MELEWAR INDUSTRIAL GROUP BERHAD

(8444-W)

ANNUAL REPORT 2007

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NOTICE IS HEREBY GIVEN that the Thirty-Eighth Annual General Meeting of the Company will be held at The Auditorium, Podium 1, Menara MAA, No. 12 Jalan Dewan Bahasa, 50460 Kuala Lumpur on Wednesday, 31 October 2007 at 4.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the period from 1 February 2006 to 30 June 2007 together with the Reports of the Directors and Auditors thereon.

2. To approve the payment of a first and final tax-exempt dividend of 6% in respect of the financial period ended 30 June 2007. (Resolution 1)

3. To approve the payment of Directors' fees amounting to RM1,000,000 in respect of the period from 1 July 2007 to 31 December 2008 to be payable quarterly in arrears. (Resolution 2)

4. To consider and if thought fit, to pass the following resolutions pursuant to Section 129 (6) of the Companies Act, 1965:

   (i) "That Tunku Tan Sri Abdullah ibni Almarhum Tuanku Abdul Rahman who is retiring pursuant to Section 129 (6) of the Companies Act 1965 be and is hereby re-elected as Director of the Company to hold office until the next Annual General Meeting." (Resolution 3)

   (ii) "That Dato' Jaffar Indot who is retiring pursuant to Section 129 (6) of the Companies Act 1965 be and is hereby re-elected as Director of the Company to hold office until the next Annual General Meeting." (Resolution 4)

5. To re-elect the following Directors of the Company who are retiring pursuant to Article 95 of the Company's Articles of Association, and who, being eligible, offer themselves for re-election:

   (i) Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah (Resolution 5)
   (ii) Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah (Resolution 6)
   (iii) Mr Terence Francis Mahony (Resolution 7)

6. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 8)

AS SPECIAL BUSINESS

7. To consider and, if thought fit, to pass the following resolutions as Ordinary/Special Resolutions:

   (a) Authority to allot and issue shares pursuant to the Employees' Share Option Scheme ("ESOS") (Resolution 9)

   "THAT pursuant to the Company's ESOS as approved by Ordinary Resolution passed at the Extraordinary General Meeting of the Company held on 21 November 2003, the Directors of the Company be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 to allot and issue shares of the Company from time to time in accordance with the Scheme."

   (b) Proposed Renewal of authority for the Company to purchase its own shares (Resolution 10)

   "THAT subject to compliance with Section 67A of the Companies Act 1965, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by any relevant authority, the Company be and is hereby unconditionally and generally authorised to purchase and hold such number of ordinary shares of RM1 each in the Company ("Proposed Renewal of Share Buy-Back Authority") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that the aggregate number of shares to be purchased pursuant to this Resolution does not exceed ten percent (10%) of the issued and paid-up share capital of the Company and that an amount not exceeding the Company's total audited retained profits of RM80,926,483 as at 30 June 2007 would be allocated by the Company for the Proposed Renewal of Share Buy-Back Authority.

AND THAT such authority shall commence immediately upon passing of this ordinary resolution and will expire at the conclusion of the next Annual General Meeting of the Company unless earlier revoked or varied by ordinary resolution of shareholders of the Company in a general meeting or upon the expiration of the period within which the next Annual General Meeting is required by law to be held whichever is the earlier but not so as to prejudice the completion of purchase(s) made by the Company before the aforesaid expiry date.

AND THAT the Directors be and are hereby authorised to take all steps necessary to implement, finalise and to give full effect to the Proposed Renewal of Share Buy-Back Authority and further that authority be and is hereby given to the Directors to decide in their absolute discretion to either retain the shares so purchased as treasury shares or cancel them or both."

(c) Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") (Resolution 11)

"THAT the mandate granted by the shareholders of the Company on 22 June 2006 pursuant to paragraph 10.09 of the Listing Requirements of Bursa Securities, authorising the Company and its subsidiaries ("the MIG Group") to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for the MIG Group's day-to-day operations as set out in Section 3.0 of Part B of the Circular to Shareholders dated 9 October 2007 ("the Circular") with the related parties mentioned therein, be and is hereby renewed AND THAT mandate be and is hereby granted by the shareholders of the Company to apply to the additional recurrent related party transactions of a revenue or trading nature as set out in Section 3.0 of Part B of the Circular with the related parties mentioned therein, provided that:

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

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

(c) disclosure will be made in the annual report providing the breakdown of the aggregate value of the transactions conducted pursuant to the mandate during the financial year, amongst others, based on the following information:

  (i) the type of the RRPTs made;
  (ii) the names of the related parties involved in each type of the Recurrent Transactions made and their relationship with the Company.

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

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

(ii) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Companies Act 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

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

which ever is earlier.

AND THAT the Directors of the Company be and are hereby 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."

(d) SPECIAL RESOLUTION 1

Proposed Amendments to the Articles of Association of the Company (Resolution 12)

"THAT, the deletion, alterations, modifications and/or additions to the Articles of Association of the Company as set out under Section 1.0 of Part C of the Circular to Shareholders of the Company dated 9 October 2007 be and are hereby approved and adopted."

NOTICE OF CLOSURE OF BOOKS

NOTICE IS ALSO HEREBY GIVEN that the Register of Members will be closed at 5.00 p.m. on 9 November 2007 for the purpose of determining shareholders' entitlement to the first and final tax exempt dividend of 6% in respect of the financial period ended 30 June 2007.

The dividend, if approved, will be paid on 30 November 2007 to shareholders whose names appear in the Register of Members of the Company at the close of business on 9 November 2007.

A depositor shall qualify for entitlement only in respect of:

(a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 9 November 2007 in respect of ordinary transfers;

(b) shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

LILY YIN KAM MAY (MAICSA 0878038)
SOON LEH HONG (MIA 4704)
Company Secretaries

Kuala Lumpur
9 October 2007

NOTES:

1. A member entitled to attend and vote at a meeting of the Company is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.
2. A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 may appoint one (1) proxy in respect of each securities account.
3. The instrument appointing a proxy, shall be in writing under the hand of the appointer or his attorney duly authorised in writing, and in the case of a corporation, either under seal or under hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at the Company's Registered Office, Suite 20.03, 20th Floor, Menara MAA, No.12 Jalan Dewan Bahasa, 50460 Kuala Lumpur, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
5 Any alteration in the form of proxy must be initialled.
6. Explanatory notes to Special Business of Agenda 7:

   (a) Authority to allot and issue shares in general pursuant to Employees' Share Option Scheme ("ESOS")
   On 21 November 2003, the shareholders of the Company had approved the ESOS. The purpose of this ordinary resolution is to enable the Directors of the Company to allot shares to those employees and Executive Directors who have exercised their option under the Company's ESOS.

   (b) Proposed Renewal of authority for the Company to purchase its own shares
   The Proposed Resolution 10, if passed, would empower the Directors to exercise the power of the Company to purchase its own shares ("the Proposal") by utilising its financial resources not immediately required. The Proposal may have a positive impact on the market price of the Company's shares. The details of the Proposed Resolution 10 are given under Part A of the Circular to Shareholders dated 9 October 2007 which is dispatched together with the Company's 2007 Annual Report.

   (c) Proposed Shareholders' Mandate for Recurrent Related Party Transactions
   The Proposed Resolution 11, 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.

   The detailed information on Recurrent Related Party Transactions is set out in Part B of the Circular to Shareholders of the Company dated 9 October 2007 which is dispatched together with the Company's 2007 Annual Report.

   (d) Special Resolution 1 - Proposed Amendments to Articles of Association of the Company
   The Proposed Resolution 12, if passed, will update the Articles of Association of the Company to ensure continued compliance with the Listing Requirements of Bursa Securities and to further enhance the administration of the internal affairs of the Company as well as to streamline and add clarity to the Articles of Association.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad, the details of the Directors who are seeking for re-election or re-appointment in Agenda 4 and 5 of the Notice of the Thirty-Eighth Annual General Meeting of the Company are set out in the Directors' Profile on pages 19 to 25 of this Annual Report. Their securities holdings in the Company are set out in the Directors' Shareholdings which appears on page 31 of this Annual Report.

On behalf of the Board of Directors, I am pleased to report that the Melewar Industrial Group Berhad Group (the "Group") has achieved significant progress and recorded very impressive results for the period under review. This adds on another year to our impressive, unbroken track record of profits for 36 straight financial periods since inception in 1970 and our unbroken dividend record of 21 years since our listing on Bursa Malaysia in 1986.

FINANCIAL RESULTS

As a result of the change in financial reporting date, from 31 January to 30 June, this report encapsulates the financial results for the 17-month period, from 1 February 2006 to 30 June 2007.

For the period under review, the Group recorded a Group Turnover of RM810.2 million and generated an Operating Profit of RM201.6 million, with Net Profit Attributable to Equity Holders of RM104.8 million.

Of the RM201.6 million Operating Profit, it is worth noting that 70% or RM140.1 million, was contributed by the spectacular capital gains of our investment in Gindalbie Metals Ltd., an iron ore mining company, listed on the Australian Stock Exchange. Needless to say, the Board of Directors is very happy to report on these gains, but would prudently highlight, that these gains, have not as yet been realised, through sale of the Gindalbie Metals Ltd. shares.

As a result, the Board is pleased to report, that for this financial period, the Group's Earnings was a record 32.9 sen per share, with Net Tangible Assets increased substantially to RM2.56 per share.

BONUS ISSUE

During the period under review, the Share Capital base was increased to 226,227,011 ordinary shares, following the completion of a bonus issue of 56,287,131 new ordinary shares of RM1 each on the basis of 1 new ordinary share of RM1 each for every 3 existing ordinary shares of RM1 each. This exercise was completed on 28 February 2007.

DIVISIONAL PERFORMANCE

The Group is principally involved in 3 core business divisions, namely:
(1) Iron & Steel
(2) Power, Oil & Gas
(3) Engineering

As in previous years, this diversified income base has proven to be a successful strategy, and I am pleased to report the progress of the 3 core divisions, in the ensuing paragraphs.

IRON & STEEL DIVISION

The Group's Iron and Steel division is made up of the following companies:
(1) Melewar Steel Tube Sdn. Bhd. - Manufacturer of Steel Tubes and Pipes
(2) Mycron Steel Berhad - Manufacturer of Cold Rolled Coils Steel Sheets
(3) Melewar Steel Mills Sdn. Bhd. - Manufacturer of Steel Reinforcement Bars
(4) Gindalbie Metals Ltd. - Miner of Iron Ore in Australia

Industry Overview (Iron & Steel Division)

In the past few years, world steel prices have experienced much volatility, with the price of flat-steel products like Hot Rolled Coils ("HRC"), climbing from a low of US$200 per tonne in 2002, to an all time high of US$620 per tonne in 2005. Driven by China's economic expansion, demand for steel increased substantially, making China the largest importer of steel in the world.

That scenario came to an abrupt stop in mid-2005, when China's own steel generating capacity made her a net exporter of steel, resulting in a panic HRC price collapse down to US$450 per tonne.

Japanese and other world steel manufacturers reacted quickly, by reducing supply, through the exercise of plant shut-downs, for the much needed maintenance and overhaul works. Chinese authorities also took the opportunity to shut down inefficient steel mills, and pushed through mergers of state-owned steel mills, to stabilise their own supply and demand needs. This stabilised the markets for HRC, and checked the price fall by early 2006.

Coupled with the Chinese Government's moves to cut steel exports, through increased export taxation, HRC prices have recovered strongly, to the present level of US$550 per tonne.

In Malaysia, steel prices also collapsed in 2005, resulting in substantial inventory value write-downs across the industry. Demand for steel products also shrank, as customers delayed orders, to minimise inventory levels, in anticipation of further price falls. To make matters worse, the Malaysian domestic construction industry has undergone 3 years of negative year-on-year growth, due to the cancellation of many projects by the Government, which further depressed the domestic demand for steel.

Since 2006, domestic steel prices began its recovery, in line with international markets. Domestic HRC prices have increased by 19% in 2006 and 9.5% in 2007 thus, exerting significant pressure on the margins of manufacturers, who may not have been able to pass on the cost to customers.

Domestic demand for long-steel products, however, remained weak, with the still lethargic and almost stagnant construction sector being the cause. Low volumes and thin margins have been the bane for this sector of the steel industry.

