tax losses and tax credits (including reinvestment allowance) can be utilised. This involves judgement regarding future taxable profits of a particular entities within the Group in which the deferred tax asset has been recognised. With effect from the tax assessment year 2019, the allowable carrying forward period on unutilised tax losses and reinvestment allowances has been limited to 7 years. Estimating future taxable profits and the utilisation of tax losses and reinvestment allowances over the allowed time-period involve significant assumptions. During the financial year, the Group has recognised deferred tax assets arising from unutilised tax losses and other deductible temporary differences as disclosed in Note 23 to the financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

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## 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) plus interest bearing debts as capital resources (which totalled to RM519.3 million at the close of the current financial year), 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 capital adequacy 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 RM4.3 million (or up 1%) whilst interest-bearing debt capital has decreased by around RM0.8 million (or down 1%). The Group's debt-equity ratio closed at 0.3 times for the current reporting period, similar to the preceding period's close.



# NOTES TO THE FINANCIAL STATEMENTS

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(continued)

## 4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (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 96.1% and 63.6% respectively. However, the said subsidiaries have adequate short-term assets to meet short-term liabilities as reflected in the Group's current-ratio of 1.46 times at the close of the current reporting period (compared to 1.38 times for the preceding period).

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 despite the losses recorded for the current period. This can be attributed to 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.

The Group's subsidiaries are subjected to a liquidity covenant on the minimum allowable 'Debt Service Cover Ratio'. For the reporting period, the Cold Rolled subsidiary could not comply with the 'Debt Service Cover Ratio' due to its operating loss position. The Cold Rolled subsidiary has since obtained a waiver indulgence on the said covenant ratio for the current financial year. The Steel Tube subsidiary duly complied with the aforementioned liquidity covenant imposed at its 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 USD52.0 million (RM215.4 million) and USD23.5 million (RM97.1 million) respectively from key suppliers.

At the reporting date, the Company's exposure to liquidity risk arises from corporate guarantees issued on the Cold-Rolled subsidiary's outstanding bank debts of RM53.7 million (2018: RM77.8 million), and on the Steel Tube subsidiary's outstanding bank debts of RM50.4 million (2018: RM13.1 million). The Directors are of the opinion that the default risk by the subsidiaries on both the aforementioned is negligible.

The total balance undrawn banking trade-line facilities for the subsidiaries at the reporting date is around RM106.9 million (2018: RM60.4 million).

During the current financial year, the Steel Tube subsidiary incepted a term-loan of RM21 million over the 1<sup>st</sup> financial quarter to partly finance the acquisition of a land and factory transacted at RM26 million from its ultimate holding company. The repayment term is over 10 years and of a monthly instalment sum equivalent to 1.8 times the monthly rental payment saved, and as such does not materially add to its outflow obligations.



# NOTES TO THE FINANCIAL STATEMENTS

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(continued)

## 4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (b) Liquidity risk (continued)

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:

	Carrying amount	Contractual interest rate	Contractual cash flows	Current	1 - 2 years	2 - 3 years	> 3 years
	RM	% per annum	RM	RM	RM	RM	RM
<b>Group</b>							
<b>At 30 June 2019</b>							
<u>Non-derivative financial liabilities:</u>							
Bankers' acceptance	80,650,000	4.67 - 5.65	81,449,403	81,449,403	-	-	-
Term loan	3,617,104	5.54 - 6.50	3,667,690	3,667,690	-	-	-
Mortgage loan	19,823,313	5.64 - 5.89	25,691,989	2,777,512	2,777,512	17,359,453	-
Hire-purchase creditors	6,048,591	2.50 - 3.12	6,549,047	2,796,727	2,398,130	1,108,566	245,624
Trade payables	9,478,060	5.10	9,668,244	9,668,244	-	-	-
Trade and other payables	124,737,145		124,737,145	124,737,145	-	-	-
Amount owing to a related company	1,022,807		1,022,807	1,022,807	-	-	-
	245,377,020		252,786,325	226,119,528	5,175,642	3,886,078	17,605,077
Derivative financial liabilities	230,009		230,009	230,009	-	-	-
	245,607,029		253,016,334	226,349,537	5,175,642	3,886,078	17,605,077

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:

	Carrying amount	Contractual interest rate	Contractual cash flows	Current	1 - 2 years	2 - 3 years	> 3 years
	RM	% per annum	RM	RM	RM	RM	RM
<b>Group</b>							
<b>At 30 June 2018</b>							
<u>Non-derivative financial liabilities:</u>							
Bankers' acceptance	87,060,000	4.67 - 5.65	88,000,731	88,000,731	-	-	-
Term Loan	3,790,068	6.50	3,893,445	3,139,038	754,407	-	-
Hire-purchase creditors	1,521,347	2.50 - 3.38	1,661,760	704,024	518,934	213,126	225,676
Trade payables	28,193,464	5.10	28,615,793	28,615,793	-	-	-
Trade and other payables	157,551,284		157,551,284	157,551,284	-	-	-
Amount owing to a related company	1,212,092		1,212,092	1,212,092	-	-	-
	279,328,255		280,935,105	279,222,962	1,273,341	213,126	225,676
Derivative financial liabilities	2,570		2,570	2,570	-	-	-
	279,330,825		280,937,675	279,225,532	1,273,341	213,126	225,676



# NOTES TO THE FINANCIAL STATEMENTS

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## 4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (b) Liquidity risk (continued)

The maturity analysis of the Company's financial liabilities at the reporting date and preceding financial year's reporting date as comparison based on contractual undiscounted repayment obligations are set out in the table below:

	<u>Contractual interest rate</u> % per annum	<u>Carrying amount</u> RM	<u>Contractual cash flows</u> RM	<u>Current</u> RM	<u>1 – 2 years</u> RM	<u>&gt; 2 years</u> RM
<b>Company</b>						
<b>At 30 June 2019</b>						
Trade and other payables		257,233	257,233	257,233	-	-
Hire-purchase creditors	2.72	705,670	798,107	193,536	193,536	411,035
Amounts owing to subsidiaries		3,617,688	3,617,688	3,617,688	-	-
Financial guarantee contracts		-	210,940,000	210,940,000	-	-
		4,580,591	215,613,028	215,008,457	193,536	411,035
<b>At 30 June 2018</b>						
Trade and other payables		565,722	565,722	565,722	-	-
Hire-purchase creditors	2.72	194,046	230,996	48,648	48,648	133,700
Amounts owing to subsidiaries		5,500,000	5,500,000	5,500,000	-	-
Financial guarantee contracts		-	151,250,000	151,250,000	-	-
		6,259,768	157,546,718	157,364,370	48,648	133,700

### (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 88% (2018: 94%) and 43% (2018: 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 (2018: 2) external customers that contributes to more than 10% of the Group's revenue. The revenue contributed by the said customers amounted to RM164.0 million (2018: RM172.6 million).



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (c) Credit risk (continued)

The Group's and the Company's major classes of financial assets are as disclosed in Note 33 to the financial statements. Nevertheless, management obtains corporate guarantees and personal indemnities from trade debtors where possible in managing exposure to credit risk.

#### Accounting policies applied from 1 July 2018

The Group and the Company have four types of financial instruments that are subject to the Expected Credit Loss (ECL) model:

- Trade receivables
- Other receivables
- Inter-company balances
- Financial guarantee contracts

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

#### Trade receivables using the simplified approach

The Group has with effect from current financial year changed its credit impairment policies from that based on 'incurred loss model' to MFRS 9 simplified approach in measuring expected credit losses which estimates a lifetime expected credit loss allowance for all trade receivables. It has not increased on the opening allowance for impairment of trade receivables at the date of initial application of MFRS 9.

Information on the Group's accounting policy on impairment of trade receivables is disclosed in Note 2(g) to the financial statements.

#### Other receivables, inter-company balances and financial guarantee contracts

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

Category	Definition of category	Basis for recognition of expected credit loss provision
Performing	Debtors have a low risk of default and a strong capacity to meet contractual cash flows.	12 months expected losses. Where the expected lifetime on an asset is less than 12 months, expected losses are measured at its expected lifetime.
Underperforming	Debtors for which there is a significant increase in credit risk due to actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligation.	Lifetime expected losses



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (c) Credit risk (continued)

#### Accounting policies applied from 1 July 2018 (continued)

Other receivables, inter-company balances and financial guarantee contracts (continued)

Category	Definition of category	Basis for recognition of expected credit loss provision
Non-performing	There is evidence indicating the assets are credit-impaired.	Lifetime expected losses
Write-off	There is evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.	Asset is written off

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

For the Group and the Company's inter-company balances that are repayable on demand, the calculation of ECL is based on the following assumptions:

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



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (c) Credit risk (continued)

#### Accounting policies applied from 1 July 2018 (continued)

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

	Maximum exposure RM	Collateral and credit enhancement RM	Total RM
Trade receivables	28,817,062	55,967,503	84,784,565
Other receivables and staff loans	884,502	–	884,502
Deposit	627,173	–	627,173
Amount owing by ultimate holding company	15,097	–	15,097
Amounts owing by related companies	745,994	–	745,994
Derivative financial assets	799,891	–	799,891
	31,889,719	55,967,503	87,857,222

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

(ii) Financial assets that are impaired

Movement of the Group's allowance for impairment of trade and other receivables and amounts owing by related companies is as follows:

Group	Trade receivables (Note 16) RM	Other receivables (Note 16) RM	Amounts owing by related companies (Note 19) RM	Total RM
1 July 2018	248,301	–	524,592	772,893
Allowance for/(write back of) impairment during the financial year	21,411	219,800	(524,592)	(283,381)
30 June 2019	269,712	219,800	–	489,512

No allowance for impairment of trade and other receivables and intercompany balance have been recognised by the Company during the financial year or in the preceding financial year.

