MYCRON STEEL BERHAD

Reg. No.: 200301020399 (622819-D)

ANNUAL REPORT 2023

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Cover Rationale

The Petronas Twin Towers was chosen as the cover of the 2023 Annual Report because it represents progress, ambition, and innovation, which aligns with Mycron's brand ethos of achievement and excellence. The structural basis of this 88-storey iconic twin skyscraper measuring approximately 452 metres in height, was built using some of our very own steel pipes and AURORA conduits. The majestic twin towers has remained a prominent tourist attraction since its official launch in 1999. Similarly, through continuous dedication, improvement, and resilience, Mycron endeavours to sustain its competitive advantage and maintain its relevance in the steel industry.

CHAIRMAN'S MESSAGE

Dear Stakeholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report of Mycron Steel Berhad and its group of Companies ("the Group" or "Mycron") for the financial year ended 30 June 2023 ("FY2023").

TUNKU DATO' YAACOB KHYRA
Executive Chairman

CHAIRMAN'S MESSAGE

OUR BUSINESS AND OPERATIONS

Mycron Steel Berhad encompasses the combined operations of two main 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, converting Hot Rolled Coil ("HRC") steel sheets into thinner gauge Cold Rolled Coil ("CRC") steel sheets.

MST
is involved in the down-stream sector in the manufacture of Steel Tubes and Pipes ("Steel Tube") which are made from HRC or CRC.

A smaller subsidiary, Silver Victory Sdn Bhd ("SV"), is involved in the trading of steel related products.

FINANCIAL YEAR OVERVIEW

For the financial year ended 30 June 2023, the Group generated revenue of RM540 million (FY2022: RM746 million) and a pre-tax loss of RM13.8 million (FY2022: pre-tax profit RM64.5 million).

With weaker steel demand and downward pressure on global steel prices, the Group's performance was flat in the first quarter of FY2023 with a revenue of RM120 million. Chronic manpower shortages and disrupted supply chains had a substantial impact on steel consumption, leading to a steep decline in output across major steel consuming industries during this time. The Russian-Ukrainian conflict continued to severely impact the global economy and led to significantly high energy costs. The global economy and steel demand were vulnerable to the negative effects of rising energy prices and excessive inflation. Steel prices fell more rapidly than raw material costs, resulting in a narrowing of the profit margin and a contraction of the spread.

Weak domestic steel demand, increased dumping of CRC Steel imports into Malaysia, and persistent downward pressure on global steel prices contributed to the Group's negative performance in the second quarter, with a revenue of RM134 million and pre-tax loss of RM16.4 million. After nine consecutive profitable quarters, this is the first quarter to end in a deficit.

Uncertainty surrounding the 15th General Elections also had a chilling effect on consumer confidence. Steel demand and consumption were low across major steel-consuming industries due to labour shortages and a generally sluggish global economy. As a result, the steel industry saw severe customer destocking in the second half of calendar year 2022.

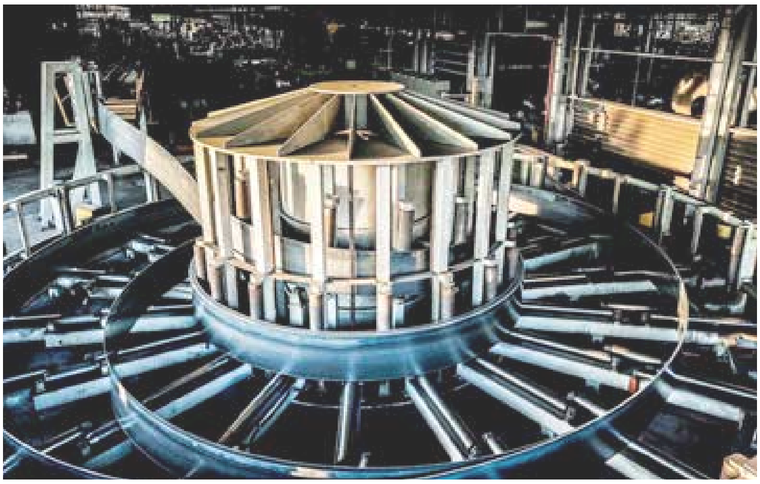
The Group's decline in revenue to RM127 million in the third quarter was attributed to lower unit selling price corresponding to lower market steel prices for both the CRC and Steel Tube divisions. Lower price-spreads (from higher carrying inventory value) and higher unit production cost (from lower throughput volume) caused the Group to record a marginal pre-tax profit of RM0.15 million for the quarter.

The Group's revenue for the fourth financial quarter of RM159 million was around 26% higher than the preceding quarter mainly due to higher sales volume for both the CRC and Steel Tube divisions. Both divisions contributed to stronger gross profit performance for the quarter. However, the performance for the quarter narrowed to a pre-tax loss of RM0.45 million after incurring an impairment charge on property, plant, and equipment of RM6.8 million.

CHAIRMAN'S MESSAGE

ECONOMIC LANDSCAPE

Historically, the steel industry has been very cyclical and sensitive to economic conditions, consumptions trends, as well as global steel production capacities, and fluctuations in international steel trade and tariffs.



The lingering effects of the pandemic, the Russian invasion of Ukraine, and the sharp tightening of monetary policy to contain high inflation and economic downturn in China, have all harmed the Global Economy. All these shockwaves, weighed on the Group's performance, during the financial year.

Steel prices in 2022 were highly volatile, spiking at the end of March following the Russian invasion of Ukraine and then decreasing in the second half, as a result of the Chinese government's repeated lockdowns due to its "Zero Covid" policy, and a weak Chinese real estate sector. The dramatic drop in underlying real demand, along with a smaller reduction in steel production, pushed for greater steel exports to foreign markets, driving down global steel prices. Because of the earlier than expected re-opening of China's economy, the country's growth accelerated to 4.5% during the first quarter of 2023 fuelled by the transportation, retail, and hospitality industries. However, the reopening resurgence was stymied by a continuing collapse in the Chinese real estate market during the second quarter of 2023, underscoring the need for further policy support, from the Chinese Government.

Steel prices are vulnerable to global economic swings, which are influenced by a variety of factors ranging from trade and geopolitical tensions to global/regional monetary policies. Steel prices fall because of excess supply relative to demand for steel. Steel stocking and destocking cycles, which have been widespread over the last 18 months, have also had an impact on apparent demand and consumption. Steel price decreases, on the other hand, are hastened when customers adopt a "wait-and-see" approach and destock in anticipation of further price increases.

Steel stockists and distributors, for example, may accumulate (stock) considerable steel inventories during periods of low prices and then sell (destock) as prices improve, thereby disrupting steel price increases. As a result, steel prices fluctuate substantially, and have come under pressure during recent periods.

"As a steel manufacturer, our operations are **sensitive** to market prices and steel demand in the domestic market and globally. Market steel prices have a **direct impact** on our fiscal performance, with any lags in passing on higher raw material prices hurting our steel margins. Steel prices are **heavily influenced by supply and demand trends**, as well as inventory cycles. In terms of demand, prices are **susceptible to cyclical industries** such as construction, machinery equipment, automotive, white goods, and logistics."

CHAIRMAN'S MESSAGE

DOMESTIC FLAT STEEL CONSUMPTION

Domestic Flat Steel Consumption by Calendar Year – 5 years

Flat Steel Consumption		tonnes/year					2022
Class	**Description**	**2018**	**2019**	**2020**	**2021**	**2022**	**Change**
511 & 513	**Cold Rolled Coil (CRC) Sheets & Strips**	**1,565,569**	**1,405,757**	**1,097,217**	**1,512,892**	**1,019,602**	**-32.61%**
	CRC Related Products						
520	Cold-Rolled Electrical Sheets	185,141	61,951	18,630	N/A	N/A	N/A
611	Galvanized (Hot Dipped) Zinc Sheets	713,450	725,129	637,870	578,144	569,522	-1.49%
612	Electro-Galvanized Iron (EGI) Sheets	222,307	217,052	175,182	235,488	181,754	-22.82%
620	Tin Plated Sheets	204,833	188,367	178,429	188,606	174,085	-7.70%
692	Colour Coated Sheets	199,745	223,597	208,463	223,362	220,350	-1.35%
693	Other Metallic Coated Sheets	46,809	53,208	54,203	55,956	70,356	25.73%
		1,572,285	**1,469,304**	**1,272,777**	**1,281,556**	**1,216,067**	**-5.11%**
Total CRC & CRC Related Products		**3,137,854**	**2,875,061**	**2,369,994**	**2,794,448**	**2,235,669**	**-20.00%**
512	**CR Stainless Steel Sheets**	**100,894**	**180,560**	**20,387**	**45,532**	**53,127**	**16.68%**
	HRC & Related Products						
481	Hot Rolled Coil (HRC) Sheets	1,682,421	1,986,448	1,599,039	1,661,097	1,781,230	7.23%
470	Plates	602,020	528,311	466,436	283,491	192,241	-32.19%
720	Welded Pipes & Tubes	935,225	730,250	460,523	582,472	739,232	26.91%
		3,219,666	**3,245,009**	**2,525,998**	**2,527,060**	**2,712,703**	**7.35%**
Total Domestic Flat Steel		**6,458,414**	**6,300,630**	**4,916,379**	**5,367,040**	**5,001,499**	**-6.81%**
y-o-y change			**-2.44%**	**-21.97%**	**9.17%**	**-6.81%**	

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

In 2022, Malaysia's overall flat steel consumption decreased to 5.0 million tonnes from 5.4 million tonnes in 2021, a decrease of 6.8%. When compared to Malaysia's steel consumption in 2016 (6.67 million tonnes), this represents a 25% drop in consumption.

Flat steel, specifically CRC steel demand, is sensitive to trends in cyclical industries (such as automotive, construction, white goods, and machinery) that have seen contractions in 2022, due to raging inflation, the Russia-Ukraine war, and hard Chinese Zero-Covid Policy lockdowns.

The biggest drop in domestic consumption is the most evident in CRC. Domestic consumption fell by **34.9%** to **1.02 million** tonnes (from 1.57 million tonnes in 2018). This is the **lowest** it has in the last decade.

CHAIRMAN'S MESSAGE

OUR COMMITMENT TO

Governance

The Board of Directors of the Group recognises that corporate governance principles are the foundation upon which stakeholder confidence is built. In addition, we acknowledge the importance of conducting business with integrity and in accordance with generally accepted corporate governance principles. Our board members and senior executives will continue to focus on upholding the highest standards of corporate governance and business ethics, in the operations of the Group. The Governance model for the Group includes, among others, the Board Charter, Terms of Reference of Board Committees, Anti-Fraud/ Anti-Corruption Policy, Fit and Proper Policy, Communication Policy, Conflict of Interest Policy, and Corporate Disclosure Policies and Procedures.

Sustainability

We value the importance of operating sustainably, and we are putting forth our best effort to attain sustainability objectives and targets in conformity with global reporting standards. The Group's sustainability agenda is driven by our Chief Executive Officer and supported by senior executives. We endeavour to incorporate sustainable practices into our operations in the areas of Governance, Climate Change, the Environment, our People, and the Community. Since the commencement of our sustainability journey, we have achieved some notable milestones, which are further elaborated in the appended Sustainability Report.

National Energy Transition Roadmap

The Malaysian Government released a detailed National Energy Transition Roadmap (NETR), outlining the measures the government plans to take to achieve its net-zero emissions target by 2050. Our country is demonstrating its commitment to this target and the domestic steel industry is fully supportive of the government's roadmap.

DIVIDEND

FY2023 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 2023.

PROSPECTS AND OUTLOOK

The future poses huge risks to the global economy and obstacles for us to overcome. Several factors make it difficult to predict future steel demand and prices, which include the ongoing conflict in Ukraine, the possibility of a U.S. recession in 2024 due to the delayed impact of tighter credit conditions and high interest rates on consumer demand, as well as steel demand dynamics in China.

> **"Barring** further deterioration of the external environment and intensified unfair trade practises by irresponsible foreign exporters into Malaysia, the Group's prospects and outlook for the next financial year **remains cautious** with the possibility of real steel demand to **return in 2024."**

The global steel sector is highly sensitive to the trend of China's steel exports. Net Chinese flat steel exports increased from 3.8 million tonnes per month in January and February 2023, to 5.7 million tonnes per month in April and May 2023. There is no sign that this trend will abate anytime soon, due to the current weakness of China's domestic steel demand.

As far as the Group is concerned, steel consumption in China will continue to decline. There will be an adverse effect on global steel prices, and an increase in Chinese steel exports, if the decline in demand, does not correspond with renewed steel capacity reduction. While interest rate cuts will likely benefit China's construction industry, the Group does not anticipate a growth in China's domestic steel demand, unless the Chinese government announces further policy support.

On the domestic front, the formation of a new unity government in Malaysia paves the way for the continuation and progression, of multiple development plans, one being the New Industrial Master Plan.

New Industrial Master Plan 2030

Malaysia unveiled its New Industrial Master Plan (NIMP 2030) on 1st September 2023 which aspires to chart Malaysia's industrial transformation from 2023 till 2030.

This latest master plan has a stronger focus on deliverables, with emphasis on 4 action plans and the monitoring of implementation. If executed well, this would be very positive for the domestic steel industry.

ACKNOWLEDGMENT AND APPRECIATION

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

MANAGEMENT DISCUSSION & ANALYSIS STATEMENT

This Statement provides the management's analytical overview of the Group's operations and financial performance for the financial year ended (FY) 30 June 2023 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 internally and externally sourced information which may not have been specifically audited; and these are made to the extent that they do not compromise competitively sensitive information or antitrust laws. This section may contain opinions, judgement and forward-looking views; and as such, readers' discretion is advised.

OVERVIEW

After two consecutive periods of strong performance in FY 2021 (net-profit RM53.8 million) and FY2022 (net-profit RM52.7 million), the Group's performance turned negative for the current FY 2023 with a net-loss of RM12.3 million. This downturn can be attributed to a series of negative global events which began in early-2022 as chronicled in illustration-1 below which had dragged down global steel prices. The world emerged from a devastating Pandemic and descended into global crises.

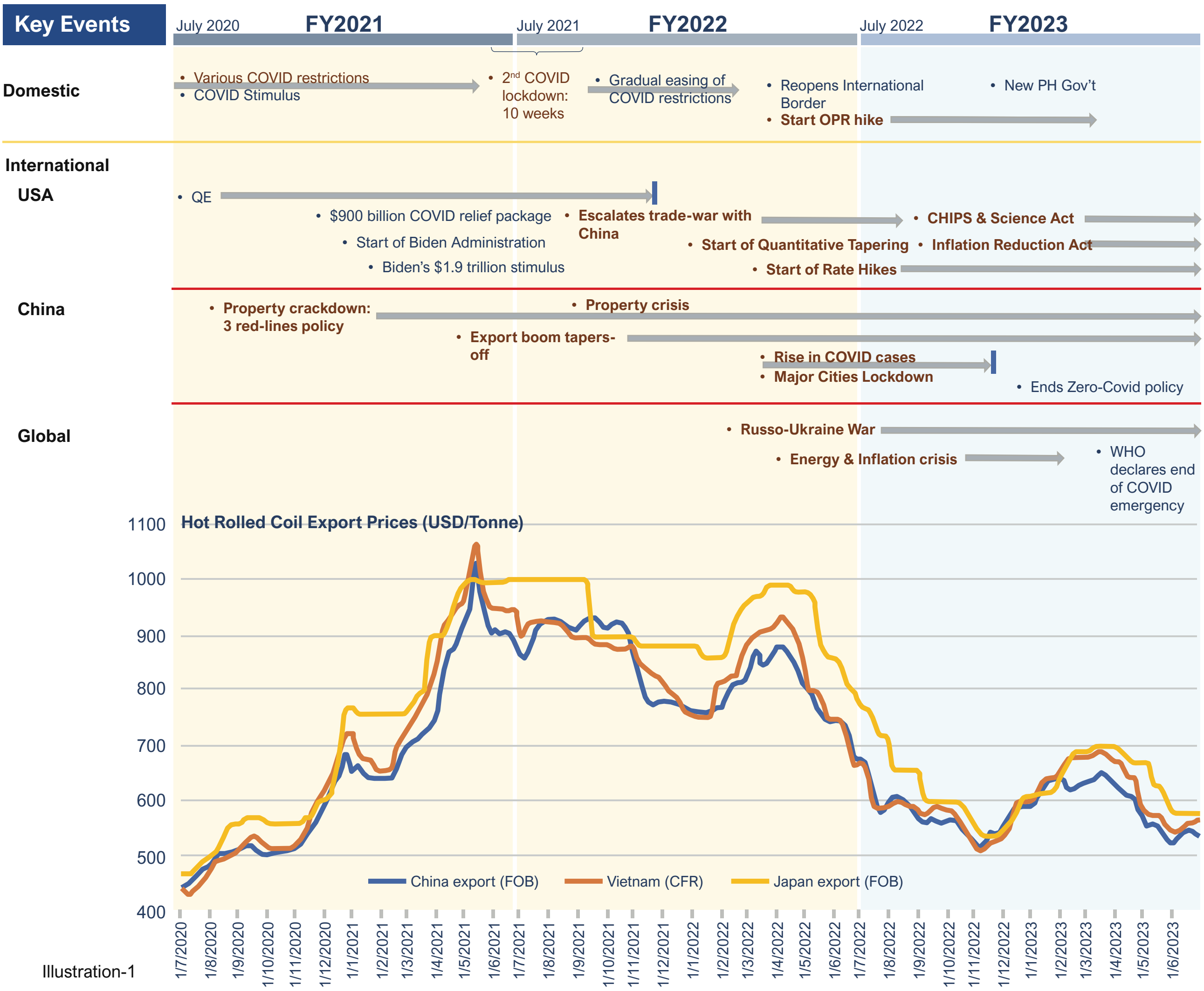


Illustration-1

Impact

Global economies (from developed to developing nations) grind to snail-pace if not contracted, due to a combination of reasons (depending on which country) ranging from energy-crisis to inflation, interest rates hikes, capital reverse flow, currency-crisis, trade & financial sanctions, excessive-debts, and liquidity & credit tightening. Overall, global trades shrunk.

MANAGEMENT DISCUSSION & ANALYSIS STATEMENT

OVERVIEW (CONTINUED)

Even-though Malaysia's economy rebounded strongly after the reopening of international borders, its economic recovery has been uneven and was stymied by decline in export-demand as the global turmoil grew. Contrary to the gains seen in banking, tourism & hospitality, and commodity-export sectors; the domestic steel industry faltered as demand dropped-off sharply with contraction in manufacturing and construction activities, rise in production costs, and labor-shortages (due to post-Covid displacements).

The sharp and continuous decline in steel prices from its peak in April 2022 (due to global and regional factors) not only resulted in severe margin squeeze on the steel sector, but also altered buying behavior to minimize order volume. Similarly, our steel segments faced a quadruple-whammy of decline in selling prices, volumes, & margin spread whilst production/ operation costs (i.e. in energy, wages, factory-consumables,... etc) rose in tandem with higher inflation, weak Ringgit, and higher borrowing-cost. The slowdown in regional economies pushed surplus steel-producing nations to aggressively ram-up exports (through official and grey channels), further hurting local manufacturers' sales and margins. These negative conditions were particularly acute in the 1st half of FY2023.

Dissecting the numbers

Breaking down the RM12.3 million net-loss for the current FY2023 in table-1 below, RM6.9 million is attributed to non-cashflow impacting revaluation loss on Property, Plant & Equipment (PPE). On the flip-side, the revaluation gains on PPE and Right-of-Use (ROU) Assets of RM11.1million is separately presented in 'Other Comprehensive Income'. Including that, the total comprehensive loss narrows to only RM1.2 million impacting shareholders' funds.

Table-1	FY2023			FY2022
all in RM'000	1st half	2nd half	Total	Total
EBITDA	-3,616	16,584	12,968	86,307
Depreciation (exclude ROU rented properties)	-7,469	-7,531	-15,000	-14,376
Operation Profits/(Loss)	-11,085	9,053	-2,032	71,931
Impairment on PPE	-4	-6,919	-6,923	-3,151
Net Interest Expense	-2,449	-2,430	-4,879	-4,284
Taxes	1,582	-84	1,498	-11,768
Net Profit/(Loss)	-11,956	-380	-12,336	52,728
Revaluation surplus on PPE & ROU-Assets	0	11,118	11,118	4,081
Total Comprehensive Profit/(Loss)	-11,956	10,738	-1,218	56,809

Notes on the revaluation losses and gains

Valuations were carried out by an independent certified valuer firm based on (i) open market value for land, and (ii) depreciated replacement cost method for buildings, plant & equipment. The sharply higher impairment on PPE for the current period is attributed to the new Acid-Regeneration Plant (ARP) in its 1st full year of depreciation - which according to the independent valuer warranted a 15.7% markdown on initial carrying cost value - resulting in a RM3.2 impairment. We expect future impairment risk on the ARP to ease as it has a technical rated-economic useful life of 20 years. The sharp jump in revaluation gain on land and ROU asset at RM 11.1 million - according to the independent valuer-is attributed to comparable land deal pricing concluded in the vicinity post-pandemic.

Consistent with the timing of global events in illustration-1, the Group's performance was severely impacted in the 1st half of the financial year as steel prices dipped continuously over eight months from April to December 2022. If the non-cash impacting impairment of PPE in the 2nd half was excluded, the Group would have recorded a net profit of around RM6.5 million in the 2nd half to narrow the full financial year net loss to around RM5.4 million.

Despite the extremely adverse market conditions, the Group recorded an 'Earnings before Interest, Taxes, Depreciation & Amortization' (EBITDA) of around RM12.9 million.

Mitigating Actions

In respond to adverse changes in the external environment, the management has taken strategic and mitigation steps to narrow losses. Some of these include the following:

Inventory Management
Besides maximizing forward sales orders to lock-in margins, the management has cut monthly raw material procurement to minimize open position exposures; which else, would have resulted in more losses as selling prices decline. Despite that, the Group suffered an inventory write-down of RM9.8 million in the 1st half closing due to the impact of falling prices.

MANAGEMENT DISCUSSION & ANALYSIS STATEMENT

OVERVIEW (CONTINUED)

Interest Rates and Foreign-Exchange

Over the current financial year, the USD borrowing cost has risen around 300 basis-points (bps) whilst in MYR has risen around 100 bps. With the negative carry, the MYR has weakened against the USD by around 6% over the same period. As a strategy, the Group ceased utilization of its USD-denominated credit facilities to finance raw materials imports and relied solely on its MYR-denominated credit facilities. Concurrently, it conducted timely foreign-exchange (FX) hedging operations to neutralize conversion risk. As a result, the group's net interest expense for the current period is only marginally higher than the preceding period (see Table-1), whilst it FX losses on rights and obligations due to the weakened MYR were neutralized with FX-derivatives. Potential FX losses of RM5.2 million have been averted.

Export Sales

With steel protectionism and friend-shoring in the West running rampant, surplus steel productions in Asia Pacific were aggressively diverted to less guarded markets such as Malaysia. However, with Malaysia's ascension into trade-pacts like the Regional Comprehensive Economic Partnership (or RCEP in March 2022) and the Comprehensive Progressive Agreement for the Trans-Pacific Partnership (or CPTPP in November 2022) - small windows of reverse export opportunities could be had. For the current financial year, the Group increased its export revenue as percentage of total revenue to 6.3% compared to the preceding period at 3.3%.

As a result of current period's losses, the Group's profitability measures turned negative for the current financial year. However, its liquidity current ratio and net-asset-per-share remains strong. See Table-2 below. Even-though its interest-cover-ratio for the current period seems weak, it has ample net-current-asset headroom to meet debt service obligations. Gearing of the Group remains low.

Table-2		FYE2023	FYE2022
Profitability			
a	**Operational Return on Average Capital Employed (EBIT/Ave Cap) in %**	-0.35	12.55
b	**Return on Equity (Net Earnings/Equity) in %**	-2.50	11.19
Liquidity			
c	**Current Ratio (Current Asset/Current Liabilities)**	2.26	1.74
d	**Interest Cover Ratio (EBITDA/Net Interest Expense)**	2.66	20.15
Capital			
e	**Weigted Average Cost of Capital (Cost of Equity assumed at 9%) in %**	7.81	7.97
f	**Debt to Equity Ratio (includes all interest bearing debt)**	0.26	0.24
Value			
g	**Net Asset per Share in RM/share**	1.51	1.51
h	**Enterprise Value to Total Comprehensive Income Ratio**	n.a.	2.70

SEGMENTS' PERFORMANCE

Both the Cold Rolled Coil (CRC) and the Steel-Tube segments faced adverse market conditions of weak demand; falling prices; and heightened competition from rampant cheap imports. The negative conditions were more severe in the CRC market compared to the tube & pipes market - as reflected in Table-3 below on the segments' performance.

Table-3	CRC		Steel Tube	
RM'million	FYE 2023	FYE 2022	FYE 2023	FYE 2022
External Revenue	268.99	450.88	271.00	295.00
Net Profit/(Loss)	-8.82	31.93	-3.85	20.68

For the CRC segment, sales volume contraction was recorded in all market sectors in the current period, with the biggest demand-dip from furniture manufacturers, galvanized & coated sheets manufacturers, and steel service centers. We observed that the weak domestic CRC demand was also compounded by the influx of import substitutions (mostly through questionable import-duty-skirting channels).

MANAGEMENT DISCUSSION & ANALYSIS STATEMENT

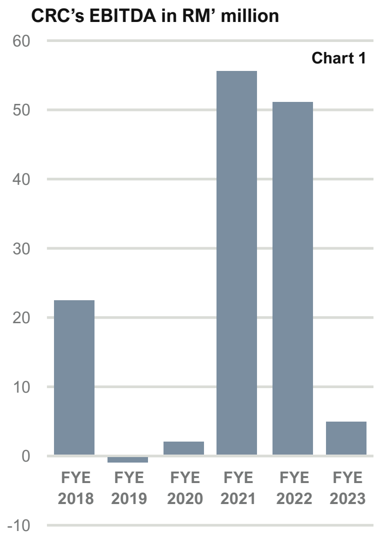
SEGMENTS' PERFORMANCE (CONTINUED)

For the Steel-Tube segment, sales volume in the current period was just a notch higher compared to the preceding period which was at pandemic low. Demand slack from the furniture and electrical manufacturing sectors in the current period was mitigated with slightly higher orders for water-projects usage.

Both the segments faced acute gross margin suppression due to falling price-trend and aggressive product dumping from aboard which significantly narrowed margin-spreads. The steel tube segment's gross margin percentage fell by around half whilst the CRC's fell by more than half, even before the inventory write-down.

Despite the adversities, both the segments recorded positive EBITDA as shown in Charts-1 & 2—even though sharply lower compared to the preceding periods.

Correspondingly, the segments' performance ratios for CRC and steel tube deteriorated in the current period as shown in Table-4.



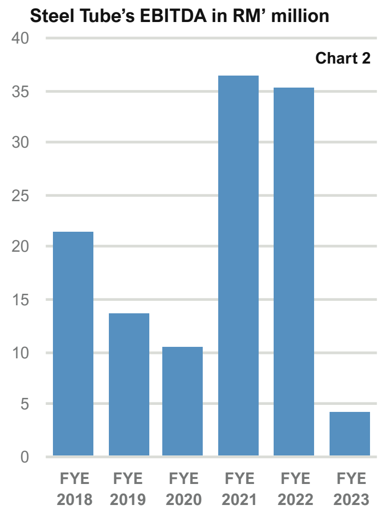


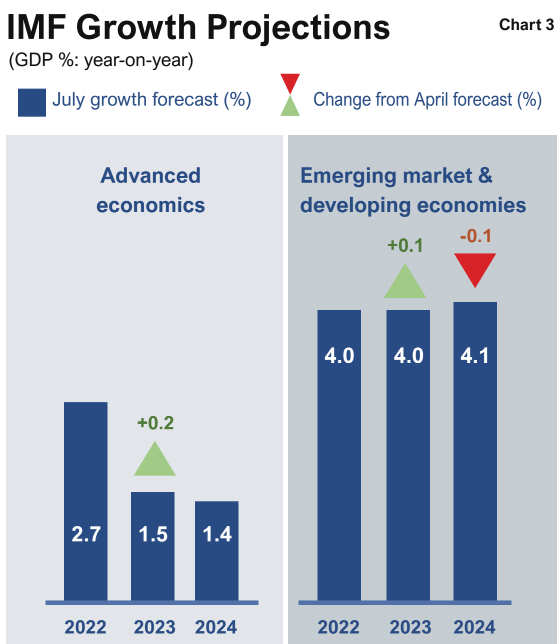
Table-4

	CRC		Steel Tube	
	FYE 2023	FYE 2022	FYE 2023	FYE 2022
Segment's Revenue/Assets Employed (Ringgit on Ringgit)	0.66	0.92	0.92	0.86
Segment's Net Earnings/Assets Employed (Sens on Ringgit)	-2.17	6.53	-1.31	6.01
Segment's Assets/Total Assets	57.3%	57.8%	41.5%	40.6%
Segment's Net Earnings/Total Earnings	71.5%	60.6%	31.2%	39.2%
Operational Return on Assets (EBIT/Average Assets)	-2.8%	7.8%	0.1%	10.2%

OUTLOOK AHEAD

The Group's outlook, as well as that of the Nation's, is tied to global developments.

Looking at International Monetary Fund (IMF)'s growth projections for 2023 & 2024 as summarized in Chart-3, the outlook does not look good. Advanced economies' growth would likely contract to below pandemic levels, whilst emerging & developing economies would remain flat at best. Even then, we think these figures are optimistic with considerable downside risks. The world has entered into a down-cycle not caused by economic overload but induced by great-power rivalries. The consequences are:



Sources: IMF, World Economic Outlook; & IMF staff calculations.

A Fragmented World

Geopolitical conflict and tension have led to geoeconomic fracture with the rise in sanctions and trade-protectionism; reshoring and friend-shoring of critical supply-chain & of high tech industries; and deepening of various trade-blocs and security-pacts. It has become the Global North vs Global South; the West vs East; the G7 vs BRICS. International trades are breaking and gravitating along the fragmented groups. At best, the world would stay fragmented with the rise of multipolarity. As for the worst, the world would fall off the edge for the 3rd time.

MANAGEMENT DISCUSSION & ANALYSIS STATEMENT

OUTLOOK AHEAD (CONTINUED)

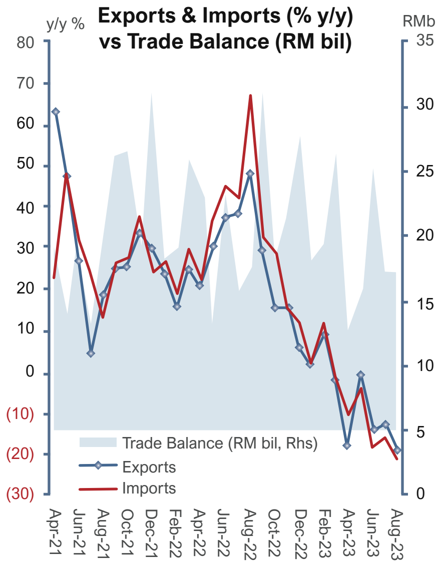
Higher for Longer

The Western economies have relied mainly on monetary policy of intense interest-rate hikes to tame inflation in the last 18 months. At the same time, they continue to run ever higher fiscal-deficit outlay to prod-up their economy, and fund policies which dampen supply-side economics that further push-up prices. As such, despite the current decade-high interest-rates, their current inflation-rates remain far from desired targets. The general prognosis is that not only will interest-rates go higher for longer, but so will global debt-levels. Recession or tepid growth is on the cards into 2024—with the silver-lining of rate-cuts thereafter. The decade of low inflation has ended with the rise of deglobalization. The ramifications on developing and emerging economies are bad.

Home-Front

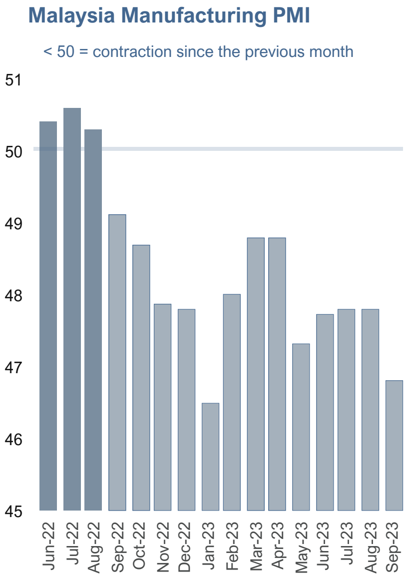
Domestic demand and investments have been Malaysia's main economic growth drivers in the 1st half of 2023 given its comparatively lower inflation and interest rates. With the prolonged external headwinds, these may wither with 'higher for longer' interest rates and the reeling-in of fuel subsidies. The nation's once backbone growth driver in net-exports has fallen off the cliff since August 2022 (see Chart-4) in tandem with global-trade contraction. Its Manufacturing Purchasing Managers Index has been in contraction mode for 13 consecutive months up to September 2023 (see Chart-5). This is not expected to turnaround until mid-2024 when global interest rates and capital accessibility could possibly begin to ease. The Nation's GDP growth is projected to moderate in coming quarters.

Chart 4



Source: Ambank Research/DOSM/CEIC

Chart 5



Source: S&P Global PMI, DOSM

Implications

Considering the external and internal economic conditions, our assessment of the implications to the Group are as follows.

	Risks & Opportunities
Demand	• Steel demand from the Manufacturing sector is likely to stay weak for the next few quarters. • We see supported steel demand in the construction & infrastructure applications with the RM15 billion budget increase for the 12th M'sia Plan coupled with the stabilizing property sector and influx of FDI (due to regional supply chain shift). The on-going East Coast Rail Line currently in construction-phase is expected to add to steel demand. • Capacity building in various renewable energy projects (under the M'sia National Energy Transition Roadmap) may add to steel demand in 2024.
Competition	• Whilst steel protectionism is on the rise globally, M'sia appears to be moving the opposite direction. We see greater import threats, particularly from Vietnam, Korea, and China. The Group's efforts to address unfair pricing and backdoor import channels will likely intensify. • We will continue to seize 'window of opportunity' from global fragmentation to expand exports.
Pricing & Margins	• We foresee the steel price-trend will remain relatively stable in the next few quarters, if China keeps to its steel production-cap. Inventory impairment risk should be muted. Customers' buying behavior may become less restrictive. • We foresee margins to remain under pressure given the weak market conditions and intensive competition from imports.

MANAGEMENT DISCUSSION & ANALYSIS STATEMENT

OUTLOOK AHEAD (CONTINUED)

Conclusion

The domestic steel industry faces a turbulent crossroad which resonates with the grim global outlook ahead. Nevertheless, barring the world tipping-over, the Group hopes to turn a corner from current period's losses in the next financial year. How? Firstly, the initial shock on global steel prices and its sharp drop in 2022 is a matter behind us. Steel prices are currently at low-points, near mill production cost of moderating energy and input prices. Downside price risk is limited whilst upside price-run has potential once rate-cut begins. Secondly, the Government has signaled its commitment on various public and private investment projects to support slowing growth and climate-change. Its recent attention on the nation's deindustrialization and domestic investment contraction trend kindles hope for reform and policies to break the downward spiral. All these, if properly executed, should augur well for the domestic steel industry. Thirdly, the world is beginning to show signs of fatigue with the great power rivalry fallout. More moderate voices are calling out for 'prudence and sensibility' to avoid tipping the world over. This gives hope.

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

SECRETARY

Lily Yin Kam May
(CCM PC No. 201908001210)
(MAICSA 0878038)

PRINCIPAL PLACE OF BUSINESS

Lot 717 Jalan Sungai Rasau
Seksyen 16
40200 Shah Alam
Selangor Darul Ehsan
Telephone No. : 03-5510 6608
Telefax No. : 03-5510 3720

BOARD OF DIRECTORS

Tunku Dato' Yaacob Khyra
Executive Chairman

Roshan Mahendran bin Abdullah
Group Chief Executive Officer

Azlan bin Abdullah
Non-Independent Non-Executive Director

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

Kwo Shih Kang
Senior Independent Non-Executive Director

Dato' Mohd Zahir bin Zahur Hussain
Independent Non-Executive Director

AUDIT AND GOVERNANCE COMMITTEE

Kwo Shih Kang
Chairman

Datin Seri Raihanah Begum binti Abdul Rahman
Member

Dato' Mohd Zahir bin Zahur Hussain
Member

REGISTRAR & TRANSFER OFFICE

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

REGISTERED OFFICE

Suite 11.05, 11th Floor
No. 566 Jalan Ipoh
51200 Kuala Lumpur
Telephone No. : 03-6252 8880
Telefax No. : 03-6252 8080
lily@crestcorp.com.my
prabu@crestcorp.com.my

WEBSITE

www.mycronsteel.com

E-MAIL

enquiry@mycronsteel.com

SOLICITORS

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

AUDITORS

Messrs KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants
Level 10, KPMG Tower 8, First Avenue,
Bandar Utama, 47800 Petaling Jaya, Selangor
Telephone No. : 03-7721 3388
Telefax No. : 03-7721 3399

STOCK EXCHANGE LISTING

Main Market of
Bursa Malaysia
Securities Berhad

STOCK CODE
5087

PRINCIPAL BANKERS

AmBank
Bangkok Bank
CIMB
HSBC
Maybank
OCBC

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.

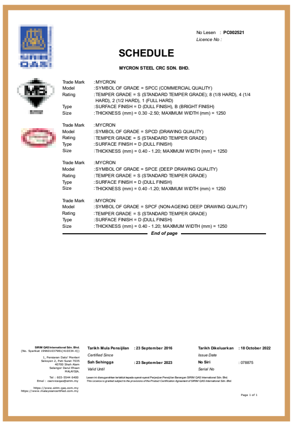
MCRC achieved its first ISO 9001 certification issued by SIRIM and IQ Net in 1996 followed by MST in 1997. Over the years, MCRC and MST have established a more effective Quality Management System to adapt to the latest global challenges.

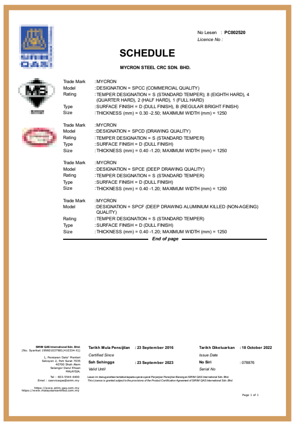







In September 2016, MCRC obtained product certification by SIRIM in recognition of its product quality compliance against the Malaysian Standard (MS 2651 : 2015) and Japanese Industrial Standards (JIS G3141 : 2011). MCRC's products are verified, tested, and confirmed, in meeting the parameters covered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



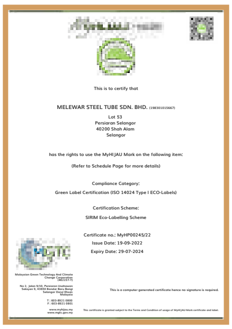
QUALITY RECOGNITION

On the environment front, both operating segments play a pivotal role in ensuring continual improvement of environmental performance in all aspects of 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. Subsequently in 2020, MCRC was awarded the SIRIM Eco-Label Licence and was granted the rights to use the MyHIJAU Mark on its products since February 2021 while MST obtained the SIRM Eco-Label Licence for all three of its manufacturing plants since August 2022 and MyHIJAU Mark since September 2022.



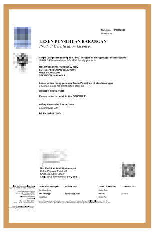




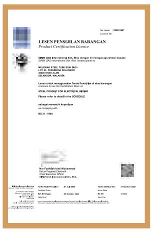



MST is also continuously improving the quality of its products and processes with a variety of certifications such as the UK Factory Production Control Certification, EC Factory Production Control Certification and CE Marking from LRQA, Perakuan Pematuhan Standard (Bahan Binaan) from CIDB Malaysia, as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

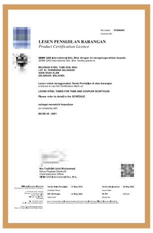
International Standards



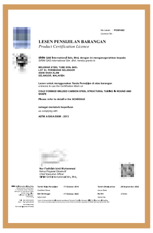
British Standard BS EN 10255 : 2004 for Welded Steel Tube



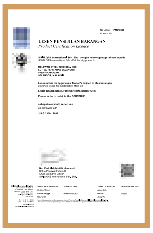
British Standard BS 31 : 1940 for Steel Conduit for Electrical Wiring



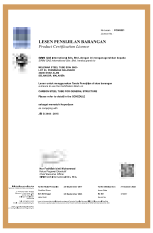
British Standard BS 39 : 2001 for Loose Steel Tubes for Tube and Coupler Scaffolds



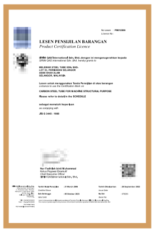
American Standard ASTM A 500/A 500M : 2013 for Cold Formed Welded Carbon Steel Structural Tubing in Round and Shape



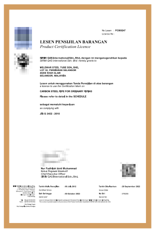
Japanese Standard JIS G 3350 : 2009 for Light Gauge Steel for General Structure



Japanese Standard JIS G 3444 : 2015 for Carbon Steel Tube for General Structure



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

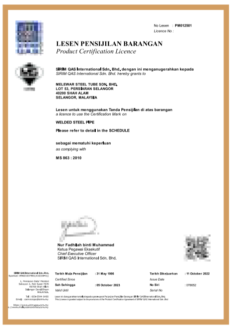


Japanese Standard JIS G 3452 : 2010 for Carbon Steel Pipe for Ordinary Piping

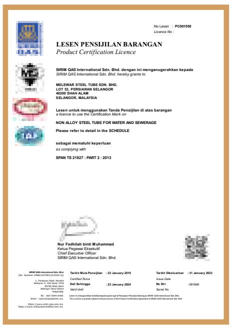
QUALITY RECOGNITION

Malaysian Standards

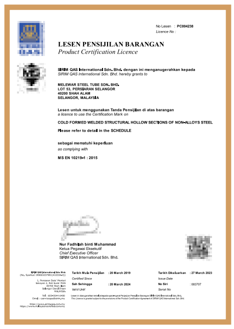
MS 61386-21 : 2010 for Rigid Steel Conduit for Cable Management



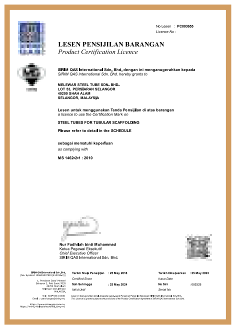
MS 863 : 2010 for Welded Steel Pipe



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 Sections of Non-alloys Steel



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

Other Certifications

CIDB Registered Products

- Cold Formed Welded Structural Hollow Sections

CIDB Registered Products

- Rigid Steel Conduit for Cable Management
- Steel Conduit for Electrical Wiring
- Steel Pipes for Water and Sewerage
- Steel Tube for Metal Scaffolding
- Welded Steel Pipes

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

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

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

PROFILE OF DIRECTORS

Tunku Dato' Yaacob Khyra was appointed to the Board of Directors of the Company on 30 March 2004.