On the other hand, domestic demand for flat-steel products, like Cold Rolled Coils ("CRC"), recovered strongly, as customers' inventory levels thinned, and production levels normalised back to pre-2005 levels. As the backbone to Malaysia's manufacturing base, CRC, which is used in the manufacture of durable and semi-durable goods like automobiles, drums, electrical and electronic products, has been enjoying healthy demand growth.

Steel tube and pipe makers, have had a mixed experience, with 50% of their output going to the construction industry, with the balance going to the automotive, electronic, furniture making and water sectors.

On the raw material side, the big 3 iron ore producers (i.e. CVRD, BHP and RTZ), who account for 80% of the world's iron ore exports, have managed to push the price of iron ore up by 72% in 2005, 19% in 2006 and 10% in 2007. Profits of iron ore producers have, as a result, been catapulted to super-normal levels.

This fundamental change in the cost of production of steel, whilst placing pressure on the margins of steel producers, has nevertheless ensured that steel prices will remain high for the foreseeable future.

The world steel making industry is currently enjoying strong profits, as they pass on costs to consumers, through strong price control mechanisms, following the creation of giant steel oligopolies, brought about by the recent consolidation of global steel producers (e.g. Mittal Arcelor, JFE Japan and Anshan China mergers).

Global demand for steel has been strong, with the main drive coming from BRIC (Brazil, Russia, India and China). As the world's largest consumer and producer of steel, China has introduced regulatory measures, to manage its domestic steel supply and demand imbalances, and control steel exports, thereby also stabilising international steel prices.

Steel Tube Operations (Melewar Steel Tube Sdn. Bhd.)

Since 2004, the Malaysian domestic construction industry has experienced 3 consecutive years of contraction, due to deferments or cancellations of mega projects. This construction slump where 50% of the Group's steel pipe products are sold, has resulted in considerable reduction of steel pipe demand.

Whilst the government dictates that pipe manufacturers have to source all their HRC feed materials from a single domestic steel supplier, at prices higher than the international norm, the authorities continue to allow cheap pipe imports from neighbouring ASEAN countries at preferential CEPT rates, which further exacerbates the already difficult domestic market.

Despite the above, the Group's Steel Pipe division generated a Total Revenue of RM364.3 million with Profit Before Tax of RM30.9 million for the period under review.

All parties within the industry are looking forward to the speedy implementation of the 9th Malaysia Plan which hopefully, will act as an impetus to the general recovery in the building and construction industry in Malaysia. In view of the current difficult market environment, the management continues to be prudent, and to maintain our stringent credit control policy. The Group has one of the best Trade Debtor to Sales ratio in the steel tube industry, of 65 days.

CRC Operations (Mycron Steel Berhad)

The Group's CRC operations achieved relatively strong revenue growth, which was bolstered by a recovery in the demand for CRC products to normal (pre-2005) levels. For the 17-month period ended 30 June 2007, the division recorded a Total Revenue of RM482.3 million.

In terms of production activity, the CRC operations produced 202,000 tonnes for the financial period under review. This represents an average capacity utilisation of 80%, with a current monthly output at 90% capacity utilisation. As a result, the CRC operations recorded a Profit After Tax of RM21.8 million for the financial period under review.

The CRC division has embarked on a RM120 million plant upgrade exercise, that will expand the quality and range of CRC products we offer, together with added production capacity of 45% (to 260,000 tonnes per year). This exercise will be completed in early 2008 and will add substantial profits to the Group, due to the added volume throughput as well as economies of scale savings.

The Group has set its focus on moving up the value chain and will be producing higher-quality CRC products that are not currently manufactured in Malaysia. Such products are currently being imported, at the level of 808,000 tonnes in 2006 (801,000 tonnes in 2005), and this presents an excellent opportunity for the Group to expand its market, through an import substitution strategy.

Our CRC operations have already shifted our product lines towards the higher-end market, via our 1st Technical Assistance Agreement with JFE Steel Corporation ("JFE"), a long term partner of our CRC business, to enhance our ability to produce thin-gauge CRC, used mainly by Steel Galvanizers. This technical assistance arrangement, which was completed in September 2006, has boosted our sales volume in this sector, to 8.0% of our product sales, from 1.9% in the previous financial year. The 2nd Technical Assistance Agreement with JFE, to produce automotive grade CRC, is progressing well, and upon completion, will position the Group as a domestic supplier of CRC for automotive, as well as Electro-Galvanizers, and other higher-end use.

The Group has secured 2 off-take agreements with strategic partners, to ensure consistent long-term sales; firstly, with our 20% associate company, PMP Galvanizers Sdn. Bhd. based in Kuching, for 75,000 tonnes per year; and secondly, with BlueScope (Malaysia) Sdn Bhd, which is part of the largest steel group in Australia, for 60,000 tonnes a year. It is therefore safe to say, that our added capacity, from the plant expansion and upgrade exercise, of 80,000 tonnes a year mentioned above, is 100% sold out.

Steel Reinforcement Bar Operations (Melewar Steel Mills Sdn. Bhd.)

The Group's Steel Bar operations, suffered setbacks in the first 3 quarters of 2006, due to the negative growth of the construction industry. As in previous years, rising raw material costs and volatile selling prices, remained key factors, in the profitability equation of the long-steel product industry. At the behest of the steel industry, the government agreed to raise the control price of steel bars in April 2007 by 20%.

Total Revenue for the Group's Steel Bar operations for the 17 months ended 30 June 2007 was RM34.4 million, mainly due to lower inter-mill trading activities. For the same financial period, the Steel Bar operations recorded a Loss Before Tax of RM6.7 million, largely attributable to testing and commissioning costs of the new billet plant as well as higher raw material and consumable costs, which in turn were due to external factors in particular, demand for alloys by big steel producing countries like China.

However, since the second half of 2007, Steel Reinforcement Bar prices have been on even keel, and thus, margins for the re-rolling mill have stabilised. I am pleased to inform that the scrap smelting and billet casting plant has recently commenced commercial production. With the introduction of lower cost raw material billets, the Steel Bar operations is expected to contribute profits in the future financial years.

Iron Ore Mining Operations (Gindalbie Metals Ltd.)

Gindalbie Metals Ltd. ("Gindalbie") which is listed on the Australian Stock Exchange, represents the Group's first significant investment, in its diversification strategy in 2004. Gindalbie is an Iron Ore mining company, with exploratory and mining rights over more than 2,000 sq. km of tenements, in the north of Perth, in Western Australia.

The present Iron Ore deposit, based on geologic studies and exploration drillings established to-date, has led Gindalbie to officially announce a 1.4 billion tonnes of Magnetite Iron Ore resource base, including a smaller Hematite Iron Ore deposit, at its Mungada tenement. Further studies are underway to confirm the resource base at other parts of their huge tenement.

Since 2004, the Group has cumulatively, a total of 74,087,009 shares, at an average cost of A$0.10 per share. This investment has been extremely rewarding, as the market price of Gindalbie has since soared to a, thus far, high of A$1.80 per share. Based on the market price of A$1.67 per share as at 30 August 2007, this investment translates into an unrealised capital gain of A$124 million (or RM350 million) for the Group.

Gindalbie's joint-venture development partner for the development of the tenements for the extraction of steel-making standard Iron Ore, is Anshan Steel Group ("Anshan"), the second largest steel maker in China. As part of phase 1, the joint venture partnership is targeting a production of 8.0 million tonnes of Magnetite Iron Ore, and 3 million tonnes of Hematite Iron Ore per year, commencing in 2008. Anshan has recently subscribed for a 15% interest in Gindalbie thus, cementing its commitment in this joint venture.

The demand for Iron Ore remains strong. Following the price hikes of 72% in 2005, 19% in 2006, and 10% in 2007, the industry anticipates further increases of between 10% to 25% for the next 3 years.

The Group is proud of this investment and aims to realise further value for shareholders in the near future.

Business Outlook (Iron & Steel Division)

Under the Malaysian Government's economic development program, in particular the 9th Malaysia Plan, the country will spend RM46.5 billion between 2006 and 2010 on the construction of bridges, roads, water and sewage systems.

In Malaysia, steel consumption, as released by the Malaysian Iron & Steel Industry Federation ("MISIF"), is expected to rise 7% from 2006 levels, and to register a total consumption of 7.6 million tonnes for 2007. Other analysts have predicted more optimistic growth numbers for steel consumption of 10% for both 2007 and 2008. These forecasts are very encouraging for our steel tube and CRC divisions.

Similarly, the Iron Ore industry's much expected price hikes, anticipated for the next 3 years, bodes well for our investment in Gindalbie.

POWER, OIL AND GAS DIVISION

The Group's activity in the Oil & Gas sector is principally conducted via its interest in the listed company, M3nergy Berhad and its group of companies. The Group's Power Generation activity is conducted via its interest in Siam Power Generation Company Ltd. ("SIPCO"). A report of the performance of this division is set out in the ensuing paragraphs.

Oil & Gas Operations (M3nergy Berhad)

The Group's associated company, M3nergy Berhad ("M3nergy"), which is listed on the Main Board of Bursa Malaysia, is principally involved in the Oil and Gas industry, via its interest in Floating Production Storage and Offloading ("FPSO") vessels. It currently owns one vessel, which is contracted to Petronas (located off-shore Terengganu), and operates another on behalf of Carigali-Triton, the Malaysian-Thai joint venture operator for gas fields north of Terengganu.

During the period under review, M3nergy's 54.5% subsidiary, Maveric Ltd. (formerly known as Total Automation Ltd) ("Maveric"), which is listed on the Singapore Stock Exchange, completed the sale of its entire business, together with its equity interests in its subsidiaries and associates, on 30 June 2006, for a cash consideration of S$120 million (RM276 million). A total of nearly S$90 million was distributed by Maveric as dividend; of which about RM108 million was received by M3nergy. As a company with S$32 million in cash and no core activity, the shares of Maveric have been suspended by the Singapore Stock Exchange, pending the company's entry into a, yet to be determined, new core activity.

For the 18 months ended 30 June 2007, M3nergy turned in a Net Profit After Tax of RM0.7 million, after accounting for an impairment loss of RM16.2 million for its investment in an associate company, Malaysian Merchant Marine Berhad ("MMM"), which is listed on the Main Board of Bursa Malaysia.

In a recent announcement made to Bursa Malaysia, M3nergy announced that it is in the midst of securing the disposal of its interest in MMM to a third party. This bodes well for M3nergy, as it enables M3nergy to focus on the Oil and Gas sector.

The outlook for the Oil and Gas sector remains promising as high crude oil prices continue to drive exploration, production and drilling activities, together with huge new facility investments and upgrades. There is rising demand for rigs, production platforms, FPSO vessels, and Floating Storage Offloading ("FSO") vessels, etc.

M3nergy has forayed into the international upstream Oil and Gas sector, for exploration, appraisal, development and production, with other oil and gas partners, as a lead to secure FPSO or FSO contracts, that such oil and gas fields will require. In this respect, M3nergy, in a 30% joint venture with Hindustan Petroleum, was awarded the Service Contract for oil field development by the Indian Government, for the Cluster 7 off-shore oil field, west of Mumbai in 2006.

In 2007, M3nergy was awarded the Production Sharing Contract ("PSC") in Indonesia for the Ujung Kulon oil and gas field, located south west of Java island. No production partner has been determined as yet for this field.

Both projects, Cluster 7 and Ujung Kulon, are currently undergoing geological and reserve proofing evaluation to determine the economic volume of oil and gas that can be extracted. The prospects are good, given that both fields had produced oil and gas in the past. Once such evaluations have been determined, with financing and joint venture partners secured, the production activities will begin, in 2009 and 2012 for Cluster 7 and Ujung Kulon respectively.

The Group is excited about the long term potential growth for M3nergy, and its value enhancement for the Group.

M3nergy will remain focussed on its goal of building and expanding its upstream Exploration and Production division together with its FPSO and FSO division. As M3nergy rides along with the wave of growth in the Oil and Gas industry, so too will the fortunes of the Group.

Power Operations (Siam Power Generation Company Ltd.)

The Group had on 30 December 2005, via its wholly-owned subsidiary, Mperial Power Ltd., entered into an agreement for the acquisition of 70% equity interest in Siam Power Generation Company Ltd. ("SIPCO"), for a cash consideration of US$23.0 million. The above exercise is still in progress pending the fulfilment of certain conditions precedent pertaining to power purchase off-take and is expected to be completed before end 2007.