**NOTES TO THE FINANCIAL STATEMENTS**

- 30 June 2019

(continued)

**4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****(c) Credit risk (continued)****Accounting policies applied until 30 June 2018**

- (i) Details of the Group's financial assets after credit impairment assessment in accordance with incurred loss model (excluding cash and bank balances) at the preceding financial year's reporting date are set out in the table below:

	Total RM	Impaired RM	Neither past due nor impaired RM	← Past due not impaired →					Total past due not impaired RM
				< 30 days RM	31 – 60 days RM	61 – 90 days RM	91 – 180 days RM	> 181 days RM	
<b>Group</b>									
<b>At 30 June 2018</b>									
Trade receivables	113,543,926	248,301	98,535,094	14,319,367	197,681	122,994	119,592	897	14,760,531
Other receivables and staff loans	1,371,498	-	1,371,498	-	-	-	-	-	-
Deposits	3,553,553	-	3,553,553	-	-	-	-	-	-
Amounts owing by ultimate holding company	1,861,297	-	1,861,297	-	-	-	-	-	-
Amounts owing by related companies	2,412,008	524,592	70,702	-	-	-	-	1,816,714	1,816,714
Derivative financial assets	3,341,051	-	3,341,051	-	-	-	-	-	-
	126,083,333	772,893	108,733,195	14,319,367	197,681	122,994	119,592	1,817,611	16,577,245

Details of the Company's financial assets after credit impairment assessment in accordance with incurred loss model (excluding cash and bank balances) at the preceding financial year's reporting date are set out in the table below:

	Total RM	Impaired RM	Neither past due nor impaired RM	← Past due not impaired →					Total past due not impaired RM
				< 30 days RM	31 – 60 days RM	61 – 90 days RM	91 – 180 days RM	> 181 days RM	
<b>Company</b>									
<b>At 30 June 2018</b>									
Other receivables	8,981	-	8,981	-	-	-	-	-	-
Deposits	4,500	-	4,500	-	-	-	-	-	-
Amounts owing by subsidiaries	256,255	-	256,255	-	-	-	-	-	-
	269,736	-	269,736	-	-	-	-	-	-



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (c) Credit risk (continued)

#### Accounting policies applied until 30 June 2018 (continued)

#### (ii) Financial assets that are neither past due nor impaired

The Group's 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. Trade receivables represent the largest financial asset group in this category and are held under the following segments of the Group.

<b>Trade Receivables</b>	<b>Neither past due nor impaired RM</b>
Cold Rolled Coil	69,557,832
Steel Tube	28,977,262
Total	<u>98,535,094</u>

Information regarding "other receivables" and "deposits" is disclosed in Note 16 and "amount owing by ultimate holding company" is disclosed in Note 17.

The Group's "related-company" balances that are neither past due nor impaired are non-trade related, and these totals to RM70,702.

The Group and the Company did not have any receivables that are neither past due nor impaired that have been negotiated during the previous financial year.

#### (iii) 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 previous financial statements, the Group had received 99% of the outstanding sums from these customers. Trade receivables that are past due but not impaired are represented by the following segments:

<b>Trade Receivables</b>	<b>Past due but not impaired RM</b>
Cold Rolled Coil	8,706,044
Steel Tube	6,054,486
Total	<u>14,760,530</u>

At the previous reporting date, the related company balances comprise of trade business amounting to RM1,816,714 and non-trade balances amounting to RM 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.



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (c) Credit risk (continued)

#### Accounting policies applied until 30 June 2018 (continued)

#### (iv) Financial assets that are impaired

During the previous financial year, a subsidiary has written off in full a bad-debt provision of RM346,457 as the customer went into insolvency and the recovery of debt is highly unlikely.

There are no financial assets at Group or Company levels that warranted impairment but not impaired during or at the close of the current financial year.

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 companies (Note 19) RM	Total RM
<u>As at 30 June 2018</u>				
Allowance for impairment:				
1 July 2017	594,758	-	524,592	1,119,350
Written off	(346,457)	-	-	(346,457)
30 June 2018	248,301	-	524,592	772,893

### (d) Interest rate risk

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

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

The floating rate loan instrument is subjected to revision of the lender's cost of funds in computing the interest rate. In May 2019, Bank Negara Malaysia reduced the Overnight Policy Rate by 25 basis points. The lender for the floating-rate Term Loan did not followed through with any rate reduction on the grounds that its variable 'cost-of-fund' has not changed. The lender for the floating-rate Mortgage Loan followed through with a rate reduction averaging 21 basis points in reflection of its change in 'cost-of-fund'.

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 generally been stable except for the mentioned 25 basis points reduction made on the Overnight Policy Rate in early May 2019 during the current financial year.

The Group and the Company also have interest earning financial 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.



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (d) Interest rate risk (continued)

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

	2019 RM	2018 RM
<u>Current</u>		
Fixed rate borrowings, denominated in RM	83,172,754	87,695,487
Floating rate borrowings, denominated in RM	5,291,127	3,040,068
Fixed rate credit from supplier, denominated in RM (Note 22)	9,478,060	28,023,152
<u>Non-current</u>		
Fixed rate borrowings, denominated in RM	3,525,836	885,860
Floating rate borrowings, denominated in RM	18,149,290	750,000
	119,617,067	120,394,567

The risk impact for the floating rate financial liability instruments had the overall interest rates being 1% higher, is that the Group's loss after tax for financial year 2019 would increase by RM178 thousand (2018: profit after tax decrease by RM29 thousand). 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 Malaysia 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 7%) 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-offset' ratio method. On Steel Tube's affirmed export sales in foreign currencies, the Group would sell forward around 25% of its future foreign currency receivables 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

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## 4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

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

FX fair value	2019			2018		
	Unrealised RM'000	Realised RM'000	Total RM'000	Unrealised RM'000	Realised RM'000	Total RM'000
<u>FX hedging instrument</u>						
Not hedge accounted	(15)	245	230	65	74	139
Hedge accounted	585	1,736	2,321	3,273	(12,995)	(9,722)
	570	1,981	2,551	3,338	(12,921)	(9,583)
<u>FX hedged items</u>						
Not hedge accounted	253	(713)	(460)	(576)	1,075	499
Hedge accounted	(585)	(1,736)	(2,321)	(3,273)	12,994	9,721
	(332)	(2,449)	(2,781)	(3,849)	14,069	10,220
Net FX gain/(loss)	238	(468)	(230)	(511)	1,148	637

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 SGD	Total
<b>As at 30 June 2019</b>			
<u>Financial assets</u>			
Trade and other receivables	105,170	5,193,607	5,298,777
Cash and bank balances	83,637	388,897	472,534
	188,807	5,582,504	5,771,311
<u>Less: Financial liabilities</u>			
Trade and other payables	114,101,170	–	114,101,170
Net financial (liabilities)/assets	(113,912,363)	5,582,504	(108,329,859)
<u>Off balance sheet</u>			
Contracted commitments	(47,953,227)	–	(47,953,227)
Less: Forward foreign currency contracts at notional value at closing rate	145,278,995	(1,102,884)	144,176,111
Net currency exposure	(16,586,595)	4,479,620	(12,106,975)



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

As at 30 June 2018

	From USD	From SGD	Total
<u>Financial assets</u>			
Trade and other receivables	170,983	4,563,418	4,734,401
Cash and bank balances	231,059	318,690	549,749
	402,042	4,882,108	5,284,150
<u>Less: Financial liabilities</u>			
Trade and other payables	145,131,754	–	145,131,754
Net financial (liabilities)/assets	(144,729,712)	4,882,108	(139,847,604)
<u>Off balance sheet</u>			
Contracted commitments	(29,389,357)	–	(29,389,357)
Less: Forward foreign currency contracts at notional value at closing rate	155,483,292	(889,874)	154,593,418
Net currency exposure	(18,635,777)	3,992,234	(14,643,543)

'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 loss after tax (2018: profit after tax) to a reasonably possible change in the US Dollar ("USD") and Singapore Dollar ("SGD") exchange rates against RM, with all other variables in particular interest rates held constant.

Group	Increase/(Decrease)	
	2019 RM	2018 RM
RM appreciates against USD by 3%	(378,174)	424,896
RM appreciates against SGD by 3%	102,135	(91,023)

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.



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

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

### Fair value estimation

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

- (a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- (c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

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
<u>30 June 2019</u>				
<u>Financial asset</u>				
Derivative financial assets	–	799,891	–	799,891
<u>Financial liability</u>				
Derivative financial liabilities	–	230,009	–	230,009
<u>30 June 2018</u>				
<u>Financial asset</u>				
Derivative financial assets	–	3,341,051	–	3,341,051
<u>Financial liability</u>				
Derivative financial liabilities	–	2,570	–	2,570

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.



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 6 REVENUE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Revenue from contracts with customers:				
- Sale of goods	692,030,833	790,445,917	-	-
- Processing service income	2,452,840	2,928,397	-	-
- Management fees income	-	-	2,326,355	3,581,513
	694,483,673	793,374,314	2,326,355	3,581,513

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

	Group			
	At a point-in-time		Over time	Total RM
	Local RM	Abroad RM	Local RM	
Sale of steel products				
- Cold rolled coils	417,386,206	4,788,895	-	422,175,101
- Steel tube and pipes	238,492,347	18,782,090	-	257,274,437
- Scraps	12,581,295	-	-	12,581,295
Processing service income	-	-	2,452,840	2,452,840
	668,459,848	23,570,985	2,452,840	694,483,673

On the revenue derived from foreign sources, around 70% are from Singapore, 21% are from United States of America, with the balance in negligible proportion from United Kingdom, Indonesia, Kuwait and Sri Lanka.