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

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, KNM, Turiya Berhad, Melewar Group Berhad, Khyra Legacy Berhad ("KLB"), Yayasan Khyra, MAA Bancwell Trustee Berhad, Ithmaar Holding B.S.C. (listed in Bahrain), Ithmaar Bank B.S.C. (Closed), Altech Batteries Limited (listed in Australia), Chase Perdana Sdn Bhd and several other private limited companies.

Tunku Dato' Yaacob is the Chairman of the Board of Trustees of Yayasan Amal Maaedicare, The Budimas Charitable Foundation and Registered Trustees of the Joseph William Yee Eu Foundation.

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 shareholdings in the Company is disclosed on page 28 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

ROSHAN MAHENDRAN BIN ABDULLAH

Group Chief Executive Officer

Nationality **Malaysian** | Age **41** | Gender **Male**

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 ("MSCRC"). In May 2011, En Roshan became the Chief Operating Officer of MSCRC and Business Development divisions respectively. Subsequently, he became the Group Chief Operating Officer of Mycron Steel Berhad in September 2016 and Chief Executive Officer of both MSCRC and Melewar Steel Tube Sdn Bhd ("MST"). En Roshan is responsible for the operations of both MSCRC and MST.

En Roshan has been a Council Member of the Malaysian Iron and Steel Industry Federation ("MISIF") since November 2018. He is currently the Deputy President I of MISIF, a position he has held since 1 December 2021. En Roshan was also recently appointed to the Board of the Malaysia Steel Institute (MSI) as Director on 31 May 2022.

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

AZLAN BIN ABDULLAH

Non-independent Non-Executive Director

Nationality **Malaysian** | Age **65** | Gender **Male**

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 City Berhad 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 was the Deputy President of the Malaysia Iron and Steel Industry Federation ("MISIF") from 2008 until October 2018 and was one of MISIF's representatives on the Asian Iron and Steel Council from 2012 until May 2018.

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 29 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

TENGKU DATUK SERI AHMAD SHAH IBNI ALMARHUM SULTAN SALAHUDDIN ABDUL AZIZ SHAH

Independent Non-Executive Director

- *Chairman of the Nomination & Remuneration Committee*

Nationality **Malaysian** | Age **68** | Gender **Male**

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. On 30 September 2022, Tengku Datuk Seri Ahmad Shah was redesignated from member to Chairman of the Nomination and Remuneration Committee of the Company.

He currently sits on the Boards of DutaLand Berhad, Sime Darby Property Berhad, Tuju Setia 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

DATIN SERI RAIHANAH BEGUM BINTI ABDUL RAHMAN

Independent Non-Executive Director
- *Member of the Audit & Governance Committee*
- *Chairman of the Risk & Sustainability Committee*
- *Member of the Nomination & Remuneration Committee*

Nationality **Malaysian** | Age **61** | Gender **Female**

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.

She currently sits on the Boards of MAA Group Berhad, Melewar Industrial Group Berhad, Tuju Setia 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, 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 for insurance industry practitioners 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 organisation 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

KWO SHIH KANG

Senior Independent Non-Executive Director
- *Chairman of the Audit & Governance Committee*
- *Member of the Risk & Sustainability Committee*
- *Member of the Nomination & Remuneration Committee*

Nationality **Malaysian** | Age **63** | Gender **Male**

Mr Kwo Shih Kang was appointed to the Board of Directors of the Company on 23 August 2019 as an Independent Non-Executive Director. On 30 May 2022, Mr Kwo was appointed as a member of the Nomination and Remuneration 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 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 was 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.

PROFILE OF DIRECTORS

DATO' MOHD ZAHIR BIN ZAHUR HUSSAIN

Independent Non-Executive Director
- *Member of the Audit & Governance Committee*
- *Member of the Risk & Sustainability Committee*

Nationality **Malaysian** | Age **48** | Gender **Male**

Dato' Mohd Zahir, was appointed to the Board of Directors of the Company on 30 June 2022.

On 29 August 2022, Dato' Mohd Zahir was appointed as a Member of the Audit & Governance Committee and Risk & Sustainability Committee of the Company.

Dato' Mohd Zahir has an established career as an auditor with various accounting firms including PricewaterhouseCoopers and Deloitte & Touche in both of its Malaysia and overseas offices. He was the Chief Financial Officer of Tracoma Holdings Berhad, a company focusing on the manufacturing of automotive components before appointed as the Audit Director for Baker Tilly Monteiro Heng.

Dato' Mohd Zahir was the Group Chief Financial Officer of Prasarana Malaysia Berhad (Prasarana) and subsequently promoted as the Chief Executive Officer of Prasarana Integrated Development (PRIDE), a wholly owned subsidiary of Prasarana. He was also the Managing Director and Group Chief Executive Officer of Destini Berhad. Currently he is the Managing Director of Zahir Irkaz PLT.

Dato' Mohd Zahir is a member of the Chartered Accountants Australia and New Zealand as well as the Malaysian Institute of Accountants.

Dato' Mohd Zahir has no family ties with any of the Directors and/or major shareholders of the Company nor any shareholding in the Company.

Dato' Mohd Zahir does not have any personal interest in any business arrangements involving the Company.

Dato' Mohd Zahir 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

Executive Chairman

Nationality **Malaysian** | Age **63** | Gender **Male**

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 17 of this annual report.

ROSHAN MAHENDRAN BIN ABDULLAH

Executive Director/Group Chief Executive Officer

Nationality **Malaysian** | Age **41** | Gender **Male**

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 18 of this annual report.

CHOO KAH YEAN

Chief Financial Officer

Nationality **Malaysian** | Age **58** | Gender **Male**

Mr Choo Kah Yean has been the Chief Financial Officer of the Group since 1 November 2012.

Mr Choo has more than 36 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 formative years. Mr Choo's last engagement was with KNM Group as its Finance Director heading the group's finance functions of its domestic and global operations involving process equipment manufacturing and engineering construction contracts.

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

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

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

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

KEY SENIOR MANAGEMENT PROFILE

IR. CHIN SHYI HER

Chief Operating Officer, Tube Operations

Nationality **Malaysian** | Age **58** | Gender **Male**

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 35 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 and was 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 is 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.

DR. FANNY TAN BOON SIM

Chief Operations Officer, CRC Operations

Nationality **Malaysian** | Age **45** | Gender **Female**

Dr. 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. Dr. Fanny was attached to Kossan Group as a General Manager before re-joining the Mycron group.

Dr. Fanny began her career at Amsteel Mills Sdn Bhd before shifting her career path to BlueScope Steel (M) Sdn Bhd from 2005 until 2011. She has 20 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.

Dr. Fanny graduated with Bachelor of Science in Materials and Manufacturing Engineering from Sheffield Hallam University, UK and furthered her academic journey by completing her Master's in Business Administration with high distinction from Victoria University, Australia. She recently obtained her Doctorate in Business Administration from Pôle Paris Alternance (PPA) Business School, France, where she excelled with distinction. In addition to her academic pursuits, she also holds a Lean Six Sigma Black Belt Certification from the International Association for Six Sigma Certification (IASSC).

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

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

Dr. 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

	2019	2020	2021	2022	2023
Financial highlights of Statements of Comprehensive Income					
Revenue (RM mil)	694.5	596.1	736.7	745.9	**540.0**
EBITDA (RM mil)	12.8	13.0	90.3	86.3	**13.0**
Profit/(loss) before tax (RM mil)	(9.7)	(10.5)	68.3	64.5	**(13.8)**
Profit/(loss) after tax (RM mil)	(12.0)	(10.6)	53.8	52.7	**(12.3)**
Financial highlights of Statements of Financial Position					
Total assets (RM mil)	666.9	634.0	737.0	851.6	**706.1**
Total borrowings (RM mil) *	119.6	100.3	87.4	116.4	**129.2**
Shareholders equity (RM mil)	395.9	385.9	447.7	494.7	**493.4**
Financial indicators					
Return on equity (%)	(3.0)	(2.7)	12.0	10.7	**(2.5)**
Return on total assets (%)	(1.8)	(1.7)	7.3	6.2	**(1.7)**
Gearing ratio (Times)	0.30	0.26	0.20	0.24	**0.26**
Net earnings/(loss) per share (sen)	(3.9)	(3.2)	16.5	16.1	**(3.8)**
Net asset per share (RM)	1.21	1.18	1.37	1.51	**1.51**
Dividend per share (sen)	-	-	-	3.0	**-**
PE ratio	(7.6)	(8.8)	3.5	2.8	**(8.8)**
Share price as at FYE (RM)	0.300	0.285	0.570	0.455	**0.330**

* Includes interest bearing trade payables

ANALYSIS OF SHAREHOLDINGS
AS AT 29 SEPTEMBER 2023

Total Number of Issued Shares	-	327,057,599
Class of Shares	-	Ordinary Shares
No. of Shareholders	-	5,067
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	695	13.7162	22,868	0.0070
100 - 1,000	1,737	34.2806	887,990	0.2715
1,001 - 10,000	1,748	34.4977	8,811,747	2.6942
10,001 - 100,000	790	15.5911	25,274,939	7.7280
100,001 and below 5% of issued shares	96	1.8946	49,599,790	15.1655
5% and above of issued shares	1	0.0197	242,460,265	74.1338
Total	**5,067**	**100.00**	**327,057,599**	**100.00**

THIRTY LARGEST SHAREHOLDERS
As at 29 September 2023

No.	Name	No. of Shares Held	[(a)]% of Shares
1.	Melewar Industrial Group Berhad	242,460,265	74.13
2.	Affin Hwang Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Mettiz Capital Sdn Bhd)	7,686,400	2.35
3.	Cartaban Nominees (Asing) Sdn Bhd (Exempt An for Daiwa Capital Markets Singapore Limited)	5,370,000	1.64
4.	Tan Cheng Chai	4,379,000	1.34
5.	Cartaban Nominees (Asing) Sdn Bhd (Marubeni-Itochu Steel Inc.)	3,580,000	1.10
6.	UOB Kay Hian Nominees (Asing) Sdn Bhd (Exempt An for UOB Kay Hian Pte Ltd)	2,840,000	0.87
7.	Teh Bee Gaik	2,718,300	0.83
8.	Ooi Chin Hock	2,108,000	0.64
9.	PM Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Kong Kok Choy)	1,900,000	0.58
10.	Maybank Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Yong Choong Hing)	798,700	0.24
11.	Alliancegroup Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Kong Kok Choy)	700,000	0.21
12.	Cartaban Nominees (Asing) Sdn Bhd (The Bank of New York Mellon for Ensign Peak Advisors Inc.)	666,000	0.20
13.	Kenanga Nominees (Asing) Sdn Bhd (Pledged Securities Account for Wu Teng Siong)	556,600	0.17
14.	Affin Hwang Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Tang Vee Mun (Datuk))	550,500	0.17
15.	CGS-CIMB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Leong Kam Leng)	483,500	0.15

ANALYSIS OF SHAREHOLDINGS
AS AT 29 SEPTEMBER 2023

THIRTY LARGEST SHAREHOLDERS (CONTINUED)
As at 29 September 2023

No.	Name	No. of Shares Held	[a]% of Shares
16.	Maybank Nominees (Tempatan) Sdn Bhd (Ho Keat Soong)	450,000	0.14
17.	Tan Ah Sim @ Tan Siew Wah	410,000	0.12
18.	Ng Teng Song	386,900	0.12
19.	Maybank Securities Nominees (Asing) Sdn Bhd (Maybank Securities Pte Ltd for Divyesh Nagindas Doshi)	385,200	0.12
20.	Lim Kian Wat	333,000	0.10
21.	Lu Yew Kong	328,000	0.10
22.	Ang Lay Tin	320,000	0.10
23.	Tan Kian Ser	300,000	0.09
24.	Alliancegroup Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Chong Yiew On)	297,700	0.09
25.	Lim Swee Ing	295,000	0.09
26.	Chee See Giap @ Sin Chien	283,740	0.09
27.	Wu Teng Siong	280,000	0.08
28.	Ho Yit Lin @ Ho Yuet Ling	279,900	0.08
29.	Lee Chee Beng	277,700	0.08
30.	Chan Seng Cheong	254,000	0.08
	Total	**281,678,405**	**86.12**

Note :

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

LIST OF SUBSTANTIAL SHAREHOLDERS
As at 29 September 2023

	Number of Shares Held			
Name	**Direct**	**%[a]**	**Indirect**	**%[a]**
Tunku Dato' Yaacob Khyra ("TY")	-	-	242,523,025	74.15[1]
Melewar Industrial Group Berhad ("MIG")	242,460,265	74.13	-	-
Melewar Equities (BVI) Ltd ("MEBVI")	-	-	242,460,265	74.13[2]
Melewar Khyra Sdn Bhd ("MKSB")	-	-	242,460,265	74.13[2]
Khyra Legacy Berhad ("KLB")	-	-	242,460,265	74.13[3]

ANALYSIS OF SHAREHOLDINGS
AS AT 29 SEPTEMBER 2023

DIRECTOR SHAREHOLDINGS
As at 29 September 2023

	Number of Shares Held			
Name	**Direct**	**%[a]**	**Indirect**	**%[a]**
TY	-	-	242,523,025	74.15[1]
Azlan bin Abdullah	53,900	0.02	-	-

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 and his major interests in Melewar Group Berhad who holds 0.02% in the total issued share capital of Mycron.

[2] Deemed indirect interest by virtue of it being the Major Shareholder of MIG who is a Major Shareholder of Mycron.

[3] 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 29 SEPTEMBER 2023

Number of Warrants Issued	-	21,756,070
Number of Warrants Exercised	-	-
Number of Warrants Unexercised	-	21,756,070
Number of Warrants Holders	-	190
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	15	7.8947	548	0.0025
100 - 1,000	71	37.3684	31,700	0.1457
1,001 - 10,000	69	36.3158	360,000	1.6547
10,001 - 100,000	33	17.3684	1,035,800	4.7610
100,001 and below 5% of warrants shares	1	0.5263	139,300	0.6403
5% and above of issued warrants	1	0.5264	20,188,722	92.7958
Director	0	0.00	0	0.00
Total	**190**	**100.00**	**21,756,070**	**100.00**

THIRTY LARGEST WARRANT HOLDERS

As at 29 September 2023

No.	Name	No. of Warrants Held	[a]% of Issued Warrants
1.	Melewar Industrial Group Berhad	20,188,722	92.80
2.	Cimsec Nominees (Tempatan) Sdn Bhd (Beneficiary : CIMB for Cheah Chee Siong)	139,300	0.64
3.	Pang Yong Ging	86,900	0.40
4.	Shahrul Nizam bin Mat Sahar	74,000	0.34
5.	Nur Fateha binti Anuar Tan	73,500	0.34
6.	Maybank Nominees (Tempatan) Sdn Bhd (Beneficiary : Pledged securities account for Yong Choong Hing)	66,900	0.31
7.	Shamsul Kamal bin Abdullah @ Mohd Khir	66,800	0.31
8.	Azli bin Md Nasir	51,200	0.23
9.	Maybank Nominees (Tempatan) Sdn Bhd (Beneficiary : Pledged securities account for Radin Zulkar Nain bin Radin Abdul Rahman)	50,000	0.23
10.	Teh Yee Liang	49,300	0.23
11.	CGS-CIMB Nominees (Asing) Sdn Bhd (Beneficiary : Pledged securities account for Walter Wurtz)	40,000	0.18
12.	Ch'ng Beng Wei	40,000	0.18
13.	Zailelawati binti Md Akhir	36,900	0.17
14.	Ng Sook Kin	36,600	0.17
15.	Leong Li Ping	35,000	0.16
16.	Nor Asilah binti Mohamed Zin	29,500	0.13

ANALYSIS OF WARRANT HOLDINGS
AS AT 29 SEPTEMBER 2023

THIRTY LARGEST WARRANT HOLDERS (CONTINUED)
As at 29 September 2023

No.	Name	No. of Warrants Held	[a]% of Issued Warrants
17.	Izzati Liyana Kook binti Abdullah	26,500	0.12
18.	Hiew Ming An	21,900	0.10
19.	Muhammad Syukri bin Baharuddin	20,000	0.09
20.	Liew Chin Kong	20,000	0.09
21.	Kenanga Nominees (Tempatan) Sdn Bhd (Beneficiary : Exempt an for Phillip Securities Pte Ltd)	20,000	0.09
22.	Affendi bin Abdullah	20,000	0.09
23.	Chen Lee Ming	20,000	0.09
24.	Tan Choong Wei	15,000	0.07
25.	Yong Zhe Wu	14,200	0.06
26.	Maybank Nominees (Tempatan) Sdn Bhd (Beneficiary : Low Yoon Choy)	14,200	0.06
27.	Maybank Nominees (Tempatan) Sdn Bhd (Beneficiary : Yong Choong Hing)	13,300	0.06
28.	Mohd Fauzi bin Mohd Zahid	13,000	0.06
29.	Rodzi bin Md Saad	13,000	0.06
30.	Tan Teck Lee	12,000	0.05
	Total	**21,307,722**	**97.91**

Note :

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

LIST OF SUBSTANTIAL WARRANT HOLDERS
As at 29 September 2023

	Number of Warrants Held			
Name	**Direct**	**%[a]**	**Indirect**	**%[a]**
Tunku Dato' Yaacob Khyra ("TY")			20,193,952	95.25[1]
Melewar Industrial Group Berhad ("MIG")	20,188,722	92.80	-	-
Melewar Equities (BVI) Ltd ("MEBVI")	-	-	20,188,722	92.80[2]
Melewar Khyra Sdn Bhd ("MKSB")	-	-	20,188,722	92.80[3]
Khyra Legacy Berhad ("KLB")	-	-	20,188,722	92.80[3]

ANALYSIS OF WARRANT HOLDINGS
AS AT 29 SEPTEMBER 2023

DIRECTOR WARRANT HOLDINGS
As at 29 September 2023

	Number of Warrants Held			
Name	**Direct**	**%[(a)]**	**Indirect**	**%[(a)]**
TY	-	-	20,193,952	95.25[(1)]

Notes:

(a) The percentages of substantial warrant holders and Director's warrant holdings are calculated by dividing the warrants held by the respective substantial warrant holders and Director with the total number of issued warrants.

(1) Deemed indirect interest by virtue of TY being a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB, who are the Major Shareholders of MIG, a Major Shareholder of Mycron and his majors interests in Melewar Group Berhad who holds 0.02% of the total number of issued warrants of Mycron.

(2) Deemed indirect interest by virtue of it being the Major Shareholder of MIG who is a Major Shareholder of Mycron.

(3) 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") recognises and acknowledges the importance of the principles and recommendations as set out in the Malaysian Code on Corporate Governance. The Board is fully committed to maintaining high standards of corporate governance practices throughout the Company and its subsidiaries ("the Group") to sustain the performance and protect and enhance long-term shareholders' value and stakeholders' interest.

This Corporate Governance Overview Statement ("CG Overview Statement") describes how the Group has adopted and applied the principles and best practices as set out in the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Companies Act 2016 ("CA"), and the Malaysian Code on Corporate Governance 2021 ("MCCG") for the financial year ended 30 June 2023.

This CG Overview Statement is also prepared in compliance with Paragraph 15.25(1) of the MMLR of Bursa Securities and should be read together with the Corporate Governance Report ("CG Report") of the Company which is published on the Company's website at https://www.mycronsteel.com/corporate-governance.php as well as on Bursa Securities website. It should also be read in conjunction with other statements in this Annual Report such as the Statement on Risk Management and Internal Control and the Audit and Governance Committee Report.

The overview of the CG practices, which made reference to the three (3) key CG principles as set out in the MCCG throughout FY2023 are as follows:

Principle A	**Principle B**	**Principle C**
Board leadership and effectiveness	Effective audit and risk management	Integrity in corporate reporting and meaningful relationships with stakeholders
• Board responsibilities • Board composition • Remuneration	• Audit and Governance Committee • Risk management and internal control	• Engagement with stakeholders • Conduct of general meetings

The Board has assessed that the Group has complied with the provisions and applied the main principles of MCCG except for:

(i) Practice 8.2 (The Board discloses on a named basis the top 3 senior management's remuneration in bands of RM50,000)

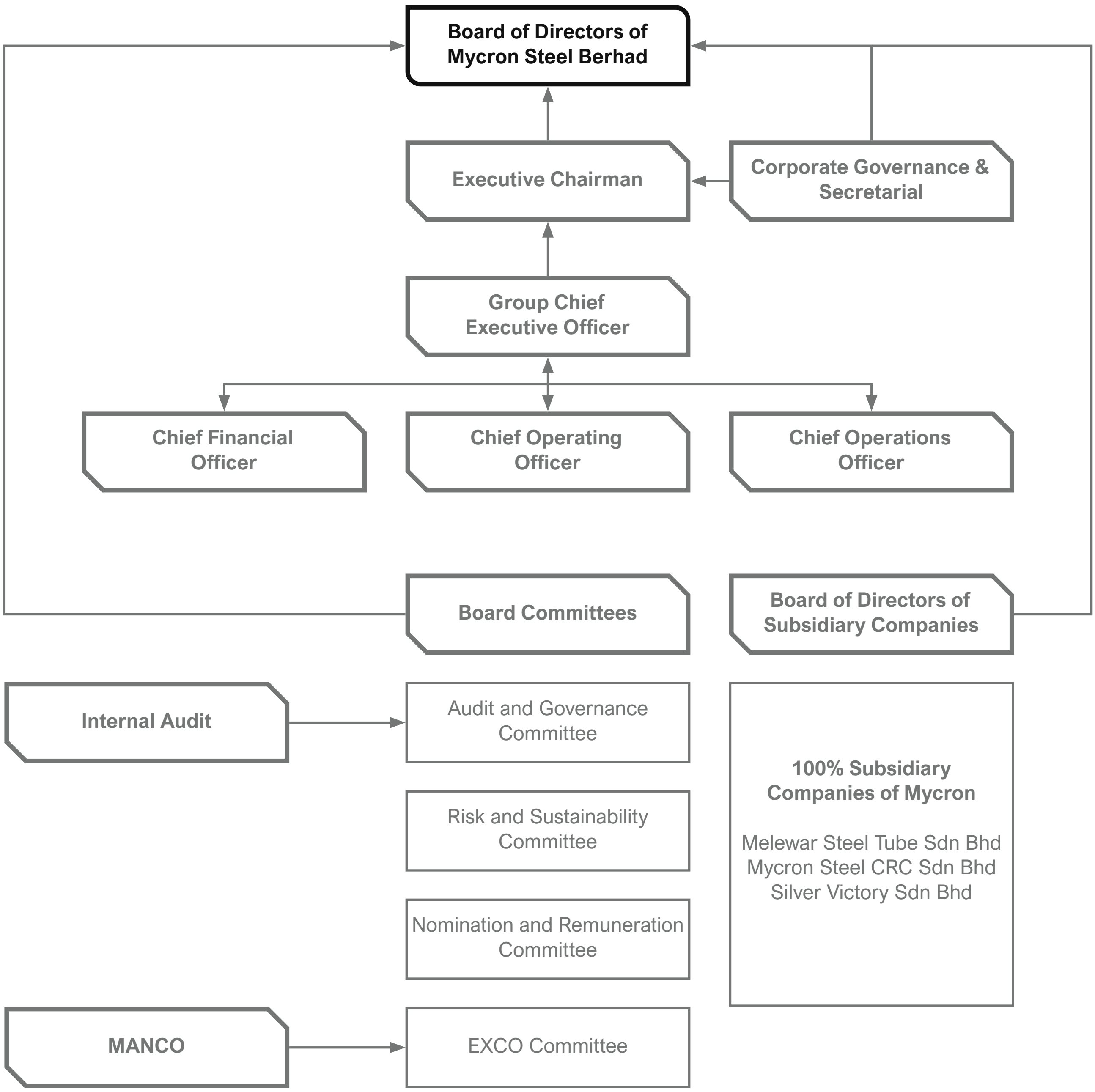
(ii) Practice 8.3 (Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis)

The occurrence of deviations to the practice by the Group with the reasons and alternative actions are explained in the CG Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

MSB's Group Corporate Governance Framework

Our Group Corporate Governance Framework which was formalised and adopted on 30 May 2022, which is set out below, is vital in supporting the practise of CG throughout the organisation.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

PART 1 - BOARD RESPONSIBILITIES

1.1 Effective Board Leadership and Oversight

The Board is responsible for governing, guiding and overseeing the overall management of the Group and retains full and effective control over the affairs of the Group. It reviews the Group's policies and strategies, enforces standards of accountability, actively oversees the conduct, management and business affairs of MSB and monitors the Senior Management's performance.

The Board ensures the effective discharge of its fiduciary and leadership functions, as well as sustains long-term shareholder value while safeguarding the interests of all its stakeholders. It works closely with the Senior Management to ensure that the operations of MSB are conducted prudently within the relevant laws and regulations.

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 provide effective oversight and leadership and 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 minuted 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 ultimate responsibility for decision making, however, lies with the Board.

These Board Committees are chaired by Independent Non-Executive Directors.

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 Board recognises the importance of identifying and retaining talent as key factor to the Group's continued growth and success. The Succession Planning Policy adopted by the Group is intended to provide a general method to help the Group develop and implement its own succession planning process. The Succession Planning Policy is also to ensure continuity of key management positions that exert critical influence on organisational activities, either operationally, strategically or both. There is a formal organisation structure for the Group with delineated lines of authority, responsibility and accountability. It fosters and promotes the continual development of key employees and ensures that key positions maintain some measure of continuity, thus enabling the Group to achieve business objectives. The succession planning of the Group is enhanced by the policies and standard operating procedures as well as job descriptions established for key business processes within the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

1.2 Separation of Roles and Responsibilities of the Chairman and the GCEO

(i) Chairman and GCEO

The Board has always made the distinction that the position of the Chairman and GCEO does not reside with the same person to ensure organisational check and balance for better governance. There is a clear and separate division of responsibility in the roles and duties of the Chairman and GCEO. These are enshrined in the Board Charter, which has been reviewed and updated to be in line with the practices of MCCG and is made available in the Company's website.

(ii) Chairman

The Board has elected Tunku Dato' Yaacob Khyra as the Company's 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.

Given that the Chairman, Tunku Dato' Yaacob Khyra who has a wealth of experience in the business operations of the Group, the history of the Group, its structure, business environment and the territories globally in which the Group operates, he also assumes the position of an Executive Chairman for continuing leadership.

(iii) GCEO

The GCEO, En Roshan Mahendran bin Abdullah 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 on the Company's website.

(iv) Chairman of the Board in Board Committees

The Company has adopted Practice 1.4 of the MCCG as Tunku Dato' Yaacob Khyra is not a member of any of the Board Committees.

(v) Suitably Qualified and Competent Company Secretary

The Board is assisted by a qualified and competent Company Secretary who plays a vital role in advising the Board in relation to the Group's constitution, policies, procedures and compliance with the relevant regulatory requirements, codes, guidance and legislations. The Company Secretary is a member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") and she holds a Practising Certificate from the Companies Commission of Malaysia and is qualified to act as company secretary under Section 235(2) of the CA.

The Company Secretary attends all Board and Committee meetings and ensures that discussions and deliberations of the Board and Committees are properly documented and recorded in a timely manner, and subsequently communicated to the Management for appropriate actions. The Company Secretary further ensures that outstanding action items are properly tracked and monitored until such items are addressed and where necessary, reported to the Board.

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 developments to the legislations and the MMLR of Bursa Securities and the resultant implications to the Company and the Board in discharging their duties and responsibilities.

1.2 Separation Roles and Responsibilities of the Chairman and the GCEO (continued)

(v) Suitably Qualified and Competent Company Secretary (continued)

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

1.3 Access to Information and Meeting Materials

The Board recognises that the decision-making process is highly contingent on the quality of information furnished. All members of the Board have full unrestricted access to any information pertaining to the Group's business and affairs.

Prior to the scheduled Board and Committee meetings, a formal and structured agenda together with a set of Board and Committee papers are forwarded to all Directors at least five (5) working days before the relevant Board or Committee meetings to allow sufficient time for the Directors to review and analyse relevant information and if necessary, obtain further information on matters to be deliberated. The Board papers provide, among others, periodic financial information, operational issues 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, whether acting as a full Board member or in their individual capacity, in the furtherance of their duties, may obtain independent professional advice at the Company's expense, in the event that circumstances warrant the same. The Company has in place internal procedures for the application and appointment process for the services of independent professional parties in the Board Charter.

1.4 Group Corporate Governance Framework ("CG Framework")

To ensure prudent and effective control of the operations in the Group, the Board adheres to the Group's CG Framework and works to ensure that the Group's CG Framework continues to remain appropriate and reviewed when necessary.

The CG Framework of the Group as illustrated above demonstrates how the Company manages its Group's businesses to achieve its objectives. It also explains how the organisational structure facilitates the roles and functions at each level, with two-way interaction between the Board, the Board Committees, the Executive Chairman and the GCEO, down to the management and operational level. The actions, execution of plans, reporting and accountability will flow back to the Board for further evaluation and decision.

The CG Framework sets out various fundamental corporate governance principles, values and standards that shall guide the Board and Management teams within the Group and to describe the governance arrangements in place between MSB and its subsidiary companies so as to deliver efficiency, effectiveness, prudent governance and alignment across the Group which are based on the evolving corporate governance requirements instituted by the authorities. This is in line with the best practices laid out in the MCCG.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

1.4 Group Corporate Governance Framework ("CG Framework") (continued)

The CG Framework also acts as a source of reference and primary induction literature to Board members and Senior Management as it contains the Group CG Framework, the Board Charter, the TOR of the various Committees and the other Policies adopted by the Company.

This CG Framework will be reviewed and updated in accordance with the needs of the Company and any new regulations. Any amendments to the CG Framework shall be approved by the Board.

- **Board Charter**

  In compliance with Practice 2.1 of the MCCG, the Board has established a Board Charter as a point of reference for Board activities. The Charter clearly delineates the roles, duties and responsibilities of the Board, Board Committees, Directors and Senior Management in order to provide a structured guidance regarding their responsibilities, duties, roles, functions and powers.

  The Charter also serves as a source of reference and primary induction literature, providing insights to new Board members. Salient features of the Charter are available on the Company's website.

  The Board will review the Charter from time to time to ensure its compliance with relevant rules and regulations and remains relevant and effective. The Charter was last reviewed on 30 May 2022.

  The Board Charter and TOR of the Committees can be viewed on the Company's website at www.mycronsteel.com.

- **Code of Conduct and Ethics**

  The Board has adopted a Code of Conduct and Ethics ("Code") which is to instil and inculcate, amongst Directors, management and employees of the Group, a corporate culture which engenders ethical conduct to permeate throughout the Group. The Code sets out broad standards to guide our Directors, management and employees to carry out their duties and responsibilities in an ethical manner covering various elements from, among others, human rights, health and safety, environmental care, company's assets, records and controls to confidentiality, gifts and business courtesies and integrity and professionalism.

  An Employee Handbook, which contains various human resources policies, serves as a guide for Management and employees of the Group and is communicated to all the employees, both new and existing, through training, HR portal and induction programme.

  The Board reviews the Code as and when necessary, to ensure that it continues to be effective.

  The Company's Code is available on the Company's website.

- **Whistleblowing Policy**

  The Board is committed to achieve and maintain high standards of corporate governance practices across the Group. The Company has in place a standalone Whistleblowing Policy and Procedures to provide a channel to enable Directors, Employees, Shareholders, Vendors or any parties with a business relationship of the Group with an avenue to report suspected wrongdoings that may adversely impact the Group. It also outlines the procedures for reporting a genuine concern on any breach of conduct that are taking place, have taken place or may take place in the future. The Company treats all reports in a confidential manner and at the same time provides protection to anyone who reports such concerns in good faith.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

1.4 Group Corporate Governance Framework ("CG Framework") (continued)

- **Whistleblowing Policy (continued)**

  The RSC is committed to investigate and address all cases of reported misconduct and determine the channel for investigation and follow-up action. Further details of the Whistleblowing Policy are available on the Company's website.

  For financial year 2023, the Company did not receive any report or complaint of misconduct from employees, Management, public or stakeholders.

- **Conflict of Interest and Related Party Transactions**

  To assure accountability and prevent conflict of interest in relation to issues that come before the Board, the Company has put in place a Conflict of Interest Policy which applies to all Directors and Employees of MSB and its subsidiaries (including employees on contract terms, temporary staff, and those on internship or secondment). The Group expects all employees to conduct themselves with integrity, impartiality, and professionalism at all times, and to avoid any conflict of interest that may arise in the performance of their duties.

  In the case of Directors, this are enshrined in the Board Charter. Directors are reminded by the Company Secretary of their statutory duties and responsibilities and are provided with updates on any changes thereon. Hence, the AGC reviewed related party transactions and possible conflict of interest situations that may arise within the Group including any transactions, procedure or course of conduct that may give rise to questions on management integrity and to ensure all transactions are at arm's length basis in every quarterly meeting.

  The AGC had ensured that the Company is in compliance with the MMLR and these related party transactions are not detrimental to minority shareholders. The AGC also did not detect any issue that warrants specific disclosure.

  The Directors further acknowledge that they are also required to abstain from deliberation and voting on relevant resolutions in which they have an interest at the Board or any general meeting convened.

  In the event a corporate proposal is required to be approved by shareholders, the interested Directors will abstain from voting in respect of their shareholdings and will further undertake to ensure that persons connected to them will similarly abstain from voting on the resolutions.

  Notices on the closed period for trading in the Company's shares are sent to Directors and principal officers on a quarterly basis specifying the timeframe during which they are prohibited from dealing in the Company's shares, unless they comply with the procedures for dealings during closed period as stipulated in the MMLR.

  The Directors of the Group are also required to disclose and confirm their directorships and shareholdings in the Group and any other entities where they have interests for the Group's monitoring on a quarterly basis or as and when required.

  The above guidelines are encapsulated in the Related Party Transactions Policy which was approved by the Board of Directors on 24 February 2021.

- **Anti-Fraud/Corruption Policy**

  The Group strongly believes in acting professionally, fairly and with integrity in all business dealings and relationships (including its supply chain), free from acts of bribery or corruption in upholding high standards of ethics and integrity.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

1.4 Group Corporate Governance Framework ("CG Framework") (continued)

- **Anti-Fraud/Corruption Policy (continued)**

  The Group Anti-Fraud/Corruption Policy provides information and guidance to the Directors and employees on their actions and decisions made for and on behalf of the company to prevent practices against the Group Anti-Fraud/Corruption Policy. It also elaborates the accepted best practice guidelines to combat bribery and corruption in furtherance of the Group's commitment to lawful and ethical behaviour at all times.

  The Group takes zero-tolerance approach towards fraud, bribery and corruption and any form of dishonesty in its business dealings.

  The Group Anti-Fraud/Corruption Policy is applicable to Directors, employees, suppliers, contractors, sub-contractors, vendors, agents, consultants, representatives and other representatives acting for or on behalf of the Group.

  The Group educates all new employees on the Company's Anti-Fraud/Corruption Policy as well as Code of Conduct and Ethics, during the in-house orientation programme. Any updates to the Employee Handbook are done through the internal network and all employees sign off on the Company's policies on confidentiality and conflict of interest, integrity and prevention of staff fraud once they have attended the Group's internal briefings.

  All employees and Directors of the Company are required to declare that they have received, read and understood the provisions of the Codes/Policies, and agreed to observe and adhere to the Codes/Policies with complete professionalism and integrity throughout their employment or tenure with the Company.

  The details of the Group Anti-Fraud/Corruption Policy are available on the Company's website at www.mycronsteel.com.

  For financial year 2023, there was no incident of bribery and corruption that were reported to the Group.

1.5 Strategic Management of Sustainability Matters

The Board believes that sustainable business practices are essential to achieve long-term value creation. The Board holds the ultimate responsibility for the Group's sustainability management, including setting and overseeing the Group's sustainability strategies, priorities and targets.

The Group CEO is leading the Senior Management Team in implementing the sustainability plans and strategies across the board. The Board continues to stay abreast of the sustainability issues relevant to the Group and to ensure it communicates the Group's sustainability strategies, priorities, targets, and performance against the targets developed to all the stakeholders via the Sustainability Statement included in this Annual Report.

The Group also has a sustainability governance structure to oversee the implementation of sustainable practices across all the operations of the Group.

The details of the Group's sustainability strategies, priorities and performance against targets are set out separately in the Sustainability Statement of this Annual Report.

The Management Committee ("MANCO"), which comprises heads of the Company's business units and divisions, will oversee all aspects of operational and sustainability risks with the initiation and identification of the risk issues. MANCO will then raise these issues to the Executive Committee who meets on a monthly basis to ensure that the matters are discussed in depth for the next course of actions. These issues will then be encapsulated in the Risk Report and reported to the RSC.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

1.5 Strategic Management of Sustainability Matters (continued)

The sustainability initiatives and activities undertaken by the Group for the financial year ended 30 June 2023 are disclosed in the "Sustainability Report" on the appendixes, provided in this Annual Report.

In order to ensure the Board is kept abreast with sustainability issues and have sufficient understanding in sustainability matters relevant to the Group and its businesses, Directors are expected to attend sustainability related programmes including conferences, seminars and trainings. This is to enable the Board to stay abreast and understand the sustainability issues, including climate-related risks and opportunities.

PART 2 - BOARD COMPOSITION

2.1 Composition

The Board composition is in compliance with Paragraph 3.04(1) and Paragraph 15.02(1) of the MMLR of Bursa Securities which stipulates that at least two Directors or 1/3 of the Board, whichever is higher, must be Independent Directors and also the recommendation by the MCCG to have at least half of the Board comprises Independent Directors.

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).

As at the date of this CG Overview Statement, the Board, consists of seven (7) members as follows:

- one (1) Executive Chairman;
- one (1) Executive Director;
- one (1) Non-Independent Non-Executive Director; and
- four (4) Independent Non-Executive Directors.

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

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

Directors	Designation
Tunku Dato' Yaacob Khyra	Executive Chairman
Roshan Mahendran bin Abdullah	Group Chief Executive Officer
Azlan bin Abdullah	Non-Independent Non-Executive Director
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
Kwo Shih Kang	Senior Independent Non-Executive Director
Dato' Mohd Zahir bin Zahur Hussain	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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

2.1 Composition (continued)

All Independent Non-Executive Directors do not participate in the day-to-day management of the Group and do not engage in any business dealing or other relationship with the Group in order to uphold their objectivity and fulfil their responsibility to provide check and balance to the Board.

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.

2.2 Tenure of Independent Director

In line with the MCCG, the Board has adopted the nine (9) years policy for Independent Directors in the Procedure for the Appointment and Removal of Directors. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the re-designation of the said person as a Non-Independent Director.

In the event the Board intends to retain such Director as Independent Director after the latter has served a cumulative term of nine (9) years, the Board will justify the decision and seek annual shareholders' approval through a two-tier voting process. This is also echoed in the Board Charter.

As of the date of this statement, none of the existing Independent Directors of the Company has exceeded the tenure of a cumulative term of nine (9) years in the Company.

2.3 Appointment of Board and Senior Management

Appointment of Board and Senior Management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender. The Profile of Directors and the Senior Management Team are set out in this Annual Report.

2.4 Fit and Proper Policy

The Board has adopted a Fit and Proper Policy ("the Policy") for Directors and key senior management to ensure a formal and transparent process for the appointment and re-election of Directors and key senior management of the Group.

This Policy is to ensure that Directors must have the character, integrity, relevant range of skill, knowledge, experience, competence and time commitment to carry out their roles and responsibilities effectively in the best interest of the Company and its stakeholders.

The execution is delegated to the NRC and to be reviewed and approved by the Board. This Policy shall be reviewed periodically by the Board and be revised at any time as it may deem necessary in accordance with the needs of the Company.

The Fit and Proper Policy for Directors and key senior management is available on the Company's website.

2.5 Utilisation of Various Sources in Identification of Potential Candidates

The Group has in place a formal and transparent procedure for the appointment of new directors to the Board. The NRC is responsible for identifying, assessing and recommending to the Board suitably qualified candidates for directorship on the Board as well as members of the Board Committees.

In making its recommendation, the NRC will undertake an evaluation and assessment of the candidates in accordance with the criteria as set out in the Directors' Fit and Proper Policy adopted by the Group. The NRC shall ensure that the Board has the right balance of skills, experience, independence and business knowledge necessary to discharge its responsibilities in keeping with the highest standards of governance.

2.5 Utilisation of Various Sources in Identification of Potential Candidates (continued)

The NRC acknowledges that the selection and recommendation of suitable candidates to be appointed to the Board may also be from referrals from external independent sources available, such as Director's registry or independent search firms when necessary.

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

Chairman:	Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah – Independent Non-Executive Director
Members:	Datin Seri Raihanah Begum binti Abdul Rahman – Independent Non-Executive Director
	Kwo Shih Kang – Senior Independent Non-Executive Director

The NRC is governed by its terms of reference which is available on the Company's website at www.mycronsteel.com

2.7 Diversity Policy

The Board is supportive of the gender diversity in the boardroom as recommended by the MCCG. In considering Board appointment, the Board, through its NRC, believes in and provides equal opportunity to candidates who have the necessary skills, experience, commitment (including time commitment), core competencies and other qualities regardless of gender, ethnicity and age.

In this respect, the Board has established a Diversity Policy, which also forms part of the Board Charter to strictly adhere to the practice of non-discrimination of any form, whether based on race, age, religion and gender throughout the organisation, which includes the selection of Board members and senior management.

Currently, Datin Seri Raihanah Begum binti Abdul Rahman is the only female Director on the Board. Her presence complies with the MMLR which mandates presence of at least one (1) female Director on board.

The Board, through the NRC, will continue to observe the female participation in the Board and the Board will strive to meet the objective of the recommendation of the MCCG.

The Diversity Policy can be found on the Company's website at www.mycronsteel.com.