SIPCO has a licence under the Small Power Producer ("SPP") generation program, which is under the purview of Electricity Generation Authority of Thailand ("EGAT"), to build, own and operate a 450 MW combined cycle power plant, in the SPP Industrial Park, Rayong Province of Thailand. The 1st phase involves the construction of a 185 MW combined cycle gas fired power plant, together with related transmission and distributions systems. The plant is expected to be in operation in 2009.

EGAT, as one of the principal power purchasers, has signed a 25-year Power Purchase Agreement ("PPA") at US$0.07530 per kWh tariff, and with foreign exchange and energy cost fluctuation clauses incorporated therein.

The interest in SIPCO represents the Group's first major step to be a significant power producer in the region. Accordingly, the Group has assembled a capable team of management and partners, with strong credentials to complete the project as well as to continue to seek out new strategic opportunities in this business sector.

Although the Power Generation sector will not contribute profits over the next 2 years, the Group recognises the potential of SIPCO's long term PPA concessions as a steady source of earnings, which will complement the Group's strategy to diversify its earnings base by the financial year 2010.

ENGINEERING DIVISION

The Engineering arm of the Group comprises its 70% interest in Melewar Integrated Engineering Sdn. Bhd. and other companies. I am pleased to report the following progress of this division:

Engineering Consultancy (Melewar Integrated Engineering Sdn. Bhd.)

The Engineering Consultancy operations has since the last financial year expanded and registered a Total Revenue of RM53.3 million and Profit Before Tax of RM1.6 million for the period under review.

Melewar Integrated Engineering Sdn. Bhd. ("MIE") has been instrumental in the managing and construction of the expansion of the CRC facilities of Mycron Steel Berhad, for which all civil works and auxiliary works have been successfully completed, and the final equipment installation has commenced. MIE has also started work on a Barite Grinding Plant in Labuan for M3nergy, with an expanded capacity of 60,000 tonnes per year. Apart from these, MIE is progressing in a few promising pre-engineering and project development work, for a client in the Iron and Steel industry, as well as a pellet plant feasibility study with a leading international company.

In addition, the Engineering Consultancy division, continues to pursue the Group's tender for the much publicised Penang Monorail project. Tender re-submissions are due in October 2007, as a result of the Government's request for an increased track length, and a concept change, from a Private Funding Initiative, to a 100% Government owned and funded project.

Steel Smelting Technology (Melewar Mycrosmelt Technology Ltd.)

Melewar Mycrosmelt Technology Ltd. ("MMTL") was incorporated in the previous financial year, to market its new scrap-smelting technology for the production of steel billets. The existing facility, which is operated by Melewar Steel Mills Sdn. Bhd. and located in Shah Alam, is in the process of being upgraded.

Pending the successful implementation of that upgrade, MMTL intends to license the use of this new technology, within and outside the Group.

The outlook for the engineering and consultancy business is positive with continuous buoyant steel market development, port development and the implementation of the various projects under the 9th Malaysia Plan of the Malaysian Government. The Group is keen to play a role in the implementation of this growth, and has placed its focus in MIE, to take on the challenges of these developments.

DIVIDEND

The Board of Directors had, on 28 August 2007 recommended a first and final tax exempt dividend of 6% in respect of the financial period ended 30 June 2007. This is subject to shareholders' approval at the forthcoming Annual General Meeting to be held on Wednesday, 31 October 2007. If approved, the final dividend will be paid on 30 November 2007.

APPRECIATION

On behalf of the Board of Directors, I would like to place on record our sincere appreciation to all our staff and members of the management team, for their unwavering commitment throughout another challenging financial period.

I would also wish to thank all our shareholders, customers, suppliers, business partners and the regulatory authorities for their continuing support and confidence in the Group.

36 years of unbroken profit track record is a major achievement for any corporation or business group. The fact that the Group has managed to achieve such a fantastic track record reflects well on the people of the Group, be they staff, clients, suppliers, directors or shareholders. Syabas and congratulations!

Tunku Tan Sri Abdullah Ibni Almarhum Tuanku Abdul Rahman
Chairman

26 September 2007

Domicile : Malaysia

Legal Form & Place of Incorporation : A public listed company incorporated in Malaysia under the Companies Act, 1965 and limited by shares

Directors :

Tunku Tan Sri Abdullah ibni Almarhum Tuanku Abdul Rahman
- Non-Independent Non-Executive Chairman

Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah
- Managing Director/Chief Executive Officer

Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah
- Non-Independent Non-Executive Director

Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah
- Non-Independent Non-Executive Director

Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah
- Independent Non-Executive Director

Dato' Jaffar Indot
- Independent Non-Executive Director

Datin Ezurin Yusnita binti Abdul Malik
- Non-Independent Non-Executive Director

Datuk Lim Kim Chuan
- Executive Director/Chief Operating Officer

Encik Azlan bin Abdullah
- Executive Director

Mr Terence Francis Mahony
- Independent Non-Executive Director

Mr Lee Ching Kion
- Independent Non-Executive Director

Secretaries :

Ms Lily Yin Kam May
Ms Soon Leh Hong

Audit Committee :

Mr Terence Francis Mahony
- Chairman

Dato' Jaffar Indot
- Member

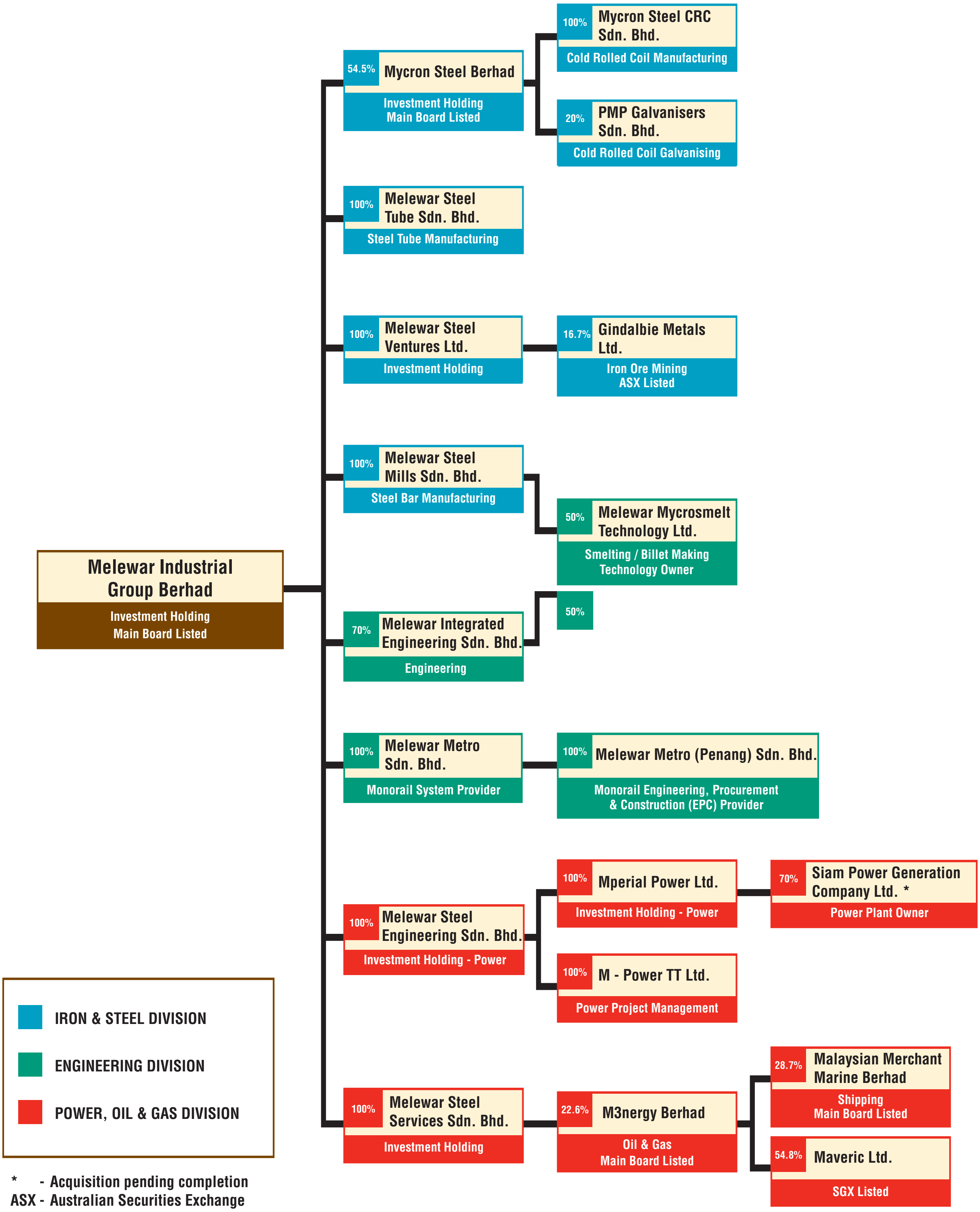
Datuk Lim Kim Chuan
- Member

Encik Azlan bin Abdullah
- Member

Mr Lee Ching Kion
- Member

Registrar & Transfer Office	:	Trace Management Services Sdn Bhd Suite 20.03 20th Floor Menara MAA No. 12 Jalan Dewan Bahasa 50460 Kuala Lumpur Telephone No: 03-2141 3060 Telefax No: 03-2141 3061
Registered Office	:	Suite 20.03 20th Floor Menara MAA No. 12 Jalan Dewan Bahasa 50460 Kuala Lumpur Telephone No: 03-2141 3060 Telefax No: 03-2141 3061
Principal Place of Business	:	Lot 53 Persiaran Selangor 40200 Shah Alam Selangor Darul Ehsan Telephone No: 03-5519 2455 Telefax No: 03-5519 2033
Solicitors	:	Megat Najmuddin Leong & Co. 102 Jalan Bangsar 59200 Kuala Lumpur Telephone No: 03-2282 7277 Telefax No: 03-2284 3508 Cheang & Ariff 39 Court 39 Jalan Yap Kwan Seng 50450 Kuala Lumpur Telephone No: 03-2161 0803 Telefax No: 03-2161 4475
Auditors	:	Messrs PricewaterhouseCoopers (AF 1146) Level 8-15 1 Sentral Jalan Travers Kuala Lumpur Sentral 50470 Kuala Lumpur
Principal Bankers (In alphabetical order)	:	• Ambank Berhad • AmMerchant Bank Berhad • CIMB Bank Berhad (formerly known as Bumiputra-Commerce Bank Berhad) • DBS Bank Ltd. • Malayan Banking Berhad • OCBC Bank (Malaysia) Berhad • Standard Chartered Bank Malaysia Berhad
Stock Exchange Listing	:	Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities") Stock Number 3778
Website/E-mail	: :	http://www.melewar-mig.com enquiry@melewar-mig.com

COMPANY CORPORATE STRUCTURE
(AS AT 30 AUGUST 2007)



* - Acquisition pending completion
ASX - Australian Securities Exchange
SGX - Singapore Exchange Limited

CORPORATE OFFICE

(continued)

Our new Corporate Office at 17th Floor, Menara MAA displaying specimens of the range of products of the Group companies.....

LOCATION OF OPERATIONS

SHAH ALAM FACTORY OFFICE | **FACTORY 1** | **FACTORY 2**

FACTORY 3 | **FACTORY 4** | **FACTORY 5**

MYCRON FACTORY | **MELEWAR STEEL MILLS SDN. BHD. (billet plant)** | **MELEWAR STEEL MILLS SDN. BHD. (rebar plant)**

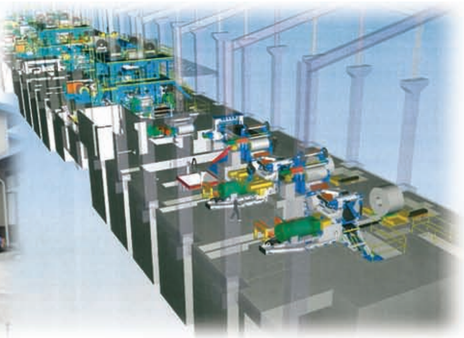
GINDALBIE METALS LTD.