	Company			
	At a point-in-time		Over time	Total RM
	Local RM	Abroad RM	Local RM	
Management fees income	-	-	2,326,355	2,326,355

No assets have been recognised from costs incurred to obtain contracts with customers.

**NOTES TO THE FINANCIAL STATEMENTS**

- 30 June 2019

(continued)

**7 FINANCE INCOME AND COSTS**

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Finance income:				
Interest on deposits with financial institutions	1,330,014	1,390,582	99,379	9,736
Finance costs:				
Interest expenses on:				
- borrowings	5,419,061	3,934,779	-	-
- suppliers' credit	1,292,011	3,524,866	-	-
- hire-purchase	192,778	90,228	18,939	7,779
Total finance costs	6,903,850	7,549,873	18,939	7,779

**8 (LOSS)/PROFIT BEFORE TAX**

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
(Loss)/Profit before tax is arrived at after charging/(crediting):				
Auditors' remuneration:				
- statutory audit	355,380	363,780	128,680	128,980
- non-audit services	13,160	12,760	13,160	12,760
Changes in inventories of finished goods and work in progress	11,707,488	(14,350,882)	-	-
Raw materials consumed	595,940,253	680,941,572	-	-
Consumables (inventories) consumed	13,252,189	15,994,054	-	-
Property, plant and equipment (Note 12):				
- depreciation	15,198,056	14,742,520	99,288	32,724
- (gain)/ loss on disposals	(1,387,971)	1,717	-	-
- impairment loss	1,673,403	901,064	-	-
- write offs	-	119,957	-	-
Write back of impairment of receivables (Note 4(c))	(283,381)	-	-	-
Rental of buildings	3,711,346	5,483,350	-	-
Staff costs (excluding remuneration of Executive Directors):				
- salaries, bonuses and allowances	28,090,438	28,877,120	867,193	806,882
- defined contribution plan	3,825,160	3,997,892	121,144	122,174
- others	2,763,244	3,124,443	98,753	144,489
Net unrealised (gain)/loss on foreign exchange	(237,934)	511,132	-	-
Net realised loss/(gain) on foreign-exchange	467,537	(1,147,933)	-	-



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 9 DIRECTORS' REMUNERATION

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Non-Executive Directors:				
- fees	318,543	249,000	318,543	249,000
- other emoluments	27,000	36,500	27,000	36,500
Executive Directors:				
- salaries, bonuses and other emoluments	2,220,270	1,798,550	350,000	350,000
- defined contribution plan	331,128	269,785	52,500	52,500
	2,896,941	2,353,835	748,043	688,000

The estimated monetary value of benefits-in-kind received and receivable by the Directors of the Group and of the Company are RM80,857 (2018: RM65,660) and RM45,657 (2018: RM29,902) respectively.

The number of Directors whose total remuneration fall within the following bands are as follows:

	Number of Directors			
	2019	Executive 2018	2019	Non-Executive 2018
<u>Range of remuneration</u>				
Nil	-	1	-	-
RM1 to RM50,000	-	-	2	1
RM50,001 to RM100,000	-	-	5	4
RM400,001 to RM450,000	1	1	-	-
RM1,650,001 to RM1,700,000	1	1	-	-
	2	3	7	5

## 10 TAXATION

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Current Malaysian tax:				
- current tax expense	2,526,672	4,937,679	32,561	352,591
- (over)/under provision in prior financial year	(107,254)	(21,867)	-	6,991
	2,419,418	4,915,812	32,561	359,582
Deferred tax: (Note 23)				
- origination and reversal of temporary differences	(126,579)	1,524,612	(1,604)	7,705
Tax expense	2,292,839	6,440,424	30,957	367,287

**NOTES TO THE FINANCIAL STATEMENTS**

- 30 June 2019

(continued)

**10 TAXATION (CONTINUED)**

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
(Loss)/Profit before tax	(9,692,659)	22,541,195	(555,001)	275,032
Tax calculated at the Malaysian tax rate of 24% (2018: 24%)	(2,326,239)	5,409,887	(133,200)	66,007
Tax effects of:				
- expenses not deductible for tax purposes	1,494,693	2,671,100	188,008	334,018
- income not subject to tax	(1,191,331)	(1,581,304)	(23,851)	(2,337)
- (over)/under provision in prior financial year	(107,254)	(21,867)	-	6,991
- exempt income	-	(37,392)	-	(37,392)
- change in tax rate	984,487	-	-	-
- temporary difference not recognised as deferred tax (see Note 23)	3,438,483	-	-	-
Tax expense	2,292,839	6,440,424	30,957	367,287

**11 (LOSS)/EARNINGS PER SHARE**

(a) Basic (loss)/earnings per share

	Group	
	2019	2018
Net (loss)/profit attributable to equity holders of the Company (RM)	(11,985,498)	16,100,771
Weighted average number of ordinary shares	305,745,602	283,545,455
Basic (loss)/earnings per share (sen)	(3.92)	5.54*

\* Basic EPS for the comparative period which was previously stated at 5.68 sen has been restated for the effects of the 'Rights Issue with free Warrant' concluded in the current financial year.

(b) Diluted earnings per share

No diluted loss per share is presented since the issued and listed warrants are in an anti-dilutive position given that its exercisable price (at 60 sen) is above the listed market price of the mother share at the close of the current financial year.



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

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## 12 PROPERTY, PLANT AND EQUIPMENT

	Freehold/ Leasehold 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								
<u>Cost/Valuation</u>								
At 1 July 2018								
- cost	-	-	-	3,309,642	4,257,801	3,421,739	637,810	11,626,992
- valuation	57,100,000	52,000,000	193,309,342	-	-	-	-	302,409,342
	57,100,000	52,000,000	193,309,342	3,309,642	4,257,801	3,421,739	637,810	314,036,334
Additions	19,374,000	8,023,776	4,937,962	731,375	1,268,119	6,376,461	260,792	40,972,485
Disposals	-	-	(3,077,264)	(572,407)	(84,399)	-	-	(3,734,070)
Reclassification	-	-	3,630,979	-	393	(3,375,291)	(256,081)	-
Revaluation during the financial year	5,339,885	(365,671)	473,820	-	-	-	-	5,448,034
Effects of elimination of accumulated depreciation on revaluation	(313,885)	(2,158,105)	(10,780,172)	-	-	-	-	(13,252,162)
At 30 June 2019	81,500,000	57,500,000	188,494,667	3,468,610	5,441,914	6,422,909	642,521	343,470,621
<u>Less: Accumulated depreciation</u>								
At 1 July 2018	-	-	-	810,886	1,993,288	-	-	2,804,174
Charge for the financial year	313,885	2,158,105	11,906,375	383,171	436,520	-	-	15,198,056
Disposals	-	-	(1,126,203)	(431,031)	(57,782)	-	-	(1,615,016)
Effects of elimination of accumulated depreciation on revaluation	(313,885)	(2,158,105)	(10,780,172)	-	-	-	-	(13,252,162)
At 30 June 2019	-	-	-	763,026	2,372,026	-	-	3,135,052
<u>Less: Accumulated impairment losses</u>								
At 1 July 2018	-	-	22,762,302	-	-	-	-	22,762,302
Charge for the financial year	-	-	1,673,403	-	-	-	-	1,673,403
Disposal	-	-	(1,915,202)	-	-	-	-	(1,915,202)
At 30 June 2019	-	-	22,520,503	-	-	-	-	22,520,503
Net book value	81,500,000	57,500,000	165,974,164	2,705,584	3,069,888	6,422,909	642,521	317,815,066
Representing:								
- cost	-	-	-	2,705,584	3,069,888	6,422,909	642,521	12,840,902
- valuation	81,500,000	57,500,000	165,974,164	-	-	-	-	304,974,164
	81,500,000	57,500,000	165,974,164	2,705,584	3,069,888	6,422,909	642,521	317,815,066

**NOTES TO THE FINANCIAL STATEMENTS**

- 30 June 2019

(continued)

**12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

Group	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
<u>Cost/Valuation</u>								
At 1 July 2017								
- cost	-	-	-	2,626,585	3,771,831	282,913	462,845	7,144,174
- valuation	57,100,000	52,900,000	201,528,155	-	-	-	-	311,528,155
	57,100,000	52,900,000	201,528,155	2,626,585	3,771,831	282,913	462,845	318,672,329
Additions	-	-	3,029,636	983,386	484,690	3,375,291	256,081	8,129,084
Disposals	-	-	(30,706)	(300,329)	(44,533)	-	-	(375,568)
Write offs	-	-	(118,479)	-	(9,912)	-	-	(128,391)
Revaluation during the financial year	-	881,097	852,702	-	-	-	-	1,733,799
Reclassification	-	-	261,856	-	55,725	(236,465)	(81,116)	-
Effects of elimination of accumulated depreciation on revaluation	-	(1,781,097)	(12,213,822)	-	-	-	-	(13,994,919)
At 30 June 2018	57,100,000	52,000,000	193,309,342	3,309,642	4,257,801	3,421,739	637,810	314,036,334
<u>Less: Accumulated depreciation</u>								
At 1 July 2017	-	-	-	642,785	1,654,114	-	-	2,296,899
Charge for the financial year	-	1,781,097	12,217,871	358,730	384,822	-	-	14,742,520
Disposals	-	-	(1,008)	(190,629)	(40,255)	-	-	(231,892)
Write offs	-	-	(3,041)	-	(5,393)	-	-	(8,434)
Effects of elimination of accumulated depreciation on revaluation	-	(1,781,097)	(12,213,822)	-	-	-	-	(13,994,919)
At 30 June 2018	-	-	-	810,886	1,993,288	-	-	2,804,174
<u>Less: Accumulated impairment losses</u>								
At 1 July 2017	-	-	21,861,238	-	-	-	-	21,861,238
Charge for the financial year	-	-	901,064	-	-	-	-	901,064
At 30 June 2018	-	-	22,762,302	-	-	-	-	22,762,302
Net book value	57,100,000	52,000,000	170,547,040	2,498,756	2,264,513	3,421,739	637,810	288,469,858
Representing:								
- cost	-	-	-	2,498,756	2,264,513	3,421,739	637,810	8,822,818
- valuation	57,100,000	52,000,000	170,547,040	-	-	-	-	279,647,040
	57,100,000	52,000,000	170,547,040	2,498,756	2,264,513	3,421,739	637,810	288,469,858