2.8 Annual Evaluation 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 NRC meeting held during the financial year, an evaluation was carried out through a set of questionnaires, and self-assessment with the results collated, summarised and reported to the Board by the Chairman. The Board, through the recent review and assessment of the NRC, confidently believes that the size and composition of the Board is appropriate, with a good mix of skills, experiences and expertise as well as possess appropriate competency to discharge their duties effectively.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

2.8 Annual Evaluation of the Directors, Board as a whole and Board Committees (continued)

In line with the revised MCCG in April 2021 where a new section on Environmental, Social and Governance ("ESG") or Sustainability was added, the board evaluation questionnaire relating to ESG or Sustainability had been included in the annual assessment.

In the case of Independent Directors, they had provided the NRC with written confirmation on their independence during the annual assessment exercise conducted for the financial year ended 30 June 2023. The Board was satisfied with the level of independence demonstrated by the Independent Directors and believed that the Independent Directors will continue to bring independent and objective judgment to Board deliberations.

In addition, the Directors are also being evaluated on their personal development and identified their strength and weaknesses in discharging their duties and responsibility as a member of the Board as well as continuously improving themselves to keep themselves updated to counter with the ever-changing environment. There were no major concerns from the results of the assessments.

In accordance with the Company's Constitution, newly appointed Directors shall hold office until the next following AGM. They shall then be eligible for re-election which would be put to a vote by shareholders in the next AGM subsequent to their appointment. The Constitution also provides that one-third (1/3) of the Board are required to retire at every AGM and be subjected to re-election by shareholders and all Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election.

There was no new appointment of Directors during the financial year under review.

Summary of Activities Undertaken by the NRC in respect of Financial Year ended 30 June 2023

The NRC had discussed, inter-alia, the following matters in respect of financial year ended 30 June 2023:

(a) Conducted annual assessment on the effectiveness of the individual directors, 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 2023 and reported the findings at the Board meeting.

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

(b) Reviewed and assessed the independence of the Independent Directors 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.

2.8 Annual Evaluation of the Directors, Board as a whole and Board Committees (continued)

(c) 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 20th AGM. The Directors standing for retirement by rotation and subject to re-election at the forthcoming AGM are Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah and Roshan Mahendran bin Abdullah.

The profile of the retiring Directors, including their nature of interest with the Company, if any, are set out at the Directors' Profile section of the Annual Report.

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

(e) 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.

(f) Reviewed the remuneration policies applicable to Directors, GCEO and Senior Management and recommended the same to the Board for approval.

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

(h) Reviewed the Service Contract of the Executive Chairman.

(i) Deliberated on the remuneration packages of the Executive Chairman for FYE 2023 and recommended the same to the Board for approval.

(j) Reviewed the Directors' fees payable to the Directors of the Company and the Group for the FYE 2023 and recommended the same to the Board for approval.

(k) Reviewed the benefits payable to the Directors of the Company for the period from 1 January 2024 to 31 December 2024 and recommended the estimated quantum to the Board for approval.

(l) 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.

2.9 Time Commitment of the Board

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 year which sets out the scheduled dates for meetings of the Board and Board Committees, in order to facilitate and allow the Directors to better plan their schedule to fulfill their commitment to the Company.

During the annual Board evaluation, each Director was assessed whether he/she 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

2.9 Time Commitment of the Board (continued)

The Board met five (5) times during the financial year ended 30 June 2023. The attendance of each Director at the Board Meetings held during the financial year ended 30 June 2023 was as follows:

Executive Directors	No. of attendance	%
1. Tunku Dato' Yaacob Khyra (Chairman)	4/5	80
2. Roshan Mahendran bin Abdullah	4/5	80

Non-Independent Non-Executive Director	No. of attendance	%
1. Azlan bin Abdullah	4/5	80

Independent Non-Executive Directors	No. of attendance	%
1. Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah	5/5	100
2. Datin Seri Raihanah Begum binti Abdul Rahman	4/5	80
3. Kwo Shih Kang	5/5	100
4. Dato' Mohd Zahir bin Zahur Hussain	5/5	100

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.

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 of Bursa Securities. 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.

2.10 Continuing Education and Training of Directors

As at the date of this CG Overview Statement, all the Directors have attended the Mandatory Accreditation Programme Part I as required under the MMLR of Bursa Securities.

In line with Paragraph 15.08 of the MMLR, the Directors acknowledge the importance and value of attending conferences, training programmes and seminars in order to keep themselves abreast of the latest developments in areas related to their duties and to be equipped with the necessary skills and knowledge to meet the challenges faced by the Board.

As such, 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/herself with enhanced knowledge and to effectively contribute to the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

2.10 Continuing Education and Training of Directors (continued)

During the financial year ended 30 June 2023, 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	Deloitte & Touche (M.E.) – Bahrain The training session covered the following topics: • Impact of expected Fed interest rate hikes on the corporate sector • Audit Committees: ➢ Areas of oversight ➢ Key risks ➢ Audit Committee practices
Roshan Mahendran bin Abdullah	Sustainability Management and Reporting - What this entails & how the Board and Management go about managing & reporting sustainability practices
Azlan bin Abdullah	(i) Contract and Procurement Fraud – Internal Controls, 3rd Party Due Diligence and Reporting Mechanism (ii) Building a Company of Integrity - The Director's Role in Gaining Maximum Value for the Company from the MACC Act Section 17A Adequate Procedures
Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah	(i) Sime Darby Property: Sustainable Leadership Workshop (Part 2) (ii) PNB Knowledge Forum 2022: Tall Buildings and Loving in the Space Age: The Enigma and Convergence of Science and Art. (iii) Sime Darby Property:- Pre-Board Engagement: (a) Macroeconomic Outlook (b) Investment and Asset Management (c) Disruption Through Tech and Innovation Ir. (d) Geographical Expansion – Opportunities in the UK (e) Fireside Chat with PNB CEO (iv) Sime Darby Property: Training and Updates on Cybersecurity
Datin Seri Raihanah Begum binti Abdul Rahman	(i) Advocacy Sessions for Directors and Senior Management of Main Market Listed Issuers (ii) Securities Commission Malaysia's Audit Oversight Board Conversation with Audit Committees (iii) Board's AT-A-Glance - Bursa Malaysia's Enhanced Sustainability Reporting Framework

CORPORATE GOVERNANCE OVERVIEW STATEMENT

2.10 Continuing Education and Training of Directors (continued)

Members of the Board	List of Training Programmes/ Seminars/ Conferences Attended
Kwo Shih Kang	(i) Advocacy Sessions for Directors and Senior Management of Main Market Listed Issuers (ii) Securities Commission Malaysia's Audit Oversight Board Conversation with Audit Committees
Dato' Mohd Zahir bin Zahur Hussain	Securities Commission Malaysia's Audit Oversight Board Conversation with Audit Committees

In addition, the Directors are briefed/updated by the Senior Management, the Company Secretary, the External Auditors and Internal Audit Consultants on any changes to the statutory, corporate and regulatory requirement relating to Directors' duties and responsibilities or the discharge of their duties as Directors at Board and AGC Meetings. The External Auditors had also briefed the Board on the changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements.

PART 3 – REMUNERATION

3.1 Remuneration Policy

In compliance with Practice 7.1 of the MCCG, the Board has adopted a Remuneration Policy. The Group's Remuneration Policy sets out the procedure of determining the remunerations of Directors (Executive and Non-Executive), Group Managing Director/Group Chief Executive Officer and Key Senior Officers which takes into account the demands, complexity and performance of the Group as well as skills and experience required for the position.

The objectives of this Remuneration Policy are to ensure that the Directors and Senior Management are offered an appropriate level and composition of remuneration and other benefits by taking into account the Group's desire to attract and retain the right talent and expertise with the aim to motivate the Directors and Senior Management to achieve the Group's long-term business objectives.

The remuneration package also takes into account the scope of duty and responsibilities; the conditions and experience required; the ethical values and strategic targets of the Company; the corporate and individual performances; and the current market rate within the industry and in comparable companies.

3.2 Remuneration of Directors and Senior Management

The NRC had developed a fair and transparent policy and procedure for determining the remuneration of Directors and Senior Management of the Group. The NRC is tasked to develop a remuneration package that is competitive and in line with current market practice to attract, retain and reward talented Directors and Senior Management, and is aligned with the Group's strategy. The remuneration package is determined by taking into account the short-term and long-term objectives and growth of the Group.

The determination of remuneration packages of the Executive Directors and Non-Executive Directors including the 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.

3.2 Remuneration of Directors and Senior Management (continued)

In compliance with the provisions of the CA, 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 RM60,000 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 the 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 FY2023, the NRC had performed its duty to assess the remuneration package of its Executive Directors and Senior Management.

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.

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.

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 20th 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 CA. As such, the Company will not be tabling any resolution on payment to Executive Directors at the Annual General Meeting of the Company.

The remuneration details of the individual Directors for FY2023 are disclosed in Practice 8.1 of the CG Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

3.2 Remuneration of Directors and Senior Management (continued)

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)	Total (RM'000)
Executive Directors							
Tunku Dato' Yaacob Khyra	1,967.7	327.9	31.3	-	-	344.3	2,671.2
Roshan Mahendran bin Abdullah	-	-	-	-	-	-	-
Non-Independent Non-Executive Director							
Azlan bin Abdullah	-	-	-	54	2.5	-	56.5
Independent Non-Executive Directors							
Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah	-	-	1.9	54	4.5	-	60.4
Datin Seri Raihanah Begum binti Abdul Rahman	-	-	-	66	7	-	73
Kwo Shih Kang	-	-	-	66	9	-	75
Dato' Mohd Zahir bin Zahur Hussain	-	-	1.8	64.1	5.5	-	71.4
Tan Sri Datuk Seri Razman Md Hashim	-	-	0.2	15	2	-	17.2

CORPORATE GOVERNANCE OVERVIEW STATEMENT

3.2 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)	Total (RM'000)
Executive Directors							
Tunku Dato' Yaacob Khyra	-	-	-	-	-	-	-
Roshan Mahendran bin Abdullah	2,263	2,913.4	43.3	-	-	776.5	5,996.2
Non-Independent Non-Executive Director							
Azlan bin Abdullah	-	-	-	-	-	-	-
Independent Non-Executive Directors							
Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah	-	-	-	-	-	-	-
Datin Seri Raihanah Begum binti Abdul Rahman	-	-	-	-	-	-	-
Kwo Shih Kang	-	-	-	-	-	-	-
Dato' Mohd Zahir bin Zahur Hussain	-	-	-	-	-	-	-
Tan Sri Datuk Seri Razman Md Hashim	-	-	-	-	-	-	-

* 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

3.3 Remuneration of Top Three Senior Management

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
RM900,001 to RM950,000	1
RM1,050,001 to RM1,100,000	1
RM1,250,001 to RM1,300,000	1

Although the MCCG recommends full disclosure by the Company of the remuneration of its Key Senior Management on named basis, the Board is of the opinion that the disclosure of the Key Senior Management personnel names and the various remuneration components (salary, bonus, benefits in-kind, other emoluments) would not be in the best interest of the Group given the competitive human resources environment; as such disclosure may give rise to talent recruitment and retention issue. Also premised on the confidentiality of the remuneration package of the Senior Management, the Board has adopted a disclosure of the Senior Management remuneration in bands of RM50,000 on an unnamed basis.

In setting the remuneration packages for Key Senior Management, the Company keeps in mind the remuneration and employment conditions within the industry and with comparable companies. The performance of Senior Management is evaluated on an annual basis and measured against pre-determined targets including their individual responsibilities, skills, expertise and contributions to the Group’s performance.

The Board ensures that the remuneration of Key Senior Management commensurate with the performance of the Company, with due consideration to attracting, retaining and motivating Key Senior Management to lead and run the Company successfully.

The Board will continuously undertake a robust internal process to ensure that the remuneration of Senior Management is competitive and fair. The Company noted that the non-disclosure of the remuneration of the top three Senior Management is a departure from Practice 8.2 of the MCCG but nevertheless will consider the application of both practices when the Company is satisfied that there are adequate rules and regulations set in place by the authorities to protect the Company from losing its invaluable human assets/talents.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

PART 1 – AUDIT AND GOVERNANCE COMMITTEE

1.1 The Chairman of the AGC is not the Chairman of the Board

The AGC is chaired by an Independent Non-Executive Director, Mr Kwo Shih Kang, who is not the Chairman of the Board which therefore is in compliance with Practice 9.1 of the MCCG. The profile of the Chairman of the AGC is set out in the Profile of Directors of this Annual Report.

1.2 Former Key Audit Partner

The AGC has adopted a policy that requires a former partner of the external audit firm to observe a cooling-off period of at least three (3) years before being appointed as a member of the AGC, and the said policy has been incorporated into the TOR of the AGC.

None of the members of the Board were former key audit partners. Hence, no former key audit partner is appointed to the AGC. The Board/Group will observe a cooling-off period of at least three (3) years in the event any potential candidate to be appointed as a member of the AGC was a key audit partner.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

1.3 Assessment of Suitability and Independence of External Auditors

KPMG PLT ("KPMG") was appointed as the Group's External Auditors in place of PricewaterhouseCoopers PLT at the AGM of the Company held on 1 December 2022.

Having a transparent and professional relationship with auditors is important to ensure the integrity and reliability of the Group's financial reporting. The Board upholds a transparent and professional relationship with both the Internal and External Auditors through the AGC.

The AGC assesses the suitability, objectivity, and independence of the External Auditors on annual basis based on the policies and procedures that have been established. Annual performance evaluation of the External Auditors will be undertaken by AGC. The Group has pre-set criteria to guide decisions on the appointment and re-appointment of External Auditors. The AGC also ensures that any provision of non-audit services by the external auditors are not in conflict with their role as auditors.

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.

At a meeting held on 29 August 2023, the AGC assessed the performance, competency, independence, technical capabilities and resource sufficiency of the External Auditors. Based on the assessment, the AGC was satisfied with the independence and performance of the External Auditors and recommended to the Board to put forth a proposal for the re-appointment of the External Auditors at the forthcoming AGM of the Company.

The External Auditors have confirmed to the Board that they are, and have been, independent throughout the conduct of audit engagement in accordance with the terms of relevant professional and regulatory requirements.

The Board, through the AGC, has received a written declaration from the External Auditors of their independence throughout the term of their engagement in accordance with the terms of the relevant professional and regulatory requirements, including the by-laws of the MIA.

Details on the audit fees payable to KPMG and summary of the activities of the AGC during the financial year are set out in the AGC Report in this Annual Report.

1.4 Composition of Audit and Governance Committee

The Board established the AGC since 1 June 2005 to provide assistance to the Board of Directors in fulfilling its statutory and fiduciary responsibilities with regards to the accounting and financial reporting practices. The AGC also reviews the scope and results of internal and external auditing processes and monitors the effectiveness of the internal controls and risk management to ensure the Board makes properly informed decisions.

During the financial year, the AGC comprised of three (3) members, all of whom are Independent Non-Executive Directors.

This is in compliance with Paragraph 15.09 (1) (b) of the Listing Requirements, which stipulates that "all the audit committee members must be Non-Executive Directors, with a majority of them being Independent Directors".

1.5 Qualification of the Audit and Governance Committee

The AGC conducts self-evaluation annually to assess the performance and skillsets of the individual AGC members and their peers. During FYE 2023, the AGC members had completed the assessment on an individual basis and the results were compiled by the Company Secretary and tabled for the AGC's review. Based on the results of the assessment, the AGC members are financially literate and understand the Group's business. The AGC as a whole, has the necessary skills and knowledge to discharge their duties.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

1.5 Qualification of the Audit and Governance Committee (continued)

Their performance are reviewed by the NRC annually and recommended to the Board for approval.

The qualification and experience of the individual AGC members are disclosed in the Directors' Profiles on pages 21 to 23 of this Annual Report.

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 pages 75 to 81 of this Annual Report.

PART 2 – RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

2.1 Establishment of Risk Management and Internal Control Framework

The Board is fully aware of its overall responsibility of continually maintaining a sound system of internal control, which covers not only financial controls but also operational and compliance controls as well as risk management, and the need to review its effectiveness regularly in order to safeguard shareholders' investments and the Group's assets. The internal control system is designed to identify the risks to which the Group is exposed and mitigate the impacts thereof to meet the particular needs of the Group. In view of this, the RSC has adopted a Risk Management Framework for the Group in 2005.

The Group has engaged Messrs Crowe Governance Sdn Bhd ("Crowe"), an independent internal audit firm ("Internal Audit Consultants") to assist the AGC and the Board to review the existing risk management process and internal control systems in place within the various business operations, to ensure that all the policies and procedure that established by the Group are being followed and internal control processes are operating effectively.

This function also acts as a source to assist the AGC and the Board to strengthen and improve current management and operating style in pursuit of best practices.

2.2 Features of its Risk Management and Internal Control Framework

The Group has in place an on-going process and has established a framework for identifying, evaluating, monitoring, and managing the significant risks affecting the Group. The Board reviews the adequacy and integrity of the Group's system of internal controls on a continuous basis. The RSC and AGC assist the Board in discharging its roles and responsibilities to oversee the effectiveness and adequacy of the risk management and internal control system of the Group.

The Statement on Risk Management and Internal Control which provides an overview of the Group's risk management and internal control framework is set out on pages 67 to 74 of this Annual Report.

2.3 Effective Governance, Risk Management and Internal Control Framework

The Board acknowledges its responsibility for establishing a sound risk management framework and system of internal control to safeguard shareholders' investment and the Group's assets, and to provide reasonable assurances on the reliability of the financial statements. In addition, equal priority is given to financial controls, operational and compliance controls as well as risk management. While the internal control system is devised to cater to the particular needs of the Group and the risk, such controls by their nature can only provide reasonable assurance but not absolute assurance against unintended material misstatement or loss.

2.3 Effective Governance, Risk Management and Internal Control Framework (continued)

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, Crowe 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.

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 Audit Consultants 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.

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

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

PART 1 – ENGAGEMENT WITH STAKEHOLDERS

1.1 Effective, Transparent and Regular Communication with its Stakeholders

The Company has in place a Corporate Disclosure Policies and Procedures ("CDPP") 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 Group maintains its corporate website at www.mycronsteel.com for shareholders and the public to access information relating to its businesses, financial performance, operations and corporate development through annual reports, quarterly reports, circulars and various announcements on a timely manner. Stakeholders can at any time seek clarification or raise queries through the corporate website, by email or phone. Primary contact details are set out at the Company's website. Written communications are attended to within a reasonable time from the day of receipt.

The Board has identified Mr Kwo Shih Kang as the Senior Independent Director to whom queries or concerns regarding the Group may be conveyed.

(i) Mr Kwo Shih Kang can be contacted as follows:
Telephone number: +603–5510 6608 Facsimile number: +603–5510 3720
Email address: vincentkwo@mycronsteel.com

CORPORATE GOVERNANCE OVERVIEW STATEMENT

1.1 Effective, Transparent and Regular Communication with its Stakeholders (continued)

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

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

(ii) En Roshan Mahendran bin Abdullah (Group Chief Executive Officer)
Telephone number: +603–5519 2455 Facsimile number: +603–5510 8618
Email address: roshan@mycronsteel.com

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

1.2 Integrated Reporting

Integrated reporting is not applicable to the Group presently as the Group does not fall within the definition of "Large Companies".

PART 2 – CONDUCT OF GENERAL MEETINGS

2.1 Notice of Annual General Meeting ("AGM")

The Company Secretary, by order of the Board, serves 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.

2.2 Attendance at AGM

All members of the Board, the Company Secretary, External Auditors and the Senior Management had attended the fully virtual 19th AGM through video conferencing.

2.3 Leveraging on Technology to Facilitate Communication with Shareholders

The Company had leveraged on technology to facilitate voting in absentia and remote participation by shareholders at shareholders' meetings through hosting its fully virtual 19th AGM held on 1 December 2022.

2.4 Meaningful Engagement between Board, Senior Management and Shareholders

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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

2.4 Meaningful Engagement between Board, Senior Management and Shareholders (continued)

For the AGM held in December 2022, the entire AGM proceedings were held through Remote Participation and Voting Facilities ("RPV") which is in compliance with Section 327 of the CA. The Administrative Details of the AGM as well as the e-Portal user guide with detailed registration and voting procedures were shared with the shareholders and the same were also published on the Company's website. All shareholders were encouraged to participate in the Company's AGM remotely to ensure a high level of accountability. Shareholders were given opportunities to raise questions and feedback on their views on issues affecting the Company and also to vote in AGM remotely.

Shareholders who participated remotely via live streaming at the 19th AGM were required to login to https://www.tracemanagement.com.my e-Portal to cast his/her vote online which is opened until the close of the voting session of the 19th AGM.

The Chairman of the 19th AGM ensured that sufficient opportunities were given to shareholders to raise issues relating to the affairs of the Company by providing ample time for the Question and Answer sessions during the 19th AGM. The representatives from External Auditors were also present via tele-conferencing to respond to queries raised by shareholders.

An independent scrutineer was appointed to validate the votes cast and results of each resolution put to vote were announced at the Meeting. The poll results, confirmed by the Chairman, were instantaneously displayed on-screen which were seen by shareholders who joined the meeting via electronic means.

An announcement detailing the poll results, including the total number of votes cast for and against each resolution and the respective percentages were announced via Bursa LINK on the same day after the conclusion of the general meeting.

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 December 2022 were also 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.

In line with Paragraph 8.29A of the MMLR, the Company has ensured that any resolution set out in the notice of any General Meeting, which may properly be moved and is intended to be moved at any General Meeting, is voted by poll. At the same time, the Company always appoints at least one (1) scrutineer to validate the votes cast at the General Meeting.

2.5 Publication of the Minutes of General Meeting

The Company's AGM remains one of the most important platforms for communication and engagement between the Company and its shareholders.

The recording of the proceedings in the form of minutes reflects the matters that were deliberated, explanations, agreements as well as resolutions reached between the shareholders and Directors of the Company in the AGM.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

2.5 Publication of the Minutes of General Meeting (continued)

The Minutes of 19th AGM with the notation on the proceedings, issues and concerns raised by shareholders, and the responses by the Company were made available on the Company's website at www.mycronsteel.com within 30 business days after the conclusion of the 19th AGM, so as to provide useful information to shareholders and investors especially for the absentee shareholders in regard of the AGM.

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 MCCG has been applied. The Board has considered and is satisfied that the Company has fulfilled its obligation under the MCCG, the MMLR of Bursa Securities and all applicable laws and regulations throughout the financial year ended 30 June 2023.

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 2023 amounted to RM325,000.00 and RM115,000.00 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 2023 amounted to RM12,000.00 and RM12,000.00 respectively.

5. RECURRENT RELATED PARTY TRANSACTIONS ("RRPTs") ENTERED INTO DURING THE FINANCIAL YEAR ENDED 30 JUNE 2023

On 1 December 2022, 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 2022) in their ordinary course of business with related parties ("Shareholders' Mandate") as defined in Chapter 10 of the MMLR.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The aggregate value of transactions conducted during the financial year ended 30 June 2023 in accordance with the Shareholders' Mandate obtained at the last AGM were as follows :

A. RRPTs with Trace Management Services Sdn Bhd

				Manner of relationship with the Related Parties		
No.	**Related Party**	**Nature of Transaction**	**Interested Related Parties**	**Director**	**Major Shareholder**	**Value of Transaction (01/07/2022 – 30/06/2023) RM**
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")	**Interested Director** Tunku Dato' Yaacob Khyra ("TY")	TY is deemed interested in Trace by virtue of his major interests in Melewar Group Berhad ("MGB"), who in turn is the holding company of Trace; MGB is the family owned investment holding company.	Nil	183,760

CORPORATE GOVERNANCE OVERVIEW STATEMENT

B. 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: Director	Manner of relationship with the Related Parties: Major Shareholder	Value of Transaction (01/07/2022 – 30/06/2023) RM
1.	MIG	Provision of treasury services by the Related Party to Mycron Steel CRC Sdn Bhd ("MSCRC")	**Interested Director** TY **Interested Major Shareholders** Melewar Equities (BVI) Ltd ("MEBVI"), Melewar Khyra Sdn Bhd ("MKSB") and Khyra Legacy Berhad ("KLB")	TY is deemed interested in 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.	Nil
2.	MIG	Management fees for the provision of management services/advice charged by the Related Party to MSCRC	**Interested Director** TY **Interested Major Shareholders** MIG, MEBVI, MKSB and KLB	TY is deemed interested in MIG and MSCRC by virtue of him being 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.	1,260,000

CORPORATE GOVERNANCE OVERVIEW STATEMENT

B. 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: Director	Manner of relationship with the Related Parties: Major Shareholder	Value of Transaction (01/07/2022 – 30/06/2023) RM
3.	MIG	Rental charged by the Related Party to MST for the use of the factory belonging to MIG. (Lot 10 and Lot 49)	**Interested Director** TY **Interested Major Shareholders** 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.	5,040,000
4.	MIG	Provision of management fees charged by the Related Party to MST	**Interested Director** TY **Interested Major Shareholders** MIG, MEBVI, MKSB and KLB	TY is deemed interested in MIG and MST by virtue of him being 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.	1,260,000

CORPORATE GOVERNANCE OVERVIEW STATEMENT

B. 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: Director	Manner of relationship with the Related Parties: Major Shareholder	Value of Transaction (01/07/2022 – 30/06/2023) RM
5.	Ausgard Quick Assembly Systems Sdn Bhd ("AQAS")	Sale of pipes by MST to the Related Party	**Interested Director** TY **Interested Major Shareholders** MIG, MEBVI, MKSB and KLB	TY is deemed interested in AQAS and MST by virtue of him being 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
6.	Melewar Steel Mills Sdn Bhd ("MSM")	Scrap handling commission fee charged by the Related Party to MSCRC	**Interested Director** TY **Interested Major Shareholders** MIG, MEBVI, MKSB and KLB	TY is deemed interested in MSM and MSCRC by virtue of him being 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.	809,607

CORPORATE GOVERNANCE OVERVIEW STATEMENT

B. 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: Director	Manner of relationship with the Related Parties: Major Shareholder	Value of Transaction (01/07/2022 – 30/06/2023) RM
7.	MSM	Scrap handling commission fee charged by the Related Party to MST	**Interested Director** TY **Interested Major Shareholders** MIG, MEBVI, MKSB and KLB	TY is deemed interested in MSM and MST by virtue of him being 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. MST is a wholly owned subsidiary of Mycron. MIG is the Major Shareholder of Mycron by virtue of its 74.13% shareholding in Mycron.	243,290
8.	Melewar Steel UK Ltd ("MSUK")	Purchase of steel pipes and tubes by the Related Party from MST	**Interested Director** TY **Interested Major Shareholders** MIG, MEBVI, MKSB and KLB	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.	MST is a wholly owned subsidiary of Mycron. MSUK is a wholly owned subsidiary of Melewar Imperial Limited ("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	Nil

CORPORATE GOVERNANCE OVERVIEW STATEMENT

B. 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: Director	Manner of relationship with the Related Parties: Major Shareholder	Value of Transaction (01/07/2022 – 30/06/2023) RM
9.	Jack Nathan Limited ("JNL")	Purchase of steel pipes and tubes by the Related Party from MST	**Interested Director** TY **Interested Major Shareholders** 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	Nil
10.	MIG	Chargeback for services rendered by the Related Party to MST	**Interested Director** TY **Interested Major Shareholders** MIG, MEBVI, MKSB and KLB	TY is deemed interested in MIG and MST by virtue of him being 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.	395,412

B. 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: Director	Manner of relationship with the Related Parties: Major Shareholder	Value of Transaction (01/07/2022 – 30/06/2023) RM
11.	MIG	Chargeback for services rendered by the Related Party to MSCRC	**Interested Director** TY **Interested Major Shareholders** MIG, MEBVI, MKSB and KLB	TY is deemed interested in MSCRC and 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.	MSCRC is a wholly owned subsidiary of Mycron. MIG is the Major Shareholder of Mycron by virtue of its 74.13% shareholding in Mycron.	274,308

CORPORATE GOVERNANCE OVERVIEW STATEMENT

C. Financial assistance between Mycron Group and classes of related parties

No.	Type of Financial Assistant	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Parties: Director	Manner of relationship with the Related Parties: Major Shareholder	Value of Transaction (01/07/2022 – 30/06/2023) RM
1.	Provision of financial assistance to MIG Group by the pooling of funds via a centralized treasury management function within Mycron Group on a short or medium term basis i.e. for a duration not exceeding three (3) years.	MIG Group	**Interested Director** TY **Interested Major Shareholders** MIG, MEBVI, MKSB and KLB	TY is deemed interested in MIG by virtue of him being 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

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF ANNUAL AUDITED FINANCIAL STATEMENTS

The Directors are responsible for ensuring that the annual audited financial statements of the Company and the Group are drawn up in accordance with the requirements of the applicable approved accounting standards in Malaysia, the requirements of the Companies Act 2016 and the Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are also responsible for ensuring that the annual audited financial statements of the Company and the Group are prepared with reasonable accuracy from the accounting records of the Company and of the Group so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2023.

In preparing the annual audited financial statements, the Directors have:

(a) applied the appropriate and relevant accounting policies on a consistent basis;
(b) made judgments and estimates that are reasonable and prudent; and
(c) prepared the annual audited financial statements on a going concern basis.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("the Board") of Mycron Steel Berhad ("MSB" or "the Company") is pleased to present the Statement on Risk Management and Internal Control ("Statement") which outlines the nature and scope of risk management and internal control system of the Company and its subsidiaries ("the Group") for the financial year ended 30 June 2023. This Statement has been prepared in accordance with paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Malaysian Code on Corporate Governance ("MCCG") and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

BOARD RESPONSIBILITY

The Board recognises the importance of sound risk management and internal control system to ensure the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, regulations, policies, procedures and contracts. Hence, the Board with the assurance from the Executive Directors and the Management affirms its overall responsibility for the Group's risk management and internal control system. The oversight of these critical areas is carried out by the Audit and Governance Committee ("AGC") and the Risk and Sustainability Committee ("RSC") which are empowered by their respective terms of reference to provide oversight and perform regular reviews on the risk management and internal control systems to meet the Group's objectives and for continuous improvement thereof.

The Board acknowledges the limitations that are inherent in any risk management and internal control system. As such the systems designed are meant to manage and minimise the extent and severity of the risks, rather than completely eliminate the risks of failure of achieving the Group's objectives and strategies. Consequently, the Board recognises that a sound internal control system provides reasonable but not absolute assurance that the Group will not be hindered in achieving its business objectives in the ordinary course of business.

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.

MANAGEMENT'S RESPONSIBILITIES

Management is responsible for recommending and implementing the Group's policies and procedures on risk management and internal controls by identifying and evaluating risks faced and monitoring the achievement of business goals and objectives within the risk appetite parameters. Its roles include :-

- Formulating relevant policies and procedures to manage these risks;
- Designing, implementing and monitoring the effective implementation of risk management framework and internal control system;
- Reporting in a timely manner to the AGC/RSC any changes to the risks and the corrective actions taken.

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 :	Datin Seri Raihanah Begum binti Abdul Rahman
Members :	Kwo Shih Kang
	Dato' Mohd Zahir bin Zahur Hussain (Appointed 29 August 2022)

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK AND SUSTAINABILITY COMMITTEE (CONTINUED)

During the financial year ended 30 June 2023, four (4) RSC meetings were held. The details of attendance of each Committee member are as follows:

Name of Committee Members	Total Meetings attended
Datin Seri Raihanah Begum binti Abdul Rahman (Chairman, Independent Non-Executive Director)	3/4
Kwo Shih Kang (Senior Independent Non-Executive Director)	4/4
Dato' Mohd Zahir bin Zahur Hussain (Independent Non-Executive Director) (Appointed 29 August 2022)	2/3

RISK MANAGEMENT AND RISK GOVERNANCE STRUCTURE

The Company has established a corporate governance structure with clear lines of defense to ensure all business risks are prudently identified, assessed and managed to meet its business strategies and objectives within a reasonable control environment.

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. During the financial year, the internal audits were outsourced to external service provider, Messrs Crowe Governance Sdn Bhd ("Crowe") ("the Internal Audit Consultants"). 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 ("SOP") and Internal Control Procedures ("ICP") for its main business highlighting the control objectives, policies, procedures, authority and responsibility. The Group Chief Executive Officer ("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 that the Internal Controls Systems are operating adequately and effectively, in all material aspects. Regular Management and operational meetings are held to deliberate key risks and the appropriate mitigating controls. This ongoing process is undertaken by all active subsidiaries of the Group.

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 the Internal Audit Consultants 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.

In compliance with the Guidelines for Directors of Listed Issuers which was issued by the Bursa Securities, the Board shall re-evaluate on a regular basis the Group's existing risk management process to ensure it is appropriate for the Group's requirements.

RISK MANAGEMENT FRAMEWORK

The Group has developed a risk management framework which is designed to identify, evaluate and manage the risks faced by the Group's businesses and operations. The Group's risk management process begins with understanding the operating environment in which we operate, the current state of affairs and any situations or circumstances that could pose a threat to our businesses.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The risk management process adopted by the Group are as follows: -

(a) Risk Identification Process

This process involves the identification of key risks that may have a material negative impact on MSB's ability to achieve its objectives. During this process, risks are considered from strategic, operational, financial, compliance, information technology and sustainability perspectives, as well as through various sources such as business operations, internal and external audit findings, customer complaints and incidents occurred.

(b) Risk Assessment

Risks identified are then assessed and ranked based on a set of prescribed measures which involves the consideration of the following:

- Likelihood of each of the risks that may occur.
- Potential impact/consequence of each of the risks, should it occur.

Assessment of risk is undertaken by combining estimates of impact and likelihood within the context of existing control environment and measures.

(c) Risk Treatment Process

Risk treatment process includes actions, measures and strategies undertaken by Management to bring key risks to an acceptable level.

(d) Monitor & Reporting Review

Key risks identified are monitored to ensure the risk ratings remain relevant and that controls in place remain effective and adequate amidst changing circumstances. Any changes are reported, and appropriate action plans devised with a view to realign the risk rating to an acceptable level.

The identified key risks will be entered into the Risk Register, which details description of the risks, impact and its causes, rating based on the risk parameters, details of the controls in place, as well as the risk owners and risk delegates involved to manage the risks will be reviewed on a regular basis to monitor and mitigate the identified risks.

The Group has also put in place related policy, sustainability targets, implementation strategies and performance target/indicators for each of the Common Sustainability Matter to drive continuous improvement.

The GCEO has been designated to manage sustainability strategically including the integration of sustainability considerations in the operations of the Group as well as reporting.

The details of the Group's sustainability strategies, priorities and performance against targets are set out separately in the Sustainability Statement of this Annual Report.

The primary risks that the Group is currently facing in its business operations are, among others, listed below:

1. Market Competition Risk

   Market competition risk is caused by increased competition which may have an adverse impact on the Group, in terms of customers' growth, revenue and profitability. To mitigate this risk, the Group is continuously exploring and implementing effective ways in customer engagement to deliver customer's expectation and added value in the customer relationship. The Group is also working on expanding its customer base, including a focus on the export market, in order to entrench its position as one of the largest market players in the industry.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

2. Material Supply

   The risk to material supply arises from the unforeseen shortage or lack of materials which may cause disruption to the production and delivery schedule. To prevent this, the Group sees the importance of establishing good relationships with existing suppliers, sourcing for new suppliers and managing its inventory stringently.

3. Business Risks

   The Group recognises business risks with regards to economic volatility, political instability, foreign policy uncertainty, government policies that could affect market trends and prices and cost of materials among other things that may adversely affect profits.

4. Financial Risks

   Financial risks include exposure to fluctuations in interest rates, foreign exchange fluctuations, cash flow liquidity and financial leverage.

5. Operational Risk

   Operational risk encompasses potential disruptions to manufacturing operations stemming from factors such as equipment breakdowns, supply chain interruptions, natural disasters, regulatory issues, labour disputes, quality control problems, energy supply disruptions, and health and safety incidents. These risks can result in production stoppages, delays, compromised quality, and financial losses.

The Risk Coordinator coordinates with the risk owners to identify and document major risks, assess the potential impact and likelihood of occurrence and mitigating controls including sustainability issues through the adoption of risk management framework. Under the risk management framework, the Group aims:

(a) To provide guidance to the Group and facilitate a structured approach in identifying, evaluating and managing significant risks covering both operational and environmental, social and governance ("ESG") issues.

(b) To manage and monitor the Group's day-to-day operational risks which includes those relating to supply chain, production, marketing, safety & health and compliance with laws and regulations and various certifications and quality accreditations at the business unit level and guided by standard operating procedures.

(c) To manage and monitor the Group's exposure to various financial risks relating to credit, liquidity, interest rates and foreign currency exchange rates. The Group's risk management objectives and policies, coupled with the required quantitative and qualitative disclosures relating to its financial risks are set out in Note 5 to the Financial Statements of this Annual Report.

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.

The following are initiatives undertaken by the RSC during the year:

- Risk review and update by the respective Heads of Departments, where key risks identified were rated in terms of likelihood of the risk occurring and its impact should the risk occur;
- Reviewed the Risk Profile of the Group and action plans to be undertaken to manage the principal risks of the Group including the ESG issues;
- Monitored the action plans derived by the "Risk Owners" to address principal risks of the Group;
- Discussed and identified other key areas of improvement to be implemented for better optimisation of the facilities, equipment and machinery used by the Group; and
- Reviewed the Statement on Risk Management and Internal Control which provides an overview of the state of internal controls and risk management within the Group which would be reviewed by the External Auditors prior to the Board's approval for inclusion in the Annual Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board confirms that the process for identifying, evaluating and managing significant risks in the Group has been adequately addressed by Management. For the financial year under review, no major weaknesses in the system of internal controls were identified during the year, nor have any of the reported weaknesses resulted in material losses or contingencies requiring disclosure in the Group's Annual Report. Those areas of non-compliance with the procedures and policies and those which require improvements as highlighted by the internal and external auditors during the period have been, or are being addressed.

KEY FEATURES OF THE COMPANY'S INTERNAL CONTROL SYSTEM

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 2023 are summarised as follows:

(a) Organisation Structure and Authorisation Procedures

The Board has set an organizational structure to govern and manage the decision process in the MSB Group. The Authority Limits are set out to govern the approvals and authorisation by the Board and the different levels of Management to ensure accountability, segregation of duties and control over the Group's financial commitments.

The Authority Limits and authorisation levels are built into the internal control systems to ensure proper checks and authorisation of transactions at each control area throughout the process chain.

The operating structure of the MSB Group is aligned to business requirements. It has defined lines of responsibilities to ensure that component tasks are handled by different employees. With segregation of duties, employees' accountability can be enhanced and the risk of error and fraud can be minimised.

(b) Internal Control Procedures

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

- Internal Control Procedure
- Petty Cash Procedure
- Staff Transport Allowances
- Organisation's Motor Vehicles
- Staff Expense Reimbursement
- Outstation and Overseas Travel
- Employee Advance Control 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, General Procurement and Miscellaneous Items Purchase Procedure
- Sales Procedure
- Internal Security Procedure
- Intercompany Transactions/Loans/Advances Procedure
- FX Risk Management
- Manual Journal Transaction Procedure
- Miscellaneous Payments Procedures

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

(c) External Bodies Certification

The operating subsidiaries (MST and MSCRC) are certified and are in compliance with the ISO 9001:2015 (Quality Management System). Besides that, products relating to certification such as SIRIM Eco-label (SIRIM ECO 032:2020) and ISO 14024, Type 1 under Green Label Certification are also obtained by one of the operating subsidiaries (MSCRC) to further improve its operation and product quality.

MSCRC has embraced the Green Electricity Tariff (GET) program, granting access a monthly supply of 179,000 kWh of green energy from February 2023 to July 2023. This government-initiated initiative allows MSCRC to reduce its carbon footprint by choosing renewable energy sources. In addition, MSCRC has secured a Malaysia Renewable Energy Certificates (mREC) certificate, confirming our energy originates from renewable sources.

Furthermore, on 9 March 2023, MSCRC successfully obtained the ISO 50001 Energy Management System certification, underscoring our commitment to energy conservation and implementing a sustainable energy management system across the entire plant. This achievement aligns seamlessly with our group's ongoing commitment to sustainability and environmental stewardship. It is expected that this certification will provide a foundation for enhancing operational resilience in the face of climate challenges, as we continue on our journey towards achieving carbon neutrality.

(d) Human Resources

Comprehensive guidelines on the human resource management are in place to ensure the Group's ability to operate in an effective and efficient manner by employing and retaining adequate competent employees possessing necessary knowledge, skill and experience, in order to carry out their duties and responsibilities assigned effectively and efficiently. Performance evaluations are carried out annually for all levels of staff to identify performance gaps and training needs of employees are identified annually so that relevant trainings are provided to such employees for upgrading their knowledge and skill sets.

(e) Internal Audit Function

The Group's internal audit function, which is outsourced to a professional service firm, assists the Board and the AGC in providing an independent assessment of the adequacy, efficiency and effectiveness of the Group's internal control system. The Internal Audit Consultants assess the Group's compliance with policies and procedures as well as relevant laws and regulations. Internal Audit Consultants then provide reports on issues relating to internal controls and the associated risks together with recommendations for appropriate actions to the AGC for review and approval to ensure adequate coverage. Based on the internal audit reviews carried out, none of the weaknesses noted have resulted in any material losses, contingencies or uncertainties that would require separate disclosure in this Annual Report.

Audit issues and actions taken by the Management to address the shortcomings raised by the Internal Audit Consultants 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.

(f) 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 based on the prevailing economic conditions and their potential impact and risks on the Group's business activities and to take the necessary measures on a timely basis, where possible and appropriate.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(g) 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.

These on-going monitoring and reviews of the risk register are undertaken on a quarterly basis by the Management to assess the continued applicability and relevance of the risks already identified and to re-rate these risks where necessary; as well as to identify emerging risks or new risk factors, if any, faced by the Group as a whole based on a consistent risk likelihood and impact criteria applied across the Group.

The other key elements of the Group's Internal Controls are as follows:

(i) The Group has set in place a Whistleblowing Policy which outlines the Group's commitment towards enabling employees and stakeholders to raise concerns in a responsible and confidential manner in regards to any wrongdoings without being subject to victimisation or discriminate treatment.

(ii) The Group has established an Anti-Fraud/Corruption Policy to provide guidance to all Directors, employees including external parties who have business dealings with the Group on matters involving bribery and corruption practices.

(iii) The Executive Directors are closely involved in the running of business and operations of the Group and they report to the Board on significant changes in the business and external environment which affect the operations of the Group, if any.