KARARA IRON ORE PROJECT SITE

MYCRON STEEL CRC SDN. BHD. PLANT UPGRADE

Under construction

Completed building



Schematic of combined skin CRC processing line

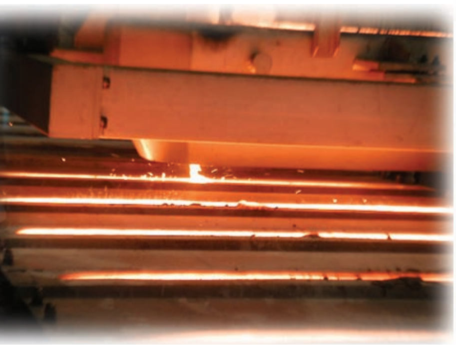
Tension leveller

Skinpass mill

Part of welder

MYCROSMELT BILLET PLANT

Smelting furnace



Billet casting

LABUAN BARITE PLANT

Under construction

CHIP MILL PLANT

POWER PLANT

Similar cogeneration plant

INFRASTUCTURE

Transmission towers

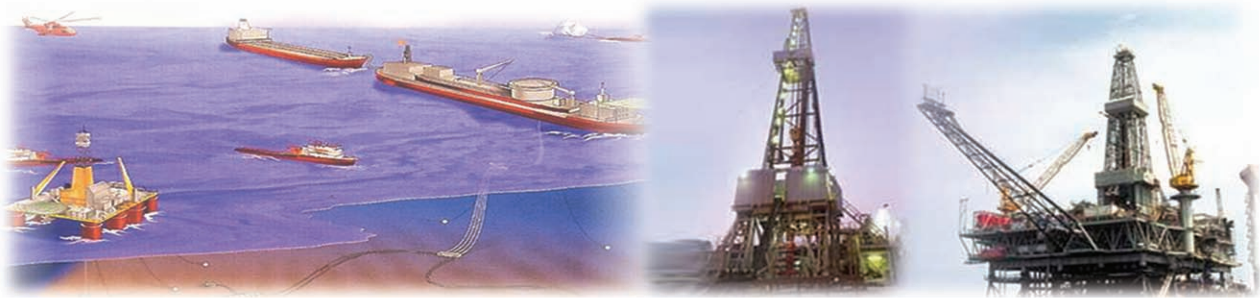
OIL AND GAS

FPSO, Perintis

FSO, Puteri Cakerawala

Barite rock

Crushed barite



Oil and gas field development

RECOGNITION

(continued)

No. Lesen : / Licence No.: PM012503

LESEN PENSIJILAN BARANGAN
Product Certification Licence

SIRIM QAS International Sdn. Bhd. dengan ini menganugerahkan kepada
SIRIM QAS International Sdn. Bhd. hereby grants to
MELEWAR INDUSTRIAL GROUP BERHAD
LOT 53, PERSIARAN SELANGOR
40200 SHAH ALAM
SELANGOR DARUL EHSAN

Lesen untuk menggunakan Tanda Pensijilan di atas barangan
a licence to use the Certification Mark on
STEEL TUBE FOR METAL SCAFFOLDING
(BLACK & GALVANIZED)

Please refer to detail in the SCHEDULE

sebagai mematuhi keperluan
as complying with

BS 1139:SECTION1.1:1990

Hj. Ab. Razak bin Salim
Pengarah Eksekutif
Executive Director
SIRIM QAS International Sdn. Bhd.

Dato' Dr. Mohd. Ariffin bin Hj. Aton
Pengerusi
Chairman
SIRIM QAS International Sdn. Bhd.

Tarikh Mula Pensijilan: / *Certified Since* : 05 October 2001
Tarikh Dikeluarkan : / *Issue Date* : 17 July 2007
Sah Sehingga : / *Valid Until* : 30 April 2008
No. Siri : / *Serial No.* : 8124

NO. PENDAFTARAN : / *Registration No.* : AR 0994

SIJIL PENDAFTARAN SISTEM KUALITI
Quality System Registration Certificate

SIRIM QAS International Sdn. Bhd. dengan ini mengesahkan bahawa
SIRIM QAS International Sdn. Bhd. hereby certifies that

MELEWAR INDUSTRIAL GROUP BERHAD
(INCLUDING MELEWAR STEEL TUBE SDN. BHD.)
SITE 3
LOT 10, PERSIARAN SELANGOR
40000 SHAH ALAM
SELANGOR DARUL EHSAN
MALAYSIA

telah melaksanakan Sistem Kualiti yang menepati
has implemented a Quality System complying with

MS ISO 9001 : 2000 Quality Management Systems - Requirements

Skop Pendaftaran
Scope of Registration

MANUFACTURE OF BLACK STEEL PIPES, SQUARE AND RECTANGULAR HOLLOW SECTIONS.

074

Hj. Ab. Razak bin Salim
Pengarah Eksekutif
Executive Director
SIRIM QAS International Sdn. Bhd.

Dato' Dr. Mohd. Ariffin bin Hj. Aton
Pengerusi
Chairman
SIRIM QAS International Sdn. Bhd.

Tarikh Mula Persijilan / *Original Certification Date* : 27 February 1997
Tarikh Dikeluarkan / *Issue Date* : 17 July 2007
Sah Sehingga / *Expiry Date* : 26 February 2009
No. Siri : / *Serial No.* : 2456

IQNet
THE INTERNATIONAL CERTIFICATION NETWORK

CERTIFICATE

IQNet and SIRIM QAS International Sdn. Bhd.
hereby certify that

MELEWAR INDUSTRIAL GROUP BERHAD
(INCLUDING MELEWAR STEEL TUBE SDN. BHD.)
LOT 53, PERSIARAN SELANGOR
40000 SHAH ALAM
SELANGOR DARUL EHSAN
MALAYSIA

has implemented and maintains a

QUALITY MANAGEMENT SYSTEM

which fulfills the requirements of the following standard

ISO 9001 : 2000

for the following field of activities

MANUFACTURE OF COLD-ROLLED, HOT-ROLLED AND ALUMINISED PIPES, SQUARE AND RECTANGULAR HOLLOW SECTIONS.

Issued on : 17 Jul 2007
Validity date : 26 February 2009

Certification Number : MY-AR 0994

René Wasmer
President of IQNet

Hj. Ab. Razak Bin Salim
Executive Director of SIRIM QAS International

SIJIL PENDAFTARAN SISTEM KUALITI
Quality System Registration Certificate

MELEWAR INDUSTRIAL GROUP BERHAD
(INCLUDING MELEWAR STEEL TUBE SDN. BHD.)
SITE 4
LOT 16, JALAN PENGAPIT 15/19
40000 SHAH ALAM
SELANGOR DARUL EHSAN
MALAYSIA

MS ISO 9001 : 2000 Quality Management Systems - Requirements

MANUFACTURE OF LIPPED CHANNELS, U-CHANNEL AND GATE CHANNELS.

27 February 1997
17 July 2007
26 February 2009

LESEN PENSIJILAN BARANGAN
Product Certification Licence

PM012501

PM012502

PM012505

MELEWAR INDUSTRIAL GROUP BERHAD
LOT 16
JALAN PENGAPIT 15/19
40200 SHAH ALAM
SELANGOR DARUL EHSAN

LIGHT GAUGE STEEL FOR GENERAL STRUCTURE

Please refer to detail in the SCHEDULE

JIS G 3350:1987

21 March 2006
17 July 2007
30 April 2008
8126

IQNet
THE INTERNATIONAL CERTIFICATION NETWORK

CERTIFICATE

MELEWAR INDUSTRIAL GROUP BERHAD
(INCLUDING MELEWAR STEEL TUBE SDN. BHD.)
SITE 4
LOT 16, JALAN PENGAPIT 15/19
40000 SHAH ALAM
SELANGOR DARUL EHSAN
MALAYSIA

QUALITY MANAGEMENT SYSTEM

ISO 9001 : 2000

MANUFACTURE OF LIPPED CHANNELS, U-CHANNELS AND GATE CHANNELS.

Issued on : 17 July 2007
Validity date : 26 February 2009
Certification Number : MY-AR 0994

No. Lesen : / *Licence No.* : PM012504

LESEN PENSIJILAN BARANGAN
Product Certification Licence

SIRIM QAS International Sdn. Bhd. dengan ini menganugerahkan kepada
SIRIM QAS International Sdn. Bhd. hereby grants to
MELEWAR INDUSTRIAL GROUP BERHAD
LOT 53, PERSIARAN SELANGOR
40200 SHAH ALAM
SELANGOR DARUL EHSAN

Lesen untuk menggunakan Tanda Pensijilan di atas barangan
a licence to use the Certification Mark on
COLD FORMED WELDED CARBON STEEL STRUCTURAL TUBING IN SHAPE

Please refer to detail in the SCHEDULE

sebagai mematuhi keperluan
as complying with

ASTM A 500-01A

Hj. Ab. Razak bin Salim
Pengarah Eksekutif
Executive Director
SIRIM QAS International Sdn. Bhd.

Dato' Dr. Mohd. Ariffin bin Hj. Aton
Pengerusi
Chairman
SIRIM QAS International Sdn. Bhd.

Tarikh Mula Pensijilan: / *Certified Since* : 10 February 2006
Tarikh Dikeluarkan : / *Issue Date* : 17 July 2007
Sah Sehingga : / *Valid Until* : 30 April 2008
No. Siri : / *Serial No.* : 8125

No. Lesen : / *Licence No.* : PM012506

LESEN PENSIJILAN BARANGAN
Product Certification Licence

SIRIM QAS International Sdn. Bhd. dengan ini menganugerahkan kepada
SIRIM QAS International Sdn. Bhd. hereby grants to
MELEWAR INDUSTRIAL GROUP BERHAD
LOT 7, JALAN GUDANG 16/19
40200 SHAH ALAM
SELANGOR DARUL EHSAN

Lesen untuk menggunakan Tanda Pensijilan di atas barangan
a licence to use the Certification Mark on
CARBON STEEL TUBES FOR MACHINE STRUCTURAL PURPOSES

Please refer to detail in the SCHEDULE

sebagai mematuhi keperluan
as complying with

JIS G 3445:1988

Hj. Ab. Razak bin Salim
Pengarah Eksekutif
Executive Director
SIRIM QAS International Sdn. Bhd.

Dato' Dr. Mohd. Ariffin bin Hj. Aton
Pengerusi
Chairman
SIRIM QAS International Sdn. Bhd.

Tarikh Mula Pensijilan: / *Certified Since* : 21 March 2006
Tarikh Dikeluarkan : / *Issue Date* : 17 July 2007
Sah Sehingga : / *Valid Until* : 30 April 2008
No. Siri : / *Serial No.* : 8128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1 Tunku Tan Sri Abdullah ibni Almarhum Tuanku Abdul Rahman

Aged 82, Malaysian
Non-Independent Non-Executive Chairman

Tunku Tan Sri Abdullah ibni Almarhum Tuanku Abdul Rahman was appointed to the Board of Directors of the Company on 7 October 2002 as a Non-Independent Non-Executive Director and subsequently appointed as Group Chairman of the Company on 11 October 2002.

Tunku Tan Sri Abdullah's academic qualifications include a Diploma in Public Administration from University of Glasgow, Scotland and a Diploma in Agriculture from Miyazaki, Japan. He actively served in the civil service for more than ten (10) years before being involved in politics.

He was also the member of Parliament for the Rawang Constituency from 1964 to 1974 whilst presiding in several voluntary organisations such as the Malaysian Association of Youth Clubs and Malaysian Youth Council from 1966 to 1972, Asian Youth Council from 1972 to 1978 and was also an executive member of the World Assembly of Youth.

Besides the Company, Tunku Tan Sri Abdullah is also the Chairman/Director of MAA Holdings Berhad and Melewar Group Berhad.

Tunku Tan Sri Abdullah is an indirect substantial shareholder by virtue of his family relationship with Tunku Dato' Ya'acob bin tunku Tan Sri Abdullah, the Managing Director/Chief Executive Officer who is the ultimate beneficial owner of Melewar Equities (BVI) Ltd, a substantial shareholder of the Company. His shareholding in the Company is disclosed on page 31 of the Annual Report.

Tunku Tan Sri Abdullah does not have any personal interest in any business arrangements involving the Company.

Tunku Tan Sri Abdullah does not have any conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years.

2 Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah

Aged 47, Malaysian
Managing Director / Chief Executive Officer

Chairman of the Employees' Share Option Scheme Committee
Chairman of the Business Committee

Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah is the Group Managing Director / Chief Executive Officer of the Company. He was appointed to the Board of Directors of the Company on 7 October 2002. He sits on the Boards of Khyra Legacy Berhad, Mycron Steel Berhad, MAA Holdings Berhad, Malaysian Assurance Alliance Berhad, M3nergy Berhad, Toyochem Corporation Berhad, Melewar Group Berhad, Gindalbie Metals Ltd. (listed on the Australian Stock Exchange) and several other private limited companies.