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Motor vehicles RM	Furniture, fittings and office equipment RM	Total RM
<u>Company</u>			
At 30 June 2019			
<u>Cost</u>			
At 1 July 2018	327,238	180,512	507,750
Additions	726,155	-	726,155
At 30 June 2019	1,053,393	180,512	1,233,905
<u>Less: Accumulated depreciation</u>			
At 1 July 2018	76,356	180,512	256,868
Charge for the financial year	99,288	-	99,288
At 30 June 2019	175,644	180,512	356,156
<u>Net book value</u>			
At 30 June 2019	877,749	-	877,749
At 30 June 2018			
<u>Cost</u>			
At 1 July 2017	327,238	180,512	507,750
<u>Less: Accumulated depreciation</u>			
At 1 July 2017	43,632	180,512	224,144
Charge for the financial year	32,724	-	32,724
At 30 June 2018	76,356	180,512	256,868
<u>Net book value</u>			
At 30 June 2018	250,882	-	250,882



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Land and buildings, plant, machinery and electrical installation of the Group were revalued in the financial year ended 30 June 2019 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 RM5,448,034 (2018: RM1,733,799) was recognised during the financial year, with a corresponding revaluation reserve, adjusted for deferred tax, amounting to RM3,256,506 (2018: RM1,317,687) 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 RM1,381,201 (2018: RM1,125,064) on the statement of comprehensive income.

On 30 August 2018, the Group's Steel Tube subsidiary completed the acquisition of the factory leased land and buildings on Lot 53, Persiaran Selangor, Shah Alam from its ultimate holding company, Melewar Industrial Group Bhd, for a total cash consideration of RM26 million based on an independent valuation as at 30 June 2017 when the said acquisition was first contracted on 20 November 2017. The said property has been revalued at RM29.3 million as at the financial year ended 30 June 2019, resulting in revaluation surplus to reserve of around RM2.6 million. The Steel Tube subsidiary has been occupying the property on a rental arrangement basis in the years prior to its acquisition. In conjunction with the acquisition financing, the property is fixed-charged to a lending bank for a 10 years mortgage term loan of RM21 million.

At the close of the preceding financial year, the Group's Cold Rolled subsidiary had firm plans to upgrade a certain production line and to replace certain legacy motors of another production line which will affect the said assets' carrying revalued amount. At the close of the current financial year, the Company has replaced the motors and is in progress of upgrading the production line. In reassessing the affected assets' fair value of the components to be displaced, there is a reduction of impairment provision of RM189,000 from the RM6,564,000 carrying provision recognised in prior years as summarised in the table below, and is duly reflected in the impairment loss on property, plant and equipment in profit or loss for the current financial year.

	All in RM'000			(Dec)/Inc
	Impairment provision	Opening carrying provision	Disposal	required in current FY 2019
Production Line A: up-grade	4,941	5,083	-	(142)
Production Line B: motor replacement	-	1,481	(1,434)	(47)
	4,941	6,564	(1,434)	(189)

All property, plant and equipment of the steel subsidiaries are pledged for banking facilities.

After taking into consideration of the Group's Steel Tube subsidiary's acquisition of one of the three rented factories belonging to the ultimate holding company during the 1<sup>st</sup> financial quarter of the current period, the fair value of its plant and machinery located on rented properties has been reduced to RM32,821,000 (2018: RM33,660,000).



# NOTES TO THE FINANCIAL STATEMENTS

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(continued)

## 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	2019 RM	Group 2018 RM
Land	42,444,461	31,300,000
Buildings	54,271,267	49,837,105
Plant, machinery and electrical installation	174,769,485	183,229,250
	271,485,213	264,366,355

### (a) Valuation of certain 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) Land and buildings - open market basis by reference to observable prices per square feet in an active market or recent market transactions on arm's length terms. (Level 2)
- (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)

### (b) Asset acquired under hire-purchase arrangements

Additions to property, plant and equipment of the Group and of the Company during the financial year includes those acquired by means of hire-purchase arrangements totalling RM6,701,827 (2018: RM1,267,225) and RM650,000 (2018: Nil) respectively.

As at 30 June 2019, the net book value of the property, plant and equipment under hire-purchase arrangements in the Group and Company is RM8,233,795 (2018: RM2,258,646) and RM659,590 (2018: Nil) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

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## 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	2019 RM	2018 RM
<u>Plant, machinery and electrical installation</u>		
Opening balance	170,547,040	179,666,917
Additions	4,937,962	3,029,636
Disposals	(3,077,264)	(30,706)
Write offs	-	(118,479)
Revaluation during the financial year	473,820	852,702
Impairment charge for the financial year	(1,673,403)	(901,064)
Reversal of impairment due to disposal	1,915,202	-
Effects of elimination of accumulated depreciation on revaluation	(10,780,172)	(12,213,822)
Transfer from construction-in-progress	3,630,979	261,856
Closing balance	165,974,164	170,547,040

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

Description	Fair value as at 30 June 2019 RM	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability- weighted average)	Relationship of unobservable inputs to fair value
Plant, machinery and electrical installation	165,974,164	Depreciated replacement cost method	Useful life	1 years – 40 years (21)	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, machinery and electrical installation. As at 30 June 2019, the fair value of the plant, machinery and electrical installation have been determined by PA International Property Consultants (KL) Sdn Bhd.

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

As at 30 June 2019, if the unobservable input based on the useful life of the plant, machinery and electrical installation increase/(decrease) by one year, the fair value of the plant, machinery and electrical installation would increase/(decrease) by approximately RM11.9 million (2018: RM12.2 million) respectively.



# NOTES TO THE FINANCIAL STATEMENTS

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## 13 INVESTMENTS IN SUBSIDIARIES

	Company	
	2019 RM	2018 RM
Unquoted shares, at cost		
- Mycron Steel CRC Sdn. Bhd. ("MCRC")	134,061,998	134,061,998
- Melewar Steel Tube Sdn. Bhd. ("MST")	55,201,472	55,201,472
Amount owing by MCRC	24,952,209	22,527,209
	<b>214,215,679</b>	<b>211,790,679</b>

The amount owing by MCRC 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 current financial year, the amount owing by MCRC has been increased by RM2,425,000 due to advances from the Company's Rights Issue proceeds for its capital expenditure project.

Information about the impairment and exposure to credit risk disclosed in Note 4(c) to the financial statements.

The details of the subsidiaries are as follows:

Name	Principal activities	Group's equity interest	
		2019 %	2018 %
Mycron Steel CRC Sdn. Bhd. ("MCRC")	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
<u>Subsidiary of MCRC</u>			
Silver Victory Sdn. Bhd.	Trading	100	100

All subsidiaries are incorporated in Malaysia and are audited by PricewaterhouseCoopers PLT, Malaysia

(a) Investment in Mycron Steel CRC Sdn. Bhd. ("MCRC")

The cost of investment amounting to RM134 million (2018: RM134 million) has been assessed for any indication of impairment which the Company concludes that there is none. For the current financial year ended 30 June 2019, MCRC has a shareholders' fund of RM243 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")

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 2019, MST recorded a net profit of RM5 million with a shareholders' fund of RM131 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

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## 14 INTANGIBLE ASSETS

The Group's intangible assets amounting to RM20 million represent the carrying amount of registered licences, patents and trademarks with the rights to use and sell under the licences, patents and trademarks of Aurora and MIG-Melewar which were acquired (from the ultimate holding company) and held by Melewar Steel Tube Sdn Bhd ("MST") since May 2014.

These licences, patents and 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 cash flow forecast 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
	2019	2018	
Royalty in-lieu rate	1.19% of revenue	1.19% of revenue	Based on the agreed rate between seller and buyer, after taking into consideration of industry average rate
Discount rate	9.50%	9.50%	Reflects the specific risk relating to the relevant industries and country in which the company operates
Growth rate	0%	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 recoverable amount over its carrying amount.

## 15 INVENTORIES

	Group	
	2019 RM	2018 RM
Raw materials	127,987,471	133,557,104
Consumables	2,301,635	2,723,728
Work-in-progress	6,776,655	723,851
Finished goods	50,425,275	68,185,567
	<b>187,491,036</b>	<b>205,190,250</b>

Inventories recognised as an expense during the financial year ended 30 June 2019 amounted to RM620,899,930 (2018: RM682,584,744). These were included in cost of sales.