(iv) Code of Conduct endorsed by the Board are communicated to all employees in the Group as an integral part of MSB's governance regime that sets out the ethical principles and expected standard of conducts in conducting business and the compliance with applicable laws and regulations for all of its Directors and employees within the Group.

(v) Training and development programs were established to ensure that staff are kept up to date with the necessary competencies to carry out their responsibilities towards achieving the Group's objectives.

(vi) Changes in the regional and global economic conditions, such as trade tensions and other global headwinds that could result in uncertainties and volatilities in the economic environment, which may have an adverse effect on the demand or components, and hence on the Group's financial performance and operations. The Group manages these economic risks through keeping ourselves abreast with the economic and market development, maintaining good relationship with customers and closely following latest news on customers' products performance and business.

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.

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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

In line with the Guidelines, the Group Chief Executive Officer ("GCEO"), Chief Financial Officer ("CFO"), Chief Operating Officer ("COO") and Chief Operations Officer ("COOn") 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, COOn 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 2023 in the areas of corporate governance, internal controls and financial reporting.

The objective of the AGC, as a Committee of the Board is to assist the Board in the effective discharge of its fiduciary responsibilities on corporate governance, financial reporting and internal control system of the Company and its subsidiaries ("the Group"). The primary functions of the AGC, include, among others, the following:

(a) overseeing financial reporting, internal control and risk management;
(b) evaluating the internal and external audit processes and outcomes; and
(c) reviewing conflict of interest situations and related party transactions.

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 ("MCCG"). The TOR was last reviewed and approved by the Board on 30 May 2022.

The TOR of the AGC is available on the Company's website at www.mycronsteel.com pursuant to Paragraph 15.11 of the MMLR of Bursa Securities.

COMPOSITION

As at the date of this Annual Report, the Company's AGC comprises three (3) members, consist solely of Independent Non-Executive Directors. All of the Independent Non-Executive Directors satisfied the test of independence under the MMLR of Bursa Securities. The AGC meets the requirements of Paragraph 15.09(1)(a) and (b) of the MMLR as well as Step Up Practice 9.4 of the MCCG. No Alternate Director is appointed as a member of the AGC.

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

Designation	Name	Directorship
Chairman	Kwo Shih Kang	Senior Independent Non-Executive Director
Members	Datin Seri Raihanah Begum binti Abdul Rahman	Independent Non-Executive Director
	Dato' Mohd Zahir bin Zahur Hussain (Appointed 29 August 2022)	Independent Non-Executive Director

The AGC Chairman, 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 also a Registered Financial Planner. Thus, the Company has complied with Paragraph 15.09(1)(c) of the MMLR of Bursa Securities.

The Chairman of the AGC is not the Chairman of the Board which is in line with Practice 9.1 of the MCCG.

The Company recognised the need to uphold independence of its External Auditors and that no possible conflict of interest whatsoever should arise. Currently, none of the members of the Board nor the AGC of the Company were former Key Audit Partners of the External Auditors appointed by the Group.

The Company will observe a cooling-off period of at least three (3) years in the event any potential candidate to be appointed as a member of the AGC was a Key Audit Partner of the External Auditors of the Group.

All members of the AGC are adequately financially equipped and are able to understand financial statements to effectively discharge their duties and responsibilities as members of the AGC. The qualification and experience of the individual AGC members are disclosed in the Directors' Profiles set out on pages 21 to 23 in the Annual Report.

AUDIT AND GOVERNANCE COMMITTEE REPORT

During the financial year 2023, all members of the AGC had undertaken the relevant training programmes to keep themselves abreast of the latest development in statutory laws, regulations and best practices to enable them to effectively discharge their duties. The list of trainings attended is disclosed in the Corporate Governance Overview Statement in this Annual Report.

MEETINGS AND ATTENDANCE

The AGC shall meet at least four (4) times annually or more frequently as circumstances dictate. The Group Chief Executive Officer ("GCEO") was invited to all AGC meetings to provide further clarifications on the operations of the Group, the risk management and internal control systems. The Chief Financial Officer ("CFO") attended all meetings of the AGC to present all financial results and to clarify any issues relating to financial reporting. Other Board members, employees, representatives 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. All deliberations during the AGC meetings, including the issues tabled and decisions based on justified substantiated rationale were properly recorded. Minutes of the AGC meetings were tabled for confirmation at the following AGC 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 Auditors or Internal Audit Consultants and those matters which require the decision and/or approval of the Board.

During the financial year ended 30 June 2023, there were five (5) AGC Meetings held and the number of meetings attended by each AGC member were as follows:

Members	No. of Meeting Attended	%
Kwo Shih Kang	5/5	100
Datin Seri Raihanah Begum binti Abdul Rahman	4/5	80
Dato' Mohd Zahir bin Zahur Hussain	3/4	75

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 are issued by the Company Secretary on the decisions made and action required. These are then circulated to Management for their onward action.

The AGC conducted its meetings in an open and constructive manner and encouraged focused discussions, questions and expressions of differing opinions.

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

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

The Board, through the Nomination and Remuneration Committee ("NRC"), reviews the term of office and performance of the AGC and each of its members annually to determine whether the AGC and its members have carried out their duties in accordance with its TOR.

The NRC had on 29 August 2023 assessed the performance of the AGC and its members through an annual board committee effectiveness evaluation. The NRC is satisfied that the AGC and its members have discharged their functions, duties and responsibilities in accordance with the AGC's TOR and supported the Board in ensuring the Group upholds appropriate corporate governance standards.

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

AUDIT AND GOVERNANCE COMMITTEE REPORT

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR 2023

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

Financial Reporting	(i) Reviewed the draft quarterly unaudited financial results of the Company and the Group which were prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”) 134 Interim Financial Reporting and Appendix 9B of the Listing Requirements and made the necessary recommendations to the Board for approval for announcement to Bursa Securities. 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, including the financial position of the Group in terms of its cash flows for the quarters concerned. In its review of the quarterly results, the AGC also took note of the changes of accounting standards and impacts on the financial performance or position of the Group with adoption of the new accounting standards, where applicable. (ii) Sought clarification from Management especially from the CFO of the Group on the following information for better understanding of the overall state of the financial position of the Company: • Performance of the key divisions of the Company including the variance and contributing factors to the performance; • Foreign exchange exposure; • Cash flow position of the Group with specific details on the compliance to the financial covenants with the various financial institutions who had granted facilities to the Group; and • Position of the gearing ratio of the Company.
External Audit	(i) On 30 May 2023, the AGC reviewed the Audit Plan before the commencement of audit. The External Auditors’ engagement partner was invited to present to the AGC in relation to the audited financial statements (“AFS”) for the financial year ended 30 June 2023. The following matters were highlighted and discussed as follows: - a) potential key audit matters; b) materiality level for the financial statements as a whole and misstatements; c) audit scope; d) audit methodology and timing of audit; e) significant risks; f) issuance of auditors’ report; g) newly effective standards, non-assurance services pre-approval; h) responsibilities of external auditors and directors in relation to the AFS; and i) auditor’s independence in relation to the performance of audit in accordance with MIA By-laws; KPMG had also briefed the AGC on KPMG’s Transparency Report 2022.

AUDIT AND GOVERNANCE COMMITTEE REPORT

External Audit (continued)	(ii) The External Auditors had reported its audit findings to the AGC on the outcome of their audit in relation to the financial positions of the Company and the Group. At the AGC Meeting held in August 2023, the AGC had considered and discussed the areas of audit focus as reported by External Auditors and the outcome of the audit of the Group, as follows :- (a) Impairment assessment of Property, plant and equipment (“PPE”) and Right-of-use (“ROU”) assets (b) Valuation on land and buildings, plant, machinery and electrical installation (c) Net realisable value (“NRV”) of inventories Other significant audit matters: (a) Revenue as a presumed fraud risk (b) Valuation of intangible assets (c) Management override of controls (iii) Reviewed the assistance given by the Group’s employees to the External Auditors. (iv) Reviewed the AFS of the Company and the Group prior to the submission to the Board for their consideration and approval (to ensure that the AFS were drawn up in accordance with the provisions of the Companies Act, 2016 and the applicable Financial Reporting Standards in Malaysia). (v) Reviewed the non-audit services rendered by the External Auditors to the Group for the financial year under review prior to engagement. The External Auditors also reported to the AGC their policies and measures taken to ensure independence and objectivity are maintained. (vi) Undertook annual assessment of the performance and independence of the External Auditors via an evaluation survey questionnaire based on competency, efficiency and transparency as demonstrated by the External Auditors during their audit. The Group’s External Auditors also confirmed their independence and the AGC satisfied with the independence, stability and performance of the External Auditors made recommendations to the Board on the re-appointment of the External Auditors. (vii) Met with the External Auditors without the presence of Executive Directors and the management team of the Company to discuss the issues of concern to the External Auditors arising from the annual audit. There was no major issue raised during the meetings.
Internal Control and Internal Audit	(i) Reviewed and approved the Internal Audit Consultants’ Internal Audit Plan 2023-2027 and ensured principal risks, key entities, scope and functions were adequately identified and covered in the plan which was tabled at the AGC meeting held in August 2022. (ii) Reviewed and evaluated the overall adequacy and effectiveness of the risk management and the Group’s internal control system on a quarterly basis through review of results of work performed by the Internal Audit Consultants and discussions with Management.

AUDIT AND GOVERNANCE COMMITTEE REPORT

Internal Control and Internal Audit (continued)	(iii) Significant issues were discussed at length with the presence of relevant Management team members to ensure satisfactory and timely remediation actions have been committed by Management to address identified risks. (iv) Monitored the implementation of action plans agreed by Management on outstanding audit findings on a quarterly basis to ensure that all actions have been implemented in the related areas based on the committed timelines. (v) 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. (vi) Reviewed the adequacy of the scope, functions, competency and resources of the internal audit function. (vii) Reviewed and debated on the recommendations made by the Internal Audit Consultants on the auditable areas where further improvements are required with subsequent recommendation to the Board on steps to improve the system of internal control derived from the findings of the Internal Audit Consultants.
Related Party Transactions	(i) The AGC had reviewed the related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity to ensure that related parties were appropriately identified and that the persons connected thereto had declared their interests thereon the transactions and reported accordingly. For FY 2023, the AGC was satisfied that the Company had complied with the financial and regulatory reporting where the related party transactions and recurrent related party transactions were carried out in the ordinary course of business and undertaken at arm's length, on normal commercial terms of the Company which were not more favourable to the related parties than those generally available to the public and were not detrimental to the minority shareholders. (ii) None of the Directors has any conflict of interest or potential conflict of interest, including interest in any business that is in competition with the Company or its subsidiaries.
Corporate Governance	(i) Reviewed the following draft Circular to Shareholders and recommended the same to the Board for approval: (a) Proposed renewal of shareholders' mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and Provision of Financial Assistance. (ii) Reviewed the AGC Report, Corporate Governance Overview Statement, Corporate Governance Report, Board's responsibility on the annual audited financial statements and the state of internal control and other relevant documents for publication in the Company's Annual Report. (iii) Conducted a self-assessment exercise to evaluate the AGC's own effectiveness in discharging their duties and responsibilities for the period ended 30 June 2023 and submitted the evaluation to the NRC for assessment.

AUDIT AND GOVERNANCE COMMITTEE REPORT

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

Since August 2022, the Group's internal audit function was outsourced to an independent external service provider Crowe Governance Sdn Bhd ("Crowe") ("Internal Audit Consultants").

The Internal Audit Consultants were engaged to undertake independent and objective review of the effectiveness of the governance, risk management and internal control process of the Group. The Internal Audit Consultants report directly to the AGC. The internal audit function provides timely and impartial advice to the AGC and the Management as to whether the internal audit functions reviewed are:-

(a) in accordance with the Group's policies and direction;
(b) in compliance with prescribed laws and regulations; and
(c) achieved the desired results effectively and efficiently.

The Internal Audit Report was presented to the AGC on a quarterly basis for deliberation and its recommendations were communicated to the Management for corrective actions to be taken.

The reviews were conducted on a risk-based approach and were guided by the International Professional Practice Framework on Internal Auditing that is promulgated by the Institute of Internal Auditors.

The Internal Audit Consultants had confirmed to the AGC on their independence and that they are free from any conflict of interest that may impair their objectivity.

In addition, follow up review was conducted to ensure that corrective actions have been implemented in a timely manner. Based on the internal audit reviews conducted, none of the weaknesses noted caused any material loss, contingencies or uncertainties that would require a separate disclosure in this Annual Report.

The Company also has an Internal Audit Charter approved by the Board and the Chairman of the AGC, which defines the mission & objectives, roles & responsibilities, independence, authority, audit scope and methodology and audit reporting.

During the financial year under review, the Internal Audit Consultants undertook the following activities based on the approved audit plan:

- completed the following reviews as per the approved internal audit plan:

Name of Entity Audited	Audited Areas	Reporting Date
Melewar Steel Tube Sdn Bhd ("MST")	• Production, Quality Control & Assurance	23 November 2022
Mycron Group of Companies - MST - Mycron Steel CRC Sdn Bhd ("MSCRC") - Silver Victory Sdn Bhd	• Related Party Transactions ➢ Declaration of directorship and shareholding towards RPT; ➢ Monitoring of RPT; ➢ Disclosure of RPT; and ➢ RPT Reporting	
MSCRC	• Production, Quality Control & Assurance	21 February 2023
Mycron Steel Berhad	• Labour Practices • Safety, Health & Environment Control Security Management • Human Resources & Payroll • Internal Audit Follow-up Report	30 May 2023
MST MSCRC	• Selected Sustainability Indicators	29 August 2023

AUDIT AND GOVERNANCE COMMITTEE REPORT

- Prepared the annual risk-based internal audit plan for the AGC's approval;

- Carried out internal audits of the Group on a risk-based basis to review the adequacy of internal controls in the auditable areas and assessed the consistency in compliance with established policies and procedures. Verification (on sampling basis) of the existence, adequacy and effectiveness of risk controls established by Management within the selected processes covering strategic, operational and financial aspects of the Group's operations;

- Issued internal audit reports to the AGC on the state of internal control of the various operating units within the Group and the extent of compliance of the units with the Group's established policies and procedures and management action plans to mitigate identified risks, with copies extended to Management, highlighting deficiencies together with corresponding improvement opportunities. The Internal Audit Consultants attended all AGC meetings and presented reports on areas of audit concern for the AGC's deliberation;

- Monitored corrective action taken by Management in response to recommendations made to address internal control deficiencies highlighted in the previous cycles of internal audit; and

- Followed up and reported to the AGC on the status of implementation of the management agreed action plans to ensure that all matters of concern were adequately addressed by Management.

The internal audit reviews carried out did not reveal weaknesses that would have resulted in any material losses, contingencies or uncertainties that would require separate disclosure in this annual report.

The costs incurred in respect of the internal audit reviews performed by the professional services firm was RM83,333.00 for the financial year ended 30 June 2023.

FINANCIAL STATEMENTS

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2023.

DIRECTORS

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

Tunku Dato' Yaacob Khyra
Roshan Mahendran bin Abdullah
Azlan bin Abdullah
Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah
Datin Seri Raihanah Begum binti Abdul Rahman
Kwo Shih Kang
Dato' Mohd Zahir bin Zahur Hussain

In accordance with Article 96(1) of the Company's Constitution, Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah and Roshan Mahendran bin Abdullah are to retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Pursuant to Section 253 of the Companies Act 2016, the directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are as follows:

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

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

FINANCIAL RESULTS

	Group RM	Company RM
Net (loss)/profit for the financial year	(12,335,858)	329,398

RESERVE AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any shares or debentures for the financial year ended 30 June 2023.

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023
(CONTINUED)

DIRECTORS' BENEFITS

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

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

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
	At 01.07.2022	**Acquired**	**Disposed**	**At 30.06.2023**
Melewar Industrial Group Berhad (Ultimate holding company)				
Tunku Dato' Yaacob Khyra - deemed indirect interest [i]	168,572,764	-	-	168,572,764
Azlan bin Abdullah - direct interest	133,333	-	-	133,333

[i] Deemed indirect interest by virtue of Tunku Dato' Yaacob Khyra ("TY") being a beneficiary of a trust known as Khyra Legacy Berhad ("KLB"), being the holding company of Melewar Equities (BVI) Ltd. ("MEBVI") and Melewar Khyra Sdn. Bhd. ("MKSB") which are the Major/Substantial Shareholders of Melewar Industrial Group Berhad ("MIGB"), a Major Shareholder of Mycron Steel Berhad.

	Number of ordinary shares			
	At 01.07.2022	**Acquired**	**Disposed**	**At 30.06.2023**
Mycron Steel Berhad (the company)				
Tunku Dato' Yaacob Khyra - deemed indirect interest [ii]	242,523,025	-	-	242,523,025
Azlan bin Abdullah - direct interest	53,900	-	-	53,900

[ii] Deemed indirect interest by virtue of TY being a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB which are the Major/Substantial Shareholders of MIGB, a Major Shareholder of Mycron Steel Berhad.

By virtue of TY'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.

DIRECTORS' INTERESTS (CONTINUED)

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 companies during the financial year.

DIVIDENDS

No dividend has been paid, declared or proposed since the end of the Company's previous financial year. The Directors do not recommend the payment of any dividend for the financial year ended 30 June 2023.

DIRECTORS' REMUNERATION

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

	Received/ Receivable from the Company RM	Received/ Receivable from Subsidiaries RM	Group RM
Non-Executive Directors			
- fees	319,097	-	319,097
- other emoluments	30,500	-	30,500
Executive Directors			
- salaries, bonuses and other emoluments	2,295,636	5,176,419	7,472,055
- defined contribution plan	344,356	776,464	1,120,820
- estimated monetary value of benefits-in-kind	35,110	43,327	78,437
	3,024,699	5,996,210	9,020,909

INDEMNITY AND INSURANCE COSTS

The Directors and Officers of the Group and of the Company are covered by the 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 sum insured was determined by the Company after taking into account the diversified nature of the Group's businesses. The premium borne by the Group and the Company for the D&O coverage during the financial year was both approximately RM27,000 (2022: RM25,500).

EVENTS WHICH OCCURRED DURING THE FINANCIAL YEAR

Details of the events which occurred during the financial year are set out in Note 39 to the financial statements.

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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.

In the opinion of the Directors:

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

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

IMMEDIATE AND ULTIMATE 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 Company's immediate and ultimate holding company.

SUBSIDIARIES

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

AUDITORS' REMUNERATION

Auditors' remuneration for the financial year ended 30 June 2023 is as follows:

	Group RM	Company RM
KPMG PLT		
- Statutory audit	325,000	115,000
- Non-audit services	12,000	12,000

AUDITORS

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

This report was approved by the Board of Directors on 24 October 2023. Signed on behalf of the Board of Directors:

TUNKU DATO' YAACOB KHYRA
EXECUTIVE CHAIRMAN

ROSHAN MAHENDRAN BIN ABDULLAH
GROUP CHIEF EXECUTIVE OFFICER/
EXECUTIVE DIRECTOR

Kuala Lumpur

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Tunku Dato' Yaacob Khyra and Roshan Mahendran bin Abdullah, being 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 93 to 175 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 2023 and the financial performance of the Group and of the Company for the financial year ended on that date in accordance with 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 24 October 2023.

TUNKU DATO' YAACOB KHYRA
EXECUTIVE CHAIRMAN

ROSHAN MAHENDRAN BIN ABDULLAH
GROUP CHIEF EXECUTIVE OFFICER/
EXECUTIVE DIRECTOR

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, Choo Kah Yean, being 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 93 to 175 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960, in Malaysia.

CHOO KAH YEAN
CHIEF FINANCIAL OFFICER

Subscribed and solemnly declared by the abovenamed, Choo Kah Yean (MIA No.: 24018) before me, at Wilayah Persekutuan Kuala Lumpur on 24 October 2023.

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MYCRON STEEL BERHAD
(Registration No. 200301020399 (622819-D))
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mycron Steel Berhad, which comprise the statements of financial position as at 30 June 2023 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 93 to 175.

In our opinion, the accompanying financial statements gives a true and fair view of the financial position of the Group and of the Company as at 30 June 2023, and their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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 auditors' 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matter

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

Valuation on property, plant and equipment and right-of-use assets	
Refer to Note 3.3, Note 3.4 and Note 3.5 – Significant accounting policy, Note 4(a) and Note 4(b) – Critical accounting estimates and judgements, Note 13 – Property, plant and equipment and Note 14 – Leases to the financial statements.	
Key audit matter	**How our audit addressed the key audit matter**
As at 30 June 2023, the carrying amount of the Group's property, plant and equipment of RM311.0 million; and right-of-use assets of RM47.9 million represented 51% of the Group's total assets. These comprise freehold land and buildings, plant, machinery and electrical installations classified under property, plant and equipment; and leasehold land under right-of-use assets carried at their fair values. In determining the fair value of the land and buildings, plant, machinery and electrical installations, the Group carries out a valuation performed by an independent professional valuer.	We performed the following audit procedures, among others: • Obtained the valuation reports for the land and buildings, plant, machinery and electrical installation which were prepared by the independent professional valuer. We assessed the independence, competency and objectivity of the external valuer vis à vis the expert's background, reputation and experience in valuation of assets in the industry where the Group operates.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MYCRON STEEL BERHAD
(Registration No. 200301020399 (622819-D))
(Incorporated in Malaysia)
(CONTINUED)

Key audit matter (continued)

Key audit matter	How our audit addressed the key audit matter
There were indications that the carrying amounts of the Group's property, plant and equipment may be impaired due to a bearish downward trend of domestic steel price in the first half of the financial year and the Group's market capitalisation value is below the total carrying amount of its net assets. Freehold land and leasehold land are valued based on the adjusted market comparison method. For the buildings, plant, machinery and electrical installation, their revaluation is performed based on "Depreciated replacement cost method" and other non-financial assets are not subjected to revaluation. The use of VIU involved significant estimates of the future financial results of the business, in particular, the key assumptions on sales volume growth rates, gross profit margins and pre-tax discount rates used in the future cash flows forecasts. We have identified the valuation on property, plant and equipment and right-of-use assets as a key audit matter because significant judgement is involved in determining the key assumptions which impacted the valuation of property, plant and equipment and right-of-use assets.	• Discussed with the valuer to understand the methodologies, appropriateness of the adjustments made to the observable prices of the land and appropriateness of the deductions made to the current cost of replacement in determining the valuation of the buildings, plant, machinery and electrical installation adopted in determining the valuation price of the assets under valuation. • Assessed and challenged the significant and highly sensitive assumptions on sales volume growth rates, gross profit margins and pre-tax discount rates by comparing those assumptions with internally derived information and external market data. • Engaged KPMG corporate finance specialist to evaluate the discount rate used to determine the present value of the cash flow. • Considered the adequacy of the disclosures of the assumptions applied, which are particularly sensitive, uncertain or require significant judgement, in the assessment of valuation of property, plant and equipment and right-of-use assets.

We have determined that there is no key audit matter in the audit of the separate financial statements of the Company to communicate in our auditors' report.

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 information included in the 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 Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements 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 the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance 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 Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing the ability of the Company 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 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 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 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 internal control of the Company.

(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 ability of the Company 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 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 Company to cease to continue as a going concern.

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

(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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MYCRON STEEL BERHAD
(Registration No. 200301020399 (622819-D))
(Incorporated in Malaysia)
(CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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, actions taken to eliminate threats or safeguards applied.

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 auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

1. The financial statements of the Group and of the Company as at and for the year ended 30 June 2022 were audited by another auditor who expressed an unmodified opinion on those statements on 21 October 2022.

2. 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.

KPMG PLT
LLP0010081-LCA & AF 0758
Chartered Accountants

Vengadesh A/L Jogarajah
Approval Number: 03337/12/2023 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 24 October 2023

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

		Group		Company	
	Note	2023 RM	2022 RM	2023 RM	2022 RM
Revenue	7	539,994,710	745,875,354	6,313,059	5,291,172
Cost of sales		(503,965,162)	(622,203,434)	(4,791,712)	(3,953,296)
Impairment on inventories	17	(9,821,893)	(9,974,697)	-	-
Gross profit		26,207,655	113,697,223	1,521,347	1,337,876
Other operating income/(expense)		2,009,928	(4,702,979)	146,463	9,761,559
Selling and distribution expenses		(4,328,611)	(4,492,428)	-	-
Administrative expenses		(25,921,297)	(32,570,505)	(1,038,833)	(918,122)
Impairment on property, plant and equipment	13	(6,923,170)	(3,151,308)	-	-
(Loss)/Profit from operations		(8,955,495)	68,780,003	628,977	10,181,313
Finance income	8	1,497,749	1,311,186	6,369	1,517
Finance costs	8	(6,376,129)	(5,595,419)	(14,880)	(27,816)
Finance costs - net		(4,878,380)	(4,284,233)	(8,511)	(26,299)
(Loss)/Profit before tax	9	(13,833,875)	64,495,770	620,466	10,155,014
Tax credit/(expense)	11	1,498,017	(11,767,288)	(291,068)	(219,832)
Net (loss)/profit for the financial year		(12,335,858)	52,728,482	329,398	9,935,182
Other comprehensive income:					
Items that will not be reclassified to profit or loss - Revaluation surplus on property, plant and equipment and right-of-use assets, net of tax	31	11,117,604	4,080,985	-	-
Total comprehensive (loss)/income for the financial year		(1,218,254)	56,809,467	329,398	9,935,182
Net (loss)/profit for the financial year attributable to owners of the Company		(12,335,858)	52,728,482	329,398	9,935,182
Total comprehensive (loss)/income for the financial year attributable to owners of the Company		(1,218,254)	56,809,467	329,398	9,935,182
(Loss)/Earnings per share attributable to owners of the Company - basic and diluted (sen)	12	(3.77)	16.12		

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2023

		Group		Company	
		2023	2022	2023	2022
	Note	RM	RM	RM	RM
NON-CURRENT ASSETS					
Property, plant and equipment	13	310,966,492	312,192,517	369,129	441,744
Right-of-use assets	14	47,947,081	49,910,894	-	-
Subsidiaries	15	-	-	221,974,480	221,974,480
Intangible assets	16	20,000,000	20,000,000	-	-
		378,913,573	382,103,411	222,343,609	222,416,224
CURRENT ASSETS					
Inventories	17	173,693,622	275,752,705	-	-
Receivables, deposits and prepayments	18	69,985,635	74,516,481	7,511	4,500
Financial assets at fair value through profit or loss	19	2,900,000	2,600,000	2,900,000	2,600,000
Amounts due from subsidiaries	20	-	-	253,964	851,985
Amounts due from related companies	21	1,398	1,200	-	-
Derivative financial assets	22	1,061,863	4,815,229	-	-
Cash and cash equivalents	23	78,158,513	111,795,897	913,498	10,438,879
Current tax recoverable		1,412,165	52,665	-	-
		327,213,196	469,534,177	4,074,973	13,895,364
LESS: CURRENT LIABILITIES					
Payables and accrued liabilities	24	41,229,843	166,890,125	360,479	435,532
Dividend payable	25	-	9,811,728	-	9,811,728
Contract liabilities	26	6,418,669	7,437,261	-	-
Amount due to ultimate holding company	27	3,474	5,964	-	-
Amounts due to subsidiaries	20	-	-	6,247,778	6,455,811
Amount due to a related company	21	291,043	186,822	-	-
Derivative financial liabilities	22	-	7,518	-	-
Borrowings	28	90,863,024	80,135,268	32,462	130,008
Lease liabilities	14	4,203,356	3,692,977	-	-
Current tax provision		78,082	1,456,700	40,666	37,048
		143,087,491	269,624,363	6,681,385	16,870,127
NET CURRENT ASSETS/ (LIABILITIES)		184,125,705	199,909,814	(2,606,412)	(2,974,763)
		563,039,278	582,013,225	219,737,197	219,441,461

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2023
(CONTINUED)

		Group		Company	
	Note	2023 RM	2022 RM	2023 RM	2022 RM
CAPITAL AND RESERVE ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Share capital	29	217,676,829	217,676,829	217,676,829	217,676,829
Warrant reserve	30	1,740,486	1,740,486	1,740,486	1,740,486
Asset revaluation reserve	31	53,900,684	42,783,080	-	-
Retained profits/ (Accumulated losses)		220,125,814	232,461,672	313,782	(15,616)
TOTAL EQUITY		493,443,813	494,662,067	219,731,097	219,401,699
NON-CURRENT LIABILITIES					
Borrowings	28	10,734,275	22,519,897	-	32,462
Lease liabilities	14	18,214,995	22,760,963	-	-
Deferred income on grant	32	5,731,458	5,883,958	-	-
Deferred tax liabilities	33	34,914,737	36,186,340	6,100	7,300
		69,595,465	87,351,158	6,100	39,762
		563,039,278	582,013,225	219,737,197	219,441,461

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

GROUP

	Note	Share capital RM	Warrant reserve RM	Asset revaluation reserve RM	Retained profits RM	Total RM
		Attributable to owners of the Company				
At 1 July 2022		217,676,829	1,740,486	42,783,080	232,461,672	494,662,067
Net loss for the financial year		-	-	-	(12,335,858)	(12,335,858)
Other comprehensive income for the financial year, net of tax:						
- Revaluation surplus on property, plant and equipment and right-of-use assets, net of tax	31	-	-	11,117,604	-	11,117,604
Total comprehensive income/(loss) for the financial year		-	-	11,117,604	(12,335,858)	(1,218,254)
At 30 June 2023		217,676,829	1,740,486	53,900,684	220,125,814	493,443,813

GROUP

	Note	Share capital RM	Warrant reserve RM	Asset revaluation reserve RM	Retained profits RM	Total RM
		Attributable to owners of the Company				
At 1 July 2021		217,676,829	1,740,486	38,702,095	189,544,918	447,664,328
Net profit for the financial year		-	-	-	52,728,482	52,728,482
Other comprehensive income for the financial year, net of tax:						
- Revaluation surplus on property, plant and equipment and right-of-use assets, net of tax	31	-	-	4,080,985	-	4,080,985
Total comprehensive income for the financial year		-	-	4,080,985	52,728,482	56,809,467
Transactions with owners:						
Dividend payable	25	-	-	-	(9,811,728)	(9,811,728)
At 30 June 2022		217,676,829	1,740,486	42,783,080	232,461,672	494,662,067

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023
(CONTINUED)

COMPANY

	Note	Share capital RM	Warrant reserve RM	Retained profit /(accumulated losses) RM	Total RM
At 1 July 2022		217,676,829	1,740,486	(15,616)	219,401,699
Net profit for the financial year		-	-	329,398	329,398
At 30 June 2023		217,676,829	1,740,486	313,782	219,731,097
At 1 July 2021		217,676,829	1,740,486	(139,070)	219,278,245
Net profit for the financial year		-	-	9,935,182	9,935,182
Transactions with owners:					
Dividend payable	25	-	-	(9,811,728)	(9,811,728)
At 30 June 2022		217,676,829	1,740,486	(15,616)	219,401,699

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

	Note	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/Profit before tax		(13,833,875)	64,495,770	620,466	10,155,014
Adjustments for:					
Property, plant and equipment:					
- depreciation	9	14,707,225	13,972,807	72,615	99,885
- loss/(gain) on disposals	9	190,414	(90,796)	-	54,442
- impairment loss	9	6,923,170	3,151,308	-	-
Depreciation on right-of-use assets	9	4,886,602	3,713,770	-	-
Net unrealised foreign exchange (gain)/loss	9	(746,209)	433,606	-	-
Gain on rent concession	9	-	(22,972)	-	-
Gain on lease termination	9	-	(762,977)	-	-
Amortisation of deferred income on grant	9	(152,500)	(152,500)	-	-
Interest income	8	(1,497,749)	(1,311,186)	(6,369)	(1,517)
Interest expense:					
- borrowings	8	5,371,719	4,793,891	14,880	27,816
- lease liabilities	8	1,004,410	801,528	-	-
(Writeback)/Impairment on receivables	5(c)	(131,381)	413,487	-	-
Impairment on inventories	9	9,821,893	9,974,697	-	-
Fair value (gain)/loss on financial assets at fair value through profit or loss	9	(300,000)	600,000	(300,000)	600,000
Share of fair value gain/(loss) on financial assets at fair value through profit or loss by subsidiaries	9	-	-	300,000	(600,000)
Dividend income	9	-	-	-	(9,816,000)
		26,243,719	100,010,433	701,592	519,640
Changes in working capital:					
- inventories		92,237,191	(60,227,021)	-	-
- receivables, deposits and prepayments		4,663,212	(32,381,849)	(303,010)	-
- payables and accrued liabilities		(130,980,940)	43,333,824	(9,886,781)	(54,639)
- contract liabilities		(1,018,591)	(15,553,410)	-	-
- intercompany balances		101,533	(188,131)	389,987	117,893
Cash (used in)/generated from operations		(8,753,876)	34,993,846	(9,098,212)	582,894
Tax paid		(4,548,842)	(8,378,950)	(288,650)	(213,417)
Tax refunded		-	14,265	-	-
Net cash (used in)/generated from operating activities		(13,302,718)	26,629,161	(9,386,862)	369,477

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023
(CONTINUED)

		Group		Company	
		2023	2022	2023	2022
	Note	RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Property, plant and equipment:					
- Purchases		(9,430,481)	(10,584,956)	-	-
- Proceeds from disposals		232,650	501,084	-	71,000
Investment in quoted shares	19	-	(3,200,000)	-	(3,200,000)
Dividend received	9	-	-	-	9,816,000
Investment in a subsidiary	15	-	-	-	(6,380)
Interest received		1,497,749	1,311,186	6,369	1,517
Net cash (used in)/generated from investing activities		(7,700,082)	(11,972,686)	6,369	6,682,137
CASH FLOWS FROM FINANCING ACTIVITIES					
Drawdown of borrowings		274,754,000	321,864,857	-	-
Repayment of borrowings		(276,976,866)	(306,987,869)	(130,008)	(201,447)
Lease payments		(4,035,589)	(3,006,897)	-	-
Interest paid:					
- interest on borrowings and suppliers' credit		(5,371,719)	(4,921,378)	(14,880)	(27,816)
- interest on lease liabilities		(1,004,410)	(801,528)	-	-
Advances from a subsidiary	34	-	-	-	3,200,000
Net cash (used in)/generated from financing activities		(12,634,584)	6,147,185	(144,888)	2,970,737

		Group		Company	
		2023	2022	2023	2022
	Note	RM	RM	RM	RM
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		(33,637,384)	20,803,660	(9,525,381)	10,022,351
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		111,795,897	90,931,176	10,438,879	416,528
EFFECTS OF CHANGES IN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS		-	61,061	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	23	78,158,513	111,795,897	913,498	10,438,879

During the financial year, the Group has a non-cash purchase of plant, machinery and electrical installation of Nil (2022: RM4,000) by trade-in arrangement and RM1,165,000 (2022: RM357,211) by means of hire-purchase arrangements. Included in the Group's additions to property, plant and equipment in the previous financial year is finance costs capitalised amounting to RM159,661. (Note 13).

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023
(CONTINUED)

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

	Bankers' acceptance RM	Lease liabilities RM	Term loan RM	Hire-purchase creditors RM	Mortgage loan RM	Total RM
Group						
At 1 July 2022	71,935,000	26,453,940	16,014,216	430,516	14,275,433	129,109,105
Cash flows:						
Drawdown of borrowings	274,754,000	-	-	-	-	274,754,000
Repayment of borrowings	(268,679,000)	-	(5,833,332)	(471,326)	(1,993,208)	(276,976,866)
Interest paid	(3,002,752)	(1,004,410)	(677,837)	(46,028)	(656,600)	(5,387,627)
Lease payments	-	(4,035,589)	-	-	-	(4,035,589)
Working capital changes	(408,080)	-	-	-	-	(408,080)
Non-cash changes:						
Interest charged	3,410,832	1,004,410	677,837	46,028	656,600	5,795,707
Additions during the year	-	-	-	1,165,000	-	1,165,000
At 30 June 2023	78,010,000	22,418,351	10,180,884	1,124,190	12,282,225	124,015,650

	Bankers' acceptance RM	Lease liabilities RM	Term loan RM	Hire-purchase creditors RM	Mortgage loan RM	Total RM
Group						
At 1 July 2021	51,090,000	18,753,823	18,809,691	1,279,765	16,241,510	106,174,789
Cash flows:						
Drawdown of borrowings	318,827,000	-	3,037,857	-	-	321,864,857
Repayment of borrowings	(297,982,000)	-	(5,833,332)	(1,206,460)	(1,966,077)	(306,987,869)
Interest paid	(3,324,458)	(801,528)	(752,512)	(66,257)	(624,514)	(5,569,269)
Lease payments	-	(3,006,897)	-	-	-	(3,006,897)
Working capital changes	16,604	-	-	-	-	16,604
Non-cash changes:						
Interest charged	3,307,854	801,528	752,512	66,257	624,514	5,552,665
Gain on rent concession (Note 14)	-	(22,972)	-	-	-	(22,972)
Additions during the year	-	26,782,879	-	357,211	-	27,140,090
Termination of lease	-	(15,289,916)	-	-	-	(15,289,916)
Gain on lease termination (Note 14)	-	(762,977)	-	-	-	(762,977)
At 30 June 2022	71,935,000	26,453,940	16,014,216	430,516	14,275,433	129,109,105

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023
(CONTINUED)

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

	Hire-Purchase Creditors RM
Company	
At 1 July 2022	162,470
Cash flows:	
Repayment of borrowings	(130,008)
Interest paid	(14,880)
Non-cash changes:	
Interest charged	14,880
At 30 June 2023	32,462
Company	
At 1 July 2021	363,917
Cash flows:	
Repayment of borrowings	(201,447)
Interest paid	(27,816)
Non-cash changes:	
Interest charged	27,816
At 30 June 2022	162,470

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

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

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

The address of the registered office of the Company is:
Suite 11.05, 11th Floor
No. 566 Jalan Ipoh
51200 Kuala Lumpur

The address of the principal place of business of the Company is:
Lot 717 Jalan Sungai Rasau
Seksyen 16
40200 Shah Alam
Selangor Darul Ehsan

As at 30 June 2023, all monetary assets and liabilities of the Group and of 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 24 October 2023.

2 BASIS OF PREPARATION

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

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the individual policy statements as set out in Note 3 to the financial statements, i.e. on the revaluation of ‘land and buildings’ and ‘plant, machinery and electrical installation’, 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 reporting date, and the reported amounts of revenues and expenses during the reporting period. It also requires Directors to exercise their judgement in the process of applying the Group’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 4 to the financial statements.

<u>Amendments to published standards that are effective</u>

The Group has applied the following amendments for the first time for the financial year beginning on 1 July 2022:

- Annual Improvements to MFRS 9 ‘Fees in the 10% test for derecognition of financial liabilities’ clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other’s behalf, are included in the cash flow of the new loan when performing the 10% test.

2 BASIS OF PREPARATION (CONTINUED)

Amendments to published standards that are effective (continued)

The Group has applied the following amendments for the first time for the financial year beginning on 1 July 2022: (continued)

- Amendments to MFRS 3 'Reference to Conceptual Framework' replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments do not change the current accounting for business combinations on acquisition date. The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 'Provisions, contingent liabilities and contingent assets' and IC Interpretation 21 'Levies' when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

- Amendments to MFRS 116 'Proceeds before intended use' prohibit an entity from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds should instead be recognised in profit or loss. The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of the property, plant and equipment.

- Amendments to MFRS 137 'Onerous Contracts - Cost of Fulfilling a Contract' clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

The adoption of these amendments did not have any impact on the Group's financial statements for the current period.

Standards, amendments to standards and interpretations that have been issued but not yet effective

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 July 2023

- MFRS 17, Insurance Contracts replaces MFRS 4 and sets out principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of MFRS 17. The new standard will apply to all entities that issue insurance and reinsurance contracts, and to all entities that hold reinsurance contracts.

- Amendments to MFRS 17, Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information adds a new transition option to MFRS 17 (the 'classification overlay') to alleviate operational complexities and one-time accounting mismatches in comparative information between insurance contract liabilities and related financial assets on the initial application of MFRS 17.

- Amendments to MFRS 101, Presentation of Financial Statements – Disclosures of Accounting Policies clarifies the application of materiality in the disclosure of accounting policies that companies are to disclose their material accounting policies rather than their significant accounting policies and clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed.

- Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates introduce a new definition for accounting estimates and clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

- Amendments to MFRS 112, Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction clarify the account for deferred tax on certain transactions such as leases and decommissioning provisions.

2 BASIS OF PREPARATION (CONTINUED)

Standards, amendments to standards and interpretations that have been issued but not yet effective (continued)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 July 2024

- Amendment to MFRS 16, Leases – Lease Liability in a Sale and Leaseback impact how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale and leaseback transactions entered into since 2019.

- Amendment to MFRS 101, Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current clarifies how conditions with which an entity must comply within 12 months after the reporting period affect the classification of a liability.

- Amendments to MFRS 107, Statement of Cash Flows and MFRS 7, Financial Instruments: Disclosures – Supplier Finance Arrangements introduce two new disclosure objectives – one in MFRS 107 and another in MFRS 7 – for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk.

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 July 2025

- Amendments to MFRS 121, The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability provides new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements.

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed.

- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture responds to a conflict in existing guidance which arose from the transfer of subsidiaries, and also cover the transfer of assets involving an associate or a joint venture.

The Group has started a preliminary assessment on the effects of the above standards, amendments to published standards and the impact is still being assessed.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements.

3.1 Basis of consolidation

(i) 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.

Intercompany 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

(i) Subsidiaries (continued)

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 owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(iii) Disposal of subsidiaries

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

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

(iv) Acquisitions

The Group applies the acquisition method to account for business combinations when the acquired sets of activities and assets meet the definition of a business. The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are with limited exceptions measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Investment in subsidiaries in separate financial statements

In the Company's separate financial statements, 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.

3.3 Property, plant and equipment

(i) Measurement basis

Property, plant and equipment are initially stated at cost. Freehold land, buildings, plant, machinery and electrical installation are subsequently shown at fair values, based on periodic valuation by external valuers, less subsequent depreciation and impairment losses, with sufficient regularity or when the fair value of the revalued assets differ materially from the carrying amounts. 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.

Increase in the carrying amounts arising on revaluation of freehold land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserve 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 de-recognised.

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

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 3.5 on impairment of non-financial assets.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Property, plant and equipment (continued)

(ii) Depreciation

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

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

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

3.4 Leases

Accounting by lessee

Leases are recognised as right-of-use (“ROU”) asset and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group is a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

(i) Lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reassesses the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities (refer to Note 3.4(iv) below).