Tunku Dato' Ya'acob graduated with a Bachelor of Science (Hons) Degree in Economics and Accounting from The 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. He started his career as an Auditor with Price Waterhouse, London from 1982 to 1985 and subsequently joined Price Waterhouse Kuala Lumpur from 1986 to 1987. He joined Malaysian Assurance Alliance Berhad in 1987 as Chief General Manager and was transferred to MAA Holdings Berhad as Group Managing Director/Chief Executive Officer in 1999.

Tunku Dato' Ya'acob sits on the executive board of several trade associations, specifically, the National Insurance Association of Malaysia (NIAM) as Chairman, the Federation of Public Listed Companies (FPLC) as Vice President, the Financial Planning Association of Malaysia (FPAM) as Immediate Past President and the Federation of Malaysia Unit Trust Managers as Chairman.

He is also a member of the Board of Trustees for MAA Medicare Kidney Charitable Foundation and The Budimas Charitable Foundation.

Tunku Dato' Ya'acob is the son of Tunku Tan Sri Abdullah ibni Almarhum Tuanku Abdul Rahman, the Group Chairman of the Company. Tunku Dato' Ya'acob is deemed to be interested in the Company by virtue of him being the ultimate beneficial owner of Melewar Equities (BVI) Ltd, the substantial shareholder of the Company. His shareholding in the Company is disclosed on page 31 of the Annual Report.

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

Tunku Dato' Ya'acob does not have any conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years.

3 Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah

Aged 60, Malaysian
Non-Independent Non-Executive Director

Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah was appointed to the Board of Directors of the Company on 18 December 2003 as a Non-Independent Non-Executive Director. Currently, he is the Chairman of Mycron Steel Berhad and also sits on the Boards of MAA Holdings Berhad, MBF Holdings Berhad and Melewar Group Berhad.

Tunku Dato' Seri Iskandar holds a Master of Science degree in International Marketing from the University of Strathclyde, United Kingdom. He is also a Fellow of the Chartered Institute of Marketing (UK), the Institute of Administrative Management (UK) and the Institute of Marketing Malaysia.

Tunku Dato' Seri Iskandar is the son of Tunku Tan Sri Abdullah ibni Almarhum Tuanku Abdul Rahman. He is an indirect substantial shareholder by virtue of his relationship with Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah, the Managing Director/Chief Executive Officer, who is the ultimate beneficial owner of Melewar Equities (BVI) Ltd, the substantial shareholder of the Company. His shareholding in the Company is disclosed on page 31 of the Annual Report.

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

Tunku Dato' Seri Iskandar does not have any conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years.

4 Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah

Aged 46, Malaysian
Non-Independent Non-Executive Director

Member of the Nomination Committee
Member of the Remuneration Committee
Member of the Business Committee

Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah was appointed to the Board of Directors of the Company on 18 December 2003 as a Non-Independent Non-Executive Director. He currently sits on the Boards of Mithril Berhad, Mithril Clay Manufacturing Berhad (formely known as Tajo Berhad), MAA Holdings Berhad, Khyra Legacy Berhad, Melewar Group Berhad, The Melewar Corporation Berhad and several other private limited companies as well.

Tunku Yahaya graduated in 1983 with a Bachelor of Science (Hons) degree in Economics and Accountancy from The City University, London. That year in London, he joined Peat Marwick Mitchell & Co. In 1986, he obtained his Master of Science degree in Economics from Birkbeck College, University of London.

Upon returning to Malaysia in 1986, he joined the advertising company, MZC-Saatchi & Saatchi. In 1988, he joined the management of the refurbished Central Market (KL) as an Executive Director. In 1994, he was appointed to put into operation and manage the television station, Metro Vision, as Managing Director. In 1997, he started the music-recording label, Melewar Parallax Sdn Bhd.

Tunku Yahaya is the son of Tunku Tan Sri Abdullah ibni Almarhum Tuanku Abdul Rahman. He is an indirect substantial shareholder by virtue of his relationship with Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah, the Managing Director/Chief Executive Officer who is the ultimate beneficial owner of Melewar Equities (BVI) Ltd, the substantial shareholder of the Company. His shareholding in the Company is disclosed on page 31 of the Annual Report.

Tunku Yahaya does not have any personal interest in any business arrangements involving the Company.

Tunku Yahaya does not have any conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years.

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

Aged 52, Malaysian
Independent Non-Executive Director

Chairman of the Remuneration Committee
Member of the Nomination Committee

Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah was appointed to the Board of Directors of the Company on 3 May 2005 as an Independent Non-Executive Director. He currently sits on the Boards of Tractors Malaysia Holdings Berhad, Equine Capital Berhad, Sumatec Resources Berhad, Wawasan TKH Holdings Berhad and Sime Malaysia Region Berhad.

Tengku Datuk Seri Ahmad Shah completed his Diploma in Business Administration from Universiti Teknologi MARA in 1974. He started his career with Charles Bradburne (1930) Sdn Bhd as a stockbroker 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.

In 1987, he was appointed as the Chairman of Subang Jaya Medical Centre, a position which he is still holding till today. He currently sits on the Board of Directors of several private limited companies involved in property development.

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 has had no conviction for any offences within the past ten (10) years.

6 Datin Ezurin Yusnita binti Abdul Malik

Aged 35, Malaysian
Non-Independent Non-Executive Director

Datin Ezurin Yusnita binti Abdul Malik was appointed to the Board of Directors of the Company on 13 December 2005 as a Non-Independent Non-Executive Director. She has been a member of the Board of Trustees of The Budimas Charitable Foundation since 30 October 2001. She is actively involved in the said Foundation and has played a major role in the success of the Foundation. She also sits on the Board of Khyra Legacy Berhad.

Datin Ezurin is the wife of Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah, the Managing Director/Chief Executive Officer of the Company. Therefore, she is an indirect substantial shareholder by virtue of her relationship with Tunku Dato' Ya'acob who is the ultimate beneficial owner of Melewar Equities (BVI) Ltd, the substantial shareholder of the Company. Her shareholding in the Company is disclosed on page 31 of the Annual Report.

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

Datin Ezurin does not have any conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years.

7 **Dato' Jaffar Indot**
Aged 73, Malaysian
Independent Non-Executive Director

Chairman of the Risk Management Committee
Chairman of the Nomination Committee
Member of the Audit Committee
Member of the Remuneration Committee

Dato' Jaffar Indot was appointed to the Board of Directors of the Company on 1 October 2003 as an Independent Non-Executive Director. He is currently the chairman of Malaysian Merchant Marine Berhad and sits on the Boards of M3nergy Berhad, Shell Refining Company (FOM) Berhad, Guinness Anchor Berhad, Pan Pacific Asia Berhad, SYCAL Berhad and FSBM Holdings Berhad.

Dato' Jaffar attended the Harvard Business School International Senior Managers' Programme, Vevey, Switzerland, in 1983. After serving three (3) years with the Rural Industrial Development Authority, he joined Shell in 1956 and retired in 1989 after thirty three (33) years of service.

During this time, he worked for Shell in Japan and London, where he served in various capacities in international oil trading, business development and public affairs. In 1980, he returned to Malaysia as the Executive Director and Director of Public Affairs for Shell Malaysia, and in 1983 was appointed to be the Managing Director of Shell Malaysia Trading Sdn Bhd and Shell Timur Sdn Bhd. He was the Chairman of Shell Timur Sdn Bhd from August 1989 to December 1997.

Dato' Jaffar has no family ties with any of the directors and/or major shareholders of the Company. Dato' Jaffar does not have any shareholding in the Company.

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

Dato' Jaffar does not have any conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years.

8 **Azlan bin Abdullah**
Aged 49, Malaysian
Executive Director

Member of the Audit Committee
Member of the Employees' Share Option Scheme Committee
Member of the Business Committee

Encik Azlan bin Abdullah was appointed to the Board of Directors of the Company on 23 September 2002 as an Independent Non-Executive Director of the Company. Subsequently, he was appointed Executive Director of the Company on 10 June 2003.

Encik Azlan is presently an Executive Director/Chief Executive Officer for both Mycron Steel Berhad and Mycron Steel CRC Sdn Bhd. He sits on the Board of the Company's subsidiaries and several other private limited companies. Besides the Company, he also sits on the Boards of Bandar Raya Developments Berhad, Malaysian General Investment Corporation Berhad and several other private limited companies.

Encik 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.

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

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

Encik Azlan does not have any conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years.

9 Datuk Lim Kim Chuan

Aged 48, Malaysian
Executive Director/Chief Operating Officer

Member of the Audit Committee
Member of the Employees' Share Option Scheme Committee
Member of the Business Committee

Datuk Lim Kim Chuan is the Chief Operating Officer of the Company and was appointed to the Board of Directors of the Company on 1 October 2003. He currently sits on the Boards of M3nergy Berhad, Mycron Steel Berhad and its subsidiary, Mycron Steel CRC Sdn Bhd. He also sits on the Board of the Company's subsidiaries and several other private limited companies.

Datuk Lim has over twenty eight (28) years of experience in the finance and manufacturing industries. He started his career with OCBC Finance Berhad in 1979. He left in 1983 to join MUI Finance Berhad. He joined the Melewar Group in 1985 and was appointed as the General Manager and director of its equipment leasing division. In 1991, he started a new credit and leasing company under the Group and was its Chief Executive Officer until 2003. In 2000, he was also appointed the Chief Financial Officer of Melewar Equities Sdn Bhd.

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

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

Datuk Lim does not have any conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years.

10 Terence Francis Mahony

Aged 65, British
Independent Non-Executive Director

Chairman of the Audit Committee
Member of the Risk Management Committee

Mr Terence Francis Mahony was appointed to the Board of Directors of the Company on 1 October 2003 as an Independent Non-Executive Director. He currently sits on the Board of several UK investments trusts as well as other unit trusts and also some private limited companies in the UK, Singapore and Hong Kong. He is also the Managing Director of TFM Management Ltd in Hong Kong.

Mr Mahony graduated in 1965 with a Bachelor of Arts (Honours) and Master of Arts in Modern Languages from Oxford University (Jesus College), Oxford, UK. He also received a Master of Business Administration from INSEAD, Fontainebleau, France in 1969.

He started his career as an International Trainee with the Bank of London and South America Ltd in London and Zurich between January 1966 and July 1968. He then joined White Weld and Co. Inc. in September 1969 and became the General Manager of the Geneva office in 1977. He later joined Paine Webber International in 1979 where from 1979 to 1990, he was its Executive Vice-President & Head of International Equity Sales, Managing Director and General Manager respectively at their offices in New York (1989), Hong Kong (1981) and Geneva (1970).

Between February 1990 and August 1993, he was the Director and Chief Investment Officer for Latin America at Baring International Investment Management, Boston, USA. Subsequently, he joined HSBC Asset Management Ltd in Hong Kong as its Chief Investment Officer, Global Emerging Markets and Member of the Global Asset Allocation Committee. Since then, he has joined Trust Company of the West and TCW Asia Limited in Hong Kong as its Managing Director of Emerging Markets Equities and served as President of TCW Asia Limited in 1996 until December 1999.

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

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

Mr Mahony does not have any conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years.

11 **Lee Ching Kion**
Aged 53, Malaysian
Independent Non-Executive Director

Member of the Audit Committee
Member of the Risk Management Committee
Member of the Nomination Committee
Member of the Remuneration Committee

Mr Lee Ching Kion was appointed to the Board of Directors of the Company on 1 October 2003 as an Independent Non-Executive Director. He currently sits on the Boards of Malayawata Steel Berhad and Hua Joo Seng Enterprise Berhad.

Mr Lee obtained his Bachelor of Science with Honours degree in Mettalurgy and Materials Science in the Second Class, Division One, from the University of Nottingham, England. He was with Yodoshi Malleble (M) Sdn Bhd from 1979 to 1981. He then joined Jebsen- Jessen Engineering Sdn Bhd as Degussa Sales Engineer in 1981. In 1983, he left to join Amsteel Mills Sdn Bhd as Sales Engineer and later as Manager-Head of Research & Development and Quality Control Department and was there for seven (7) years. He joined Wuthelam Holding (M) Group of Companies as General Manager in 1990 and was later appointed as a Director in 1991 until he left in 1997.