# NOTES TO THE FINANCIAL STATEMENTS

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## 16 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
<u>Current</u>				
Trade receivables	85,054,277	113,543,926	–	–
Less: Accumulated impairment loss	(269,712)	(248,301)	–	–
	84,784,565	113,295,625	–	–
Other receivables	1,080,465	1,355,761	500	8,981
Less: Accumulated impairment loss	(219,800)	–	–	–
	860,665	1,355,761	500	8,981
Staff loans	23,837	15,737	–	–
Deposits	627,173	3,553,553	4,500	4,500
Prepayments	1,186,272	1,499,130	–	–
GST recoverable	1,946,466	2,950,836	2,773	4,087
	3,783,748	8,019,256	7,273	8,587
Total trade and other receivables	89,428,978	122,670,642	7,773	17,568

Information about the impairment and exposure to credit risk is disclosed in Note 4(c) to the financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

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## 17 AMOUNT OWING BY ULTIMATE HOLDING COMPANY

Amount owing by ultimate holding company is mainly due to payments on behalf and is unsecured, interest free and repayable upon demand.

## 18 AMOUNTS OWING BY/(TO) SUBSIDIARIES

Amounts owing by subsidiaries which arose mainly from management fee charges and reimbursable payments are unsecured, interest free and repayable upon demand.

The amounts owing to subsidiaries also include the balance of RM 3.3 million owing to the Steel Tube subsidiary being the assumed debt as part of the purchase consideration for the acquisition of the former in April 2015. 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 which arose solely from trade transactions are unsecured, interest free and subject to credit terms of 30 days (2018: 30 days). Amount owing to a related company which arose from both trade transactions and expenditures paid-on-behalf is unsecured, interest free and repayable upon demand.

## 20 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	Group			
	2019		2018	
	Assets RM	Liabilities RM	Assets RM	Liabilities RM
Forward foreign currency exchange contract – fair value through profit and loss (not designated)	251	(15,222)	65,234	(231)
Forward foreign currency exchange contract – fair value through profit and loss (designated)	799,640	(214,787)	3,275,817	(2,339)
	799,891	(230,009)	3,341,051	(2,570)

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

Foreign currency hedges which meet qualifying criteria under MFRS 9 are designated on inception for fair value hedge accounting where the changes in fair value for both the hedge items and the hedge instruments are charged to the Statement of Comprehensive Income, and closing fair values are recognised in the Statement of Financial Position as either current financial assets or liabilities.



# NOTES TO THE FINANCIAL STATEMENTS

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## 20 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) (CONTINUED)

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

(i) Derivatives designated and fair value hedge accounted

As at 30 June 2019

Forward foreign currency exchange contracts as hedge instrument					Contracted payment obligation and/or trade payables as hedge item				
Maturity period of contract	Notional value long USD	Average contracted rate USD/RM	Fair value		Maturity period of contract	Notional value short USD	Average basis rate USD/RM	Fair value	
			Financial assets RM	Financial liabilities RM				Financial assets RM	Financial liabilities RM
			July 2019	5,362,000				4.1301	98,200
August 2019	6,606,570	4.1065	307,134	(34,163)	August 2019	6,606,570	4.1065	34,163	(307,134)
September 2019	14,141,700	4.1228	386,945	(4,730)	September 2019	14,141,700	4.1228	4,730	(386,945)
October 2019	2,404,500	4.1500	7,361	-	October 2019	2,404,500	4.1500	-	(7,361)
November 2019	6,492,000	4.1800	-	(158,590)	November 2019	6,492,000	4.1800	158,590	-
<b>Total</b>	<b>35,006,770</b>		<b>799,640</b>	<b>(214,787)</b>	<b>Total</b>	<b>35,006,770</b>		<b>214,787</b>	<b>(799,640)</b>

Net fair value gain from the hedging instruments of RM0.6 million and the corresponding net fair value loss from the hedged item of RM0.6 million are taken-up in the profit or loss.

(i) Derivatives designated and fair value hedge accounted

As at 30 June 2018

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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## 20 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) (CONTINUED)

(ii) Derivatives not designated and not hedge accounted

As at 30 June 2019

### Forward foreign currency exchange contracts as undesignated hedge instrument

Maturity period of contract	Notional value short SGD	Average contracted rate SGD/RM	Fair value	
			Financial assets RM	Financial liabilities RM
July 2019	60,000	3.0190	-	(2,232)
August 2019	60,000	3.0266	-	(1,959)
September 2019	60,000	3.0418	-	(1,227)
October 2019	60,000	3.0555	251	(798)
November 2019	60,000	3.0538	-	(855)
December 2019	60,000	3.0540	-	(8,151)
<b>Total</b>	<b>360,000</b>		<b>251</b>	<b>(15,222)</b>

As at 30 June 2018

### Forward foreign currency exchange contracts as undesignated hedge instrument

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

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

These derivatives were not hedge accounted primarily due to the late inception of these hedging instruments which gave rise to timing and basis-rate mismatch between the intended hedge items and the contracted FX-rate.



# NOTES TO THE FINANCIAL STATEMENTS

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## 20 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) (CONTINUED)

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 RM2.0 million (2018: loss of RM12.9 million) from its FX Forward Contracts with a corresponding realised net FX loss of RM2.4 million (2018: gains of RM14.1 million) on its hedge items over the current financial year. The Group's net gain/(loss) position on foreign exchange is disclosed in Note 8 to the financial statements.

## 21 CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash in hand	4,023	2,373	2	2
Bank balances	7,858,926	11,895,710	341,251	546,988
Deposits with licensed financial institutions	42,314,553	39,124,881	7,874,108	33,174
	50,177,502	51,022,964	8,215,361	580,164

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

	Group		Company	
	2019 % per annum	2018 % per annum	2019 % per annum	2018 % per annum
Bank balances	0.17	0.85	-	-
Deposits with licensed financial institutions	2.94	2.99	2.60	2.61

Bank balances are deposits held at call with licensed banks. The Group's and Company's deposits with licenced financial institutions have placement periods ranging between 1 and 30 days (2018: 1 and 30 days).

## 22 TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Trade payables	124,502,083	174,920,967	-	-
Other payables	5,731,861	7,433,631	120,153	436,279
Accruals	3,381,261	3,090,150	137,080	129,443
Prepayment from customer	1,601,143	1,256,501	-	-
Deposit received	600,000	300,000	-	-
	135,816,348	187,001,249	257,233	565,722



# NOTES TO THE FINANCIAL STATEMENTS

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## 22 TRADE AND OTHER PAYABLES (CONTINUED)

Trade payables include interest bearing suppliers' credit with balances amounting to RM9.5 million (2018: RM28.0 million). These credit facilities have interest bearing credit periods of up to 150 days (2018: 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 (2018: 7 to 60 days).

"Prepayment from customer" represent advance payment by the winning bidder for the purchase of scraps in a given month. Movement of contract liabilities in relation to the aforementioned is analysed as follows:

	<b>Group 2019 RM</b>
At 1 July	1,256,501
Revenue recognised during the financial year	13,864,195
Advance payment received during the financial year	(13,519,553)
At 30 June	<u>1,601,143</u>

The Group applies the practical expedient in MFRS 15 "Revenue from Contracts with Customers" for not disclosing the aggregate amount of the revenue expected to be recognised in the future as the contracted performance obligation would be fulfilled in less than one year.

## 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:

	<b>Group</b>		<b>Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>	<b>2019 RM</b>	<b>2018 RM</b>
Deferred tax liabilities				
- deferred tax liabilities to be settled after more than 12 months	(23,764,165)	(21,699,216)	(11,700)	(13,304)
At 1 July	(21,699,216)	(19,758,492)	(13,304)	(5,599)
Credited/(Charged) to profit or loss (Note 10):				
- property, plant and equipment	2,246,794	(1,264,283)	1,604	(7,705)
- unutilised tax losses	(2,120,215)	(260,329)	-	-
	126,579	(1,524,612)	1,604	(7,705)
Recognised in equity:				
- property, plant and equipment	(2,191,528)	(416,112)	-	-
At 30 June	<u>(23,764,165)</u>	<u>(21,699,216)</u>	<u>(11,700)</u>	<u>(13,304)</u>



# NOTES TO THE FINANCIAL STATEMENTS

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## 23 DEFERRED TAX (CONTINUED)

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Subject to income tax:				
Deferred tax assets (before offsetting):				
- unutilised tax losses	3,759,998	5,880,213	-	-
- unutilised reinvestment allowance	18,304,344	18,304,344	-	-
	22,064,342	24,184,557	-	-
Offsetting	(22,064,342)	(24,184,557)	-	-
Deferred tax assets (after offsetting)	-	-	-	-
Deferred tax liabilities (before offsetting)				
- property, plant and equipment	(36,447,481)	(38,938,260)	(11,700)	(13,304)
- intangible assets	(4,800,000)	(4,800,000)	-	-
	(41,247,481)	(43,738,260)	(11,700)	(13,304)
Offsetting	22,064,342	24,184,557	-	-
	(19,183,139)	(19,553,703)	(11,700)	(13,304)
Subject to real property gain tax				
Deferred tax liability:				
- property, plant and equipment	(4,581,026)	(2,145,513)	-	-
Deferred tax liabilities (after offsetting)	(23,764,165)	(21,699,216)	(11,700)	(13,304)
Deferred tax liabilities (cumulative amount charged to equity)	(4,450,618)	(2,259,090)	-	-

Under the Malaysia Finance Act 2018 which was gazetted on 27 December 2018, the Group's unutilised tax losses and reinvestment allowance will be imposed with a time limit of utilisation. Any accumulated unutilised tax losses brought forward from year of assessment 2019 can be carried forward another 7 consecutive years of assessment. Any unutilised reinvestment allowance can be carried forward another 7 consecutive years of assessment upon expiry of qualifying period.