(ii) ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Initial direct costs; and
- Decommissioning or restoration costs, if any.

ROU assets that are leasehold land properties are subsequently measured based on ‘fair value’ determination by independent certified real-estate valuers. The ROU assets are generally depreciated over the shorter of assets’ useful lives or the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the term of the lease. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Leases (continued)

Accounting by lessee (continued)

(ii) ROU assets (continued)

ROU assets are presented as a separate line item in the statement of financial position. The Group does not have ROU assets that meet the definition of investment properties.

(iii) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase and extension options if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. 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 Group present the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance costs in profit or loss.

(iv) Reassessment of lease liabilities

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When adjustments to lease payments take effect, the lease liability is remeasured and adjusted against the ROU assets.

The Group applies practical expedient to account for a COVID-19-related rent concession that meets all of the following conditions in the same way as they would if they were not lease modification:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

The Group accounts for COVID-19 related rent concession as a variable lease payment in the period in which the event or condition that triggers the reduced payment occurs. Impacts of rent concessions are presented within other operating expense.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Leases (continued)

Accounting by lessee (continued)

(v) Short term leases and leases of low value assets

Short term leases are leases with a lease term of 12 months or less. Low value assets comprise small items of office equipment. Payments associated with short term leases of equipment and all leases of low value assets are recognised on a straight-line basis as an expense in profit or loss.

Accounting by lessor

As a lessor, the Group determine at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

<u>Finance leases</u>

The Group classifies a lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group derecognises the underlying asset and recognises a receivable at an amount equal to the net investment in a finance lease. Net investment in a finance lease is measured at an amount equal to the sum of the present value of lease payments from lessee and the unguaranteed residual value of the underlying asset. Initial direct costs are also included in the initial measurement of the net investment.

<u>Operating leases</u>

The Group classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group recognises lease payments received under operating lease as lease income on a straight-line basis over the lease term.

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of underlying asset and recognised as an expense over the lease term on the same basis as lease income.

3.5 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial assets

Classification

The Group classifies 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 reclassifies 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 commits 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 has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures 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 business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies 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 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.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group’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 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial assets (continued)

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
- Intercompany balances
- Financial guarantee contracts

Whilst cash and cash equivalents and derivative financial assets placed with licensed banks 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 expects to receive, over the remaining life of the financial instrument. For financial 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 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.

The ECL approach can be classified into the categories below:

(i) General 3-stage approach for other receivables, intercompany 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 months 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.

(ii) Simplified approach for trade receivables

The Group applied 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 considers 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 compares 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial assets (continued)

Significant increase in credit risk (continued)

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 30 days past due in making a contractual payment.

Definition of default and credit-impaired financial assets

The Group defines 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:

(i) Quantitative criteria:

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

(ii) Qualitative criteria:

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group considers 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 which are in default or credit-impaired, other receivables, intercompany balances and financial guarantee contracts are assessed on individual basis for ECL measurement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial assets (continued)

Write-off

(i) 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.

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.

(ii) Other receivables, intercompany balances and financial guarantee contracts

The Group and the Company write off financial assets, in whole or in part, when it has 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.

3.7 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.

3.8 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 3.6 on financial assets.

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).

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Derivative financial instruments and hedging activities (continued)

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 6. 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.

3.9 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. Licences, patents and trademarks 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.

3.10 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.

3.11 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.

3.12 Financial liabilities

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Financial liabilities (continued)

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 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 gains 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 due to related companies and borrowings.

These financial liabilities are recognised initially at fair value less 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.

3.13 Trade payables

Trade payables represent liabilities for goods or services provided to the Group prior to the end of financial year which are unpaid. Trade payables are classified as current liabilities unless payment is not due within 12 months after the reporting period. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value net of transaction costs incurred, which include transfer taxes and duties. Trade payables are subsequently measured at amortised cost using the effective interest method.

3.14 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Provisions (continued)

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.

3.15 Share capital

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

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

<u>Earnings per share</u>

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3.16 Revenue recognition

<u>Revenue from contracts with customers</u>

(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 customers has the full discretion to direct the use or movement over the products and there is no unfulfilled obligation that could affect the customers' 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 customers, and either the customers have 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Revenue recognition (continued)

Revenue from contracts with customers (continued)

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

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 contract liabilities.

(ii) Processing service income

The Group offers tolling service to its customers. Tolling service relates to when customers provide steel products for further processing (e.g. galvanisation, pipe-forming, pickling & oiling). Revenue from providing such services 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.

Other income

(i) Interest income

Interest income is recognised using the effective interest method.

(ii) Dividend income (for Company)

Dividend income is recognised when the Company's right to receive payment is established. This applies even if they are paid out of pre-acquisition profits.

3.17 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.

3.18 Current and deferred income tax

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Current and deferred income tax (continued)

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

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

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

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

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

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

3.19 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.

All foreign exchange gains and losses are presented in profit or loss on a net basis within "other operating expense or income".

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 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.

3.21 Contingent liabilities and contingent assets

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

3.22 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.

Financial guarantee contracts are 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.

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.

3.23 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset, until such time all the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

3.24 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss as other operating income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income on grant and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.25 Contract liabilities

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customers, including contract specific non-refundable deposits. The balance is classified as contract liabilities under current liabilities in the statement of financial position.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Revaluation of certain property, plant and equipment and right-of-use assets

As disclosed in Notes 13 and 14 to the financial statements, the Group carries its freehold and leasehold land (classified as right-of-use assets) and buildings, plant, machinery and electrical installation at their fair values. On an annual basis, the Group appoints independent professional firms to determine the fair valuation of these property, plant and equipment and right-of-use assets 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.

The valuation of land and buildings is inherently subjective due to the individual nature of each property and its location. The valuation of plant, machinery and electrical installation is inherently subjective due to the physical wear and tear and technological development of the individual assets at the point of valuation.

(b) 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 as disclosed in Notes 13, 15 and 16 to the financial statements.

The recoverability of inventory is an area of focus due to the significant estimates involved in determining the net realisable value of the inventories, which is dependent on the expected selling price of the finished goods subsequent to the financial quarter end. In assessing the impairment on inventory as disclosed in Note 17, the Group compares for any deficiency in the estimated Net Realisable Value ("NRV") of finished goods against their carrying inventory value at and after the close of the current reporting period for each entity. In estimating the NRV at the close of the reporting period, the 'outstanding forward sales contracted average price' is inferred as the evidence of NRV.

(c) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profits 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) Lease options

The Group considers all economic factors and circumstances in assuming whether renewal option and/or an early termination option under any lease/ rental agreements are exercised or not in determining the lease duration. Where multiple renewal options are allowed, the Group only includes the immediate next renewal period in computing the lease term, as opposed to assuming an infinite period. Management's judgements are exercised in affirming the aforementioned assumption.

5 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 and Sustainability 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 intangible assets including deferred tax if any) plus interest bearing debts as capital resources (which totalled to RM637.5 million at the close of the current financial year), and has a policy to maintain the debt-equity ratio below 1.0 or in accordance with its financial covenants - whichever is lower. 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, which excludes lease 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, capital deployed in the Group has increased by around RM10 million (from equity capital down RM2 million; and interest-bearing debt capital up RM12 million or by 11%).

The Group's debt-equity ratio closed at 0.25 times for the current reporting period compared to the preceding period's close at 0.23.

Towards the 4th quarter of the current financial year, the Cold Rolled subsidiary obtained an additional multi-tradeline of RM25 million from a lender. This remains under documentation processing at the close of the current financial year. The utilisation of this additional line in the future may not necessarily increase the indebtedness of the Group.

Overall, the Board is of the opinion that the Group's capital deployed and available for deployment has adequate headroom for the business purposes intended.

5 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 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 when due 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 100% and 86% respectively. The said subsidiaries have adequate short-term assets to meet short-term liabilities as reflected in the Group's current ratio of 2.29 times at the close of the current reporting period (compared to 1.74 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. 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' (DSCR). At the close of the current financial year, the cold-rolled subsidiary fell-short in meeting the DSCR covenant in-relation to its short-term tradeline borrowings, and has since sought and obtained indulgence from two affected lenders. The Group's negative results have also affected the steel tube subsidiary's Group DSCR covenant with a lender. In this regard, the steel tube subsidiary has also sought and obtained indulgence from the affected lender. Arising from these, we have reclassified RM4.3 million in 'long-term borrowing' to 'short-term borrowing' (see Note 28).

The said subsidiaries and the Group remain in comfortable net-current-asset position after the reclassification, and have sufficient liquidity to meet short-term obligations. The continuing availability of the aforementioned debt facilities to the said subsidiaries are unaffected.

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 Coil subsidiary and the Steel Tube subsidiary have suppliers' trade-credit-line denominated in Ringgit with limits of RM30.0 million and RM20.0 million respectively; and in USD with limits of USD29.5 million and USD16.1 million respectively from key suppliers. The subsidiaries have not drawn on any USD denominated credit-lines in the last 18 months due to their higher borrowing cost.

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 RM29.2 million (2022: RM35.0 million), and on the Steel Tube subsidiary's outstanding bank debts of RM71.3 million (2022: RM67.2 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 RM179.6 million (2022: RM146.2 million).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023
(CONTINUED)

5 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:

GROUP	Carrying amount RM	Contractual interest rate per annum	Contractual cash flows RM	Current RM	1 – 2 years RM	2 – 3 years RM	> 3 years RM
At 30 June 2023							
Non-derivative financial liabilities:							
Bankers' acceptance	78,010,000	4.49% - 5.23%	78,853,863	78,853,863	-	-	-
Term loan	10,180,884	4.76% - 5.52%	10,743,275	10,743,275	-	-	-
Hire-purchase creditors	1,124,190	2.29% - 2.55%	1,222,940	530,456	282,149	165,249	245,086
Mortgage loan	12,282,225	4.33% - 5.49%	13,609,197	2,592,228	2,592,228	2,592,228	5,832,513
Trade payables	27,558,487	4.40% - 5.50%	27,665,339	27,665,339	-	-	-
Payables and accrued liabilities (excluding derivatives and payroll liabilities)	12,046,464	-	12,046,464	12,046,464	-	-	-
Amount due to ultimate holding company	3,474	-	3,474	3,474	-	-	-
Amount due to a related company	291,043	-	291,043	291,043	-	-	-
Lease liabilities	22,418,351	-	24,780,000	5,040,000	5,040,000	5,040,000	9,660,000
	163,915,118		169,215,595	137,766,142	7,914,377	7,797,477	15,737,599
Derivative financial liabilities	-		-	-	-	-	-
	163,915,118		169,215,595	137,766,142	7,914,377	7,797,477	15,737,599

5 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: (continued)

GROUP	Carrying amount RM	Contractual interest rate per annum	Contractual cash flows RM	Current RM	1 – 2 years RM	2 – 3 years RM	> 3 years RM
At 30 June 2022							
Non-derivative financial liabilities:							
Bankers' acceptance	71,935,000	3.17% - 4.82%	72,440,225	72,440,225	-	-	-
Term loan	16,014,216	4.15% - 4.44%	17,049,461	6,429,464	6,178,848	4,441,149	-
Hire-purchase creditors	430,516	2.29% - 2.55%	464,116	342,819	108,797	12,500	-
Mortgage loan	14,275,433	4.06% - 4.33%	16,201,097	2,605,697	2,589,600	2,589,600	8,416,200
Trade payables	13,728,267	3.93%	13,901,209	13,901,209	-	-	-
Payables and accrued liabilities (excluding derivatives and payroll liabilities)	146,924,219	-	146,924,219	146,924,219	-	-	-
Dividend payable	9,811,728	-	9,811,728	9,811,728	-	-	-
Amount due to ultimate holding company	5,964	-	5,964	5,964	-	-	
Amount due to a related company	186,822	-	186,822	186,822	-	-	-
Lease liabilities	26,453,940	-	29,820,000	5,040,000	5,040,000	5,040,000	14,700,000
	299,766,105		306,804,841	257,688,147	13,917,245	12,083,249	23,116,200
Derivative financial liabilities	7,518		7,518	7,518	-	-	-
	299,773,623		306,812,359	257,695,665	13,917,245	12,083,249	23,116,200

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023
(CONTINUED)

5 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:

COMPANY	Carrying amount RM	Contractual interest rate per annum	Contractual cash flows RM	Current RM	1 – 2 years RM	2 – 3 years RM
At 30 June 2023						
Payables and accrued liabilities (excluding payroll liabilities)	259,144	-	259,144	259,144	-	-
Hire-purchase creditors	32,462	2.29%	36,197	36,197	-	-
Amounts due to subsidiaries	6,247,778	-	6,247,778	6,247,778	-	-
Financial guarantee contracts	-	-	280,063,000	280,063,000	-	-
	6,539,384		286,606,119	286,606,119	-	-
At 30 June 2022						
Payables and accrued liabilities (excluding payroll liabilities)	214,351	-	214,351	214,351	-	-
Dividend payable	9,811,728	-	9,811,728	9,811,728	-	-
Hire-purchase creditors	162,470	2.29%	181,090	144,893	36,197	-
Amounts due to subsidiaries	6,455,811	-	6,455,811	6,455,811	-	-
Financial guarantee contracts	-	-	248,390,000	248,390,000	-	-
	16,644,360		265,052,980	265,016,783	36,197	-

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk

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

The Group's exposure to credit risk arises primarily from cash and bank balances, receivables, deposits and prepayments 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 Coil and the Steel Tube subsidiaries represent about 93.0% (2022: 98.0%) and 70.2% (2022: 71.6%) 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 3 (2022: 2) external customers that contributes to more than 10% of the respective subsidiaries' revenue. The revenue contributed by the said customers amounted to RM185.2 million (2022: RM181.6 million). Nevertheless, management obtains corporate guarantees and personal indemnities from trade debtors where possible in managing exposure to credit risk.

The Group's and the Company's major classes of financial assets are as disclosed in Note 38 to the financial statements. The Group and the Company have four types of financial instruments that are subject to the Expected Credit Loss ("ECL") model under MFRS 9:

- Trade receivables
- Other receivables
- Intercompany balances
- Financial guarantee contracts

Whilst cash and cash equivalents and derivative financial assets placed with licensed banks 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. Credit risk measurement with regards to the mentioned categories of financial instruments are as below.

(i) Trade receivables

The Group adopts MFRS 9 prescribed 'simplified approach' in measuring ECL which estimates a lifetime expected credit loss allowance for all trade receivables. Information on the Group's accounting policy on impairment of trade receivables using the 'simplified approach' basing on aging brackets in estimating ECL is disclosed in Note 3.6 to the financial statements.

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (continued)

(ii) Other receivables, intercompany balances and financial guarantee contracts

The Group and the Company use 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
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.

Refer to Note 18 to the financial statements on the carrying amount of the other receivables presented by the categories of credit risk rating.

For the Group and the Company's intercompany 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.

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (continued)

(ii) Other receivables, intercompany balances and financial guarantee contracts (continued)

All of the financial guarantee contracts are considered to be performing, have low risks of default and historically there were no instances where these financial guarantee contracts were called upon by the parties of which the financial guarantee contracts were issued to. Accordingly, no loss allowance was identified based on 12 months ECL.

The Group's collateral at the end of the reporting period for its financial instruments is summarised as follows:

	Net exposure RM	**Collateral and credit enhancement RM**	**Maximum exposure (net of impairment) RM**
<u>2023</u>			
Trade receivables	15,063,509	51,805,638	66,869,147
Other receivables	848,595	-	848,595
Refundable deposits	1,082,384	-	1,082,384
Amount due from related companies	1,398	-	1,398
Derivative financial assets	1,061,863	-	1,061,863
Deposits with licensed banks	37,150,279	-	37,150,279
Cash and bank balances	41,008,234	-	41,008,234
Financial assets at fair value through profit or loss	2,900,000	-	2,900,000
	99,116,262	51,805,638	150,921,900
<u>2022</u>			
Trade receivables	15,177,061	55,764,540	70,941,601
Other receivables	1,828,717	-	1,828,717
Refundable deposits	1,088,733	-	1,088,733
Amounts due from related companies	1,200	-	1,200
Derivative financial assets	4,815,229	-	4,815,229
Deposits with licensed banks	91,339,115	-	91,339,115
Cash and bank balances	20,456,782	-	20,456,782
Financial assets at fair value through profit or loss	2,600,000	-	2,600,000
	137,306,837	55,764,540	193,071,377

Certain trade receivables of the Group are secured by financial guarantees given by corporates, shareholders or directors of the receivables. There were no instances during the financial year whereby loss allowances were not recognised due to the utilisation of these collaterals and credit enhancements.

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.

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (continued)

Financial assets that are impaired

Movement of the Group's allowance for impairment of trade and other receivables and amounts due from related companies is as follows:

GROUP	Trade receivables (Note 18) RM	Other receivables (Note 18) RM	Amounts due from related companies (Note 21) RM	Total RM
1 July 2022	248,301	633,287	-	881,588
Write off	-	(31,800)	-	(31,800)
Reversal of impairment during the financial year	-	(131,381)	-	(131,381)
30 June 2023	248,301	470,106	-	718,407
1 July 2021	418,144	219,800	745,994	1,383,938
Allowance for impairment during the financial year	-	413,487	-	413,487
Write off	(169,843)	-	(745,994)	(915,837)
30 June 2022	248,301	633,287	-	881,588

No major ECL was deemed required for the current financial year.

Assessment on the recoverability of provision-allowance carried forward of the Steel Tube subsidiary from the preceding financial year, has determined that the carrying provision allowance on other receivables of RM31,800 are not recoverable (as such, corresponding full write-off is made in the current financial year) and debts amounting to RM131,381 was recovered (as such, reversal of impairment is made in the current financial year).

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.

(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 in 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 the lender's revision of its cost-of-funds (usually in-line with Overnight Policy Rate ("OPR") changes) in computing the interest rate. The fixed rate trade and credit instruments are short-term (not exceeding 120 days) and subject to re-pricing upon new drawdown.

Bank Negara Malaysia has increased the OPR four times at 25 basis point each during the current financial year 2023 - pushing the OPR to 3.00% from 2.00% at the start. Correspondingly, interest rate risk in the current financial year 2023 has increased with a higher effective average cost of borrowing at 4.1% compared to financial year 2022 at 3.3%.

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Interest rate risk (continued)

The Group also has interest-earning financial asset instruments which comprised mainly of fixed interest-bearing short-term deposits subject to frequent re-pricing. Similarly, the Group recorded marginally higher interest income from these. Taking into account of interest income, the Group's net effective interest cost for the current financial year averages at 3.2% (FY 2022: 2.8%).

Neither the Group nor the Company holds any interest-rate derivatives during and at the close of the current financial year.

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

	2023 RM	**2022 RM**
<u>Current</u>		
Fixed rate borrowings, denominated in RM	78,488,476	72,251,155
Floating rate borrowings, denominated in RM	12,374,548	7,884,113
Fixed rate credit from supplier, denominated in RM (Note 24)	27,558,487	13,728,267
<u>Non-current</u>		
Fixed rate borrowings, denominated in RM	645,715	114,361
Floating rate borrowings, denominated in RM	10,088,560	22,405,536
	129,155,786	116,383,432

The risk impact from the floating rate financial liability instruments, had the overall interest rates being 1% higher, is that the Group's profit after tax for financial year 2023 would decrease by RM170,720 (2022: RM230,201). A 1% lower interest rate would have the equal but opposite effect to the aforementioned amounts. There is no risk impact to the Company as its borrowings are all fixed rated.

(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 Coil (CRC) 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 segment derive a small portion of its revenue (around 11.8%) from export sales denominated mainly in SGD. Over the current FY, the CRC segment also derive a small portion of export sales (around 0.8%) in USD, and it is netted against USD-short as a natural hedge. In summary, the Group FX exposure is mainly in USD-short and to a lesser extent SGD-long.

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5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Foreign currency exchange risk (continued)

The Group's Cold Rolled Coil 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 with the counterparty banks, 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. On Steel Tube's affirmed export sales in foreign currencies, the Group may 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.

FX was particularly volatile over current financial year driven by continuing interest-rate hikes in the USA to tame raging inflation. As a result, the Ringgit Malaysia continued to weaken further by around 620 basis points (or 2735 pips) against the USD over the current reporting period. The Group's FX risk management activities have adequately hedged the said FX volatility over the current financial year as shown in the table below. Further disclosures are made in Note 22 on derivatives.

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

		2023			2022	
FX fair value	**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	-	(35)	(35)	(1)	3	2
Hedge accounted	1,061	4,200	5,261	4,809	655	5,463
	1,061	4,165	5,226	4,808	658	5,465
<u>FX hedged items</u>						
Not hedge accounted	746	(57)	689	(432)	(96)	(528)
Hedge accounted	(1,061)	(4,200)	(5,261)	(4,809)	(654)	(5,463)
	(315)	(4,257)	(4,572)	(5,241)	(750)	(5,991)
Net FX gain/(loss)	746	(92)	654	(433)	(92)	(526)

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Foreign currency exchange risk (continued)

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

	From USD RM	From SGD RM	Total RM
As at 30 June 2023			
Financial assets			
Receivables, deposits and prepayments	-	9,099,263	9,099,263
Cash and bank balances	7,623,968	754,024	8,377,992
	7,623,968	9,853,287	17,477,255
Less: Financial liability			
Payables and accrued liabilities	-	-	-
Net financial assets	7,623,968	9,853,287	17,477,255
Off balance sheet			
Contracted commitments	(61,778,399)	-	(61,778,399)
Contracted forward sales	13,478,000	82,565	13,560,565
Forward foreign currency contracts at notional value at closing rate	49,837,143	-	49,837,143
Net currency exposure	9,160,712	9,935,852	19,096,564
As at 30 June 2022			
Financial assets			
Receivables, deposits and prepayments	-	10,562,001	10,562,001
Cash and bank balances	442,832	1,448,963	1,891,795
	442,832	12,010,964	12,453,796
Less: Financial liability			
Payables and accrued liabilities	(134,182,229)	-	(134,182,229)
Net financial (liability)/assets	(133,739,397)	12,010,964	(121,728,433)
Off balance sheet			
Contracted commitments	(12,514,537)	-	(12,514,537)
Forward foreign currency contracts at notional value at closing rate	121,148,967	(1,135,416)	120,013,551
Net currency exposure	(25,104,967)	10,875,548	(14,229,419)

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

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Foreign currency exchange risk (continued)

The following table demonstrates the sensitivity of the Group's profit after tax and equity 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.

	Increase/ (Decrease) in Profit and Equity 2023 RM	Increase/ (Decrease) in Profit and Equity 2022 RM
GROUP		
RM appreciates against USD by 2% (2022: 2%)	(139,243)	381,595
RM appreciates against SGD by 2% (2022: 2%)	(151,025)	(165,308)

A 2% (2022: 2%) 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.

6 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).

6 FAIR VALUE (CONTINUED)

Fair value estimation (continued)

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

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
30 June 2023				
Financial assets				
Financial assets at fair value through profit or loss	2,900,000	-	-	2,900,000
Derivative financial assets	-	1,061,863	-	1,061,863
Total financial assets	2,900,000	1,061,863	-	3,961,863
Financial liability				
Derivative financial liabilities	-	-	-	-
30 June 2022				
Financial assets				
Financial assets at fair value through profit or loss	2,600,000	-	-	2,600,000
Derivative financial assets	-	4,815,229	-	4,815,229
Total financial assets	2,600,000	4,815,229	-	7,415,229
Financial liability				
Derivative financial liabilities	-	(7,518)	-	(7,518)

The 'financial assets at fair value through profit or loss' comprise of investment in quoted shares (see Note 19), which are fair valued by way of marking-to-active market using the quoted closing price on Bursa Malaysia.

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 market (forward) rates published or quoted by counterparty financial institutions. 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 3.

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7 REVENUE

	Group		Company	
	2023	**2022**	**2023**	**2022**
	RM	**RM**	**RM**	**RM**
Revenue from contracts with customers:				
- sale of goods	532,378,383	731,503,466	-	-
- processing service income	7,616,327	14,371,888	-	-
- management fees income	-	-	6,313,059	5,291,172
	539,994,710	745,875,354	6,313,059	5,291,172

Further disaggregation of revenue from contracts with customers by timing of recognition and sub-categories are as follows:

	Timing of Revenue Recognition			
	At a point-in-time		Over time	Total
		Local	Abroad	Local
	RM	**RM**	**RM**	**RM**
Group				
2023				
Sale of steel products:				
- cold rolled coils	255,127,456	1,919,463	-	257,046,919
- steel tube and pipes	235,115,758	32,042,430	-	267,158,188
- scraps	8,173,276	-	-	8,173,276
Processing service income	-	-	7,616,327	7,616,327
	498,416,490	33,961,893	7,616,327	539,994,710
2022				
Sale of steel products:				
- cold rolled coils	427,333,295	-	-	427,333,295
- steel tube and pipes	267,427,706	24,721,719	-	292,149,425
- scraps	12,020,746	-	-	12,020,746
Processing service income	-	-	14,371,888	14,371,888
	706,781,747	24,721,719	14,371,888	745,875,354

	2023	**2022**
	RM	**RM**
Company		
Revenue from contracts with customers		
Management fees income		
- recognised over time	6,313,059	5,291,172

There were no specific costs incurred to obtain contracts with customers.

8 FINANCE INCOME AND COSTS

	Group		Company	
	2023	**2022**	**2023**	**2022**
	RM	**RM**	**RM**	**RM**
Finance income on:				
Interest on deposits with licensed banks	(1,497,749)	(1,311,186)	(6,369)	(1,517)
Finance costs on:				
- borrowings	4,745,269	4,684,880	-	-
- suppliers' credit	580,422	202,415	-	-
- hire-purchase	46,028	66,257	14,880	27,816
- lease liabilities *[(a)]	1,004,410	801,528	-	-
	6,376,129	5,755,080	14,880	27,816
Less: Interest expense capitalised in property, plant and equipment (Note 13)	-	(159,661)	-	-
Total finance costs	6,376,129	5,595,419	14,880	27,816
Finance costs - net	4,878,380	4,284,233	8,511	26,299

[(a)] This is an implicit interest charge on lease liabilities representing the discounted lease commitment streams over the remaining term of the leases pursuant to the adoption of MFRS 16. See Note 14.

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9 (LOSS)/PROFIT BEFORE TAX

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
(Loss)/Profit before tax is arrived at after charging/(crediting):				
Auditors' remuneration:				
- statutory audit				
- KPMG PLT	325,000	-	115,000	-
- Other auditor	-	387,500	-	138,400
- non-audit services				
- KPMG PLT	12,000	-	12,000	-
- Other auditor	-	12,000	-	12,000
Changes in inventories of finished goods and work-in-progress	24,352,040	(40,663,997)	-	-
Raw materials consumed	426,329,692	628,234,023	-	-
Gain on rent concession (Note 14)	-	(22,972)	-	-
Consumables (inventories) consumed	13,262,472	12,881,130	-	-
Property, plant and equipment (Note 13):				
- depreciation	14,707,225	13,972,807	72,615	99,885
- loss/(gain) on disposals	190,414	(90,796)	-	54,442
- impairment loss	6,923,170	3,151,308	-	-
Depreciation on right-of-use assets *(a)	4,886,602	3,713,770	-	-
Gain on lease termination (Note 14)	-	(762,977)	-	-
Fair value (gain)/loss on financial assets at fair value through profit or loss (Note 19)	(300,000)	600,000	(300,000)	600,000
Share of fair value gain/(loss) on financial assets at fair value through profit or loss by subsidiaries (Note 19)	-	-	300,000	(600,000)
Impairment on inventories (Note 17)	9,821,893	9,974,697	-	-
(Writeback)/Impairment on receivables (Note 5(c))	(131,381)	413,487	-	-
Maintenance of plant and machinery	6,366,105	8,681,445	-	-
Shutdown overheads *(b)	-	5,906,789	-	-
Amortisation of deferred income on grant (Note 32)	(152,500)	(152,500)	-	-
Staff costs (excluding remuneration of Executive Directors):				
- salaries, bonuses and allowances	27,398,687	32,687,606	1,476,529	1,223,978
- defined contribution plan	4,262,585	4,991,100	207,084	207,185
- others	1,787,465	1,810,332	117,792	61,859
Dividend income received from subsidiaries	-	-	-	(9,816,000)
Wages subsidy *(c)	-	(524,400)	-	-
Insurance Claim Recovery *(d)	-	(602,381)	-	-
Net unrealised foreign exchange (gain)/loss	(746,209)	433,606	-	-
Net realised loss on foreign exchange	92,444	92,315	-	-

9 (LOSS)/PROFIT BEFORE TAX (CONTINUED)

[(a)] The rented land and buildings deemed as an operating lease are now represented as right-of-use assets to be depreciated over the tenancy period, coupled with a corresponding recognition of discounted future rents as lease liabilities. See Note 14.

[(b)] In the previous financial year, the Group incurred RM5,906,789 of unabsorbed factories' fixed overheads and direct labour costs during the mandatory COVID-19 shutdown period of 6 weeks where production capacity was incapacitated.

[(c)] In the previous financial year, the Group received wage subsidy aid under the Prihatin Perkeso Program Subsidi Upah pursuant to the COVID-19 pandemic.

[(d)] In the previous financial year, one of the steel operations had a major equipment failure incident which affected net income due to business interruption and rectification cost outlay. A successful insurance claim on its 'machine breakdown and consequential-loss policy' was made.

10 DIRECTORS' REMUNERATION

The aggregate amount of emoluments received/receivable by Directors of the Company from the Company and its subsidiaries are as follows:

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Non-Executive Directors:				
- fees	319,097	276,000	319,097	276,000
- other emoluments	30,500	36,495	30,500	36,495
Executive Directors:				
- salaries, bonuses and other emoluments	7,472,055	6,858,676	2,295,636	1,869,714
- defined contribution plan	1,120,820	1,028,812	344,356	280,466
- estimated monetary value of benefits-in-kind	78,437	70,605	35,110	28,000
	9,020,909	8,270,588	3,024,699	2,490,675

The number of Directors whose total remuneration fall within the following bands are as follows:

	Number of Directors			
	Executive		Non-Executive	
	2023	2022	2023	2022
Range of remuneration				
Less than RM50,000	-	-	1	-
RM50,001 to RM100,000	-	-	5	5
RM2,150,001 to RM2,220,000	-	1	-	-
RM2,650,001 to RM2,700,000	1	-	-	-
RM5,750,001 to RM5,800,000	-	1	-	-
RM5,950,001 to RM6,000,000	1	-	-	-
	2	2	6	5

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11 TAX (CREDIT)/EXPENSE

	Group		Company	
	2023 RM	**2022 RM**	**2023 RM**	**2022 RM**
Current Malaysian tax:				
- current tax expense	1,856,869	7,523,542	292,268	224,232
- over provision in prior financial year	(46,145)	(349,192)	-	-
	1,810,724	7,174,350	292,268	224,232
Deferred tax: (Note 33)				
- origination and reversal of temporary differences	(3,132,592)	4,592,938	(1,200)	(4,400)
- under accrual in prior financial year	(176,149)	-	-	-
Tax (credit)/expense	(1,498,017)	11,767,288	291,068	219,832

The explanation of the relationship between tax expense and profit before tax is as follows:

	Group		Company	
	2023 RM	**2022 RM**	**2023 RM**	**2022 RM**
(Loss)/Profit before tax	(13,833,875)	64,495,770	620,466	10,155,014
Tax calculated at the Malaysian tax rate of 24% (2022: 24%)	(3,320,130)	15,478,985	148,912	2,437,203
Tax effects of:				
- expenses not deductible for tax purposes	2,933,198	2,113,215	161,836	125,402
- income not subject to tax	(888,791)	(1,430,089)	(19,680)	(2,342,773)
- reinvestment allowance claimed	-	(2,659,731)	-	-
- over provision in prior financial year	(222,294)	(349,192)	-	-
- tax losses and allowances recognised as deferred tax assets (Note 33)	-	(1,385,900)	-	-
Tax (credit)/expense	(1,498,017)	11,767,288	291,068	219,832

12 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

	Group	
	2023	**2022**
Net (loss)/profit attributable to owners of the Company (RM)	(12,335,858)	52,728,482
Weighted average number of ordinary shares	327,057,599	327,057,599
Basic (loss)/earnings per share (sen)	(3.77)	16.12

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share (“EPS”) is determined to be the same as the basic EPS 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 (and previous) financial year.

13 PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM	Buildings RM	Plant, machinery and electrical installation RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Construction/ Installation in progress RM	Total RM
GROUP							
Cost/Valuation							
At 1 July 2022							
- cost	-	-	-	2,430,256	7,245,469	935,759	10,611,484
- valuation	69,000,000	50,306,124	216,312,563	-	-	-	335,618,687
	69,000,000	50,306,124	216,312,563	2,430,256	7,245,469	935,759	346,230,171
Additions	-	-	9,192,568	799,885	95,526	507,502	10,595,481
Disposals	-	-	(131,784)	(673,262)	(33,879)	-	(838,925)
Write offs	-	-	(216,201)	-	(38,914)	-	(255,115)
Reclassification	-	-	717,958	-	-	(717,958)	-
Revaluation during the financial year	8,000,000	(106,403)	2,338,356	-	-	-	10,231,953
Effects of elimination of accumulated depreciation on revaluation	-	(2,134,432)	(11,657,031)	-	-	-	(13,791,463)
At 30 June 2023	77,000,000	48,065,289	216,556,429	2,556,879	7,268,202	725,303	352,172,102
Less: Accumulated depreciation							
At 1 July 2022	-	-	-	1,067,633	4,000,120	-	5,067,753
Charge for the financial year (Note 9)	-	2,134,432	11,679,896	287,349	605,548	-	14,707,225
Disposals	-	-	(6,373)	(380,539)	(28,949)	-	(415,861)
Write offs	-	-	(16,492)	-	(36,473)	-	(52,965)
Effects of elimination of accumulated depreciation on revaluation	-	(2,134,432)	(11,657,031)	-	-	-	(13,791,463)
At 30 June 2023	-	-	-	974,443	4,540,246	-	5,514,689

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13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM	Buildings RM	Plant, machinery and electrical installation RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Construction/ Installation in progress RM	Total RM
GROUP							
Less: Accumulated impairment losses							
At 1 July 2022	-	806,124	28,161,065	2,385	327	-	28,969,901
Charge for the financial year (Note 9)	-	259,165	6,661,564	-	2,441	-	6,923,170
Write offs	-	-	(199,709)	-	(2,441)	-	(202,150)
At 30 June 2023	-	1,065,289	34,622,920	2,385	327	-	35,690,921
Net book value							
At 30 June 2023	77,000,000	47,000,000	181,933,509	1,580,051	2,727,629	725,303	310,966,492
Representing:							
- cost	-	-	-	1,580,051	2,727,629	725,303	5,032,983
- valuation	77,000,000	47,000,000	181,933,509	-	-	-	305,933,509
	77,000,000	47,000,000	181,933,509	1,580,051	2,727,629	725,303	310,966,492
Cost/Valuation							
At 1 July 2021							
- cost	-	-	-	3,224,039	6,353,695	20,637,605	30,215,339
- valuation	65,000,000	54,000,000	196,361,544	-	-	-	315,361,544
	65,000,000	54,000,000	196,361,544	3,224,039	6,353,695	20,637,605	345,576,883
Additions	-	-	6,662,947	116,811	561,951	3,764,119	11,105,828
Disposals	-	-	(680,974)	(910,594)	(74,084)	-	(1,665,652)
Write offs	-	-	(18,046)	-	(8,366)	-	(26,412)
Reclassification	-	-	23,053,692	-	412,273	(23,465,965)	-
Revaluation during the financial year	4,000,000	(1,465,465)	1,191,859	-	-	-	3,726,394
Effects of elimination of accumulated depreciation on revaluation	-	(2,228,411)	(10,258,459)	-	-	-	(12,486,870)
At 30 June 2022	69,000,000	50,306,124	216,312,563	2,430,256	7,245,469	935,759	346,230,171

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM	Buildings RM	Plant, machinery and electrical installation RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Construction/ Installation in progress RM	Total RM
GROUP							
Less: Accumulated depreciation							
At 1 July 2021	-	-	-	1,371,774	3,470,511	-	4,842,285
Charge for the financial year (Note 9)	-	2,228,411	10,812,323	323,555	608,518	-	13,972,807
Disposals	-	-	(549,899)	(627,696)	(73,769)	-	(1,251,364)
Write offs	-	-	(3,965)	-	(5,140)	-	(9,105)
Effects of elimination of accumulated depreciation on revaluation	-	(2,228,411)	(10,258,459)	-	-	-	(12,486,870)
At 30 June 2022	-	-	-	1,067,633	4,000,120	-	5,067,753
Less: Accumulated impairment losses							
At 1 July 2021	-	-	25,833,188	2,385	327	-	25,835,900
Charge for the financial year (Note 9)	-	806,124	2,341,958	-	3,226	-	3,151,308
Write offs	-	-	(14,081)	-	(3,226)	-	(17,307)
At 30 June 2022	-	806,124	28,161,065	2,385	327	-	28,969,901
Net book value							
At 30 June 2022	69,000,000	49,500,000	188,151,498	1,360,238	3,245,022	935,759	312,192,517
Representing:							
- cost	-	-	-	1,360,238	3,245,022	935,759	5,541,019
- valuation	69,000,000	49,500,000	188,151,498	-	-	-	306,651,498
	69,000,000	49,500,000	188,151,498	1,360,238	3,245,022	935,759	312,192,517

Included in the Group's additions to property, plant and equipment is finance costs amounting to RM159,661 capitalised at an average capitalisation rate of 1.77% for the financial year ended 30 June 2022.

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Motor vehicles RM	Furniture, fittings and office equipment RM	Total RM
COMPANY			
At 30 June 2023			
Cost			
At 1 July 2022/30 June 2023	726,155	180,512	906,667
Less: Accumulated depreciation			
At 1 July 2022	284,411	180,512	464,923
Charge for the financial year (Note 9)	72,615	-	72,615
At 30 June 2023	357,026	180,512	537,538
Net book value			
At 30 June 2023	369,129	-	369,129
At 30 June 2022			
Cost			
At 1 July 2021	1,053,393	180,512	1,233,905
Disposals	(327,238)	-	(327,238)
At 30 June 2022	726,155	180,512	906,667
Less: Accumulated depreciation			
At 1 July 2021	386,322	180,512	566,834
Charge for the financial year (Note 9)	99,885	-	99,885
Disposals	(201,796)	-	(201,796)
At 30 June 2022	284,411	180,512	464,923
Net book value			
At 30 June 2022	441,744	-	441,744

(a) Valuation of certain property, plant and equipment and a ROU asset

Freehold land, buildings, plant, machinery and electrical installation of the Group were revalued in the financial year ended 30 June 2023 by an independent firm of professional valuers, CBRE WTW Valuation & Advisory Sdn. Bhd. (formerly known as C H Williams Talhar & Wong Sdn. Bhd.), based on adjusted market comparison and depreciated replacement cost methods respectively in ascertaining their fair values. The leasehold land classified as ROU asset continues to be measured using the same revaluation model by the aforementioned valuer-firm.

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Valuation of certain property, plant and equipment and a ROU asset (continued)

Arising from the valuation above, the total revaluation surplus on property, plant and equipment amounting to RM10,231,953 (2022: RM3,726,394) and revaluation surplus on ROU asset (Note 14) amounting to RM2,922,789 (2022: RM906,480) were recognised during the financial year, with a corresponding revaluation reserve, adjusted for deferred tax, amounting to RM11,117,604 (2022: RM4,080,985) been recognised in the other comprehensive income.

The net revaluation deficit amounting to RM6,923,170 (2022: RM3,151,308) was taken up as impairment in profit or loss. The unusually high PPE impairment is attributed to the cold-rolled subsidiary's new Acid Regeneration Plant 1st full year's non-linear drop in market value – which according to the independent valuer is common.

Property, plant and equipment amounting to RM310,597,361 (2022: RM311,750,771) of the steel subsidiaries are pledged for banking facilities.

At the close of the current financial year, the fair value of 'Buildings' and 'Plant, Machinery and Electrical Installation' located on leasehold land and rented properties classified under ROU assets totalled to RM24,670,000 (2022: RM23,010,000).

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

	Group	
	2023	**2022**
	RM	**RM**
Freehold land	31,300,000	31,300,000
Buildings	46,837,272	47,236,926
Plant, machinery and electrical installation	195,055,676	194,397,107
	273,192,948	272,934,033

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

(i) Freehold land and leasehold land - adjusted market comparison method by reference to observable prices per square foot ("psf") in an active market or recent market transactions (Level 3).

(ii) Buildings and plant, machinery and electrical installation - depreciated replacement cost method, which is based on the current cost of 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 plant, machinery and electrical installation of the Group during the financial year includes those acquired by means of hire-purchase arrangements totalling RM1,165,000 (2022: RM357,211).

As at 30 June 2023, the net book value of the property, plant and equipment under hire-purchase arrangements in the Group and the Company is RM2,226,378 (2022: RM1,229,417) and RM369,129 (2022: RM441,744) respectively.

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	2023 RM	2022 RM
Plant, machinery and electrical installation		
At 1 July	188,151,498	170,528,356
Additions	9,192,568	6,662,947
Disposals/Write offs	(125,411)	(131,075)
Revaluation during the financial year	2,338,356	1,191,859
Impairment charge for the financial year	(6,661,564)	(2,341,958)
Depreciation charged during the year	(11,679,896)	(10,812,323)
Transfer from construction/installation in progress	717,958	23,053,692
At 30 June	181,933,509	188,151,498

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 2023	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Plant, machinery and electrical installation	RM181,933,509	Depreciated replacement cost method	Useful life of 18 years	The longer the useful life, the higher the fair value

The external valuation of the Level 3 plant, machinery and electrical installation have been performed using depreciated replacement cost method. 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 2023, if the unobservable input based on the useful life of the plant, machinery and electrical installation increases/(decreases) by one year, the fair value of the plant, machinery and electrical installation would increase/(decrease) by approximately RM11.7 million (2022: RM10.8 million) respectively.

	2023 RM	2022 RM
Land and buildings		
At 1 July	118,500,000	119,000,000
Revaluation during the financial year	7,893,597	2,534,535
Depreciation charged during the year	(2,134,432)	(2,228,411)
Impairment charged for the financial year	(259,165)	(806,124)
At 30 June	124,000,000	118,500,000

The unobservable inputs used to determine the fair value of land, which includes leasehold land classified under ROU assets, is the adjusted price psf (ranging from RM101 to RM132 psf) which are adjusted by key attributes such as property size and location. The higher the price psf, the higher the fair value of the subject property.