Subsequently, he was with DNP Holdings Berhad as Head of Property/Business Division from 1997 to 2001. Between 2001 to 2003, he was concurrently the Managing Director of Posim Berhad, the Chief Executive Officer of Bright Steel Sdn Bhd and the Commercial Director of Steel Division, all within the Lion Group. He resigned from all his positions within the Lion Group in June 2003.

Mr Lee was a director of Midwest Corporation Limited, a company listed on The Australian Stock Exchange since 2003 until he stepped down in October 2005.

Mr Lee has no family relationship with any of the directors and/or major shareholders of the Company nor any shareholding in the Company.

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

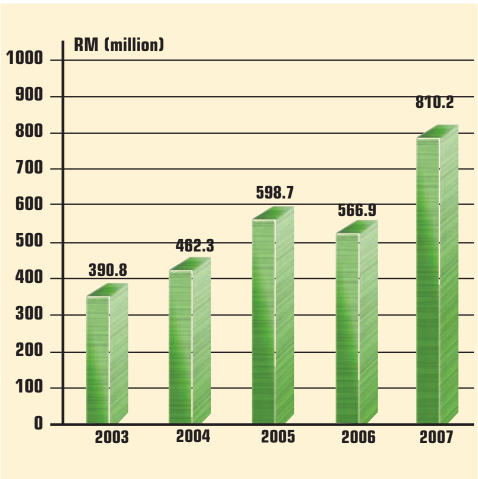
Mr Lee does not have any conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years.

		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
1	**Result of Operations**										
	Revenue (RM mil)	461.5	300.9	366.6	378.3	352.3	390.8	462.3	598.7	566.9	810.2
	Profit Before Tax (RM mil)	55.4	7.0	72.3	67.9	42.8	77.5	80.6	72.7	35.7	189.1
	Profit After Tax (RM mil)	45.0	7.9	62.3	59.5	53.9	56.6	64.4	46.5*	46.9*	104.8*
2	**Balance Sheet**										
	Share Capital (RM mil)	79.0	79.0	79.0	79.0	79.0	158.1	158.3	161.0	169.9	226.2
	Bonus Shares (RM mil)	0	0	0	0	0	79.0	0	0	0	56.3
	Shareholders' Funds (RM mil)	388.4	389.4	436.8	584.4	623.6	630.3	359.1	351.4	475.5	581.1
	Total Assets (RM mil)	476.3	413.2	471.0	597.2	658.0	685.5	484.8	621.2	828.1	1,181.9
3	**Financial Ratio**										
	Return on Equity	11.6%	2.0%	14.3%	10.2%	8.7%	9.0%	17.9%	13.3%	9.9%	18.0%
	Debts / Equity (Times)	0.22	0.05	0.07	0.01	0.05	0.05	0.29	0.38	0.41	0.67
	Current Assets / Current Liabilities (Times)	3.01	9.57	9.15	37.34	12.00	12.56	2.20	2.41	2.24	2.20
	Pre-Tax Profit / Average Shareholders' Fund	15.0%	1.8%	17.5%	13.3%	7.1%	12.4%	16.3%	20.5%	8.6%	35.8%
	Pre-Tax Profit / Revenue	12.0%	2.3%	19.7%	18.0%	12.2%	19.8%	17.4%	12.1%	6.3%	23.3%
4	**Per Share**										
	Gross Earnings*** per share (sen)	26.3	3.3	34.3	32.2	20.3	36.8	38.2	34.0	16.3	59.2**
	Net Earnings*** per share (sen)	21.3	3.7	29.5	28.2	25.6	26.7	30.6	21.8	21.4	32.9**
	Net Tangible Assets per share (RM)	4.19	4.93	5.53	7.39	7.89	3.99	2.27	2.19	2.79	2.56
5	**Dividends**										
	Tax Exempt Dividend (sen)	-	-	10.0	10.0	20.0	10.0	80.0	-	3.0	6.0
	Ordinary Dividend (sen)	12.0	12.0	12.0	12.0	-	-	180.0	13.0	-	-

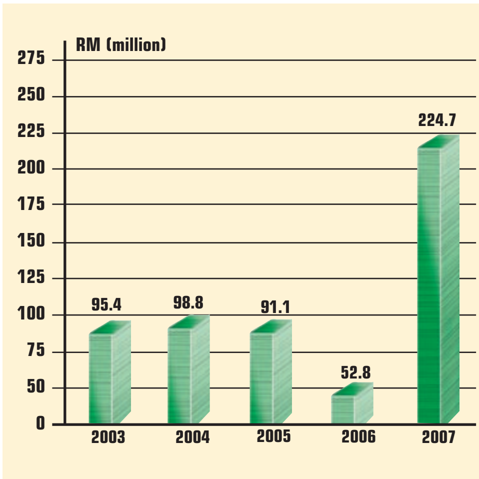
The figures for years 1998 to 2006 are for full 12-month financial period while those for 2007 are for 17-month financial period.

* Profit After Tax and After Minority Interest
** Annualised
*** After adjusting for bonus issues

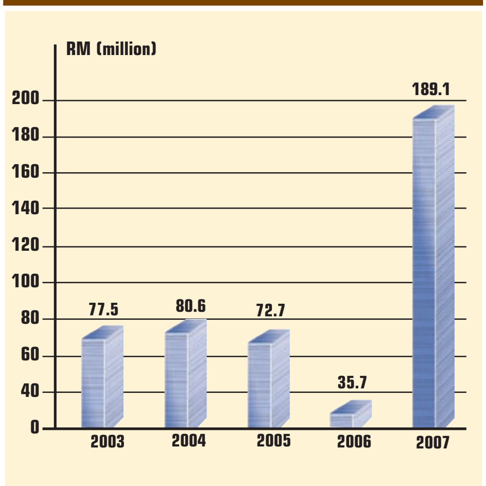
REVENUE



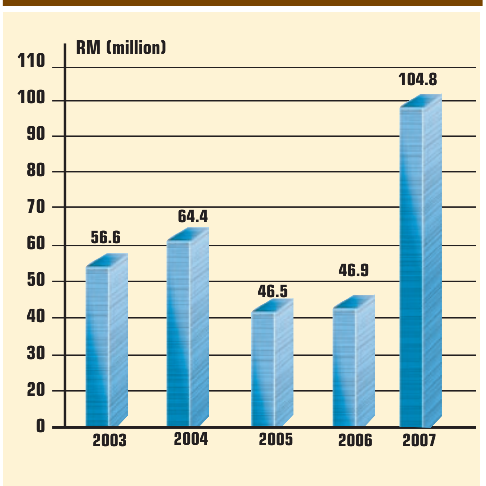
EBITA



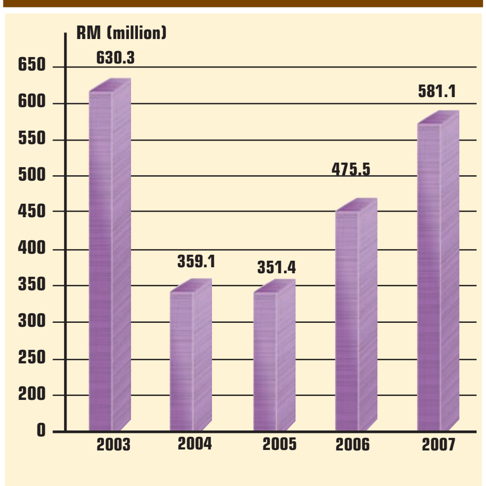
PROFIT BEFORE TAX



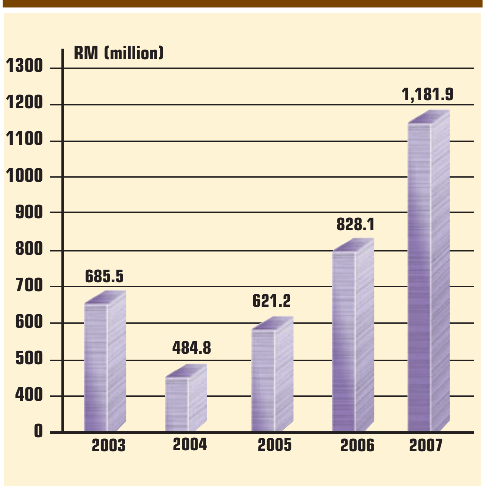
PROFIT AFTER TAX



SHAREHOLDERS' FUNDS



TOTAL ASSETS



Authorised Share Capital	-	RM500,000,000
Issued and Paid-Up Capital	-	RM226,723,011
Class of Shares	-	Ordinary Shares of RM1 each
Voting Rights	-	1 Vote Per Ordinary Share
No. of Shareholders	-	10,140

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Capital
Less than 100	260	2.56	11,775	0.01
100 - 1,000	1,077	10.62	915,019	0.40
1,001 - 10,000	6,976	68.80	28,230,061	12.45
10,001 - 100,000	1,664	16.41	42,755,179	18.86
100,001 and below 5% of issued shares	160	1.58	79,003,843	34.84
5% and above of issued shares	3	0.03	75,807,134	33.44
TOTAL	10,140	100.00	226,723,011	100.00

THIRTY LARGEST SHAREHOLDERS
As at 30 August 2007

	Name	Ordinary Shares of RM1 each	(#) % of Issued Capital
1.	HDM Nominees (Asing) Sdn Bhd (Beneficiary: UOB Kay Hian Pte Ltd for Melewar Equities (BVI) Ltd)	35,000,000	15.51
2.	Melewar Equities (BVI) Ltd	25,379,733	11.24
3.	Employees Provident Fund Board	15,427,401	6.83
4.	Malaysian Assurance Alliance Berhad	10,528,000	4.66
5.	Melewar Equities Sdn Bhd	7,600,000	3.36
6.	A. A. Anthony Nominees (Asing) Sdn Bhd (Beneficiary: UOB Kay Hian Pte Ltd for Bradford Securities Ltd)	6,677,566	2.95
7.	OSK Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Melewar Khyra Sdn Bhd)	5,969,600	2.64
8.	Permodalan Nasional Berhad	3,533,333	1.56
9.	Cartaban Nominees (Asing) Sdn Bhd (Beneficiary: Exempt An for RBC Dexia Investor Services Trust [Clients Account])	3,066,666	1.35

THIRTY LARGEST SHAREHOLDERS
As at 30 August 2007

	Name	Ordinary Shares of RM1 each	(#) % of Issued Capital
10.	Yeoh Kean Hua	2,800,000	1.24
11.	Melewar Khyra Sdn Bhd	2,132,833	0.94
12.	Citigroup Nominees (Asing) Sdn Bhd (Beneficiary: CBNY for DFA Emerging Markets Fund)	1,294,300	0.57
13.	Cimsec Nominees (Tempatan) Sdn Bhd (Beneficiary: CIMB for Koo Kow Kiang @ Ko Keck Ting)	1,180,000	0.52
14.	Palaniyappan Subramanian Yogeswari	701,333	0.31
15.	Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Zet Enterprise Sdn Bhd)	673,333	0.29
16.	Public Invest Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Lam Kong Tang)	665,000	0.29
17.	Lim Seng Qwee	608,000	0.26
18.	Inter-Pacific Equity Nominees (Asing) Sdn Bhd (Beneficiary: Kim Eng Securities Pte Ltd for Hexacon Construction Pte Ltd)	587,733	0.26
19.	Daiman bin Jamaluddin	560,000	0.24
20.	Kenanga Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Chong Bui Ling)	550,000	0.24
21.	Inter-Pacific Equity Nominees (Asing) Sdn Bhd (Beneficiary: OCBC Securities Private Limited for Hexacon Construction Pte Ltd)	533,333	0.23
22.	Alpha Interiors Sdn Bhd	501,000	0.22
23.	Lee Hau Hian	500,333	0.22
24.	CIMB Trustee Berhad (Beneficiary: Amanah Saham Darul Iman)	495,300	0.21
25.	Citigroup Nominees (Asing) Sdn Bhd (Beneficiary: CBNY for DFA Emerging Markets Small Cap Series)	490,000	0.21
26.	Ng Kim Huat	450,000	0.19
27.	Mayban Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Lee Chee Kong)	437,400	0.19
28.	Bank Kerjasama Rakyat Malaysia Berhad	404,133	0.17

THIRTY LARGEST SHAREHOLDERS
As at 30 August 2007

Name		Ordinary Shares of RM1 each	(#) % of Issued Capital
29.	HLG Nominee (Asing) Sdn Bhd (Beneficiary: IBB Securities Sdn Bhd)	400,000	0.17
30.	Wong Fuei Boon	400,000	0.17
	TOTAL	129,546,330	57.40

Note :

(#) The % of the Thirty Largest Shareholders is calculated on the total issued and paid up capital of the Company excluding a total of 1,071,600 Melewar Industrial Group Berhad shares bought back by the Company and retained as treasury shares.