The amount of unutilised tax losses for which no deferred tax asset is recognised in the statement of financial position is as follows:

	Group	
	2019 RM	2018 RM
Expiring not more than 7 years (gross)	14,327,013	-
Deferred tax assets not recognised at 24%	3,438,483	-



# NOTES TO THE FINANCIAL STATEMENTS

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## 24 BORROWINGS

The Group and Company do not have any overdue on borrowings from financial institutions. The Group's and Company's borrowings at the close of the respective financial periods are disclosed below:

		Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
<u>Current</u>					
Bankers' acceptance	(i)	80,650,000	87,060,000	-	-
Term loan	(i)	3,617,104	3,040,068	-	-
Hire-purchase creditors	(ii)	2,522,754	635,487	170,877	40,869
Mortgage loan	(iii)	1,674,023	-	-	-
		88,463,881	90,735,555	170,877	40,869
<u>Non-current</u>					
Term loan	(i)	-	750,000	-	-
Hire-purchase creditors	(ii)	3,525,836	885,860	534,793	153,177
Mortgage loan	(iii)	18,149,290	-	-	-
		21,675,126	1,635,860	534,793	153,177
<u>Combined</u>					
Bankers' acceptance		80,650,000	87,060,000	-	-
Term loan		3,617,104	3,790,068	-	-
Hire-purchase creditors		6,048,590	1,521,347	705,670	194,046
Mortgage loan		19,823,313	-	-	-
Total		110,139,007	92,371,415	705,670	194,046

The Group's total interest cost attributed to the above borrowings for the current financial year is RM5.6 million (2018: RM4.0 million).



# NOTES TO THE FINANCIAL STATEMENTS

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## 24 BORROWINGS (CONTINUED)

### At amortised cost

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

	Group			
	2019	Fair value RM	2018	Fair value RM
	Carrying amount RM	Carrying amount RM	Carrying amount RM	Fair value RM
Hire-purchase creditors	3,525,836	3,249,929	885,860	828,759

	Company			
	2019	Fair value RM	2018	Fair value RM
	Carrying amount RM	Carrying amount RM	Carrying amount RM	Fair value RM
Hire-purchase creditors	534,793	476,646	153,177	140,051

**NOTES TO THE FINANCIAL STATEMENTS**

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**24 BORROWINGS (CONTINUED)**

Contractual terms of borrowings

	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
<b>Group</b>								
<u>At 30 June 2019</u>								
<u>Secured</u>								
Bankers' acceptance	4.67 - 5.65	RM/RM	80,650,000	80,650,000	-	-	-	-
Term loan	5.54 - 6.50	RM/RM	3,617,104	3,617,104	-	-	-	-
Hire-purchase creditors	2.50 - 3.12	RM/RM	6,048,590	2,522,754	2,246,072	1,058,806	188,498	32,460
Mortgage loan	5.64 - 5.89	RM/RM	19,823,313	1,674,023	1,764,321	1,870,161	1,982,350	12,532,458
			110,139,007	88,463,881	4,010,393	2,928,967	2,170,848	12,564,918
<u>At 30 June 2018</u>								
<u>Secured</u>								
Bankers' acceptance	4.67 - 5.65	RM/RM	87,060,000	87,060,000	-	-	-	-
Term loan	6.50	RM/RM	3,790,068	3,040,068	750,000	-	-	-
Hire-purchase creditors	2.50 - 3.38	RM/RM	1,521,347	635,487	482,536	195,358	177,396	30,570
			92,371,415	90,735,555	1,232,536	195,358	177,396	30,570
<b>Company</b>								
<u>At 30 June 2019</u>								
<u>Secured</u>								
Hire-purchase creditors	2.72	RM/RM	705,670	170,877	170,877	170,877	160,578	32,461
<u>At 30 June 2018</u>								
<u>Secured</u>								
Hire-purchase creditors	2.72	RM/RM	194,046	40,869	40,869	40,869	40,869	30,570



# NOTES TO THE FINANCIAL STATEMENTS

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## 24 BORROWINGS (CONTINUED)

- (i) The term loan and a portion of the bankers' acceptance are secured with fixed and floating charge via a debenture by the Cold Rolled subsidiary. 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) The hire-purchase creditors at the reporting date are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Future minimum lease payments of hire-purchase creditors:				
Payable within one year	2,796,726	703,958	193,536	48,648
Payable between one and two years	2,398,131	518,933	193,536	48,648
Payable between two and three years	1,108,566	213,127	193,536	48,648
Payable between three and five years	245,624	225,678	217,499	85,052
	6,549,047	1,661,696	798,107	230,996
Less: Future finance charges	(500,457)	(140,349)	(92,437)	(36,950)
Present value	6,048,590	1,521,347	705,670	194,046
Present value of hire-purchase creditors:				
Payable within one year	2,522,754	635,487	170,877	40,869
Payable between one and two years	2,246,072	482,536	170,877	40,869
Payable between two and three years	1,058,806	195,358	170,877	40,869
Payable between three and five years	220,958	207,966	193,039	71,439
	6,048,590	1,521,347	705,670	194,046

Hire purchase creditors are effectively secured as the rights to assets revert to the lessors in the event of default.

- (iii) The mortgage loan drawn down by the Steel Tube subsidiary is secured against a corporate guarantee from the Company and a first party fixed charge on the leasehold land and building.



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 24 BORROWINGS (CONTINUED)

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

	Group		Company	
	2019 % per annum	2018 % per annum	2019 % per annum	2018 % per annum
Bankers' acceptance	5.21	5.59	-	-
Term loan	6.25	6.50	-	-
Hire-purchase creditors	2.62	2.69	2.72	2.72
Mortgage loan	5.82	-	-	-

The stated contractual interest rate for the Hire-Purchase is at a 'flat-rate', whilst the rest are on 'reducing balance' basis.

For the current financial year, the Cold Rolled subsidiary did not comply with its liquidity covenant in the form of the 'Debt Service Cover Ratio' due to its operating loss position. The Cold Rolled subsidiary has since obtained a waiver indulgence on the said covenant ratio for the current financial year from the lender.

With the exception of the above, the Group and the subsidiaries complied with all the relevant covenants set out in the respective facility agreements for the current and previous financial year. Refer to Notes 4 (a) and (b) for further details.

## 25 SHARE CAPITAL

	Group/Company			
	2019 Number of shares	2019 Nominal value RM	2018 Number of shares	2018 Nominal value RM
<u>Issued and fully paid</u>				
At 1 July	283,545,455	206,363,671	283,545,455	206,363,671
Rights Issue with warrants	43,512,144	11,313,158	-	-
At 30 June	327,057,599	217,676,829	283,545,455	206,363,671

Pursuant to the terms as approved by Bursa Malaysia on 15 February 2018 and duly approved by shareholders of the Company at the extraordinary general meeting held on 20 April 2018, holders of the Company's share were given renounceable Rights entitlement on the basis of one Rights share for every five existing shares held at an issue price of RM0.30 per Rights share, together with free detachable warrants on the basis of one warrant for every two Rights shares subscribed (hereinafter referred to as 'Rights Issue with Warrants').

The Company completed its 'Rights Issue with Warrants' exercise on 31 January 2019, and had raised RM13,053,643.20 from valid acceptance and excess applications of 43,512,144 Rights shares representing a 76.73% take-up rate over the total Rights shares available for subscription. The 43,512,144 new shares and the corresponding 21,756,070 free detachable warrants were listed on 31 January 2019.

The nominal value of the Rights shares is net of warrant reserves.



# NOTES TO THE FINANCIAL STATEMENTS

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(continued)

## 26 WARRANT RESERVES

	Group/Company			
	2019	2018		
	Number of shares	Nominal value RM	Number of shares	Nominal value RM
At 1 July	–	–	–	–
Rights Issue with warrants	21,756,070	1,740,486	–	–
At 30 June	21,756,070	1,740,486	–	–

Pursuant to the 'Rights Issue with Warrants' exercise as mentioned in Note 25, 21,756,070 free detachable warrants with salient terms as outlined below were listed on 31 January 2019.

- (a) The warrants can be exercised any time during the tenure of 5 years commencing from the date of issue on 28 January 2019 to 26 January 2024 ("Exercise Period"). Warrants not exercised during the Exercise Period will lapse and cease to be valid; and
- (b) Each warrant entitles holder to subscribe for one new ordinary share in the Company at the exercise price of RM0.60 at any time during the Exercise Period.

These issued warrants represent the obligation of the Company to issue new shares at the determined exercise price upon election by the holder, normally under circumstances when the traded market price of the mother share exceeds the 'exercise price.'

The Company allocates a portion of the monies raised from the Rights issue to represent the fair value of these issued free warrants as reserves to meet the aforementioned obligation. The Company has determined the initial recognition value of the warrant reserves at RM0.08 per warrant (or RM1,740,486) based on the Black-Scholes model which took into consideration of the underlying variables such as the mother share-price, time-to-maturity, exercise price, and risk free rate at the initial listing date. This carrying value of the warrant reserves as at 30 June 2019 remained that same as initial recognition, as no warrant was exercise during the financial year.



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 27 ASSET REVALUATION RESERVE

	2019 RM	Group 2018 RM
At 1 July	26,851,548	25,533,861
Revaluation surplus on property, plant and equipment	5,448,034	1,733,799
Deferred tax	(2,191,528)	(416,112)
Credited to other comprehensive income	3,256,506	1,317,687
At 30 June	30,108,054	26,851,548

The asset revaluation reserve is used to record increments and decrements on the revaluation of property, plant and equipment (see Note 12). In the event of a sale of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings. See accounting policy Note 2(d) for details.