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) Fair value measurements using significant unobservable inputs (Level 3) (continued)

The unobservable inputs used to determine the fair value of buildings is the adjusted depreciated building cost psf (ranging from RM45 to RM101 psf) which are adjusted by key attributes such as property size and building condition. The higher the cost psf, the higher the fair value of the subject property.

In assessing the reasonableness of the fair value of the land, building, plant, machinery and electrical installation that has been determined by the external valuer, management had separately assessed these plant, machinery and electrical installation as separate Cash-Generating Units ("CGU's"). Management had determined the recoverable amount of these plant, machinery and electrical installation based on the discounted cash flows of the CGU's using the value-in-use ("VIU") model.

It was determined that no impairment was necessary as the indicative recoverable amount is higher than its carrying amount.

The VIU assessments included the following key assumptions:

Assumption	**2023 rates**		**2022 rates**	
	MCRC	**MST**	**MCRC**	**MST**
Projection period	28 years	18 years	28 years	18 years
Pre-tax discount rate	11.5%	11.5%	9.5%	9.5%
Sales volume growth rate	0% - 5%	0%	0% - 3%	0% - 2%

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 CGU's recoverable amount over its carrying amount.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023
(CONTINUED)

14 LEASES

Information on the Group's leases and accounting changes over the current financial year are outlined below:

	Note	Right-of-use ("ROU") assets 2023 RM	Right-of-use ("ROU") assets 2022 RM	Lease liabilities 2023 RM	Lease liabilities 2022 RM
<u>At 1 July</u>					
Leasehold land	(a)	23,500,000	23,000,000	-	-
Rented properties	(b)	26,410,894	18,679,222	26,453,940	18,753,823
Total		49,910,894	41,679,222	26,453,940	18,753,823
<u>Changes to ROU assets</u>					
Revaluation of leasehold land	(c)	2,922,789	906,480		
Depreciation (Note 9):	(d)				
- leasehold land	(a)	(422,789)	(406,480)		
- rented properties	(b)	(4,463,813)	(3,307,290)		
Termination	(b)	-	(15,743,917)		
Additions	(b)	-	26,782,879		
Total		(1,963,813)	8,231,672		
<u>Changes to lease liabilities</u>					
Interest expense (Note 8)	(e)			1,004,410	801,528
Interest payments	(f)			(1,004,410)	(801,528)
Lease payments	(f)			(4,035,589)	(3,006,897)
Termination	(b)			-	(15,289,916)
Gain on lease termination charged to profit or loss	(b)			-	(762,977)
Addition of lease liabilities	(b)			-	26,782,879
COVID-19 rent concession	(b)			-	(22,972)
Total				(4,035,589)	7,700,117
<u>At 30 June</u>					
Leasehold land		26,000,000	23,500,000	-	-
Rented properties		21,947,081	26,410,894	22,418,351	26,453,940
Total	(g)	47,947,081	49,910,894	22,418,351	26,453,940

Notes:

(a) The Group's Steel Tube subsidiary is the registered titled owner of a leasehold land on Lot 53, Persiaran Selangor, Shah Alam, on which its factory plant was erected. The property lessor is the Selangor State Government and has a remaining leasehold period of 55 years (Lease expiry date: 22 May 2078). There is no corresponding lease liability payable to the lessor. This leasehold land is pledged for a banking facility.

The net book value of this leasehold land that would have been included in the financial statements had this asset been carried at deemed costs less accumulated depreciation is RM17,773,067 (2022: RM18,098,681).

14 LEASES (CONTINUED)

Notes: (continued)

(b) The Group's Steel Tube subsidiary rents two plots of factory land and buildings from its ultimate holding company with lease details as outlined below. As a tenant, the subsidiary does not have ownership rights to full 'risk and reward' of the property.

In Financial Year 2022

Both leases were terminated on 31 May 2022, and new leases incepted upon with-effect-from 1 June 2022. The main changes are rent rates, expiry date, and the treatment of deposits at expiry.

Until 31 May 2022 upon termination

Description	Monthly fixed rent RM	Deposits paid RM	Next expiry date	Next renewal option period
i) HSD 168510, Town of Shah Alam	204,930	300,000	30-Apr-2024	3 years
ii) Lot No.95 Sec 15, Town of Shah Alam	105,197	154,000	30-Apr-2024	3 years

a. The deposits were deductible against rent instalments towards termination/expiry of lease; and as such, were included in the discounted lease payment cash flow stream in computing the 'Lease Liabilities'. However, the deposits were not utilised upon termination with full rent paid.

b. The termination of the leases resulted in the derecognition of the carrying amounts of ROU assets and lease liabilities, recognition of deposit receivable, and the differences as gain to profit or loss.

From 1 June 2022 new lease

Description	Monthly fixed rent RM	Deposits paid RM	Next expiry date	Next renewal option period
i) HSD 168510, Town of Shah Alam	245,000	300,000	31-May-2025	3 years
ii) Lot No.95 Sec 15, Town of Shah Alam	175,000	154,000	31-May-2025	3 years

a. The inception of these new leases resulted in the recognition of the corresponding ROU asset and lease liabilities based on the new terms.

b. The deposits paid are refundable and not intended to be applied against rent instalments towards termination/expiry of lease; and as such, were not included in the discounted lease payment cash flow stream in computing the 'Lease Liabilities'. The discount rate applied in the computation of the lease liabilities at 4.08% p.a. (previously at 4.42% p.a.) corresponds to the lessee's current estimated incremental borrowing rate.

The lessor granted a concession to defer the said rent increase from May to July 2021 at the request of the lessee in wake of the states-wide Pandemic lockdown around that period. The rent concession amount recognised in the preceding financial period is disclosed as 'COVID-19 rent concession' in the analysis.

14 LEASES (CONTINUED)

Notes: (continued)

(c) This amount represents the revaluation gain on the leasehold land which is subjected to monthly depreciation based on its remaining lease life, and re-measured at fair value at Level 3 of the fair value hierarchy towards the close of the financial year. The assumptions used in the valuation of ROU assets are consistent with the assumptions used for land and buildings as disclosed in Note 13 to the financial statements.

(d) This amount represents the depreciation of the ROU assets on straight-line basis over the term of the lease and assumed renewal period where applicable.

(e) This amount represents the implicit effective interest charged on the carrying amount of lease liabilities on a reducing balance monthly rest basis. This implicit interest expense - equivalent to the assumed discount rate used - is excluded from any financial covenant ratios computation.

(f) This amount represents the contractual rent payments for the rented properties which denotes as settlement of the amortised lease liabilities and corresponding implicit interest expense over the current financial year.

(g) The ROU assets are classified under non-current assets in the statement of financial position, whilst the lease liabilities are segregated into current and non-current liabilities as follows:

	2023 RM	**2022 RM**
Current	4,203,356	3,692,977
Non-current	18,214,995	22,760,963
	22,418,351	26,453,940

There are no variable payment terms on the above leases. In cases where the Group is not reasonably certain to exercise an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

The Group does not have any lease arrangement to report as a 'Lessor'. The Company does not have any lease arrangement to report as a 'Lessee' nor 'Lessor'.

15 SUBSIDIARIES

	Company 2023 RM	Company 2022 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
- Silver Victory Sdn. Bhd.	6,380	6,380
Investments in subsidiaries, at cost	189,269,850	189,269,850
Amount due from MCRC	32,704,630	32,704,630
	221,974,480	221,974,480

The amount due from MCRC was reclassified as 'Investment in subsidiaries' since financial year 2009 as it is the intention of the Company to treat this amount as a long-term source of capital and not recall the amount due from the subsidiary for the next 12 months from the financial year end. Information about the exposure to credit risk is disclosed in Note 5(c) to the financial statements.

The details of the subsidiaries are as follows:

Name	Principal activities	Group's equity interest 2023 %	Group's equity interest 2022 %
Mycron Steel CRC Sdn. Bhd. ("MCRC")	Manufacturing and trading of steel cold rolled coils	100	100
Melewar Steel Tube Sdn. Bhd. ("MST")	Manufacturing and trading of steel tubes and pipes	100	100
Silver Victory Sdn. Bhd.	Trading and export of steel related products	100	100

All subsidiaries' principal place of business and country of incorporation are in Malaysia and are audited by KPMG PLT, Malaysia in the current financial year (and by PricewaterhouseCoopers PLT, Malaysia in the preceding financial year.)

Investments in Mycron Steel CRC Sdn. Bhd. ("MCRC") and Melewar Steel Tube Sdn. Bhd. ("MST")

The cost of investment in MCRC and the cost of investment in MST have been assessed for impairment based on a VIU model to determine its recoverable amount. The indicative recoverable amount (based on its VIU) of the respective investments is higher than their carrying amount.

The VIU assessments were performed based on a 5-year cashflow projection extrapolated to perpetuity using a terminal growth rate which was based on the following key assumptions:

Assumption	Rates 2023 MCRC	Rates 2023 MST	Rates 2022 MCRC	Rates 2022 MST
Terminal growth rate	0%	0%	4%	4%
Pre-tax discount rate	15.50%	15.50%	14.65%	14.65%
Sales volume growth rate	0% - 5%	0%	0% - 3%	0% - 2%

15 SUBSIDIARIES (CONTINUED)

Investments in Mycron Steel CRC Sdn. Bhd. ("MCRC") and Melewar Steel Tube Sdn. Bhd. ("MST") (continued)

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 cost of investments' recoverable amount over their carrying amount.

16 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 are renewable perpetually at minimal cost. Accordingly, they are determined to 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. This valuation technique is categorised under Level 3 of the fair value hierarchy. A 5-year cashflow 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 determine value**
	2023	**2022**	
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 industy average rate
Pre-tax discount rate	11.50%	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 Group has also performed a VIU assessment to determine the recoverable amount of the intangible assets as part of the Steel Tube subsidiary's CGU. The key assumptions applied in the said VIU assessment is disclosed in Note 13(c) to the financial statements.

17 INVENTORIES

	Group	
	2023 RM	**2022 RM**
Raw materials	89,003,995	177,232,759
Consumables	8,760,744	5,589,946
Work-in-progress	2,017,860	5,488,376
Finished goods	73,911,023	97,416,321
	173,693,622	285,727,402
Impairment on inventories	-	(9,974,697)
	173,693,622	275,752,705

17 INVENTORIES (CONTINUED)

Included in raw materials are goods-in-transit amounting to RM1,434,505 (2022: RM296,698).

The impairment in the current financial year was done at the end of the 2nd financial quarter. The declining steel price-trend since April 2022 (in the preceding financial year) continued into the current 2nd financial quarter, bottoming-out only towards early December 2022. The decline has a lagging-negative-impact on margins and inventory measurement (under MFRS 102) for both the cold-rolled and steel tube segments due to the nature of its supply & internal value-chain - consistent with the steel industry. In this regard, inventory measurement at the close of the 2nd financial quarter was adjusted for subsequent events, necessitated inventory write-down amounting to RM3.5 million for the Cold Rolled subsidiary, and RM6.3 million for the Steel Tube subsidiary.

Inventories expensed to 'cost of sales' during the current financial year amounted to RM473,766,098 (2022: RM610,425,853).

18 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2023 RM	**2022 RM**	**2023 RM**	**2022 RM**
Trade receivables	67,117,448	71,189,902	-	-
Less: Accumulated impairment	(248,301)	(248,301)	-	-
	66,869,147	70,941,601	-	-
Other receivables	1,296,463	2,416,566	3,011	-
Less: Accumulated impairment	(470,106)	(633,287)	-	-
	826,357	1,783,279	3,011	-
Staff loans	22,238	45,438	-	-
Deposits	1,082,384	1,088,733	4,500	4,500
Prepayments	1,185,509	657,430	-	-
	2,290,131	1,791,601	4,500	4,500
Total receivables, deposits and prepayments	69,985,635	74,516,481	7,511	4,500

The impact on the carrying amount of other receivables presented by the categories of credit risk rating are as follows:

	Performing RM	**Under-performing RM**	**Non-performing RM**	**Total RM**
<u>Group</u>				
<u>2023</u>				
Gross carrying amount	826,357	-	470,106	1,296,463
Loss allowance	-	-	(470,106)	(470,106)
Net carrying amount	826,357	-	-	826,357

18 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

The impact on the carrying amount of other receivables presented by the categories of credit risk rating are as follows: (continued)

	Performing RM	Under-performing RM	Non-performing RM	Total RM
Group				
2022				
Gross carrying amount	1,783,279	-	633,287	2,416,566
Loss allowance	-	-	(633,287)	(633,287)
Net carrying amount	1,783,279	-	-	1,783,279

Information about the impairment and exposure to credit risk is disclosed in Note 5(c) to the financial statements.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group/Company	
	2023 RM	2022 RM
Quoted shares		
At 1 July	2,600,000	-
Additions	-	3,200,000
Gain/(loss) in fair value (Note 9)	300,000	(600,000)
At 30 June	2,900,000	2,600,000

On 14 June 2022, the Company subscribed for 10 million Unitrade Industries Berhad's ("Unitrade") Initial Public Offerings ("IPO") shares at 32 sen per share for a total outlay of RM3.2 million, which represented around 0.64% of Unitrade's enlarged post-IPO share capital. The investment represents 0.7% of the Group's financial year ended 30 June 2021 audited net asset value.

The investment was made by the Company at the recommendation of its steel subsidiaries on the agreement that the steel subsidiaries bear the capital gains/(losses) of the said investment. The Company stands to benefit from its direct 100% holdings in the steel subsidiaries, and also any dividends arising from the said investment.

Unitrade is the Steel Tube subsidiary's single largest customer with a long business-relation history. Unitrade is unrelated to the Group or any of its Directors or management. Unitrade's share price closed at 29 sen per share on 30 June 2023 (2022: 26 sen), resulting in a mark-to-market gain of RM0.3 million (2022: RM0.6 million loss) charged to the Group's statement of comprehensive income in the current financial quarter. In the Company's statement of comprehensive income, the mark-to-market gain/(loss) was shared with the steel subsidiaries as reported in 'Other Operating Income/(Expense)'.

This investment is also reflected in Note 6 as a financial instrument fair valued at Level 1 hierarchy. There is no holding-period moratorium on the investment, and the Company is free to deal as it sees fit.

20 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

Amounts due from subsidiaries which arose mainly from management fee charges and reimbursable payments are unsecured, interest free and repayable upon demand.

20 AMOUNTS DUE FROM/(TO) SUBSIDIARIES (CONTINUED)

The amounts due to subsidiaries also include the balance of RM3.3 million due 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.

21 AMOUNTS DUE FROM/(TO) RELATED COMPANIES

	Group	
	2023	**2022**
	RM	**RM**
Amounts due from related companies	1,398	1,200
Amount due to a related company	291,043	186,822

Amounts due from related companies which arose solely from trade transactions are unsecured, interest free and subject to credit terms of 30 days (2022: 30 days). Amount due to a related company which arose from both trade transactions and expenditures paid-on-behalf is unsecured, interest free and repayable upon demand.

22 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	Group			
	2023		**2022**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	RM	**RM**	**RM**	**RM**
Forward foreign currency exchange contract - fair value through profit and loss (not designated)	-	-	6,096	(7,518)
Forward foreign currency exchange contract - fair value through profit and loss (designated)	1,061,863	-	4,809,133	-
	1,061,863	-	4,815,229	(7,518)

The Group's derivatives comprise solely of Currency Exchange Forward Contracts incepted to hedge its foreign currency exposures arising mainly from purchases of raw materials in USD and partially from export sales in SGD, as disclosed in Note 5(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.

22 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 2023

Forward foreign currency exchange contracts as hedge instrument					Contracted payment obligation and/or trade payables as hedge item				
			Fair value					Fair value	
Maturity period of contract	Notional value long USD	Average contracted rate USD/RM	Financial assets RM	Financial liabilities RM	Maturity period of contract	Notional value short USD	Average basis rate USD/RM	Financial assets RM	Financial liabilities RM
July 2023	7,035,000	4.5655	784,118	-	July 2023	7,035,000	4.5655	-	(784,118)
August 2023	2,348,000	4.5777	223,998	-	August 2023	2,348,000	4.5777	-	(223,998)
September 2023	1,280,000	4.6161	53,747	-	September 2023	1,280,000	4.6161	-	(53,747)
Total	10,663,000		1,061,863	-	Total	10,663,000		-	(1,061,863)

Net fair value gain from the hedging instruments of RM1.1 million and the corresponding net fair value loss from the hedged item of RM1.1 million are taken-up in the statement of comprehensive income.

As at 30 June 2022

Forward foreign currency exchange contracts as hedge instrument					Contracted payment obligation and/or trade payables as hedge item				
			Fair value					Fair value	
Maturity period of contract	Notional value long USD	Average contracted rate USD/RM	Financial assets RM	Financial liabilities RM	Maturity period of contract	Notional value short USD	Average basis rate USD/RM	Financial assets RM	Financial liabilities RM
July 2022	10,637,000	4.2118	2,071,105	-	July 2022	10,637,000	4.2118	-	(2,071,105)
August 2022	12,916,000	4.2331	2,237,767	-	August 2022	12,916,000	4.2331	-	(2,237,767)
September 2022	1,000,000	4.2528	151,692	-	September 2022	1,000,000	4.2528	-	(151,692)
October 2022	2,944,000	4.2838	348,569	-	October 2022	2,944,000	4.2838	-	(348,569)
Total	27,497,000		4,809,133	-	Total	27,497,000		-	(4,809,133)

Net fair value gain from the hedging instruments of RM4.8 million and the corresponding net fair value loss from the hedged item of RM4.8 million are taken-up in the statement of comprehensive income.

22 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) (CONTINUED)

(ii) Derivatives not designated and not hedge accounted

As at 30 June 2022

Forward foreign currency exchange contracts as undesignated hedge instrument

			Fair value	
Maturity period of contract	**Notional value short SGD**	**Average contracted rate SGD/RM**	**Financial assets RM**	**Financial liabilities RM**
July 2022	60,000	3.1063	-	(2,955)
August 2022	60,000	3.1043	-	(3,027)
September 2022	60,000	3.1429	870	(1,536)
October 2022	60,000	3.1744	1,262	-
November 2022	60,000	3.1751	1,318	-
December 2022	60,000	3.1970	2,646	-
Total	360,000		6,096	(7,518)

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 foreign exchange rate.

Besides the abovementioned unrealised marked-to-market position of the currency derivatives as at the close of the financial year, the Group has recorded a total realised net gain of around RM4.2 million (2022: gain of RM0.7 million) from its Foreign Exchange Forward Contracts with a corresponding realised net foreign exchange loss of RM4.3 million (2022: loss of RM0.8 million) on its hedge items over the current financial year. The Group's net gain/(loss) position on foreign exchange is disclosed in Note 9 to the financial statements.

23 CASH AND CASH EQUIVALENTS

	Group		Company	
	2023 RM	**2022 RM**	**2023 RM**	**2022 RM**
Cash in hand	5,503	4,469	2	2
Bank balances	41,002,731	20,452,313	213,496	10,088,877
Deposits with licensed banks	37,150,279	91,339,115	700,000	350,000
Cash and cash equivalents	78,158,513	111,795,897	913,498	10,438,879

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

	Group		Company	
	2023 % per annum	**2022 % per annum**	**2023 % per annum**	**2022 % per annum**
Bank balances	-	0.11	-	-
Deposits with licensed banks	2.84	1.60	2.75	1.60

Bank balances are deposits held at call with licensed banks. The Group's and Company's deposits with licensed banks have placement periods ranging between 1 to 45 days (2022: 1 to 45 days).

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24 PAYABLES AND ACCRUED LIABILITIES

	Group		Company	
	2023 RM	**2022 RM**	**2023 RM**	**2022 RM**
Trade payables	27,873,311	150,505,523	-	-
Other payables	7,190,682	7,473,539	245,479	299,132
Accruals	3,798,564	7,890,228	115,000	136,400
Deposit received	2,367,286	1,020,835	-	-
	41,229,843	166,890,125	360,479	435,532

Trade payables include interest bearing suppliers' credit with balances amounting to RM27,558,487 (2022: RM13,728,267). These credit facilities have interest bearing credit periods of up to 150 days (2022: 150 days).

The remaining payables and accrued liabilities are generally interest free and within accorded interest free credit periods ranging between 7 to 60 days (2022: 7 to 60 days).

25 DIVIDEND

	Group/Company	
	2023 RM	**2022 RM**
In respect of the financial year ended 30 June 2022: - interim single-tier tax-exempt dividend of 3 sen per share, declared on 29 June 2022, paid on 19 August 2022.	-	9,811,728

No dividend has been declared in the current financial year.

For the preceding financial year, an interim single-tier tax-exempt dividend of 3 sen per share amounting to RM9.8 million was declared and paid out on 19 August 2022. The dividend-sum approximates 18.6% pay-out on net-earnings of financial year ended 2022.

26 CONTRACT LIABILITIES

	Group	
	2023 RM	**2022 RM**
Contract liabilities	6,418,669	7,437,261

The contract liabilities reflect the Group's outstanding obligations in relation to consideration received from contracts comprising mostly of upfront non-refundable deposits.

26 CONTRACT LIABILITIES (CONTINUED)

Significant changes to the contract liabilities during the financial year are as follows:

	Group	
	2023	**2022**
	RM	**RM**
At 1 July	7,437,261	22,990,671
- deposit received during the financial year	8,248,070	72,446,136
- revenue recognised during the financial year	(9,266,662)	(87,999,546)
At 30 June	6,418,669	7,437,261
Composition of closing contract liabilities:		
- payment received or receivable for work not performed	6,418,669	7,437,261

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.

Revenue from contract-with-customers of the Group recognised in the current financial year of RM7,437,261 (2022: RM22,990,671) relates to brought forward contract liabilities.

27 AMOUNT DUE TO ULTIMATE HOLDING COMPANY

Amount due to ultimate holding company is mainly due to payments-on-behalf and is unsecured, interest free and repayable upon demand.

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(CONTINUED)

28 BORROWINGS

The Group's and Company's borrowings at the close of the respective financial periods are disclosed below:

		Group		Company	
		2023 RM	2022 RM	2023 RM	2022 RM
Current					
Bankers' acceptance	(i)	78,010,000	71,935,000	-	-
Term loan	(i)	10,180,884	5,833,332	-	-
Hire-purchase creditors	(ii)	478,476	316,155	32,462	130,008
Mortgage loan	(iii)	2,193,664	2,050,781	-	-
		90,863,024	80,135,268	32,462	130,008
Non-current					
Term loan	(i)	-	10,180,884	-	-
Hire-purchase creditors	(ii)	645,715	114,361	-	32,462
Mortgage loan	(iii)	10,088,560	12,224,652	-	-
		10,734,275	22,519,897	-	32,462
Combined					
Bankers' acceptance		78,010,000	71,935,000	-	-
Term loan		10,180,884	16,014,216	-	-
Hire-purchase creditors		1,124,190	430,516	32,462	162,470
Mortgage loan		12,282,225	14,275,433	-	-
Total		101,597,299	102,655,165	32,462	162,470

The Group's total interest cost attributed to the above borrowings for the current financial year is RM4.8 million (2022: RM4.8 million). Certain interest during the previous financial year had been capitalised to property, plant and equipment as disclosed in Note 13. Neither the Group nor the Company have any overdue position on the outstanding borrowings from financial institutions.

The carrying amounts of the borrowings approximate their fair values as at the reporting date.

28 BORROWINGS (CONTINUED)

Contractual terms of borrowings

	Contractual interest rate at reporting date per annum	Functional currency/ currency exposure	Total carrying amount RM	< 1 year RM	1-2 years RM	2-3 years RM	3-4 years RM	4-5 years RM	5 years RM
				← Maturity profile →					
Group									
At 30 June 2023									
Secured									
Bankers' acceptance	4.49% - 5.23%	RM	78,010,000	78,010,000	-	-	-	-	-
Term loan	4.76% - 5.52%	RM	10,180,884	5,833,332	4,347,552	-	-	-	-
Hire-purchase creditors	2.29% - 2.55%	RM	1,124,190	478,475	257,565	151,931	132,909	103,310	-
Mortgage loan	4.33% - 5.49%	RM	12,282,225	2,148,840	2,234,663	2,323,914	2,416,730	2,513,252	644,826
			101,597,299	86,470,647	6,839,780	2,475,845	2,549,639	2,616,562	644,826
At 30 June 2022									
Secured									
Bankers' acceptance	3.17% - 4.82%	RM	71,935,000	71,935,000	-	-	-	-	-
Term loan	4.15% - 4.44%	RM	16,014,216	5,833,332	5,833,332	4,347,552	-	-	-
Hire-purchase creditors	2.29% - 2.55%	RM	430,516	316,155	102,091	12,270	-	-	-
Mortgage loan	4.06% - 4.33%	RM	14,275,433	2,050,781	2,129,288	2,218,091	2,310,598	2,406,963	3,159,712
			102,655,165	80,135,268	8,064,711	6,577,913	2,310,598	2,406,963	3,159,712

28 BORROWINGS (CONTINUED)

Contractual terms of borrowings (continued)

	Contractual interest rate at reporting date	Functional currency/ currency exposure per annum	Total carrying amount RM	← Maturity profile → < 1 year RM	1-2 years RM	2-3 years RM
COMPANY						
At 30 June 2023						
Secured						
Hire-purchase creditors	2.29%	RM	32,462	32,462	-	-
At 30 June 2022						
Secured						
Hire-purchase creditors	2.29%	RM	162,470	130,008	32,462	-

(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 Coil 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 13). For the current financial year, the entire carrying amount on the term loan's long-term balance of RM 4.3 has been reclassified to short-term due to a bank covenant short-fall, which indulgences have been granted. See Note 5(b). The affected subsidiary and the Group remain in comfortable net-current-asset position after the reclassification. The continuing availability of the aforementioned debt facilities to the subsidiaries are unaffected.

28 BORROWINGS (CONTINUED)

(ii) The hire-purchase creditors at the reporting date are as follows:

	Group		Company	
	2023 RM	**2022 RM**	**2023 RM**	**2022 RM**
Future minimum payments of hire-purchase creditors:				
Payable within one year	530,456	342,819	36,197	144,893
Payable between one and two years	282,149	108,797	-	36,197
Payable between two and three years	165,249	12,500	-	-
Payable between three and four years	140,049	-	-	-
Payable between four and five years	105,037	-	-	-
	1,222,940	464,116	36,197	181,090
Less: Future finance charges	(98,750)	(33,600)	(3,735)	(18,620)
Carrying amount	1,124,190	430,516	32,462	162,470
Carrying amount of hire-purchase creditors:				
Payable within one year	478,475	316,155	32,462	130,008
Payable between one and two years	257,565	102,091	-	32,462
Payable between two and three years	151,931	12,270	-	-
Payable between three and four years	132,909	-	-	-
Payable between four and five years	103,310	-	-	-
	1,124,190	430,516	32,462	162,470

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.

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

	Group		Company	
	2023 % per annum	**2022 % per annum**	**2023 % per annum**	**2022 % per annum**
Bankers' acceptance	4.83	3.63	-	-
Term loan	4.31	4.25	-	-
Hire-purchase creditors	2.36	2.37	2.29	2.29
Mortgage loan	5.18	4.09	-	-

The stated contractual interest rate for the hire-purchase is at 'flat-rate', whilst the rest are on 'reducing balance' basis.

29 SHARE CAPITAL

	Group/Company			
	2023		2022	
	Number of shares	Nominal value RM	Number of shares	Nominal value RM
<u>Issued and fully paid with no par value</u>				
At 1 July/ 30 June	327,057,599	217,676,829	327,057,599	217,676,829

The nominal value of the shares is net of warrant reserve.

30 WARRANT RESERVE

	Group/Company			
	2023		2022	
	Number of warrants	Nominal value RM	Number of warrants	Nominal value RM
At 1 July/ 30 June	21,756,070	1,740,486	21,756,070	1,740,486

Salient terms:

(a) The warrants can be exercised any time during the tenure of 5 years commencing from the date of issuance 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 reserve to meet the aforementioned obligation. The Company has determined at initial recognition the value of the warrant reserve 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. As at 30 June 2023, the carrying amount of the warrant reserve remained that same at initial recognition, as no warrant was exercised by holders during the current financial year.

31 ASSET REVALUATION RESERVE

	Group	
	2023 **RM**	**2022** **RM**
At 1 July	42,783,080	38,702,095
Revaluation surplus on:		
- property, plant and equipment	10,231,953	3,726,394
- right-of-use assets	2,922,789	906,480
Deferred tax	(2,037,138)	(551,889)
Credited to other comprehensive income	11,117,604	4,080,985
At 30 June	53,900,684	42,783,080

The asset revaluation reserve is used to record changes on fair value surplus of the Group's property, plant and equipment (see Note 13) and its right-of-use asset (leasehold land) (see Note 14) pursuant to its annual independent revaluation. 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 3.3 for details.

32 DEFERRED INCOME ON GRANT

	Group	
	2023 **RM**	**2022** **RM**
At 1 July	5,883,958	6,036,458
- recognised in profit or loss (Note 9)	(152,500)	(152,500)
At 30 June	5,731,458	5,883,958
Analysed as:		
- Non-current	5,731,458	5,883,958

In Financial Year 2021, the Group received a government grant of RM6,100,000 under the Domestic Investment Strategic Fund for its qualifying 'high technology' investments incurred on plant and equipment totaling RM21,518,882. The grant received is recorded as 'deferred income on grant' under non-current liabilities and to be amortised to profit or loss over the useful life of the assets in tandem with its depreciation.

33 DEFERRED TAX

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

	Group		Company	
	2023 RM	**2022 RM**	**2023 RM**	**2022 RM**
Deferred tax liabilities				
- deferred tax liabilities to be settled after more than 12 months	(34,914,737)	(36,186,340)	(6,100)	(7,300)
At 1 July	(36,186,340)	(31,041,513)	(7,300)	(11,700)
Credited/(Debited) to profit or loss (Note 11):				
- property, plant and equipment	3,357,669	(657,954)	1,200	4,400
- unutilised tax losses	8,884	(1,009,770)	-	-
- unutilised reinvestment allowance	(173,357)	(2,930,163)	-	-
- lease liabilities	1,084,087	1,848,028	-	-
- right-of-use assets	(968,542)	(1,843,079)	-	-
	3,308,741	(4,592,938)	1,200	4,400
Debited to equity:				
- property, plant and equipment	(1,335,668)	(334,333)	-	-
- right-of-use assets	(701,470)	(217,556)	-	-
	(2,037,138)	(551,889)	-	-
At 30 June	(34,914,737)	(36,186,340)	(6,100)	(7,300)
Subject to income tax:				
Deferred tax assets (before offsetting):				
- unutilised tax losses	2,594,830	2,585,947	-	-
- unabsorbed capital allowance	2,605,262	-	-	-
- unutilised reinvestment allowance	10,349,332	10,522,689	-	-
- lease liabilities	5,380,404	6,348,946	-	-
	20,929,828	19,457,582	-	-
Offsetting	(20,929,828)	(19,457,582)	-	-
Deferred tax assets (after offsetting)	-	-	-	-

33 DEFERRED TAX (CONTINUED)

The following amounts, determined after appropriate offsetting, are shown in the statements of financial position: (continued)

	Group		Company	
	2023 RM	**2022 RM**	**2023 RM**	**2022 RM**
Deferred tax liabilities (before offsetting):				
- property, plant and equipment	(37,493,188)	(37,709,928)	(6,100)	(7,300)
- intangible assets	(4,800,000)	(4,800,000)	-	-
- right-of-use assets	(7,270,351)	(7,652,968)	-	-
	(49,563,539)	(50,162,896)	(6,100)	(7,300)
Offsetting	20,929,828	19,457,582	-	-
	(28,633,711)	(30,705,314)	(6,100)	(7,300)
Subject to real property gain tax:				
Deferred tax liability:				
- property, plant and equipment	(6,281,026)	(5,481,026)	-	-
Deferred tax liabilities (after offsetting)	(34,914,737)	(36,186,340)	(6,100)	(7,300)
Deferred tax liabilities (cumulative amount charged to equity)	(8,832,500)	(6,812,961)	-	-

In accordance with the Malaysia Finance Act 2018 gazetted on 27 December 2018, the Group's unutilised tax losses and reinvestment allowance will be imposed a time limit of utilisation where any accumulated unutilised tax losses brought forward from year of assessment 2019 can only be carried forward another 7 consecutive years of assessment. Similarly, any unutilised reinvestment allowance can only be carried forward another 7 consecutive years of assessment upon expiry of qualifying period. Under the Malaysia Finance Act 2021 gazetted on 31 December 2021, the allowable carry forward period for unutilised tax losses has been extended by legislature from 7 consecutive years to 10 consecutive years.

In addition, imputable deferred tax asset of RM312,701 on unutilised capital allowances of RM1,302,920 has not been recognised in the Statement of Financial Position (due to the lack of foreseeable taxable profits from the allowable income stream).

34 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:

Entities	**Relationship**
Melewar Industrial Group Berhad	Ultimate holding company
Melewar Steel Mills 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

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34 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) against the counterparty):

Entity	Type of transaction	Group 2023 RM	Group 2022 RM
Trade related: paid/payable			
Ultimate holding company			
Melewar Industrial Group Berhad	Rental for lease of properties	(5,040,000)	(3,808,425)
Melewar Industrial Group Berhad	Management fees	(2,520,000)	(3,000,000)
Melewar Industrial Group Berhad	Secondment fees	(669,720)	(676,460)
Melewar Industrial Group Berhad	Payment made	8,229,720	7,461,913
Melewar Industrial Group Berhad	Dividend	-	(7,273,808)
Related party			
Melewar Steel Mills Sdn. Bhd.	Scrap handling commission	(1,052,897)	(1,633,574)
Melewar Steel Mills Sdn. Bhd.	Payment made	948,676	1,466,753
Non-trade related: paid/payable			
Related parties			
Trace Management Services Sdn. Bhd.	Corporate secretarial services	(183,760)	(196,108)

Entity	Type of transaction	Company 2023 RM	Company 2022 RM
Trade related: received/receivable			
Subsidiaries			
Mycron Steel CRC Sdn. Bhd.	Management fees	5,333,783	4,722,568
Mycron Steel CRC Sdn. Bhd.	Payment received	(5,301,667)	(5,010,380)
Mycron Steel CRC Sdn. Bhd.	Dividend received	-	(6,378,000)
Melewar Steel Tube Sdn. Bhd.	Management fees	979,276	568,604
Melewar Steel Tube Sdn. Bhd	.Payment received	(875,311)	(466,467)
Melewar Steel Tube Sdn. Bhd.	Dividend received	-	(3,438,000)
Non-trade related: received/receivable			
Subsidiary			
Mycron Steel CRC Sdn. Bhd.	Advances received	-	(3,200,000)
Non-trade related: paid/payable			
Related party			
Trace Management Services Sdn. Bhd.	Corporate secretarial services	(176,125)	(188,606)

34 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Significant outstanding balances arising from the above are as follows:

	Group		Company	
	2023 RM	**2022 RM**	**2023 RM**	**2022 RM**
Amount due to ultimate holding company				
Melewar Industrial Group Berhad	3,474	5,964	-	-
Amounts due from subsidiaries				
Mycron Steel CRC Sdn. Bhd.	-	-	-	326,559
Melewar Steel Tube Sdn. Bhd.	-	-	253,964	475,426
Silver Victory Sdn. Bhd.	-	-	-	50,000
	-	-	253,964	851,985
Amount due from a related company				
Melewar Steel Mills Sdn. Bhd.	1,398	1,200	-	-
Amounts due to subsidiaries				
Mycron Steel CRC Sdn. Bhd.	-	-	2,992,706	3,200,739
Melewar Steel Tube Sdn. Bhd.	-	-	3,255,072	3,255,072
	-	-	6,247,778	6,455,811
Amount due to a related company				
Melewar Steel Mills Sdn. Bhd.	291,043	186,822	-	-

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

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

	Group		Company	
	2023 RM	**2022 RM**	**2023 RM**	**2022 RM**
Non-Director Executives:				
- salaries, and bonuses	2,715,652	2,753,385	-	-
- allowances	189,551	182,400	-	-
- defined contribution plan	427,221	432,811	-	-
Executive Directors:				
- fees, salaries, and bonuses	7,472,055	6,858,676	2,295,636	1,869,714
- defined contribution plan	1,120,820	1,028,812	344,356	280,466
- estimated monetary value of benefits-in-kind	78,437	70,605	35,110	28,000
	12,003,736	11,326,689	2,675,102	2,178,180

34 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Remuneration details on the Non-Executive Directors are disclosed in Note 10 to the financial statements.

35 SEGMENTAL ANALYSES

The Cold Rolled Coil segment is in the business of manufacturing and sale of cold rolled coils.

The Steel Tube segment is in the business of manufacturing and sale of steel pipes and tubes.

'Others' comprise investment holding company.

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 based on 'arms-length' terms and conditions as agreed between the related parties.

Geographic segment is not applicable as the businesses of the Group are substantially carried out in Malaysia.

	Cold Rolled Coil RM	Steel Tube RM	Others RM	Total RM
2023				
Revenue				
Total revenue	294,175,582	301,996,771	6,313,058	602,485,411
Inter segment	(25,184,504)	(30,993,139)	(6,313,058)	(62,490,701)
External revenue	268,991,078	271,003,632	-	539,994,710
Segmented by steel products:				
- cold rolled coils	257,046,919	-	-	257,046,919
- steel tube and pipes	-	267,158,188	-	267,158,188
- scraps	7,447,617	725,659	-	8,173,276
Processing service income	4,496,542	3,119,785	-	7,616,327
External revenue	268,991,078	271,003,632	-	539,994,710

35 SEGMENTAL ANALYSES (CONTINUED)

	Cold Rolled Coil RM	Steel Tube RM	Others RM	Total RM
2023				
Segment results				
Profit from operations	(12,644,194)	1,327,759	628,977	(10,687,458)
Finance income	1,077,561	413,819	6,369	1,497,749
Finance costs	(2,016,216)	(4,345,033)	(14,880)	(6,376,129)
Total profit before tax	(13,582,849)	(2,603,455)	620,466	(15,565,838)
Consolidation elimination ^	1,731,963	-	-	1,731,963
External profit before tax	(11,850,886)	(2,603,455)	620,466	(13,833,875)
Tax expense	3,035,690	(1,246,604)	(291,069)	1,498,017
Net profit after tax	(8,815,196)	(3,850,059)	329,397	(12,335,858)
Total segment assets	411,832,854	315,852,918	226,418,582	954,104,354
Consolidation elimination *	(6,391,411)	(21,831,758)	(222,228,444)	(230,451,613)
Net segment assets	405,441,443	294,021,160	4,190,138	703,652,741

^ Related to elimination of unrealised profit on closing inventories (RM1.7 million).

* Major items included intercompany balances elimination (RM18.5 million), elimination of cost of investment (RM222.0 million), elimination of goodwill from the Steel Tube subsidiary (RM7.5 million), elimination of unrealised profit on closing inventories (RM0.9 million) and elimination of deposit (RM1.6 million).

	Cold Rolled Coil RM	Steel Tube RM	Others RM	Total RM
Other information				
Depreciation on property, plant and equipment	11,182,906	3,451,704	72,615	14,707,225
Depreciation on ROU assets	-	4,886,602	-	4,886,602
Impairment on property, plant and equipment	6,651,600	271,570	-	6,923,170
Impairment on inventories	3,506,436	6,315,457	-	9,821,893
Additions of property, plant, and equipment	5,902,147	4,693,334	-	10,595,481

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023
(CONTINUED)

35 SEGMENTAL ANALYSES (CONTINUED)

	Cold Rolled Coil RM	Steel Tube RM	Others RM	Total RM
2022				
Revenue				
Total revenue	496,591,727	294,998,992	5,291,172	796,881,891
Inter segment	(45,715,365)	-	(5,291,172)	(51,006,537)
External revenue	450,876,362	294,998,992	-	745,875,354
Segmented by steel products:				
- cold rolled coils	427,333,295	-	-	427,333,295
- steel tube and pipes	-	292,149,425	-	292,149,425
- scraps	11,077,986	942,760	-	12,020,746
Processing service income	12,465,081	1,906,807	-	14,371,888
External revenue	450,876,362	294,998,992	-	745,875,354
Segment results				
Profit from operations	37,608,525	31,121,646	10,181,313	78,911,484
Finance income	1,123,455	186,214	1,517	1,311,186
Finance costs	(1,599,429)	(3,968,174)	(27,816)	(5,595,419)
Total profit before tax	37,132,551	27,339,686	10,155,014	74,627,251
Consolidation elimination ^	(315,481)	-	(9,816,000)	(10,131,481)
External profit before tax	36,817,070	27,339,686	339,014	64,495,770
Tax expense	(4,885,736)	(6,661,720)	(219,832)	(11,767,288)
Net profit after tax	31,931,334	20,677,966	119,182	52,728,482
Total segment assets	498,475,454	367,861,229	236,311,588	1,102,648,271
Consolidation elimination *	(9,339,385)	(23,712,726)	(222,826,466)	(255,878,577)
Net segment assets	489,136,069	344,148,503	13,485,122	846,769,694

^ Related to elimination of unrealised profit on closing inventories (RM0.3 million) and elimination of dividend income (RM9.8 million).

* Major items included intercompany balances elimination (RM23.8 million), elimination of cost of investment (RM222.0 million), elimination of goodwill from the Steel Tube subsidiary (RM7.5 million), elimination of unrealised profit on closing inventories (RM2.6 million) and elimination of deposit (RM1.6 million).

35 SEGMENTAL ANALYSES (CONTINUED)

	Cold Rolled Coil RM	Steel Tube RM	Others RM	Total RM
2022				
Other information				
Depreciation on property, plant and equipment	10,472,060	3,400,862	99,885	13,972,807
Depreciation on ROU assets	-	3,713,770	-	3,713,770
Impairment on property, plant and equipment	2,812,687	338,621	-	3,151,308
Impairment on inventories	9,974,697	-	-	9,974,697
Shutdown overheads	3,962,804	1,943,985	-	5,906,789
Additions of property, plant, and equipment	8,406,073	2,699,755	-	11,105,828
Additions of ROU assets	-	26,782,879	-	26,782,879
Termination of ROU assets	-	(15,743,917)	-	(15,743,917)

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

	2023 RM	2022 RM
Segment assets	703,652,741	846,769,694
Derivative financial assets	1,061,863	4,815,229
Current tax recoverable	1,412,165	52,665
	706,126,769	851,637,588

Information about major customers

Revenue from two major customers amounting to RM50.2 million (2022: RM69.7 million) and RM105.5 million (2022: RM111.9 million) contributed to 29% (2022: 24%) of the Group's revenue. These two major customers are each from the Cold Rolled Coil segment and the Steel Tube segment.