LIST OF SUBSTANTIAL SHAREHOLDERS
As at 30 August 2007

Name	Number of Shares Held			
	Direct	%(1)	Indirect	%(1)
Tunku Tan Sri Abdullah ibni Almarhum Tuanku Abdul Rahman	-	-	89,996,832	39.88(a)
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	320,000	0.14	89,676,832	39.74(b)
Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah	-	-	89,996,832	39.88(a)
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	-	-	89,996,832	39.88(a)
Datin Ezurin Yusnita binti Abdul Malik	-	-	89,996,832	39.88(a)
Khyra Legacy Berhad	-	-	89,676,832	39.74(c)
Iternum Melewar Sdn Bhd	-	-	81,574,399	36.15(d)
Melewar Equities (BVI) Ltd	63,446,399	28.11	10,528,000	4.66(e)
Employees Provident Fund Board	15,427,401	6.83	-	-

DIRECTORS' SHAREHOLDINGS
As at 30 August 2007

Name	Number of Shares Held			
	Direct	%(1)	Indirect	%(1)
Tunku Tan Sri Abdullah ibni Almarhum Tuanku Abdul Rahman	-	-	89,996,832	39.88(a)
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	320,000	0.14	89,676,832	39.74(b)
Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah	-	-	89,996,832	39.88(a)
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	-	-	89,996,832	39.88(a)
Datin Ezurin Yusnita binti Abdul Malik	-	-	89,996,832	39.88(a)
Datuk Lim Kim Chuan	186,666	0.08	-	-
Azlan bin Abdullah	133,333	0.06	-	-

Notes :-

(1) The percentages of the substantial shareholdings are calculated by dividing the shares held by the respective substantial shareholders with the total number of ordinary shares in issue, excluding 1,071,600 treasury shares held by the Company.

(a) Deemed interested by virtue of their relationship with Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah, who is the ultimate substantial shareholder of Melewar Equities (BVI) Ltd., Melewar Equities Sdn Bhd, Malaysian Assurance Alliance Berhad and Melewar Khyra Sdn Bhd. Melewar Equities (BVI) Ltd., Melewar Equities Sdn Bhd, Malaysian Assurance Alliance Berhad and Melewar Khyra Sdn Bhd hold 28.12%, 3.36%, 4.67% and 3.59% respectively in the Company. Tunku Dato' Ya'acob has direct interest of 0.14% in the Company.

(b) Deemed interested by virtue of Section 6A(4) and Section 122A(1)(b) of the Companies Act 1965 in Melewar Equities (BVI) Ltd., Melewar Equities Sdn Bhd, Malaysian Assurance Alliance Berhad and Melewar Khyra Sdn Bhd.

(c) Deemed interested by virtue of it being the holding company of Iternum Melewar Sdn Bhd and Melewar Khyra Sdn Bhd, who in turn are deemed substantial shareholders of Melewar Equities Sdn Bhd. Melewar Equities Sdn Bhd is the holding company of Melewar Equities (BVI) Ltd. who is the substantial shareholder of the Company.

(d) Deemed interested by virtue of it being a substantial shareholder of Melewar Equities Sdn Bhd who in turn is the holding company of Melewar Equities (BVI) Ltd., a substantial shareholder of the Company.

(e) Deemed interested in the 10,528,000 shares held by Malaysian Assurance Alliance Berhad due to it being associated to Malaysian Assurance Alliance Berhad.

Number of warrants issued	-	39,863,608
Number of warrants exercised	-	8,952,080
Number of warrants unexercised	-	30,911,528
Number of warrant holders	-	2,656

Size of Shareholdings	No. of Warrantholders	% of Warrantholders	No. of Warrant	% of Warrant
Less than 100	196	7.38	9,235	0.03
100 - 1,000	425	16.00	205,691	0.66
1,001 - 10,000	1,627	61.26	5,505,642	17.81
10,001 to 100,000	364	13.70	11,406,088	36.90
100,001 and below 5% of issued warrants	42	1.58	9,492,606	30.71
5% and above of issued warrants	2	0.08	4,292,266	13.89
Total	2,656	100.00	30,911,528	100.00

LIST OF SUBSTANTIAL WARRANTHOLDERS
As at 30 August 2007

Name	Number of Warrants Held			
	Direct	%	Indirect	%
A.A. Anthony Nominees (Asing) Sdn Bhd (Beneficiary: UOB Kay Hian Pte Ltd for Bradford Securities Ltd.)	2,186,666	7.07	-	-
Malaysian Assurance Alliance Berhad	2,105,600	6.81	-	-

THIRTY LARGEST WARRANTHOLDERS
As at 30 August 2007

Name		No. of Warrants	% of Warrants
1.	A.A. Anthony Nominees (Asing) Sdn Bhd (Beneficiary: UOB Kay Hian Pte Ltd for Bradford Securities Ltd.)	2,186,666	7.07
2.	Malaysian Assurance Alliance Berhad	2,105,600	6.81
3.	OSK Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Melewar Khyra Sdn Bhd)	800,026	2.59
4.	HDM Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Lim Gim Leong)	720,366	2.33
5.	OSK Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Hee Yuen Sang)	671,300	2.17
6.	United Overseas Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Len Book Learn)	429,700	1.39
7.	Fua Ah Sang @ Phuah Kooi Hua	399,066	1.29
8.	Chua Kwang Khim	394,800	1.28
9.	Soon Koon Cheng	306,400	0.99
10.	RHB Capital Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Jiantilal Jethalal a/l Jethalal Valji)	287,306	0.93
11.	Chua Chooi See	250,000	0.81
12.	Wong Sien Ngik	250,000	0.81
13.	Mayban Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Chua Chin Chyang)	249,000	0.81
14.	Yeoh Kean Hua	240,000	0.78
15.	Lee Chin Weng	223,600	0.72
16.	Mayban Securities Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Tee Kai Shiang)	210,000	0.68
17.	Inter-Pacific Equity Nominees (Asing) Sdn Bhd (Beneficiary: Kim Eng Securities Pte Ltd for Quek Eng Wah)	200,000	0.65
18.	OSK Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Lor Lee Fong)	200,000	0.65
19.	Chee Hian Boon @ Chee Ah Deck	197,200	0.64
20.	Soon Cheng Boon	190,000	0.61
21.	Teo Thin Kui	188,000	0.61
22.	Mayban Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Chee Hian Boon @ Chee Ah Deck)	168,000	0.54
23.	Teng Kim Chew	168,000	0.54

THIRTY LARGEST WARRANTHOLDERS
As at 30 August 2007

Name		No. of Warrants	% of Warrants
24.	Yow Suit Ching	160,000	0.52
25.	Kishor Timbadia a/l Manilal	158,000	0.51
26.	AIBB Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Lau Sie Kwong)	150,000	0.49
27.	Hor Kuang Siang	150,000	0.49
28.	Mah Chiew Siong	150,000	0.49
29.	Chan Heng Soon	146,000	0.47
30.	OSK Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Hiew Seek Ling)	140,866	0.46
	TOTAL	12,089,896	39.11

The Board of Directors ("the Board") of Melewar Industrial Group Berhad recognises the importance in achieving high standard of corporate governance and observes the Principles and Best Practices as set out in the Malaysian Code on Corporate Governance ("the Code"). The general framework of corporate governance that the Board upholds is one which aims to encourage positive entrepreneurial behaviour while ensuring that the appropriate checks and balances are in place so that decisions are made wisely in the long term interests of the Company and its shareholders.

The Board considers that the Company has fully complied with Part 1 and Part 2 of the Code. This Statement, together with other statements, such as the Statement on Internal Control, sets out the manner in which the Corporate Governance framework has been applied.

BOARD OF DIRECTORS

a) Board Responsibilities

The Board is aware of its responsibility to ensure that all decisions to be made by the Company should take into consideration the effects on the shareholders including minority shareholders. The Board also acknowledges that it is the duty of the Board of Directors to act in the best interest of the Group and the Company at all times.

The Board has full control of the management of the Company and is overall responsible for the strategies and directions, shareholders and investors' relationship, annual budget, major capital expenditure, significant financial matters, succession planning and the adequacy and integrity of internal controls including risk assessment.

While the board is reponsible for the framework and policies of the Group, the management is accountable for the execution of the policies and the attainment of the Group's corporate objective. This demarcation reinforces the supervisory role of the Board.

The Board has delegated specific responsibilities to other Board committees which operate within clearly defined terms of reference. Standing committees of the Board include the Audit, Nomination, Remuneration and Risk Management Committees. These Committees have the authority to examine particular issues and will report to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, rests with the entire Board.

b) Board Balance and Composition

The Board currently has eleven (11) members comprising the following :

- One (1) Non-Executive Non-Independent Chairman;
- One (1) Managing Director;
- Two (2) Executive Directors;
- Three (3) Non-Executive Non-Independent Directors; and
- Four (4) Non-Executive Independent Directors.

Premised on the above Board balance, the Board has complied with Paragraph 15.02 of the Listing Requirements to have at least one-third (1/3) of the Board comprising Independent Directors. The composition of the Board reflects a balance of Executive, Non-Executive and Independent Directors from diverse professional backgrounds with vast experience of a mixture of technical, entrepreneurial and financial skills. The Directors are cognizant of the key role they play in charting the strategic direction, development and control of the Group and have adopted the six primary responsiblilites as listed in the Code. The profiles of the Directors which are set out on Pages 19 to 25 illustrate an impressive spectrum of experiences vital to the direction and management of the Company.

There is a clear division of responsibilities between the Chairman and the Managing Director/Chief Executive Officer to ensure that there is a balance of power and authority. The Chairman is primarily responsible for the working of the Board, its membership and participation of the members at Board meetings. The Managing Director/Chief Executive Officer steers the direction of the Group and is assisted by the Chief Operating Officer in the execution of strategic goals, effective operation within the Group, to explain, clarify and inform the Board on matters pertaining to the Group.

The Non-Executive Directors provide the necessary balance of power and authority to the Board. They ensure that all policies and strategies formulated and proposed by the management are fully deliberated and examined and take into account not only against the best long term interests of shareholders, but also to ensure that they take proper account of the interests of employees, customers, suppliers and the communities within which it is represented. They contribute to the formulation of policies and decision making using their expertise and experience.

The Independent Non-Executive Directors provide the support to complement the skills and experience of the Executive Directors. They also offer the unbiased independent view, advise and judgement in the best interest, not only for the Group but also of shareholders, employees and communities in which the Group conducts its business.

Any concerns or queries concerning the Group may be referred to Dato' Jaffar Indot who is the Senior Independent Non-Executive Director.

c) Board Meetings

The Board meets at least four (4) times a year to review business performance, strategies, business plans and significant policies as well as to consider business and other proposals which require the Board's approval. Ad-hoc Board meetings are held to deliberate on corporate proposals or urgent issues which require the Board's consideration between scheduled meetings.

Senior Management staff may be invited to attend Board meetings to provide the Board with their views and explanations on certain agenda items tabled to the Board and to furnish their clarification on issues that may be raised by the Board.

During the financial period ended 30 June 2007, five (5) meetings were held. The following is the record of attendance of the Directors:

Executive Directors	No. of Attendance	%
1. Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	4/5	80
2. Datuk Lim Kim Chuan	5/5	100
3. Encik Azlan bin Abdullah	5/5	100
4. Encik Nikmat bin Abdullah (*Appointed on 2.5.2006 and resigned on 17.11.2006*)	1/1	100
Non-Independent Non-Executive Directors	**No. of Attendance**	**%**
1. Tunku Tan Sri Abdullah ibni Almarhum Tuanku Abdul Rahman	4/5	80
2. Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah	5/5	100
3. Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	5/5	100
4. Datin Ezurin Yusnita binti Abdul Malik	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. Dato' Jaffar Indot	5/5	100
3. Mr Terence Francis Mahony	4/5	80
4. Mr Lee Ching Kion	5/5	100

d) Supply of Information

The Board Members are given board papers with appropriate supporting documentation in a timely manner prior to each Board Meeting to enable them to function effectively and allow Directors to discharge their responsibilities accordingly. These include a periodic financial and operational report, proposals for capital expenditure and proposals for investment.