## 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 deemed financial interests



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 28 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

- (a) Significant transactions with related parties during the financial year are as follows (stated as debit or (credit)):

<u>Entities</u>	<u>Type of transaction</u>	Group	
		2019 RM	2018 RM
<b>Trade: received/receivable</b>			
<u>Fellow subsidiary</u>			
Melewar Steel Mills Sdn. Bhd.	Repayment received	(1,496,834)	(2,644,441)
<b>Non-trade: received/receivable</b>			
<u>Ultimate holding company</u>			
Melewar Industrial Group Berhad	Advances made	–	2,152,988
Melewar Industrial Group Berhad	Repayment received	(1,846,200)	(558,913)
<b>Trade: paid/payable</b>			
<u>Ultimate holding company</u>			
Melewar Industrial Group Berhad	Rental of buildings	(3,693,328)	(4,963,860)
Melewar Industrial Group Berhad	Payment made	3,693,328	4,963,860
Melewar Industrial Group Berhad	Management fees	(3,240,000)	(2,790,000)
Melewar Industrial Group Berhad	Payment made	3,240,000	2,947,483
<u>Fellow subsidiaries</u>			
Melewar Steel Mills Sdn. Bhd.	Scrap handling commission	(2,228,650)	(3,679,703)
Melewar Steel Mills Sdn. Bhd.	Payment made	2,228,650	3,473,900
Melewar Steel Services Sdn. Bhd.	Rental of buildings	–	(500,940)
Melewar Steel Services Sdn. Bhd.	Payment made	–	500,940
<b>Non-trade: paid/payable</b>			
<u>Ultimate holding company</u>			
Melewar Industrial Group Berhad	Advances repaid	–	4,000,000
Melewar Industrial Group Berhad	Payment on behalf	–	(141,267)
Melewar Industrial Group Berhad	Purchase of land and building	(26,000,000)	–
<u>Fellow subsidiary</u>			
Melewar Integrated Engineering Sdn. Bhd.	Technical advisory fees	(192,000)	(288,000)
<u>Related party</u>			
Trace Management Services Sdn. Bhd.	Corporate secretarial services	(255,328)	(317,547)

**NOTES TO THE FINANCIAL STATEMENTS**

- 30 June 2019

(continued)

**28 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

- (a) Significant transactions with related parties during the financial year are as follows (stated as debit or (credit)): (continued)

<u>Entities</u>	<u>Type of transaction</u>	<u>Company</u>	
		<u>2019</u> <u>RM</u>	<u>2018</u> <u>RM</u>
<b>Trade: received/receivable</b>			
<u>Subsidiary</u>			
Mycron Steel CRC Sdn. Bhd.	Management fees income	2,326,355	3,581,513
Mycron Steel CRC Sdn. Bhd.	Payment received	(2,518,707)	(3,527,445)
<b>Non-trade: received/receivable</b>			
<u>Subsidiary</u>			
Mycron Steel CRC Sdn. Bhd.	Payment received	–	(6,000,000)
Mycron Steel CRC Sdn. Bhd.	Advances given ( <i>utilisation of rights proceeds</i> )	2,425,000	–
<b>Non-trade: paid/payable</b>			
<u>Ultimate holding company</u>			
Melewar Industrial Group Berhad	Advances repaid	–	4,000,000
<u>Subsidiary</u>			
Melewar Steel Tube Sdn. Bhd.	Advance repaid	2,244,929	2,000,000
Mycron Steel CRC Sdn. Bhd.	Advance received	(362,617)	–
<u>Related parties</u>			
Trace Management Services Sdn. Bhd.	Corporate secretarial services	(249,877)	(310,380)



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 28 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Significant outstanding balances arising from the above are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
<u>Amount owing by ultimate holding company</u>				
Melewar Industrial Group Berhad	15,097	1,861,297	-	-
<u>Amounts owing by subsidiaries</u>				
Mycron Steel CRC Sdn. Bhd.	-	-	-	192,352
Silver Victory Sdn. Bhd.	-	-	63,903	63,903
	-	-	63,903	256,255
<u>Amounts owing by related companies</u>				
Melewar Steel Mills Sdn. Bhd.	-	1,887,082	-	-
Melewar Imperial Ltd.	745,994	-	-	-
Melewar Steel Services Sdn. Bhd.	-	150	-	-
Ausgard Quick Assembly Systems Sdn. Bhd.	-	184	-	-
	745,994	1,887,416	-	-
<u>Amounts owing to subsidiaries</u>				
Mycron Steel CRC Sdn. Bhd.	-	-	362,617	-
Melewar Steel Tube Sdn. Bhd.	-	-	3,255,071	5,500,000
	-	-	3,617,688	5,500,000
<u>Amounts owing to related companies</u>				
Melewar Steel Mills Sdn. Bhd.	307,899	698,147	-	-
Melewar Integrated Engineering Sdn. Bhd.	714,908	513,945	-	-
	1,022,807	1,212,092	-	-

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



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(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 both Executive Directors and Non-Director Executives are set out below.

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Fees, salaries and bonuses	5,136,350	3,960,007	350,000	350,000
Defined contribution plan	733,014	588,192	52,500	52,500
Benefit in kind	89,938	74,295	45,657	24,600
	5,959,302	4,622,494	448,157	427,100

Remuneration details on the Non-Executive Directors are disclosed in Note 9 to the financial statements.

## 29 SEGMENTAL ANALYSES

The cold rolled segment is in the business of manufacturing and sale of cold rolled coils.

The steel tube manufacturing segment is in the business of manufacturing and sale of steel pipes and tubes.

'Others' comprise 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 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.



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 29 SEGMENTAL ANALYSES (CONTINUED)

	Cold rolled coil RM	Steel tube RM	Others RM	Total RM
<u>2019</u>				
<u>Revenue</u>				
Total revenue	462,958,960	259,695,098	2,326,355	724,980,413
Inter segment	(28,170,385)	–	(2,326,355)	(30,496,740)
External revenue	434,788,575	259,695,098	–	694,483,673
<u>Segment results</u>				
Total (loss)/profit before tax	(16,531,670)	7,239,906	(503,233)	(9,794,997)
Consolidation elimination ^	102,338	–	–	102,338
External (loss)/profit before tax	(16,429,332)	7,239,906	(503,233)	(9,692,659)
Tax	(72,311)	(2,176,589)	(43,939)	(2,292,839)
Net (loss)/profit after tax	(16,501,643)	5,063,317	(547,172)	(11,985,498)
Total segment assets	450,732,821	224,124,350	223,556,634	898,413,805
Consolidation elimination *	(7,600,928)	(10,859,620)	(214,279,584)	(232,740,132)
Net segment assets	443,131,893	213,264,730	9,277,050	665,673,673
<u>Other information</u>				
Depreciation of property plant and equipment	11,505,104	3,593,662	99,290	15,198,056
Impairment losses: - property, plant and equipment	1,598,906	74,497	–	1,673,403
Additions of property, plant and equipment	9,894,928	30,351,402	726,155	40,972,485

^ Related to elimination of unrealised profit on closing inventories (RM0.1 million).

\* Major items included intercompany balances elimination (RM10.8 million), elimination of cost of investment (RM214.2 million), elimination of goodwill (RM7.5 million) and elimination of unrealised profit on closing inventories (RM0.3 million).

**NOTES TO THE FINANCIAL STATEMENTS**

- 30 June 2019

(continued)

**29 SEGMENTAL ANALYSES (CONTINUED)**

	Cold rolled coil RM	Steel tube RM	Others RM	Total RM
<u>2018</u>				
<u>Revenue</u>				
Total revenue	546,856,003	274,187,982	3,621,843	824,665,828
Inter segment	(27,710,001)	-	(3,581,513)	(31,291,514)
External revenue	519,146,002	274,187,982	40,330	793,374,314
<u>Segment results</u>				
Total profit before tax	6,554,567	15,391,795	284,891	22,231,253
Consolidation elimination <sup>^</sup>	309,942	-	-	309,942
External profit before tax	6,864,509	15,391,795	284,891	22,541,195
Tax	(1,868,897)	(4,201,659)	(369,868)	(6,440,424)
Net profit after tax	4,995,612	11,190,136	(84,977)	16,100,771
Total segment assets	490,998,079	221,364,796	213,021,232	925,384,107
Consolidation elimination <sup>*</sup>	(8,897,202)	(13,337,543)	(212,046,934)	(234,281,679)
Net segment assets	482,100,877	208,027,253	974,298	691,102,428
<u>Other information</u>				
Depreciation of property plant and equipment	11,843,770	2,866,027	32,723	14,742,520
Impairment losses:				
- property, plant and equipment	594,980	306,084	-	901,064
Additions of property, plant and equipment	5,725,478	2,403,606	-	8,129,084

<sup>^</sup> Related to elimination of unrealised profit on closing inventories (RM0.3 million).

<sup>\*</sup> Major items included intercompany balances elimination (RM14.6 million), elimination of cost of investment (RM211.8 million), elimination of goodwill (RM7.5 million) and elimination of unrealised profit on closing inventories (RM0.4 million).

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

	2019 RM	2018 RM
Segment assets	665,673,673	691,102,428
Derivatives	799,891	3,341,051
Tax recoverable	424,214	23,097
	666,897,778	694,466,576



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 29 SEGMENTAL ANALYSES (CONTINUED)

### Information about major customers

Revenue from two major customers amounting to RM74.1 million (2018: RM81.9 million) and RM89.9 million (2018: RM90.7 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.

## 30 FINANCIAL GUARANTEES

As at 30 June 2019, 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 RM136.0 million (2018: RM136.2 million) and RM74.9 million (2018: RM15.1 million) respectively.