36 FINANCIAL GUARANTEES

As at 30 June 2023, 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 RM137.7 million (2022: RM131.0 million) and RM142.4 million (2022: RM117.4 million) respectively.

37 LITIGATION, COMMITMENT AND CONTINGENCY

(a) At the end of the financial year, the Group's Cold Rolled Coil subsidiary and Steel Tube subsidiary have an outstanding capital commitment that has been approved and contracted for of around RM1.3 million and RM2.4 million respectively, for the upgrading of its existing plant and machineries. 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.

37 LITIGATION, COMMITMENT AND CONTINGENCY (CONTINUED)

(c) The Group is not currently 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 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. Subsequent to the close of the current financial year, the Cold Rolled Coil subsidiary has on 29 August 2023 applied leave from the Courts to initiate legal proceedings for judicial review and stay-of-execution on specific ruling by the Ministry of Investment, Trade & Industry (MITI) on anti-dumping duty removal on CRC imported from South Korea and Vietnam. This matter was heard in late October 2023, and will be decided in late November 2023.

38 FINANCIAL INSTRUMENTS BY CATEGORY

	2023		**2022**	
	At amortised cost RM	**Fair value through profit or loss RM**	**At amortised cost RM**	**Fair value through profit or loss RM**
<u>Group</u>				
Financial assets per statement of financial position:				
<u>Current assets:</u>				
Financial assets at fair value through profit or loss	-	2,900,000	-	2,600,000
Derivative financial assets	-	1,061,863	-	4,815,229
Receivables and deposits	68,800,126	-	73,859,051	-
Cash and cash equivalents	78,158,513	-	111,795,897	-
Amounts due from related companies	1,398	-	1,200	-
Total financial assets	146,960,037	3,961,863	185,656,148	7,415,229
Financial liabilities per statement of financial position:				
<u>Current liabilities:</u>				
Derivative financial liabilities	-	-	-	7,518
Payables and accrued liabilities (excluding payroll liabilities)	39,604,951	-	160,753,315	-
Dividend payable	-	-	9,811,728	-
Borrowings	90,863,024	-	80,135,268	-
Lease liabilities*	4,203,356	-	3,692,977	-
Amount due to ultimate holding company	3,474	-	5,964	-
Amount due to a related company	291,043	-	186,822	-
<u>Non-current liabilities:</u>				
Borrowings	10,734,275	-	22,519,897	-
Lease liabilities*	18,214,995	-	22,760,963	-
Total financial liabilities	163,915,118	-	299,866,934	7,518

* <u>Lease Liabilities</u>
The inclusion of these lease liabilities - representing the discounted future rental commitments on two plots of rented factory land and buildings (see Note 14(b)) - exaggerates the Group's net-financial-liability position since the corresponding 'right-of-use' assets in relation to these leases are deemed as 'non-financial' and are excluded.

38 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	2023		2022	
	At amortised cost RM	**Fair value through profit or loss RM**	**At amortised cost RM**	**Fair value through profit or loss RM**
Company				
Financial assets per statement of financial position:				
Current assets:				
Financial assets at fair value through profit or loss	-	2,900,000	-	2,600,000
Receivables and deposits	7,511	-	4,500	-
Cash and cash equivalents	913,498	-	10,438,879	-
Amounts due from subsidiaries	253,964	-	851,985	-
Total financial assets	1,174,973	2,900,000	11,295,364	2,600,000
Financial liabilities per statement of financial position:				
Current liabilities:				
Payables and accrued liabilities (excluding payroll liabilities)	259,144	-	214,351	-
Dividend payable	-	-	9,811,728	-
Borrowings	32,462	-	130,008	-
Amounts due to subsidiaries	6,247,778	-	6,455,811	-
	6,539,384	-	16,611,898	-
Non-current liability:				
Borrowings	-	-	32,462	-
Total financial liabilities	6,539,384	-	16,644,360	-

39 EVENTS WHICH OCCURRED DURING THE FINANCIAL YEAR

(a) Steel Price Trend

Domestic steel prices entered into a bearish downward trend mirroring regional and global steel price-decline from its peak in April 2022 into the 1st-half of the current financial year, bottoming-out only towards early December 2022. The sharp decline - attributed to a series of unfortunate global events- has triggered an inventory write-down of RM9.8 million in the current 2nd financial quarter which significantly impacted the Group's financials. See Note 17 for further details.

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)	33	118,000,000
Lot 53, Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor	22.5.2078	Factory cum office building	196,301 sq.ft. (4.51 acres)	32	32,000,000

Note: The above property was revalued in 2023.
* Based on surveyed land area.
^ From the date of Certificate of Fitness for Occupation.

NOTICE ON TWENTIETH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the **20TH ANNUAL GENERAL MEETING ("AGM")** of the Company will be held electronically in its entirety via Remote Participation and Voting ("RPV") facilities at the broadcast venue at **Astana Meeting Room, 15th Floor, No. 566, Jalan Ipoh, 51200 Kuala Lumpur on Thursday, 30 November 2023 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 2023 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 RM408,000.00 for the period from 1 January 2024 to 31 December 2024 to be payable quarterly in arrears to the Non-Executive Directors of the Company.	**1**
3.	To approve an amount of up to RM80,000.00 as benefits payable to the Non-Executive Directors of the Company for the period from 1 January 2024 to 31 December 2024. ***[Please refer to Explanatory Note B]***	**2**
4.	To re-elect the following Directors who are retiring in accordance with Article 96(1) of the Company's Constitution and who, being eligible, offer themselves for re-election:	
	(i) Roshan Mahendran bin Abdullah	**3**
	(ii) Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah	**4**
5.	To re-appoint Messrs. KPMG PLT as Auditors of the Company, to hold office until conclusion of the next AGM and to authorise the Directors to fix their remuneration.	**5**

AS SPECIAL BUSINESS

6. To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions :-

(a) Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transaction of a Revenue or Trading Nature with Trace Management Services Sdn Bhd — **6**

"THAT approval be hereby given for the renewal of the mandate granted by the shareholders of the Company on 1 December 2022 pursuant to Paragraph 10.09 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"), authorising the Company and/or its subsidiaries to enter into the recurrent related party transaction ("RRPT") of a revenue or trading nature as set out in Section 3.3(A)(i) of the Circular to Shareholders dated 31 October 2023 ("the Circular"), with Trace Management Services Sdn Bhd ("the Related Party") mentioned therein which are necessary, for the Company and/or its subsidiaries' for day-to-day operations which are carried out in the ordinary course of business on terms which are not more favourable to the Related Party than those generally available to the public and are not to the detriment of minority shareholders.

NOTICE ON TWENTIETH ANNUAL GENERAL MEETING

THAT the authority conferred by such mandate shall commence upon the passing of this resolution and continue to be in force until:-

(i) 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 ("EGM") whereby the authority is renewed; or

(ii) the expiration of the period within which the next AGM of the Company 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

(iii) revoked or varied by a resolution passed by the shareholders in a general meeting of the Company;

whichever is the earlier.

THAT the Directors be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

(b) Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature **7**

"THAT the mandate granted by the shareholders of the Company on 1 December 2022 pursuant to Paragraph 10.09 of the Listing Requirements of Bursa Securities, authorising the Company and its subsidiaries ("the Mycron Group") to enter into the RRPTs which are necessary for Mycron Group's day-to-day operations as set out in Sections 3.3(A)(ii) and 3.3(B) of the Circular with the related parties mentioned therein, be and are hereby renewed, provided that:

(i) 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

(ii) 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:

(i) 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 EGM whereby the authority is renewed; or

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

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

whichever is the earlier.

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."

NOTICE ON TWENTIETH ANNUAL GENERAL MEETING

(c) Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Act **8**

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

By Order of the Board

LILY YIN KAM MAY (MAICSA 0878038)
Company Secretary

Kuala Lumpur
31 October 2023

NOTES:-

1. *The 20th AGM will be conducted electronically in its entirety via RPV facilities which are available on the website at https://www.tracemanagement.com.my. Please follow the procedures provided in the Administrative Details of the 20th AGM in order to register, participate and vote remotely via the RPV facilities.*

2. *The Broadcast Venue of the 20th AGM is strictly for the purpose of complying with Section 327(2) of the Act which requires the Chairman of the meeting to be at the main venue of the meeting. No shareholders/proxies/corporate representatives from the public should be physically present at the Broadcast Venue on the day of the 20th AGM.*

3. *Members may submit questions to the Board of Directors prior to the 20th AGM to the Investor Relations at roshan@mycronsteel.com, kychoo@melewar-mig.com or lily@crestcorp.com.my no later than 10.00 a.m. on Tuesday, 28 November 2023 or to use the Question and Answer platform to transmit questions to the Board of Directors via RPV facilities during live streaming.*

4. *Since the 20th AGM will be conducted electronically in its entirety via RPV facilities, a member entitled to attend and vote at the meeting may appoint the Chairman of the meeting as his/her proxy and indicate the voting instruction in the Form of Proxy.*

5. *A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend 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 appointments shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.*

6. *Where a member is an Exempt Authorised Nominee which holds ordinary 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 shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*

7. *The instrument appointing a proxy shall be in writing, executed by the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or signed by an officer or attorney so authorised.*

8. *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 48 hours before the time appointed for holding the meeting or any adjournment thereof.*

NOTICE ON TWENTIETH ANNUAL GENERAL MEETING

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

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

11. *For the purpose of determining a member who shall be entitled to attend this 20th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Articles 72(4)(a), 72(4)(b) and 72(4)(c) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 22 November 2023. Only a depositor whose name appears on the Record of Depositors as at 22 November 2023 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.*

12. *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 January 2024 to 31 December 2024.

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

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

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

13. *Explanatory Notes to Special Business of Agenda 6 :-*

    (C) Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (Ordinary Resolutions 6 and 7)

    The Proposed Ordinary Resolutions 6 and 7, 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 8)

The Ordinary Resolution proposed under Resolution 8 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 8, if passed, will give authority to the Directors of the Company, from the date of the above AGM, to issue and allot shares in the Company up to an amount not exceeding in total ten percent (10%) of the total number of issued shares of the Company for the time being, for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the 19th AGM held on 1 December 2022 and which will lapse at the conclusion of the 20th AGM to be held on 30 November 2023.

14. Poll Voting

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

The detailed information on Special Business of Agenda 6 except for Ordinary Resolution 8 as mentioned above is set out in the Circular to Shareholders of the Company dated 31 October 2023 which is available at the Share Registrar website at https://www.tracemanagement.com.my.

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 reappointment in Agenda 4 of the Notice of the 20th AGM of the Company are set out in the Directors' Profile on pages 18 to 20 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 20th AGM of the Company.

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FORM OF PROXY

(please refer to the notes behind)

NOTICE
There will be no distribution of e-vouchers

MYCRON STEEL BERHAD
(Reg. No.: 200301020399 (622819-D))
(Incorporated in Malaysia)

No. of shares held	CDS Account No.

I/We ______________________________ NRIC No./Passport No./Reg. No.: ______________________
(Full Name as per NRIC/Passport/Certificate of Incorporation in capital letters)

of ____
(Full Address and Contact No.)

being a member/members of **MYCRON STEEL BERHAD** hereby appoint * **Chairman of the meeting** or

Name of Proxy:		**NRIC No./Passport No. of proxy:**	
Full Address:		**Contact No. & email address:**	

or failing him/her

Name of Proxy:		**NRIC No./Passport No. of proxy:**	
Full Address:		**Contact No. & email address:**	

as ***my/our proxy** to vote for ***me/us** and on ***my/our behalf** at the **20th Annual General Meeting ("AGM")** of the Company to be conducted electronically in its entirety via Remote Participation and Voting ("RPV") facilities at the Broadcast Venue at Astana Meeting Room, 15th Floor, No. 566, Jalan Ipoh, 51200 Kuala Lumpur on **Thursday, 30 November 2023 at 10.00 a.m.** or at any adjournment thereof on the following resolutions referred to in the Notice of the 20th AGM. My/our proxy is to vote as indicated below:-

		FIRST PROXY		SECOND PROXY	
		For	**Against**	**For**	**Against**
Resolution	**Ordinary Business**				
1	To approve the payment of Directors' fees amounting to RM408,000.00 for the period from 1 January 2024 to 31 December 2024 to be payable quarterly in arrears to the Non-Executive Directors of the Company.				
2	To approve an amount of up to RM80,000.00 as benefits payable to the Non-Executive Directors of the Company for the period from 1 January 2024 to 31 December 2024.				
	To re-elect the following Directors who are retiring in accordance with Article 96(1) of the Company's Constitution and who, being eligible, offer themselves for re-election:				
3	(i) Roshan Mahendran bin Abdullah				
4	(ii) Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah				
5	To re-appoint Messrs. KPMG PLT as Auditors of the Company, to hold office until conclusion of the next AGM and to authorise the Directors to fix their remuneration.				
	Special Business				
6	To approve the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transaction with Trace Management Services Sdn Bhd.				
7	To approve the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions.				
8	Authority to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016.				

[Please indicate with a "✓" or "x" in the spaces provided above on how you wish your vote to be cast. If no specific direction as to voting is given, the Proxy/Proxies 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		%
Total		**100%**

Dated this __________ day of ____________________ 2023

____
[Signature of Shareholder(s)/Common Seal]

NOTES:-

1. *The 20th AGM will be conducted electronically in its entirety via Remote Participation and Voting ("RPV") facilities which are available on the website at https://www.tracemanagement.com.my. Please follow the procedures provided in the Administrative Details of the 20th AGM in order to register, participate and vote remotely via the RPV facilities.*
2. *The Broadcast Venue of the 20th AGM is strictly for the purpose of complying with Section 327(2) of the Act which requires the Chairman of the meeting to be at the main venue of the meeting. No shareholders/proxies/corporate representative from the public should be physically present at the Broadcast Venue on the day of the 20th AGM.*
3. *Members may submit questions to the Board of Directors prior to the 20th AGM to the Investor Relations at roshan@mycronsteel.com, kychoo@melewar-mig.com or lily@crestcorp.com.my no later than 10.00 a.m. on Tuesday, 28 November 2023 or to use the Question and Answer platform to transmit questions to Board of Directors via RPV facilities during live streaming.*
4. *Since the 20th AGM will be conducted electronically in its entirety via RPV facilities, a member entitled to attend and vote at the meeting may appoint the Chairman of the meeting as his/her proxy and indicate the voting instruction in the Form of Proxy.*
5. *A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend 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 appointments shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.*
6. *Where a member is an Exempt Authorised Nominee which holds ordinary 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 shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*
7. *The instrument appointing a proxy shall be in writing, executed by the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or signed by an officer or attorney so authorized.*
8. *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 48 hours before the time appointed for holding the meeting or any adjournment thereof.*
9. *Any alteration in the form of proxy must be initialled.*
10. *Form of Proxy sent through facsimile transmission shall not be accepted.*
11. *For the purpose of determining a member who shall be entitled to attend this 20th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Articles 72(4)(a), 72(4)(b) and 72(4)(c) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 22 November 2023. Only a depositor whose name appears on the Record of Depositors as at 22 November 2023 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.*

Please strike out whichever is not desired. (Unless otherwise instructed, the proxy may vote as he/she thinks fit)

Fold Here

STAMP

The Secretary
MYCRON STEEL BERHAD
Suite 11.05, 11th Floor
No. 566, Jalan Ipoh
51200 Kuala Lumpur

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NOTICE

There will be no distribution of e-vouchers www.mycronsteel.com

MYCRON STEEL BERHAD
Reg. No.: 200301020399 (622819-D)

Lot 717, Jalan Sungai Rasau, Seksyen 16,
40200 Shah Alam, Selangor, Malaysia.

Tel : 603 - 5510 6608 **Fax :** 603 - 5510 3720

Email : enquiry@mycronsteel.com

PART 2

MYCRON STEEL BERHAD
Reg. No.: 200301020399 (622819-D)

2023
SUSTAINABILITY REPORT

Our Green Certifications

MYCRON STEEL BHD
Reg.No.:200301020399 (622819-D)

SUSTAINABILITY REPORT

2023

CONTENT

ABOUT THIS REPORT

Requirements & References

This Sustainability report is made in compliance with Bursa Malaysia's Main Market Listing Requirements under Appendix 9C Paragraph 29, and Practice Note 9 Paragraph 6 - which have been amended in 2022 to enhance sustainability disclosure with staggered implementation dates over reporting years from 31 December 2023 to 2025. The Group has opted for early adoption of these Enhanced Sustainability Disclosures with effect from this current report.

In the making of this report, the Group applied the principles and standards specified in the updated Sustainability Reporting Guide (3rd Edition) issued by Bursa Malaysia; the recommendations of the 'Task Force on Climate Related Financial Disclosure' (TCFD); and references to the Global Reporting Initiatives (GRI) standards. The Group also draws aspirations from the United Nations' Sustainable Development Goals.

Scope

This report outlines the Group's 'Environment, Social, & Governance' (ESG) commitments and activities for the current financial year ended 30 June 2023, and contains data from current and past periods. The 'Group' refers to the Company (Mycron Steel Bhd) and all its subsidiaries. This report does not duplicate general information about the Group, its businesses, and enterprise-governance practices - which are presented in other sections of the Annual Report. As such, this contextualized sustainability report should be read in conjunction with other accompanying sections (i.e. the Chairmen Statement, Management Statement, Corporate Governance Statement, Risk Management & Internal Control Statement) which together forms its integrated reporting.

Disclaimer

This Report has not been subjected to independent assurance based on recognised standards; and, contains opinions, external referenced information, and unaudited non-financial data. Routine pre-assurance audit work were carried out by the Group's internal auditors on selected 'material sustainability matters' over the current period under its normal internal audit-cycle. Whilst efforts were made by the management to ensure non-proprietary data cited are correct and accurate at the time of extraction, the actual or future outcomes may differ. This report has been reviewed by its internal 'Risk & Sustainability Committee' and executive management for consistencies, reasonableness, and compliance. Their review however does not constitute as an assurance. Users' discretion is advised.

CEO's Message

This is the 5th edition of our sustainability report/statement since the inauguration of ESG coverage in financial year ended 2019. Much has changed over these five years.

Convergence

ESG awareness and expectations by stakeholders have become more pervasive. At the same time, ESG reporting requirements have become more structured and comprehensive as numerous (and often overlapping) sustainability standards and reporting frameworks compete for adoption. Organizations are expected to explain in great detail the extent and nature of their operation's impact on climate-change, on the environment, and on local communities. BURSA Malaysia's rollout of the 'enhanced sustainability reporting framework' in 2022, aligned with those widely adopted, sets the choice standards and framework for Corporate Malaysia. These are expected to further converge with the advent of the International Financial Reporting Standards (IFRS)'s 'sustainability related disclosure' in the near future.

Part of our VISION

Hence, it comes as no surprise that a survey*[1] shows organizations' top reasons for addressing ESG topics are to meet the requirements and expectations of key stakeholders (i.e. regulators, consumers, & investors). Many respondents also view ESG as an opportunity to promote growth. Our response could not have been any different. However, long before ESG topic became mainstream, our founding vision already prioritized on economic & environmental sustainability. This remains relevant today, and we constantly analyze our progress to assess how we are actually doing.

Milestones

In this regard, we are pleased to state that most of the Group's 'sustainability' efforts for the current financial year– as detailed in this report- are on track. Over the last five years (since initiating coverage), we have emphasized on strengthening our ESG foundations. Notable realizations are:

- On the 'environmental' pillar, we have optimized investments in renewable energy and in production/process efficiencies to reduce our carbon footprint (per unit output) by roughly 15-to-20%; and optimized recycling with 97% diversion of production waste from land-fills.

- On the 'social' pillar, we have closed gaps on labour practices to be on par with the International Labour Organization's 8 Fundamental Conventions; safeguarded lives and livelihood (i.e. zero life or jobs lost) during the devastating Covid-Pandemic; and supported the community with rescue and aid relief during the devastating Selangor floods of 2020.

- On the 'governance' pillar, we have deepened the immersion of ESG responsibilities at individual and functional levels throughout the hierarchy of the organization; and embedded ESG accountability & compliance throughout our internal value chain.

Reality Check

The scorching record global temperatures in recent periods validate the World Meteorological Organization's prior warning that the planet's temperature will climb above 1.5 degrees Celsius above pre-industrial levels at least once in the next five years. Whilst organizations worldwide scramble to evade an impending climate-driven humanitarian crisis, mankind is also accelerating the conditions for annihilation at the other end. The Doomsday Clock*[2] has been reset at 90 seconds to mid-night on 24th January 2023: the closest to doomsday since first recording in 1947. It is the ESG-elephant on global stage that don't get enough attention.

Sincerely,
Roshan Mahendran Abdullah
Group Chief Executive Officer

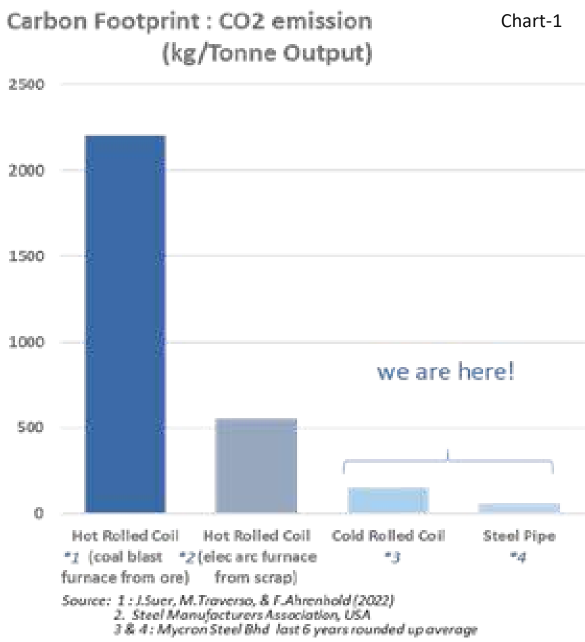
Reference:
**1. McKinsey&Co, May 26, 2023, Survey*
2. https://the bulletin.org/doomsday-clock

STEEL & SUSTAINABILITY

As a manufacturer of Cold Rolled Coil (CRC) and steel Pipes & Tubes, we are often categorized in the Steel Sector which carries the stigma of being amongst the top contributors of global greenhouse gas emission.

> ***The Steel Sector contributes to around 7% of global carbon emission or 30% of industrial carbon emission***. *(Source: International Energy Agency, 2021)*

Although the steel value chain is long and complex, it is estimated that 90% of the sector's carbon footprint can be attributed to the upstream primary steel production (i.e. in slabs, coils or bars) from iron-ore. As it moves down the steel value-chain in value-added processing & finishing (where we are at), the carbon footprint narrows substantially—as shown in Chart-1 below.



Our CRC carbon footprint per tonne output (based on scope-1 & 2 computation) is merely around 7% of the upstream primary steel production, whilst the Pipe's is even lower at around 3%.

We manage our 'scope-3' carbon footprint through our procurement policies where we play a critical role in pressuring our raw material HRC suppliers toward decarbonization and adoption of sustainability best practices.

We also educate our customers on our responsible-sourcing of sustainable raw-materials; our decarbonization efforts; and on the option of recycled-steel that can promote a circular-economy in the long run. To support this, we provide supply-chain traceability of our steel products (which are also "eco-friendly" certified by SIRIM) to our customers.

Despite steel's carbon-emission legacy, it remains a critical component in our infrastructure and lives. Steel is also vital to the 'green economy' with solar panels, wind turbines, dams, carbon-processing equipment, and electric vehicles. Hence, global steel demand is expected to grow 30% by 2050; and if no action is taken, corresponding global carbon emission from the sector could rise to 7.5% of total global emissions and 34% of the industrial emissions.*1

With that expectation, pressure on steel producers (where the majority are in Asia) to decarbonize have increased in recent years. The European Union (EU) became the first regional bloc to implement a border carbon adjustment tariff on steel imports with effect from 1 October 2023; and this will compel steel exporters to EU to lower their carbon footprint towards net-zero. Similar punitive local 'carbon tax' to compel corporations to lower GHG emissions has been rolled-out in 27 countries .

Corresponding to that, global initiatives to steer the steel sector towards net-zero emission are taking shape (e.g. the Climate Group's Steel Zero, Mission Possible Partnership's Net-Zero Steel Initiative). Technical and economic challenges remain the greatest hurdle. We are closely monitoring the development of these as we finetune our own net-zero carbon roadmap.

> ***We support NET-ZERO Steel***

<u>*Reference:*</u>

**1. https://missionpossiblepartnership.org/action-sectors/steel/*

Sustainability has always been a discipline within the scope of our Corporate Governance.

Our earliest steel manufacturing factory has been in continuous operations for the last 54 years. We are amongst the pioneers in Malaysia.

1. STRUCTURE

Similar to our Corporate Governance structure, the Board of Directors is ultimately responsible for the Group's sustainability governance. The Board exercise this jointly with the C-Suite Executives through a designated 'Risk & Sustainability Committee' (RSC) led by independent directors as shown in Illustration-1 below. The RSC is tasked with the oversight on the Group's risk and sustainability encompassing its overall strategies, objectives, & policies setting. The RSC convenes every quarterly.

The executive committee (EXCO) sets the goals and targets, and work closely with the operations' management-committee (MANCO) to achieve the ESG objectives and strategies set by the RSC. Strategic management of the Group's sustainability matters are executed at these levels. The EXCO and MANCO convene monthly to deal with the full spectrum of business and operational matters.

The Audit Committee (AC) -with oversight responsibilities on both statutory and internal audit matters- also provide a critical pre-assurance and validation of the Group's ESG practices, regulatory compliances, and disclosures. The AC convenes quarterly.

Central to all is a senior executive assigned to coordinate ESG tasks. Each level of the Group's hierarchy is empowered to execute its respective role in stakeholders management coherent with the Group's sustainability priorities and strategic response.

2. MATERIALITY ASSESSMENT & STAKEHOLDERS ENGAGEMENT

As a Group involved in light-industry manufacturing, we are subjected to comprehensive sets of laws and regulations covering the environment, health & safety, human-resource, and social responsibilities since inception; and, we have been managing such 'material sustainability matters' for years before ESG went mainstream.

To meet best-practice expectations, we had conducted a comprehensive sustainability matters identification, prioritization, and validation process (as shown in Illustration-2) during the 1st year of sustainability reporting.

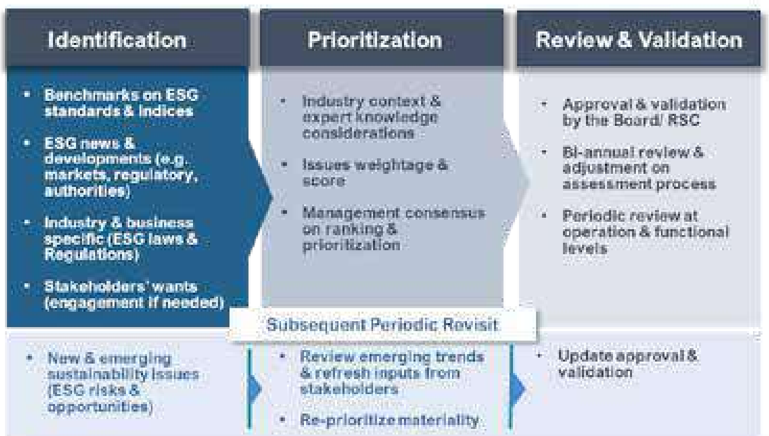


Illustration 2

In each subsequent year (including the current reporting period), we conduct periodic identification of emerging sustainability issues and revisit the prioritization of current material sustainability matters.

With BURSA's 'Enhanced Sustainability Disclosure' requirements, the authority has set eleven broad sustainability matters to be deemed as 'material and common' to all listed companies and must be covered in their disclosure (see Annexure II). Our past determined 'material sustainability matters' matched around 90% of those deemed 'common'.

2. MATERIALITY ASSESSMENT & STAKEHOLDERS' ENGAGEMENT ….cont'd

Our current period's prioritization of identified sustainability matters (including BURSA's common material sustainability matters) are depicted in Illustration-3. Those sustainability matters in 'Quadrant 1' and bordering it are assessed to be material to the Group. These are organized into categories corresponding to the ensuing chapters of this report. All identified sustainability issues are addressed based on fitting strategies for the quadrant.

In the course of the aforesaid assessment, we have engaged key stakeholders for input to fine-tune our sustainability prioritization and strategic response. Table-1 below is an extraction of that.

Table 1

Stakeholders	What we learnt	How we may respond
Customers	• Mostly indifferent to 'greener' steel, and not prepared to pay a premium • Concern with rising cost/prices with ESG demands • Happy with our sustainability practices as disclosed • Indifferent to the steel sector's decarbonization effort	• Segmentalize along green-product lines • More education and awareness • Reinforce our management of sustainability matters • Recycled-steel origin as alternative
Suppliers	• Most declared ESG efforts and decarbonization plan (at various stages & complexity) • Incomplete or no 'carbon footprint' data. • Difficult to validate ESG progress. Lack transparency & certification. Lack origin traceability.	• Not possible to determine scope-3 carbon footprint • Need to tighten suppliers ESG risk assessment • More frequent site/operation visit of suppliers • Continue with annual assessment of ESG compliance by suppliers
Bankers	• Central Bank's push for greener financial system • Green-link financing with clients' ESG scoring and pricing • All banks expressed satisfaction with our ESG efforts and disclosure	• Frequent update and communication • Tap on green financing to back more decarbonization investments
Colleagues	• Satisfied and supportive of the Group's labor practices • No disputes, disciplinary issues, or termination in the current period • Affected by inflation and rising cost-of-living	• More extra-curricular activities for better racial integration • Expand training and other personal development programs • Expand staff-community social responsibility programs
Gov't Agencies & Authorities	• BURSA Carbon Exchange inaugurated on Mar-23 with increasing participation. Carbon-tax possibly next. • The nation's zero-carbon roadmap just rolled out in end-July 2023. • Quota on Solar net-metering scheme running out. Limitations with the nation grid's fault-tolerance of renewable energy	• Need to accelerate decarbonization in ways not constrained by national utilities. Options running out. • Close liaison & update with authorities

1. CLIMATE & EMISSIONS

1.1 Climate Issues

The top issue is that the world's largest carbon emitters are not doing enough to decarbonize and stem the rise in global temperature against set-limits of the climate Paris Agreement*[1]. Escalating hotspots of high impact armed-conflict and geopolitical-tensions dent climate cooperation and add significantly to carbon emissions.

With our operations in the tropics, we face climate calamities associated with severe storms intermitted by severe heat-wave & drought. But climate issues are more far reaching than that. Until global climate goals are attained and issues contained, the Group faces certain climate risks.

Source: UN Sustainable Development Goals *Illustration 4*

1.2 Our Commitment

Primarily, we are committed to United Nation's Sustainable Development Goals # 13: '*To Take Urgent Actions to Combat Climate Change & Its Impact'*. Its target #13.2 calls for the integration of climate change measures with national policies, strategies, and planning. In that regard, our climate goals commitment are aligned with the Nation's medium and long-term goals as shown right. The carbon neutral goal by 2050 is also consistent with the steel sector's net-zero target. How we manage these climate issues and goals are outlined in Annexure I—based on the prescribed format of the *Task Force on Climate Related Financial Disclosure* (TCFD).

MALAYSIA'S CLIMATE GOALS

Medium-Term

- To reduce GHG (as % intensity of GDP) by 45% by 2030 compared to 2005 levels

Long-Term

- To achieve Net Carbon Neutrality by 2050

1.3 Emissions & Our Carbon Footprint

Our manufacturing processes entail mainly mechanical and motorized equipment with zero to negligible gaseous or fume emission. GHG emission is mainly from the CO^2 equivalent of grid-electricity and natural gas consumed in the production process. Carbon contribution from fossil fuel consumption (i.e. petrol and diesel) to power vehicles is relatively small (at around 1%). Outline in Table-1 below is our assessment on the various possible type of emissions.

Table-1

Type of Emissions	Checklist/ Remarks
GHG : CO^2	Yes. As reported in Scope-1 & 2.
GHG : Others (CH^4, N^2O, HFC^2 ..etc)	No. Zero or too negligible to record
Ozone-depleting Substances	No. No industrial refrigerant. No discharge of fire-extinguishers
Nitrogen Oxides, Sulfur Oxides	Negligible traces of NOx from galvanizing burners.
Biogenic CO^2	No usage or production of biogenic materials. Negligible planting.
Fugitive	No incidence of leakage. Periodic system checks.

We are unable to reliably ascertain our Scope-3 indirect carbon footprint due to the diversity of goods and services involved in our supply-chain, and certain suppliers inability to provide sufficient reliable GHG details. The ensuing carbon footprint data is based on Scope-1 & 2 emissions.

Reference:
**1. https://www.iea.org/news/global-co2-emissions-rebounded-to-their-highest-level-in-history-in-2021*

C) CLIMATE CHANGE & THE ENVIRONMENT

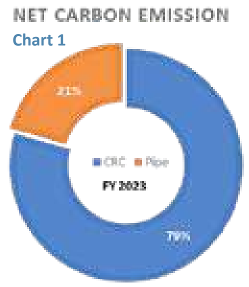
….Continue

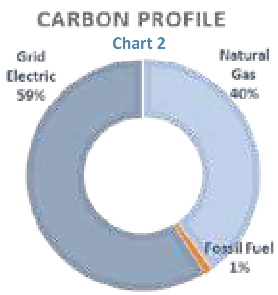
1. *CLIMATE & EMISSIONS …..cont'd*

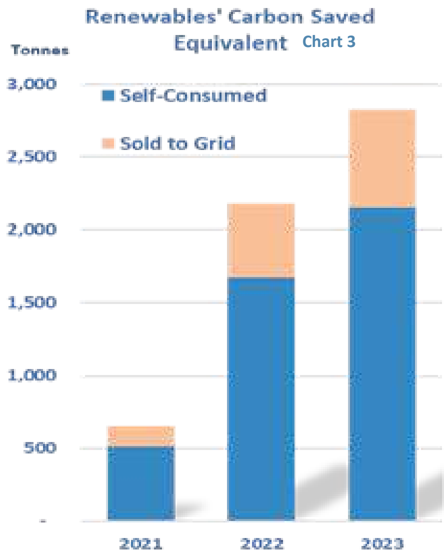
Our CRC segment's carbon footprint is around 3.8 times of the Pipe segment. The Group's carbon footprint is mainly attributed to grid electricity and natural gas usage.

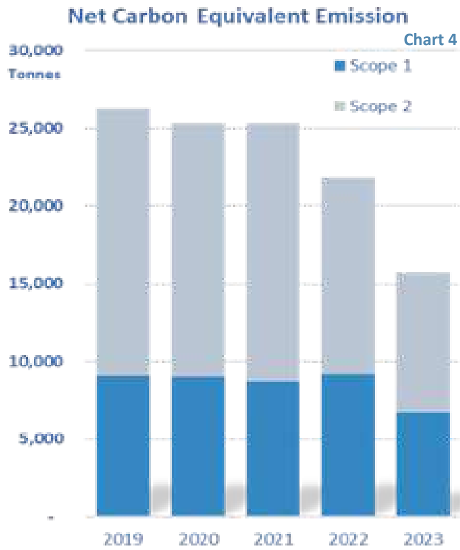
To reduce its carbon footprint, the Group has increased its renewable energy production and usage (mainly SOLAR PV) over the last three years as shown in Chart-3. Carbon reduction from renewable energy is around 17% in FY2023. This has help reduce the Group's net carbon emission as shown in Chart-4.

Since absolute carbon emission number fluctuates with production volume, a more equitable measure is on 'per-unit-output' basis as shown in Chart-5. Overall, the Group's carbon footprint is on a reducing-trend. Its carbon footprint in FY21 was exceptionally low at 97 kg/tonne-output due to the benefit of scale from its record high production volume. The ensuing years in FY22 & FY23 recorded lower production volume; hence, higher per-unit carbon footprint. Despite that, the Group achieved a 7% lower carbon footprint per-unit in FY23 compared to the preceding period. Nevertheless, our ability to further expand SOLAR power production in the future could be confined by technicalities and limiting-policies of the sole power utility provider.



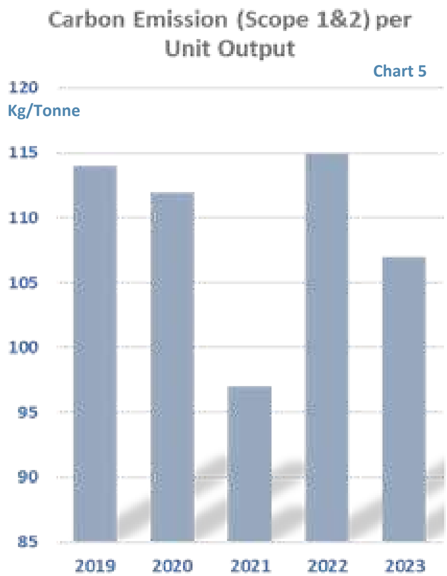






Our roof mounted SOLAR PV system

An emission free production–line



C) CLIMATE CHANGE & THE ENVIRONMENT

….Continue

1. *CLIMATE & EMISSIONS …..cont'd*

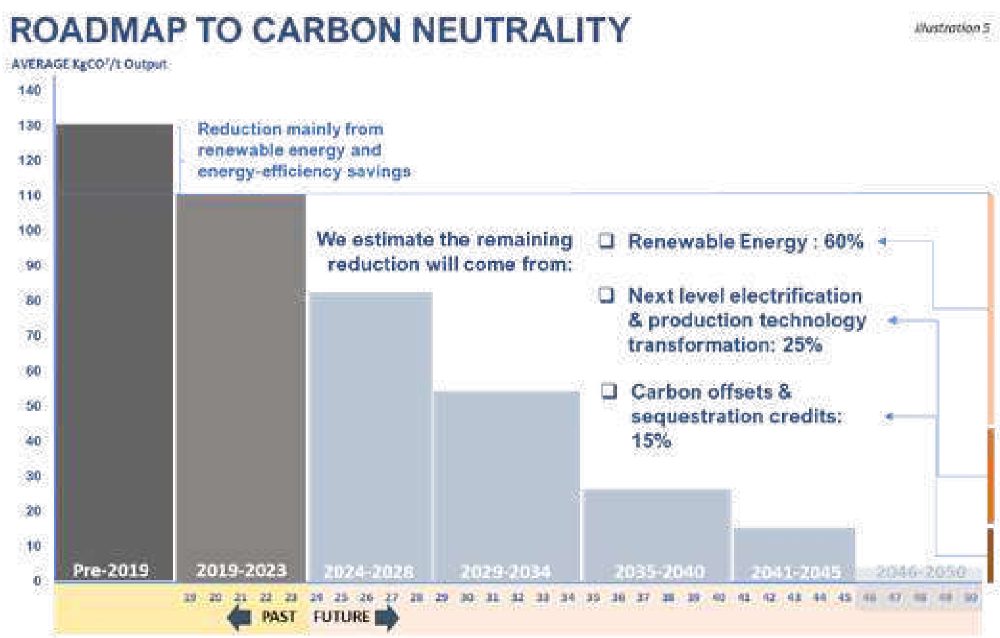
1.4 Carbon Neutrality Visualization

Our roadmap to carbon neutrality would be highly influenced by the Nation's Energy Transition Roadmap (NETR part-1 unveiled on 29 July 2023) - as our strategic responses are dependent on the Government's policies (i.e. on energy & emission cost, power tariffs & regulations,.. etc), investment incentives, and other climate-risks preventive measures.

Malaysia's Renewable Energy Capacity Target Mix (currently 3.9%)

- **40% by 2035**
- **70% by 2050**

Based on the Government's unveiled plans and our 'carbon profile', we visualized our carbon-zero roadmap to entail a 3-parts strategy as shown in Illustration-5 below. The full transition to renewable energy (in-tandem with the Nation's expansion of renewable energy capacity) could address more than half of our carbon footprint. Our near-term target is to achieve an average 9% reduction every three-years to reach neutrality by 2050.



The journey to carbon-zero must firstly be economically sustainable. That would entail a number of 'cost-return' hurdles (such as those outlined below) which may take sometime to iron-out. The granular details of our transition plan will have to be refined along the way.

Risk Areas	Challenges
Availability of low cost renewable energy	Regardless on which decarbonization route, reliable and affordable renewal energy is an essential prerequisite. The sole power utility company must be able provide affordable renewable energy and lower the barriers for independent renewable energy production. The current trend is not conducive.
Regulatory & Policy	The Government plans to gradually remove energy subsidies and increase the cost of emissions. The needed incentives to move faster in carbon-zero transition appear lacking, other than to avoid punitive cost.
Technology	Whilst technologies behind solar, wind & hydro renewables are well established and economically viable, enterprise-level battery energy storage & management system remains expensive and inadequate. Renewable energy generated during non-operation hours by private enterprises cannot be economically stored or sold to the nation grid (unless under approved schemes which are either limited or uneconomical).
Markets	When the higher cost of decarbonization cannot be recouped through product pricing in the market, it affects the economic sustainability of the business enterprise. While we constantly engage our customers on the benefits to support sustainable products, we have to compete with cheaper imports from sources not subjected to any or similar sustainability standards.

2. *ENVIRONMENTAL STEWARDSHIP*

Our environmental stewardship is driven by three principal policies:

i. Compliance with environmental laws & regulations
ii. Consume the least amount of required resources; and
iii. Avert any harm to the environment

The environmental laws governing our manufacturing operations are the Malaysian Environmental Quality Act and its comprehensive set of Regulations covering emission, air, noise, scheduled waste, radioactive materials, industrial effluent & gasses, sewerage, and licensing. We are pleased to report that our manufacturing operations passed all environmental audits conducted by the Department of Environment (DoE) without any incident of violation or fines recorded in the current period. The details on our management of these material sustainability matters are outlined below.

2.1 Energy Management

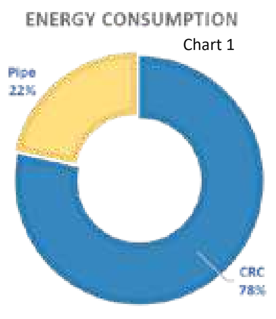
The Group's guiding policy is to reduce fossil energy dependency whilst optimizing consumption efficiency to achieve carbon-neutrality in the long-run. The Group's largest energy use is in natural gas (which is the cleanest non-renewable energy) followed by grid electricity (see Chart-2).

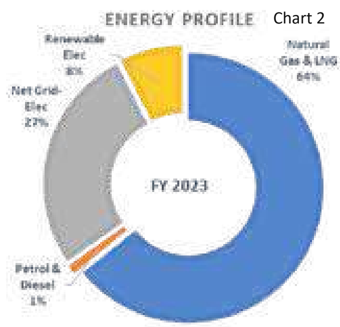
Over the past 3 years, we have installed SOLAR PV in three of our factories with annual renewable electricity output of 4,032 MWh. Solar power now contributes to around 8% of the Group's consumption. In the current financial year, we have contracted to extend SOLAR PV output by another 575 MWh per year—to the maximum allowable by the sole-utility provider for net-metering to the national power grid.

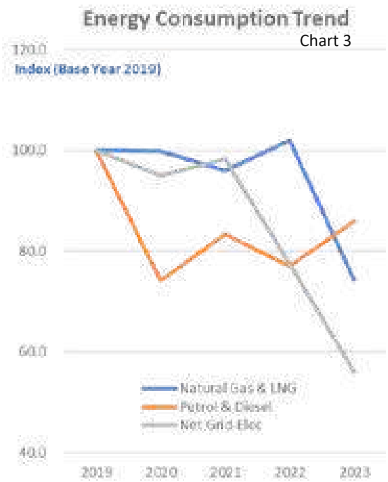
Over the current period, we subscribed for the limited Green Electric Tariff (GET) renewable electricity to supplement our target. This together with solar – power, the Group managed to significantly increase its renewable energy profile (see Chart-4 & 5). However, the Government has recently increased GET pricing by six-folds with effect from 1 August 2023—making it around 10% pricier than fossil tariff inclusive of its 'imbalance cost pass through charge'. We have since discontinued it.

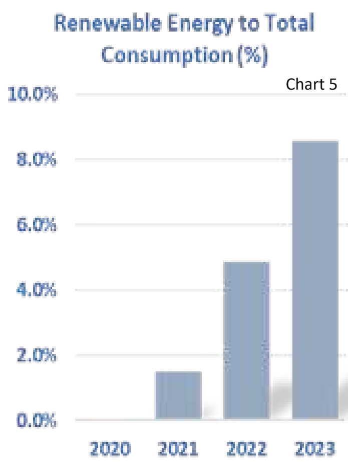
Natural Gas remains an important pillar under the NETR (due to its low carbon emission & clean burning), and it will likely remain as the Group's top energy source. Our near-to-mid-term strategy is to continue expanding (i) renewable energy sources (via virtual power purchase agreements, and more SOLAR power optimization); and (ii) hardware conversion/ replacement to run on renewable energy (i.e. electric / hybrid commercial vehicles, bio-diesel mix).

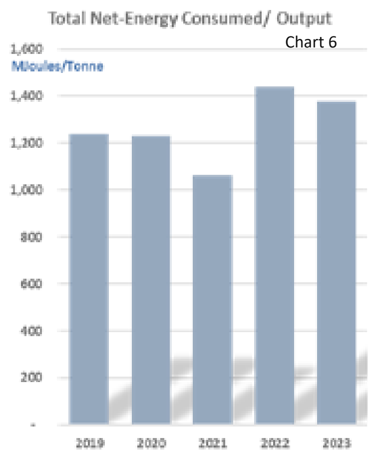
The steel units will also continue to seek energy efficiency opportunities through its energy-efficiency audits under ISO 50001 to reduce energy consumption. However, the lowering of its 'net-energy consumption per-unit output' is still very much driven by utility-of-scale optimization from larger production volume. The low production volumes in FY2022 and 2023 have affected that. See Chart-6.











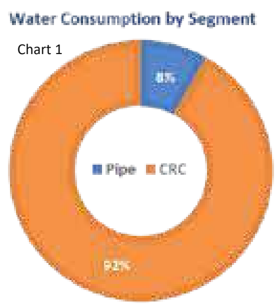
C) CLIMATE CHANGE & THE ENVIRONMENT

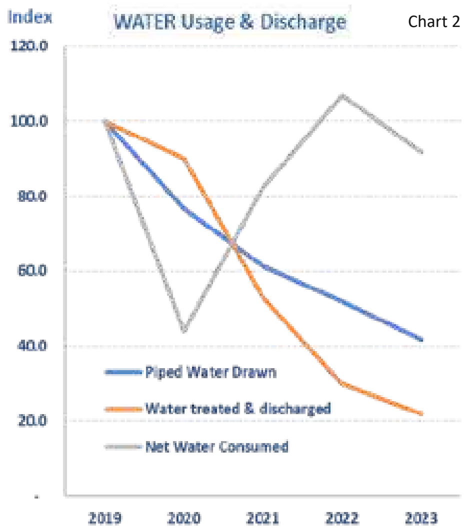
….Continue

2. ENVIRONMENTAL STEWARDSHIP ….cont'd

2.2 Water Management

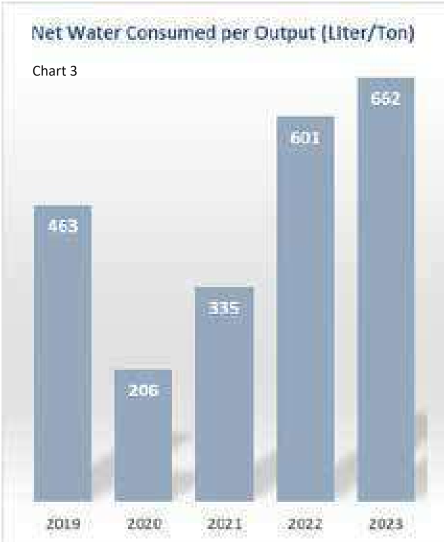
The Group's guiding policy is to minimize fresh water usage and optimize rainwater harvesting for dual-purpose of supplementing usage and flash-flood prevention. In this regard, the Group also supports UN's sustainable development goal #6: '*ensure availability and sustainable management of water and sanitation for all'.*





The Group's manufacturing operations require constant supply of fresh piped-in water for production processes (such as in its cooling towers, dilution of coolants & acids, and process-baths) which mostly cannot be substituted with rainwater. Where water usage can be substituted with rainwater, the Group has taken steps to optimize such usage (i.e. in sanitation flush, general cleaning, lawn watering, and effluent treatment systems). In the current FY, the Group has harvested and diverted 5 folds of it rainwater holding capacity of 310,000 liters for internal use. Waste water from production are treated on-site (to DOE regulatory standards) before being redirected for reuse with the excess discharged to drainage.

Referring to Chart-2, the Group's usage of piped-in water from water-utility provider has declined by 60% since 2019. Over the same period, the discharge of treated waste-water has declined by nearly 80%. The difference is due to the increased diversion of treated-water for reuse at the CRC's new Acid-Regeneration Plant (ARP) commissioned in Aug 2021. The ARP is water consumption intensive but it also reduces its hydrochloric acid procurement by 90% or roughly 2.6 million liters (which in-turn reduces spent-acid as a scheduled waste by a similar percentage). Consequently, the Group's net-water consumed per-tonne-output jumped 43% from base-year FY2019 (see Chart-3). However, this is also partly affected by the diminished utility-of-scale from the lower production output volume in the current FY compared to the base-year.



Despite the contrary numbers in Chart-3, we continue meeting our goals to minimize fresh water usage and to optimize rainwater harvesting & usage in the current FY. In the current FY, the Group consumed roughly 97.5 million liters of water (enough to fill 39 Olympic sized 50m swimming pools).

One of our Rainwater Harvesting System

C) CLIMATE CHANGE & THE ENVIRONMENT

….Continue

2. ENVIRONMENTAL STEWARDSHIP ….cont'd

2.3 Waste Management

The Group's guiding policy is to minimize waste generated at source and to embrace 5R practice (i.e. refuse, reduce, reuse, re-purpose, & recycle) to minimize direct-to-landfill and impact on the environment. In this regard, the Group separates its waste by types and aggregates them in accordance with the methods of disposal.

Outlined in Table-1 below are the Group's waste-type categorization, and their respective method of disposal. Items (b) & (c) are scheduled waste (deemed hazardous to varying degrees) under the Environmental Act and can only be disposed to entities approved & licensed by DOE. Item (b) comprises of more than ten different types of scheduled waste that are eventually incinerated, chemical-treated or processed for repurposed-use by 3rd party specialists. Item (c) is carbide-lime which is licensed for re-used by the Group in its water-treatment plants. Items (a), (d), & some in (b) have commercial value, and are monetized as a source of income. The Group have not had any incidents of leakage or spillage of hazardous waste in the last three years.

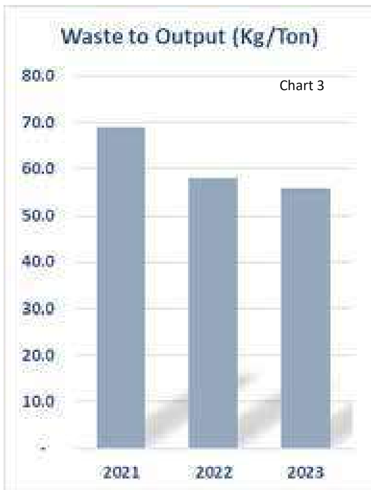
Table 1

	Waste By Type	Disposal Method	2021	2022	2023
				All in Tonnes	
a.	Steel Scrap	Licensed 3rd Party, Recyle	11,373	8,554	7,129
b.	Scheduled waste	Licensed 3rd Party, Professional disposal	4,675	1,968	651
c.	Scheduled waste	Lisenced own reuse, Recyle	1,732	216	163
d.	Segregated waste (Paper, Plastics, Aluminium)	Licensed 3rd Party, Recyle	8	11	61
e.	General waste	Refuse-collection, likely Landfill	209	206	186

Our CRC segment generates 3 times more waste than our Pipe segment. But as a group, we recycle more than 95% of our waste whilst less than 2.5% ends up in landfills.

Since absolute waste volume fluctuates with production volume, a more equitable measure is on 'per-unit-output' basis as shown in Chart-3. Over the last two years, the Group has managed to reduce its waste per-unit-output by around 20%.

We have specific threshold target to minimize steel scraps (known as yield-loss) which is vigorously enforced. Whilst we do not set threshold targets for other wastes, we enforce strict policies to minimize them.



Decommissioned computers and printers as Scheduled Waste

Oil Sludge Filter Press Machine separating oil and metal scrap for disposal

D) PEOPLE & THE COMMUNITY

Our Social Ambitions

i. Deliver equitable, safe, & quality working lives for our People
ii. Make positive contributions to our communities
iii. Manage a supply chain with like-minded priority for environmental & social responsibility

1. TEAMMATES

We view 'people'-responsibilities going beyond our workforce, to also include our suppliers, customers, and the communities within the footprint of our operations. Maintaining mutual co-beneficial existence defines our sustainability.

1.1 Health & Safety

The Group's guiding policy is to provide a safe and healthy workplace for all, and uphold compliance with the comprehensive rules and regulations of the Occupational Safety & Health Act.

The Group's occupational safety and health is helmed by special purpose committee at each segment with dedicated safety & health officers. The segment's Safety & Health Committee (comprising of management and worker members) oversees wide ranging responsibilities covering hazard and risk identification & management, targets setting, awareness & training, case-handling, and DOSH audit findings. All workers (full time or part-time) have equal access to health services provided by the Group's panel of approved clinics and medical-care. Personal health-related information are treated with strict privacy.

Whilst there are no specific job functions in the Group that put workers in direct exposure to uncontrolled safety and health hazards, the factory environment can be unforgiving under circumstances of carelessness or lapses in safety compliance.

Despite all the safety precautions and measures incorporated into the workplace, the Group recorded 10 'loss-time-injury' cases in the current period which work out to around 1.75 cases per 200,000 manhours worked. This is roughly 17% below the benchmarked national 3-years' average occupational accident rate issued by OSHA Malaysia. See Chart-1. Overall, the Group's frequency-of-injuries rate is on a down trend and below benchmark threshold. Most of the injury cases are minor requiring a few rest days. We do not have any fatal injury cases on record.

LOST TIME INJURY FREQUENCY RATE
Chart-1

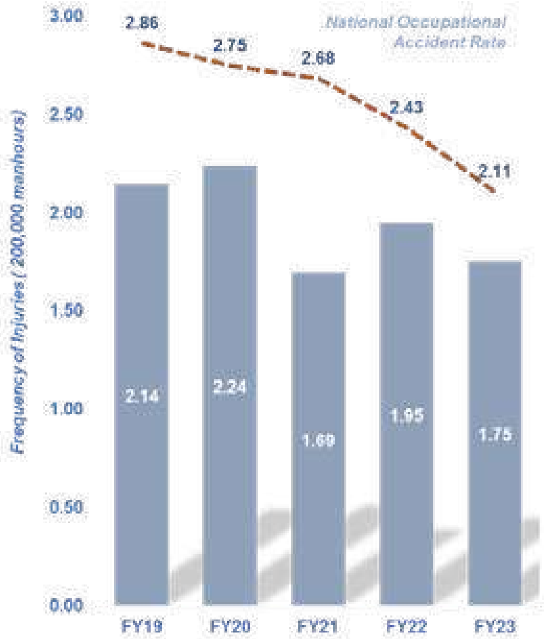


Table-1

Areas	FY 2021	FY 2022	FY 2023
Hours spent in Safety & Health Campaigns	32	985	996
Safety & Health Training hours for factory workers	118	209	220
Number of DOSH negative audit findings	1	1	2
Health care spent per employee (RM/employee)	2,270	2,912	2,918


Free health screening for workers

D) PEOPLE & THE COMMUNITY

….Continue

1. TEAMMATES ….cont'd

1.2 Human Rights, Labour Practices & Standards

The Group's guiding policy is to uphold the 5 principle human rights enshrined under the Malaysian Constitution (which conforms with the UN Universal Declaration of Human Rights) and strict compliance with domestic labour laws and regulations (which conform with 5 of the International Labour Organization's 8 fundamental conventions). We are firmly committed to respecting the human rights of all individuals.

How well are we measuring up ?

- *Zero labor dispute or complaint cases in the last 10 years*
- *100% human resource retention rate in the last 2 years*
- *Annual staff turnover rate at 13.3% for FY2023 (FY 2022: 11.3%) is well below the National average for the manufacturing sector at 24% *1*
- *75% of our workforce have been with the Group for four and more years*
- *Zero redundancy or furlough despite 18 weeks of mandatory shutdown during the Covid-Pandemic*

Reference:
**1. http://publisher.uthm.edu.my/periodicals/index.php/rmtb*

1.2.1 Labour & Management Relations

The Group engages its people as a key stakeholder in the running of its operations. The management adopts an open and consultative approach with workers on essential operational matters when practical, as opposed to dictate and command. Any significant changes to operations are usually preceded with a study or survey which is then shared and discussed with workers to build consensus before implementation. Job or career progression is based on meeting team goals and individual merits.

1.2.2 Freedom of Association & Collective Bargaining.

The Group upholds workers' rights to freedom of association and collective bargaining under the provisions of the Employment Act, Trade Union Act, Industrial Relations Act and Immigration Act. Our workers are free to join or form trade unions. Despite that, only around 16% of our factory workers chose to be members of the steel industry employees' union. Negotiated compensation & benefits under the collective agreement also set the baseline for non-unionized staff. Management's relations with the workers union have been cordial without any impasses in the last decade.

1.2.3 Labour Composition & Movement

The Group is strictly against any form of involuntary, forced, or child labour, and this extends to our suppliers and business associates. Our centralized human-resource management and audits are tasked to ensure that. Whilst 'forced or child labour' is a rarity in regulated industries such as ours, preconception grows when there is some dependency on foreign labour and/or contract-workers. On this, about 22% of our workers are foreign contract workers. To address the risk, we only work with vetted licensed agencies to ensure benchmarked ILO's standards on migrant labors are met. Where accommodations are provided, these fully conform with the Employees' Minimum Standards of Housing, Accommodations & Amenities Act. Our workers are never indentured (i.e. tied-down by migrant-loans or withheld travel-documents) and are free to leave by serving the required notice period. Our workforce movement is driven by employment-market conditions (see Chart-2). Locals are given first priority in any hirings.

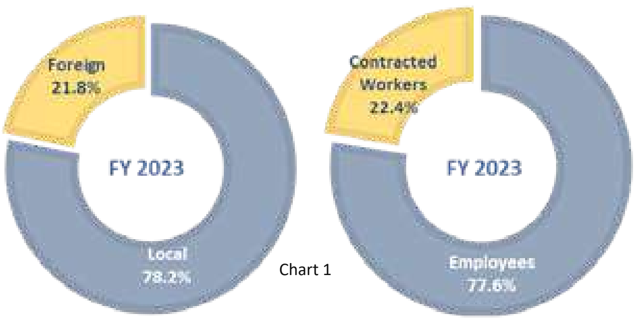


Chart 1

Chart 2

D) PEOPLE & THE COMMUNITY

....Continue

1. TEAMMATES ....cont'd

1.2 Human Rights, Labour Practices & Standards …..cont'd

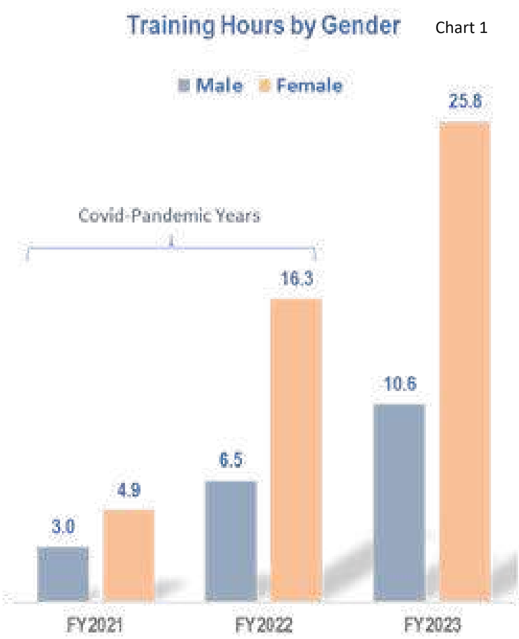
1.2.4 Training & Education

At Mycron, we firmly believe in human-resource development to meet the growth and upskilling needs of our people as well as the organization. As a contributor to the Human Resource Development Fund (HRDF), we work closely with HRD Corp as well as other institutes for access to a full range of contemporary training programs suitable for every level, from line-workers to executives. Besides courses & subject-matter training, the Group also accords job rotation opportunities to build all rounders for career progression or professional-certification.

For the current FY2023, the Group invested in 5,310 hours of training (up 21% from FY2022) which works out to around 13.3 training hours-per-worker. Even-though we do not have any affirmative policy on training, we do have more female trainees in each of the last 3 years despite being the minority. See Chart-1.

We consistently seek feedback from function-heads and workers on these training programs to ensure continued relevance and effectiveness.

To help college graduands' transition into the labor-pool, we offer paid internship in selected disciplines for on-the-job attachments to build practical experience. For the current FY2023, we took in 23 interns of various disciplines.



Typical classroom styled training sessions

1.2.5 Anti-Corruption or Fraud

Zero Tolerance for Corruption

The Group's labour practices mandate core values of integrity, fairness, and accountability—and is strictly against any acts of corruption or fraud. Specifically, the Group mandates strict compliance with the Malaysian Anti-Corruption Act and the various capital market rules & guidelines on conduct and conflict-of-interest. All personnel are mandated to attend indoctrination and refresher training every two to three years on this core practice. In this regard, 100% of the workforce have attended training in this area.

Senior personnel and those in positions exposed to such risks are encouraged to sign pledges to uphold compliance. On this, we have received 100% pledges. All significant suppliers and service providers are also notified in writing of the Group's anti-corruption practice, and the avenues to report any impropriety directly to our senior independent director. Our internal and statutory auditors are also mandated to carry out checks and red-flag gaps as part of their scope. There were no cases of complaints or allegations of corruption or fraud received, notified, or uncovered in the current period (or the past).

D) PEOPLE & THE COMMUNITY

….Continue

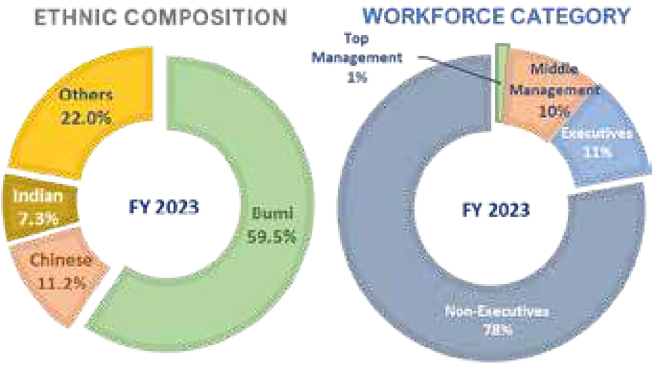
1. *TEAMMATES ….cont'd*

1.3 Diversity & Non-Discrimination

Notwithstanding the existence of national affirmative-action policies, our policy mandates fair and equitable treatment for all workers transcending race, religion, and gender (within social norms) - including a work environment free of discrimination and harassment.

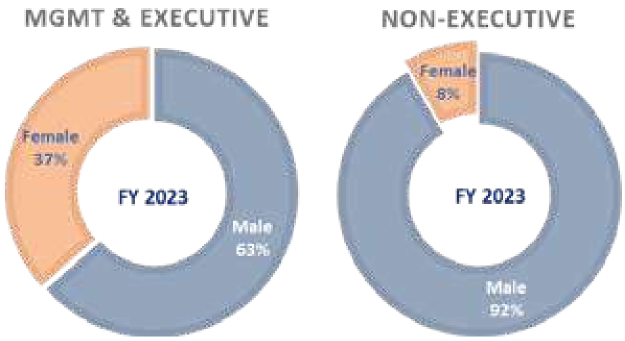
To ensure our operations function consistently at high ethical standards, the Group provides a framework for anonymous feedback and complaints. We have not had any reported incidences of discrimination or harassment in the current (or recent past) financial period.

The Group has a good mix of ethnic diversity mirroring the racial mix of the country coupled with foreign workers of three nationalities. Besides the numerous benefits of having a multicultural workforce, ethnic diversity also accords us flexibility in job-order planning during various festive-holidays. Race-relations are good and seamless.



The Group has a typical bottom heavy workforce categorization. Staffing in each category is almost never based on affirmative targets but on merits (i.e. experience, education, skill sets, personal attributes). Nevertheless, we have a good 37% female gender representation in the management & executive categories. Understandably, female representation in the 'non-executive' category is low since these are mainly factory jobs.

The Group's workforce have a normal 'bell' shape age-group distribution where around 26% have been with the organization for more than 20 years. We do not discriminate against aging workers with early retirement or severance options. On the contrary, we offer contracted-employment for post-retirement-age staff when circumstances merit.



Our remuneration structure is guided by a 'job-classification & pay-scale' framework benchmarked to market, and supplemented by a merit-scoring system (i.e. achievements, overall performance, certifications, ... etc). At the lower-end of the pay-scale, it exceeds the minimum-wage; whilst at the top-end, it is reviewed and endorsed by the Remuneration Committee of the Board. Annual performance appraisals are carried-out to manage progression in a fair and systematic manner.

Typical multi-racial functions

D) PEOPLE & THE COMMUNITY

….Continue

2. COMMUNITY & LOCAL STEWARDSHIP

We are an extension of the communities where we operate, as we depend on it for labor and a wide range of amenities and essential services. Based on our assessment and as evident by the absence of complaints, our operations do not have any actionable negative social or environmental impact on the local communities. Hence, our engagement with the communities is principally focused on achieving positive social outcomes rather than for remedies. Guided by that, engagement plans and activities are decentralized, and are executed by staff volunteers at the respective operations.

The general approach is to establish rapport with local community-heads, association chiefs, local councils, and alike to better understand local developments, vulnerable groups, their needs and grievances. Through that, we can better gauge and prioritize our social and environmental responses to the communities.

For the current period, we carried out eleven engagement-activities with selected local communities, vulnerable groups and organizations, expending RM62,640 in the process which directly benefited around 690 recipients. Below is an extract of those activities carried out.

What we are not.

We do not hold ourselves out on philanthropic work with shareholders' funds as we believe such activities are best left to shareholders.

Each year, we receive hundreds of solicitations for monetary donations and contributions, which largely go unfulfilled.

Visitation and donation of goods & cash to old-folks in charity-run home for the poor.

Sorting out essential goods donation for flood victims in Chaah, Johor.

Direct Donation & Sponsorship to Charitable Organizations.

THE BUDIMAS CHARITABLE FOUNDATION

BULAN SABIT MERAH MALAYSIA · MALAYSIAN RED CRESCENT

REFSA Research For Social Advancement

Joint spring-cleaning & feast reception with local public housing residents.

Sponsored Signboards & air-conditions for a local community mosque.

Another community get together feast.

Dedicated staff-voluntary team mobilizing with goods & food donation for under-privileged children.

Task Force on Climate-related Financial Disclosure (TCFD)

TCFD is developed around four core elements and recommendations (i.e. on Governance, Strategy, Risk Management, Metrics & Targets.)
Our disclosures herein are in chronological-order of those.

TCFD Recommendations	Our Response
On GOVERNANCE	
i. Describe the Board's oversight of climate-related risks and opportunities	The Board's oversight on the matter is exercised through its Risk & Sustainability Committee (RSC) led by its independent non-executive directors with sitting members from the Group's C-Suite executives (i.e. comprising of the CEO, CFO, and COOs). The RSC sets the framework and supporting policies to address climate-related issues of the Group. This include approving or reviewing strategies, objectives, and targets & goals - along with the executives. In each sitting, the RSC will review updates on climate related risks & opportunities and initiatives (on-going and to be taken) to address the aforementioned. The RSC convenes quarterly.
ii. Describe Management's role in assessing and managing climate-related risks and opportunities	Each C-Suite executive plays complementing functional role, and they meet periodically to drive the management's role in this area via an executive-committee (EXCO) and operation-level management-committees (MANCO). Together, they are responsible for setting the Group's strategies, objectives, and targets & goals in managing climate issues. The Group's Chief Executive Officer (CEO) provides overall stewardship and guidance in steering the management's direction and progress. The Group's Chief Financial Officer (CFO) provides oversight on disclosure requirements & compliance, benchmarks & best-practices, financial inputs, measurement & control on climate issues. The Chief Operational Officer (COO) leads the assessment, reporting measures & KPI-targets, projects initiation, and the day-to-day management of climate-issues at the respective operation/ business-unit level. The EXCO and MANCO convene monthly.

Task Force on Climate-related Financial Disclosure (TCFD) .... Cont'd

TCFD Recommendations	Our Response
On STRATEGY	
i. Describe the climate-related risks & opportunities the organization has identified over the short, medium, and long term	Climate issues are viewed in the time-frame of short (0-2 years), medium (2-5 years), and long (beyond 5 years). In our climate issues assessment, we have considered risks associated with regulations, legal, technology, market, reputation, acute & chronic physical; and their substantive financial or strategic impact (if any). In considering those risks, we have also assumed possible relevant scenarios. **Transition Risks** In the short-term, we do not foresee any material transition risk other than rising expectation for clarity on decarbonization path. In this regard, the Nation has just released part-1 of its net-zero carbon roadmap. We are not impacted by EU's cross border carbon tax coming into force in August 2023. However, in the medium to long-term, the following risks may arise: • Local Carbon Tax might be implemented considering that the domestic voluntary carbon exchange market inaugurated in March 2023 is growing. If our carbon footprint is not significantly reduced by then, we might be compelled to buy carbon-credits for offset or pay carbon-tax (if implemented). However, we assessed that the probability of this happening remains low. • We are near the point where all technically and economically viable initiatives/investments in renewable energy and green-energy production equipment/ machinery are being exhausted. For instance, we are reaching the point where we cannot to further expand our solar energy footprint due to the domestic power utility company's limitations on the grid load-fault tolerance; its limited quota on net-metering scheme; and its limited quota on 'corporate green power programme'. The nation's Energy Transition Roadmap's outlined renewal energy projects will take some time to materialize. In the interim, consumers' access to affordable renewable energy in the medium term would be limited. The (strategic impact and financial) costs relating to these medium-long term risks cannot be reasonably quantified at this juncture due to the uncertainties on the variables involved. **Physical Risks** All our four factories are located in Shah-Alam district, within 18 km radius to West Port-Klang at sea-level. Our factories' lowest elevation is 8 meters above sea-level whilst the highest is at 22 meters. In the short-term, we face risks on property damage and business stoppage due to flash floods and thunder-storms. At the other extreme-end of drought and heatwave, we also face the possibility of production stoppage due to water & power-supply interruptions. Whilst none of the aforementioned physical risks had crystallized in the last 24 months, these had happened before albeit sparingly. However, these risks are covered by insurance. Nevertheless, if global warming continues with the current trajectory (breaching the lower and upper limits of temperature rise under the climate control protocol), the frequency and intensity of these risks crystallizing would increase in the medium-long term. It is also very likely that insurance coverage for these risks would be increasingly difficult or costly to procure in the medium-long term. It is difficult to forecast the strategic impact and financial costs arising from the crystallization of these risks. On a worst case scenario of 1-foot of flood-water immersing our lowest elevation factory, it could result in 20% impairment-loss on inventory and 20% damage-loss on plant & equipment. Based on the carrying value of these as at the close of the current financial period, the financial loss could total to RM 70 million. On another worst-case scenario of complete operational shutdown due to these physical risks, the Group could potentially lose around RM1.2 million per week. **Opportunities** In the short term, we are still optimizing the opportunities to secure more renewable energy and attain higher energy-efficiencies. In the last 12 months, we have contracted to expand SOLAR power in one of our plant to the maximum allowed of 526 kWp. We have also subscribed for the domestic Power-Utility's limited 'Green Electricity Tariff' allocation of around 180,000 kwh/month. We have also applied to participate in 'corporate green power programme' via Virtual Power Purchase Agreements; and are seeking out for more. In the medium-long term, if the authorities fail to create more renewable energy options at economically feasible prices, we may have to consider investing in external 'certified emission reduction' projects (for carbon-credits) and/or next-level energy-efficient initiatives or energy-storage-systems to reduce our carbon footprint.

Task Force on Climate-related Financial Disclosure (TCFD) .... Cont'd

TCFD Recommendations	Our Response
On STRATEGY .....Cont'd	
ii. Describe the impact of climate related risks and opportunities on the organization's business, strategy, and financial planning	<u>**Business & Strategy**</u> • ***Carbon-Zero Roadmap:*** Our roadmap remains preliminary and laden with assumptions until the Nation executes its carbon-neutral plans, as our strategy and approach hinges on the nation's policies, initiatives, and investments in renewable energy. The limited renewable energy offerings by the sole power utility company constrained by its legacy coal-fired powerplants and grid load-tolerance is a hurdle for businesses' pace of renewable energy adoption. As such, we expect frequent changes and adaptational in our journey towards carbon-zero. • ***Supply-Chain:*** We have tightened assessment & review of key suppliers to ensure decarbonization efforts are progressing according to their disclosed plans. We are also assessing the resources and supporting system required to capture Scope-3 carbon footprint in the future as part of our continuous vendor-assessment program. • ***Investments:*** Policy on new vehicle procurement gives priority to EV or PHEV. To meet decarbonization target, we may be compelled to explore investments in 'Certified-Emission-Reduction' projects which are beyond the scope of our business. • ***Operations:*** We have aligned our net-zero goal with the Nation's carbon-neutral target by 2050. For the mid-term target, we set to reduce our carbon footprint by 40% (from 2020 base) by 2040. <u>**Financial Planning**</u> • ***Revenue*** We have not noticed any material change in customers' buying behavior tied to concern on climate issues. We assessed that our products remain relevant in the Nation's transition to a low-carbon economy. We also noted that customers are price inelastic and are unwilling to pay any premium for greener steel products. In that regard, we do not expect any significant change in demand or pricing linked to climate-change that would impact our revenue. • ***Operating Expenditures & Bottomline*** In the Nation's carbon-neutral transition, we expect fossil-energy cost to gradually increase (as subsidies are gradually cut), whilst more green energy options would be offered to consumers at higher cost (to recoup capital investments in renewable energy which is estimated to cost the nation RM637billion up till 2050). Decarbonization will likely come at a higher operational cost that will hit bottom-line, unless these can be passed on to customers. • **Assets & Capital Expenditure** Whilst we do not have any carbon-intensive capital assets, we do have decades old production-equipment that are energy intensive. We estimate that more than 30% (in value) of our depreciable capital assets would be due for replacement in the years leading up to 2050- which would make room for more energy efficient alternatives. We also envisage the need to allocate CAPEX for renewable energy storage solutions (when these become economically feasible) to support long-term zero-carbon goal.

Task Force on Climate-related Financial Disclosure (TCFD) .... Cont'd

TCFD Recommendations	Our Response

On STRATEGY .....Cont'd

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<td>iii. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</td>
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In the absence of any impact assessment at the upper-limit 2°C above pre-industrial levels scenario in Malaysia, we adopted probable worse-case assumptions to stress-test the resilience of our strategies. That stress-test scenario assumes (i) frequent & intense flashfloods causing disruption to production/business (i.e. logistic cut, absenteeism,..etc); (ii) sea-level rise by 1 meter; (iii) frequent & intense heatwave and drought leading to water cuts; & (iv) jump in cost-of-living (i.e. shortage in food and other essentials). Results of that analysis on the resilience of our strategies are:

• Physical Assets
To prevent floods from occurring at our factory (which have ground-level machinery and inventory), we have installed water retention & rain harvesting systems, built embankment, and supplemented with emergency water pumps. These have been proven to be effective in dealing with the great-floods of 2020. We assessed that these measures will continue to be effective under the stressed scenario.

• Production Stoppage & Emergence Response
Although floods on premises could be prevented, production stoppage is likely to occur if people-commute and goods transportation are immobilized by floods. Production stoppage could also occur due to prolonged water-supply cut arising from drought. However, the risk of these on the Group is mitigated by the fact that its manufacturing operations are dispersed in four locations at different sea elevation served by different routes. Based on the factories' geographic peculiarities, we assessed that it's unlikely production stoppage will occur concurrently at more than one location. The Group has built (and tested) its strategic and financial resilience to deal with similar emergencies over the COVID-Pandemic years where the entire Group and a large section of its industrial-consumers, were subjected to state-wide shutdown over two occasions totalling 18 weeks. The Pandemic's devastating impact (as experienced) could match-up to the worst of climate emergency scenario.

• Cost of Emission vs Cost of Carbon-Neutral
Over time, we envisage the cost of carbon emission is likely to rise whilst the cost to decarbonize (e.g. renewable energy) is likely to become more economically attainable (in tandem with advances in technology & solutions, and utility-of-scale). Decarbonization would accelerate when the latter prevails. Our strategy is to maximize decarbonization where opportunities to do so economically are present; and, to close-off the remaining gap in a paced-manner in-line with external developments. We believe our carbon-neutral goal by 2050 can be met.
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Task Force on Climate-related Financial Disclosure (TCFD) .... Cont'd

TCFD Recommendations	Our Response
On RISK MANAGEMENT	
i. Describe the organization's processes for identifying and assessing climate-related risks	Our approach to climate risks identification & assessment is similar and in-conjunction with our sustainability risk identification and materiality assessment (see page 4)- which are integrated into the Group's risk management framework. **Identification** Identification process is year-round, situational (i.e. based on contemporary developments), and duly embedded into our governance process. To ensure timely and comprehensive identification, we promote subject matter awareness and updates on climate change issues & developments at global level (e.g. UN's Intergovernmental Panel on Climate Change & The World Meteorological Organization) and at national level (e.g. Ministry Of Natural Resources, Environment And Climate Change; & Sustainable Energy Development Authority). In a top-down approach, the Board and Management team constantly identify and review transition and physical risks relating to climate-change. **Assessment** The Board and Management Team also routinely undertakes systematic assessment of material transition and physical risks relating to climate-change affecting the Group. In this regard, the management through its various committees, work-groups, and functional conducts periodic qualitative and quantitative measures and assessment (i.e. emissions, renewable energy, recycling..etc) which could include external benchmarks.
ii. Describe the organization's processes for managing climate-related risks	Climate-related risks and opportunities are prioritized based on their importance to the Group and to the relevant Stakeholders (i.e. authorities, people, investors, bankers). On opportunities or solutions (in addressing material climate risks) involving significant resource outlay, we consider the 'economics' dimension in shaping our response. The management works closely with the Board's Risk & Sustainability Committee in driving timely strategic response to managing climate issues. Responses are generally executed by internal functions along with appointed 3rd party solution providers. Progress and KPIs are measured and reported periodically for accountability, control, and (regulatory) disclosures.
iii. Describe how processes for identifying, assessing, and managing climate related risk are integrated into the organization's overall risk management	As mentioned, the entire process is similar and is in-conjunction with our sustainability governance (see page 4)- which are integrated into the Group's risk management framework. The Group's Risk & Sustainability Committee (represented by independent non-executive directors and C-Suite Executives) has overall 'risk & sustainability' oversight responsibilities – which include climate-change issues. At the management level, its Executive Committee (EXCO) and operations' Management Committee (MANCO) exercise stewardship and executory roles on all 'risk and sustainability' matters. Despite the same framework, structure, and processes, 'climate issue' is managed as a distinct subject matter in reflection of its prominence.

Task Force on Climate-related Financial Disclosure (TCFD) .... Cont'd

TCFD Recommendations	Our Response
On METRICS & TARGETS	
i. Describe the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy & risk management process	We provide annual disclosure on climate-related metrics such as Scope-1 & 2 carbon footprint; fossil-energy & grid-electricity usage; and renewable energy generated (own-used and sold) in our annual Sustainability Report. Our climate-related metrics are usually measured as per-unit-of-output, since emissions or energy consumptions are correlated with production output volume. Our production output volume could fluctuate significantly from year-to-year in response to demand/sales.
ii. Disclose Scope 1, Scope 2, and, if appropriate Scope 3 greenhouse gas (GHG) emissions, and the related risks	Please refer to page-7 on the disclosure of our Scope-1 & 2 carbon-footprint. We are unable to reliably measure and provide Scope-3 disclosure due to the complexity involved in our supply-chain which entails cross-border supplies. Besides the significant resources need to undertake such an exercise, many of our suppliers are unable to provide reliable disclosure of their GHG emissions.
iii. Describe the targets used by the organization to manage climate-related risks & opportunities & performance against targets.	We are committed to net-zero carbon by 2050 in-line with National goal. See page-6. From a 2020 baseline, we aim to reduce our carbon-footprint by 9% every 3 years through transition to renewable energy, reduction in energy consumption from efficiencies, and off-sets with green-credits on residuals. Our preliminary roadmap on page-8 of the main report visualizes our journey. Even-though we cannot reliably measure Scope-3 emission, we have set it a target to engage our key suppliers annually to attain visibility and review of their decarbonization progress.

End

E) **ANNEXURE II**

SUMMARY of Data & Performance Targets on Common Sustainability Matters (CSMs)

These CSMs are addressed in the chronological order as laid-out in BURSA Malaysia's amendments to Practice Note 9 on enhanced sustainability reporting.

CSM Title	GRI Ref	Measures/ Indicators	Performance Target	Actual Performance FY21	Actual Performance FY22	Actual Performance FY23	Page Reference
1. Anti-corruption	205	% attended awareness training	100%	50	100	100	Page 14 Para 1.2.5
		% attended refresher every 2-3 years	open	0	0	100	
		% signed pledge by senior personnel & position exposed to such risk	100%	0	80	100	
		Number of complaints/ allegations received	open	0	0	0	
		Number of confirmed violations	zero	0	0	0	
2. Community / Society	413	Number of complaints received relating to community	open	0	0	0	Page 16
		Number of confirmed & outstanding issues	zero	0	0	0	
		Number of community/ social programs/ engagements	> 5	0	9	11	
3. Diversity	405	% of workers by gender, ethnicity & age group	healthy mix & minimize concentration risk		met		Page 15 Para 1.3
		% of directors by gender & age group	at least 1 female director; age < 76		met		
4. Energy Management	302	Net energy consumption per tonne output (mega-joules/tonne)	<1,400	1064	1442	1380	Page 9 Para 2.1
		Renewable energy to total energy consumption (%)	> 5%	1.44	4.92	8.56	
5. Health & Safety	403	Lost time injury frequency rate (#of cases/200,000 manhours)	< National Rate (2.11)	1.69	1.95	1.75	Page 12 Para 1.1
6. Labor Practices & Standards	402	% of workforce that are contractors	open	23.3	20.3	22.4	Page 13&14 Para 1.2
	404	% of workforce that are foreign-workers	open	17.3	19.7	21.8	
	407	Workforce turnover rate (%)	< National Rate (24%)	12.3	11.3	13.3	
	408	Number of labor, human-rights, or union complaints	zero	0	0	0	
	409	Number of substantiated labor, human-rights, or union violations	zero	0	0	0	
	412	Training hours per worker	open	3.3	11.3	13.3	

SUMMARY of Data & Performance Targets on Common Sustainability Matters (CSMs) ..... Cont'd

CSM Title	GRI Ref	Measures/ Indicators	Performance Target	Actual Performance FY21	Actual Performance FY22	Actual Performance FY23	Page Reference
7. Supply Chain Management	204 308 414	• % spending on local suppliers (exclude procurement of raw steel material & equipment where there are no comparable local alternatives) • % suppliers subjected to social & environmental impact assessment/ review (applies only to key suppliers with total transaction value > RM500K/year)	> 70% 100%	77 67	75 73	80 80	Page 3 Page 19
8. Data Privacy & Security	418	• Number of substantiated complaints concerning breaches of customer privacy and losses of customers data	zero	0	0	0	Immaterial & Not Covered
9. Water	303	• Net water consumption per tonne output (Litres/Tonne)	< 400	335	601	662	Page 10 Para 2.2
10. Waste Management	306	• Waste disposal to refuse or landfills over total waste generated (%) • Total waste generated per tonne of output (Kg/Tonne)	< 5 < 70	1.17 68.94	1.88 57.99	2.28 55.61	Page 11 Para 2.3
11. Emissions Management	305	• Scope 1 emissions of CO2 (Tonnes) • Scope 2 emissions of CO2 (Tonnes) • Scope 1 & 2 emissions of CO2 per tonne of output (Kg/Tonne)	<8,500 <12,000 <100	8,679 16,685 97	9,183 12,634 115	6,737 9,010 107	Page 6-8 Para 1.3&1.4

End