## 31 LITIGATION, COMMITMENT AND CONTINGENCY

- (a) There are committed plans to upgrade and supplement certain production lines at the Cold Rolled subsidiary 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 RM20.7 million. From this amount, RM6.1 million has been committed for the construction of a new Acid Regeneration Plant and RM14.6 million for the revamp of Continuous Pickling Line. The Group's Steel Tube subsidiary has outstanding capital commitments of around RM0.9 million for the upgrading of its existing plant and machineries and digitisation of its manufacturing system. 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) At the close of the current financial year, the Steel Tube subsidiary has future aggregate minimum lease payment obligations as detailed below with regards to non-cancellable operating leases on the rental of factories' land and building [with a combined area of 536,172 square feet <sup>(i)</sup> (2018: 536,172 square feet)] from its ultimate holding company:

	2019 RM	2018 RM
No later than 1 year	3,445,860	3,698,860
Later than 1 year and no later than 5 years <sup>(ii)</sup>	2,871,550	6,317,410
<b>Total</b>	<b>6,317,410</b>	<b>10,016,270</b>

- (i) During the current financial year, the Steel Tube subsidiary has completed the acquisition of a factory land with buildings from its ultimate holding company for a purchase consideration of RM26 million. In a rationalization exercise, the Steel Tube subsidiary exited rental of another factory land and building from a related company and moved the production-lines into other remaining three factories effective from 1 July 2018.
- (ii) During financial year ended 2019, the future rental later than 1 year is for 10 months (2018: 22 months) based on exercised renewal.
- (d) The Group is not engaged in any material litigation, either as a plaintiff or defendant, claims or arbitration which have a material effect on the financial position of the Group and the Board is not aware of any proceedings pending or threatened against the Group or of any other facts likely to give rise to any proceedings which may materially and/or adversely affect the financial position and business of the Group.



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 32 STATUS OF CORPORATE PROPOSALS

There are no outstanding corporate proposals as at the date of this report.

The Company completed its 'Rights Issue with Warrants' exercise on 31 January 2019, and raised RM13,053,643.20 ('Rights Proceeds'). Details on the utilisation of the Rights Proceeds as at the close of the current financial year are as follows:

### Areas of Approved Utilisation

	RM'000		Balance to Use
	Proposed Use	Actual Use	
Capital expenditure	10,100	2,425	7,575
Working capital	2,254	2,245	-
Estimated expenses in relation to the Rights Issue exercise	700	809	-
<b>Total</b>	<b>13,054</b>	<b>5,479</b>	<b>7,575</b>

### Footnote

- i. The actual expenses incurred for the Rights Issue exercise exceeded the approved estimate by around RM109,000, and this difference is adjusted against the capital expenditure (reduced RM100,000) and working capital (reduced RM9,000).
- ii. The 'Balance to Use' on capital expenditure relates to the Cold-Rolled subsidiary's process line upgrade and acid regeneration plant project which would be used in accordance with the scheduled implementation progress, and to be within 12 months from the completed Rights Issue date.



# NOTES TO THE FINANCIAL STATEMENTS

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## 33 FINANCIAL INSTRUMENTS BY CATEGORY

Group	2019		2018	
	At amortised cost RM	Fair value through profit or loss RM	Loan and receivables RM	Fair value through profit or loss RM
Financial assets per statement of financial position:				
<u>Current assets:</u>				
Derivative financial assets	–	799,891	–	3,341,051
Trade and other receivables (excluding prepayments and GST recoverable)	86,296,240	–	118,220,676	–
Cash and cash equivalents	50,177,502	–	51,022,964	–
Amount owing by ultimate holding company	15,097	–	1,861,297	–
Amounts owing by related companies	745,994	–	1,887,416	–
<b>Total financial assets</b>	<b>137,234,833</b>	<b>799,891</b>	<b>172,992,353</b>	<b>3,341,051</b>

Group	2019		2018	
	At amortised cost RM	Fair value through profit or loss RM	At amortised cost RM	Fair value through profit or loss RM
Financial liabilities per statement of financial position:				
<u>Current liabilities:</u>				
Derivative financial liabilities	–	230,009	–	2,570
Trade and other payables	134,215,205	–	185,744,748	–
Borrowings	88,463,881	–	90,735,555	–
Amount owing to a related company	1,022,807	–	1,212,092	–
<u>Non-current liability:</u>				
Borrowings	21,675,126	–	1,635,860	–
<b>Total financial liabilities</b>	<b>245,377,019</b>	<b>230,009</b>	<b>279,328,255</b>	<b>2,570</b>



# NOTES TO THE FINANCIAL STATEMENTS

- 30 June 2019

(continued)

## 33 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

### Company

	<b>2019 At amortised cost RM</b>	<b>2018 Loan and receivables RM</b>
Financial assets per statement of financial position:		
<u>Current assets:</u>		
Trade and other receivables (excluding prepayments and GST recoverable)	5,000	13,481
Cash and cash equivalents	8,215,361	580,164
Amounts owing by subsidiaries	63,903	256,255
	8,284,264	849,900
<u>Non-current asset:</u>		
Amount owing by a subsidiary	24,952,209	22,527,209
Total financial assets	33,236,473	23,377,109

### Company

	<b>2019 At amortised cost RM</b>	<b>2018 At amortised cost RM</b>
Financial liabilities per statement of financial position:		
<u>Current liabilities:</u>		
Trade and other payables	257,233	565,722
Amounts owing to subsidiaries	3,617,688	5,500,000
Borrowings	170,877	40,869
	4,045,798	6,106,591
<u>Non-current liability:</u>		
Borrowings	534,793	153,177
Total financial liabilities	4,580,591	6,259,768



## PROPERTIES OWNED

by Mycron Steel Berhad and Its Subsidiaries

Address of Property	Lease expiry date	Brief description and existing use	Land/built-up 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)	29	109,700,000
Lot 53, Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor.	22.5.2078	Factory cum office building	196,301 sq.ft. (4.51 acres)	28	29,300,000

Note: The above property was revalued in June 2019.

\* Based on surveyed land area.

^ From the date of Certificate of Fitness for Occupation.

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<b>No. of ordinary shares held</b>

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 **16<sup>th</sup> 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 **Friday, 29 November 2019 at 10.00 a.m.** or at any adjournment thereof on the following resolutions referred to in the Notice of the 16th AGM. My/our proxy is to vote as indicated below:

Resolution	Ordinary Business	FIRST PROXY		SECOND PROXY	
		For	Against	For	Against
1	To approve the payment of Directors’ fees amounting to RM384,000.00 for the period from 1 January 2020 to 31 December 2020 to be payable quarterly in arrears to the Non-Executive Directors of the Company.				
2	To approve an amount of up to RM97,000.00 as benefits payable to the Non-Executive Directors of the Company for the period from 1 December 2019 until the conclusion of the next AGM of the Company.				
	To re-elect the following Directors of the Company who are retiring in accordance with Article 113(1) of the Company’s Articles of Association:-				
3	(i) Tunku Dato’ Yaacob Khyra				
4	(ii) Azlan Bin Abdullah				
	To re-elect the following Directors of the Company who are retiring in accordance with Article 120 of the Company’s Articles of Association:-				
5	(i) Datin Seri Raihanah Begum Binti Abdul Rahman				
6	(ii) Kwo Shih Kang				
7	To re-appoint Messrs PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.				
	<b>Special Business</b>				
8	To approve the Proposed Renewal of Shareholders’ Mandate for Recurrent Related Party Transactions.				
9	Authority to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016.				
	<b>Special Resolution</b>				
1	To approve the Proposed Adoption of new Constitution of the Company.				

[Please indicate with “√” or “X” in the spaces provided above on how you wish your vote to be cast. If no specific direction as to voting is given, the Proxy/ies will vote or abstain at his/her discretion]

The proportion of my holdings to be represented by my \*proxy/proxies are as follows:

	Number of Shares	Percentage
First proxy		%
Second proxy		%
<b>Total</b>		<b>100%</b>

Dated this .....day of.....2019

.....  
 [Signature of Shareholder(s)/Common Seal]

**NOTES:**

- Applicable to shares held through a nominee account.
- A member entitled to attend, speak and vote at a meeting of the Company is entitled to appoint more than one (1) proxy to attend, speak and vote in his/her stead. A proxy may but need not be a member of the Company.
- Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be presented by each proxy.
- 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.
- 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.
- The instrument appointing a proxy must be deposited at the Company’s Registered Office, Suite 11.05, 11th Floor, No. 566, Jalan Ipoh, 51200 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.
- Any alteration in the form of proxy must be initialled.
- Form of Proxy sent through facsimile transmission shall not be accepted.
- For the purpose of determining a member who shall be entitled to attend this 16th 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 25 November 2019. Only a depositor whose name appears on the Record of Depositors as at 25 November 2019 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.
- Pursuant to Paragraph 8.29A of Bursa Malaysia Securities Berhad Main Market Listing Requirements, all resolutions set out in the Notice of 16th AGM will be put to vote on a poll.

\* Please strike out whichever is not desired. (Unless otherwise instructed, the proxy may vote as he/she thinks fit).

Fold this flap for sealing

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Then fold here

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AFFIX  
STAMP

The Secretary  
**Mycron Steel Berhad**  
Suite 11.05, 11th Floor  
No. 566, Jalan Ipoh  
51200 Kuala Lumpur

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**MYCRON STEEL BERHAD** Reg. No.: 200301020399 (622819-D)

Lot 717, Jalan Sungai Rasau, Seksyen 16  
P.O. Box 7168, 40706 Shah Alam, Selangor, Malaysia

**Tel :** +603 5510 6608 **Fax :** +603 5510 3720 **Email :** [crc@mycronsteel.com](mailto:crc@mycronsteel.com)

[www.mycronsteel.com](http://www.mycronsteel.com)