The Directors are regularly updated by the Company Secretary on new statutory as well as regulatory requirements relating to the duties and responsibilities of Directors. All directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed. In addition, the Directors may obtain independent professional advice at the Company's expense, where necessary, in the furtherance of their duties.

The proceedings and resolutions reached at each Board Meeting are recorded in the minutes of the meetings, which are kept in the Minute Book at the registered office. Besides Board Meetings, the Board also exercises control on matters that require Board's approval through circulation of Directors' Resolutions.

e) Appointments to the Board

The Board had established a Nomination Committee whose main responsibility is to recommend board appointments and to assess directors on an on-going basis. All decisions on appointments are made by the Board after considering the recommendations of the Nomination Committee.

The members of the Nomination Committee currently comprises the following members:

(i) Dato' Jaffar Indot (Chairman);
(ii) Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah;
(iii) Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah; and
(iv) Mr Lee Ching Kion

The principal duties and functions of the Nomination Committee based on a Terms of Reference approved by the Board, are to recommend technically competent persons of integrity with a strong sense of professionalism, assisting the Board in assessing its overall effectiveness as well as to review the performance of members of the Board, the Chief Executive Officer and Members of Board Committees as a whole and the contribution of each individual Director.

The Nomination Committee will hold a meeting at least once a year. Additional meetings can be scheduled if considered necessary by the Chairman of the Committee. The Company Secretary is the Secretary to the Nomination Committee.

f) Re-election

Every Director is required by the Company's Articles of Association to retire from office once at least every three years except for those who retire every year in accordance with Section 129 of the Companies Act, 1965 and to seek re-election by the shareholders at the Annual General Meeting.

Any Director appointed by the Board during the year to fill as a casual vacancy or as an addition shall hold office only until the next Annual General Meeting but shall also be eligible for re-election.

g) Directors' Training

In compliance with the Bursa Malaysia Securities Berhad ("Bursa Securities"), the Directors are mindful that they shall receive appropiate training which may be required from time to time to keep them abreast with the current development of the industry as well as the new statutory and regulatory requirements.

Details of the seminars and training programmes attended by the Board members during the financial period ended 30 June 2007 are as follows:

- Corporate Fraud
- Macro Economics: Malaysian Scenario 2006
- Innovation and Branding
- Talk on Macroeconomics - Local and Global

h) Directors' Remuneration

The Company has adopted the principle recommended in the Code whereby the level of remuneration of the Directors is sufficient to attract and retain the Directors needed to manage the Group successfully.

The Board had also set up a Remuneration Committee whose main responsibility is to determine and recommend to the Board the framework or broad policy for the remuneration of the Directors, Chief Executive Officer and other senior management members of the staff.

The members of the Remuneration Committee comprises the following members:

(i) Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah (Chairman);
(ii) Dato' Jaffar Indot;
(iii) Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah; and
(iv) Mr Lee Ching Kion

Non-Executive Directors are paid annual Director's fees and sitting allowances for attendance to Board/Committee meetings. The members of Board Committees are also paid annual fees for additional responsibilities undertaken.

The Company recognises the need to have a competitive remuneration package to attract and retain the Directors of the calibre needed to lead the Group successfully. In the case of the Executive Directors, their remuneration is linked to their level of responsibilities, experience, contributions and individual as well as Group performance. For the Non-Executive Directors, the level of remuneration reflects the experience and level of responsibility undertaken by them.

The remuneration of Directors, in aggregation and analysed into bands of RM50,000 is as follows:

Type of Remuneration RM'000	*Executive Directors RM'000	Non-Executive Directors
Salaries	1,577	-
Allowances	-	30
Bonuses	328	-
Fees	-	723
Benefits-In-Kind	68	22
Other Emoluments	306	38
TOTAL	**2,279**	**813**

Range of Remuneration	Number of Directors	
	*Executive	Non-Executive
Less than RM50,000	-	5
RM50,001 to RM100,000	-	2
RM450,001 to RM500,000	-	1
RM1,000,001 to RM1,100,000	1	-
RM1,200,001 to RM1,300,000	1	-

*One (1) of the Executive Directors of the Company is remunerated by Mycron Steel CRC Sdn Bhd, a wholly owned subsidiary of Mycron Steel Berhad who in turn is a subsidiary of the Company.

The Remuneration Committee will hold a meeting at least once a year. Additional meetings can be scheduled if considered necessary by the Chairman of the Committee. The Company Secretary is the Secretary to the Remuneration Committee.

RELATIONS WITH SHAREHOLDERS AND INVESTORS

The Board recognises the need to communicate with shareholders and investors on all material business matters of the Group. The results of the Company and the Group are published quarterly via the Bursa Securities' website. In addition to various announcements made during the year, information on the Company is available on the Company's website at www.melewar-mig.com. Any general enquiries and comments can be addressed to enquiry@melewar-mig.com.

The Company also encourages shareholders to attend its Annual General Meeting as this is the principal forum for dialogue and interaction with shareholders. At each Annual General Meeting, the Directors usually provide adequate time to attend to questions and comments of shareholders. Notices of each meeting are issued on a timely manner to all the shareholders.

The Managing Director, Executive Directors and Senior Management have periodical dialogues with existing and prospective investors and the analysts to enhance understanding of the Group's objectives and provide insight on the latest developments in the Group.

Presentations based on permissible disclosures are made to explain the Group's performance and major development programs. Price sensitive information that may be regarded as undisclosed material information about the Group is, however, not disclosed in these sessions until after the prescribed announcement to Bursa Securities has been made.

ACCOUNTABILITY AND AUDIT

a) Audit Committee

The Company has in place an Audit Committee, which comprises three (3) Independent Directors and two (2) Executive Directors. The Audit committee holds quarterly meetings to review matters including the Group's financial reporting, the audit plans for the year as well as to deliberate the findings of the internal and external auditors.

With a majority of the members being independent, the composition of the Audit Committee is fully compliant with the Code and the Listing Requirements of Bursa Securities, which require the majority of directors on the Audit Committee to be independent and that one (1) member who has the financial background that meets the requirement set out under paragraph 7.0 of Practice Note 13/2002.

Full details of the composition, complete Terms of Reference and the activities of the Audit Committee during the financial period are set out in the Audit Committee Report included in this Annual Report.

b) Financial Reporting

The Board aims to present a balanced, clear and understandable assessment of the Group's financial positions and prospects in the annual financial statements and quarterly announcements to the shareholders, investors and regulatory authorities.

The Audit Committee deliberates and reviews the quarterly financial results to ensure accuracy, adequacy and completeness before the results are reviewed and approved by the Board of Directors. The details of the Company's and the Group's financial positions are included in the Financial Statements section of this Annual Report.

In the preparation of the financial statements, the Directors had considered the appropriate accounting policies to be used and consistently applied and supported by reasonable and prudent judgements and estimates.

c) Internal Control

The Board recognises that it has overall responsibility for maintaining a sound system of internal control for the Group in order to safeguard shareholders' interest of the Group's assets. The system of internal control not only covers financial controls but also operational and compliance controls as well as risk management.

The Group's Statement of Internal Control is set out on pages 44 to 46 of this Annual Report.

The system of internal control involves each key business unit and its management, including the Board, and is designed to meet the business units' particular needs and to manage the risks to which they are exposed. The system, by its nature, can only provide reasonable and not absolute assurance against material misstatement, loss or fraud. The concept of reasonable assurance recognises the costing aspect, whereby the cost of control procedures is not to exceed the expected benefits.

The Board further recognises that risks cannot be fully eliminated. As such, the systems, processes and procedures being put in place are aimed at minimising and managing them. Ongoing reviews are continuously carried out to ensure the effectiveness, adequacy and integrity of the system of internal controls in safeguarding the Company's assets.

The main task of the Risk Management Committee ("RMC") is to look into the risk management of the Group. The RMC comprises three (3) Independent Non-Executive Directors.

The members of the RMC are as follows:

(i) Dato' Jaffar Indot (Chairman);
(ii) Mr Terence Francis Mahony; and
(iii) Mr Lee Ching Kion

The RMC is to meet regularly, at least once every quarter in a financial year to review risk management report of the Company and its subsidiary companies. The Company Secretary is the Secretary to the Risk Management Committee.

d) Relationship with the External Auditors

The Board through the Audit Committee has established a transparent and appropriate relationship with the Company's auditors, Messrs PricewaterhouseCoopers ("PwC"). PwC will report to members of the Company on their findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements. The Audit Committee meets with the auditors twice during a financial year.

The relationship between the Board and the External Auditors is also formalised through the Audit Committee's Terms of Reference.

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF FINANCIAL STATEMENT

The Directors are required to prepare the financial statements which give a true and fair view of the state of affairs of the Company and of the Group at the end of each financial year end of the results and cashflow for that year. The financial statements must be prepared in compliance with the Companies Act, 1965 and with applicable approved accounting standards.

The Directors considered the following in preparing the financial statements:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable approved accounting standards have been followed.

The Directors are of the opinion that the financial statements comply with the above requirements. The Directors are also responsible for ensuring the maintenance of adequate accounting records to enable them to ensure that the financial statements comply with the requirements of the Companies Act, 1965.

ADDITIONAL INFORMATION

a) Options, Warrants or Convertible Securities

During the financial period under review, there were no options, warrants or convertible securities exercised or converted by the Company.

b) Non-audit fees

Non-audit fees paid by the Group to the external auditors during the financial period amounted to RM2,100.

c) During the financial period ended 30 June 2007:

(i) There were no material contracts (not being contract entered into in the ordinary course of business) entered into by the Group which involved directors and shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year;
(ii) The Company has not sponsored any ADR or GDR programme;
(iii) There were no sanctions and/or penalties imposed on the Company, directors or management by the relevant regulatory bodies;
(iv) There were no profit guarantees given by the Company;
(v) There were no profit estimates, forecasts, projections or unaudited results made or announced for the financial period ended 30 June 2007 which differed by ten (10) per cent or more from the audited results; and
(vi) There were no loans between the Company and its subsidiaries that involve directors' or major shareholders' interests.

d) Revaluation Policy on landed properties

The Company and the Group have the policy of revaluing their land and building at least once in every five (5) years.

e) Share Buybacks

During the financial period ended 30 June 2007, the Company had acquired 276,100 ordinary shares of RM1.00 each of its shares from the open market at an average price of RM1.05 per share. As at 30 August 2007, the Company had repurchased in total 1,071,600 ordinary shares of MIG from the open market at an average price of RM1.70 per share. All the shares repurchased are being held as treasury shares.

Details of the Company's shares bought back by the Company during the previous seventeen (17) months up to 30 June 2007 are set out below:

Date/Month	No. of MIG Shares	Highest Price (RM)	Lowest Price (RM)	Average Price (RM)	Total Consideration
08.09.2006	87,000	1.05	1.04	1.04	90,480.00
18.09.2006	51,800	1.06	1.05	1.05	54,390.00
21.09.2006	82,500	1.08	1.06	1.06	87,450.00
22.09.2006	54,800	1.07	1.06	1.06	58,088.00

f) During the financial period, a total of additional 1,876,990 ordinary shares of RM1.00 each were allocated in respect of MIG's Employees Share Option Scheme ("ESOS"). Pursuant to the Bonus Issue of 56,287,131 new ordinary shares on the basis of one (1) new share in the Company for every three (3) existing ordinary shares of RM1.00 each held in the Company. The Audit Committee had in the financial period ended 30 June 2007 verified the allocation of options pursuant to the ESOS.

g) Recurrent Related Party Transaction

On 22 June 2006, the Company sought approval for a shareholders' mandate for the MIG Group to enter into Recurrent Transactions (as defined in the Circular to Shareholders dated 31 May 2006) in their ordinary course of business with related parties ("Shareholders' Mandate") as defined in Chapter 10 of the Listing Requirements of Bursa Securities.

The aggregate value of transactions conducted during the financial period ended 30 June 2007 in accordance with the Shareholders' Mandate obtained in the last Annual General Meeting were as follows:

Transacting Party	Nature of Transaction	Related Party	Nature of Interest	Value of Transaction (RM)
Melewar Industrial Group Berhad ("MIG") and its subsidiaries	Providing corporate secretarial services	Trace Management Services Sdn Bhd ("Trace")	A company in which Tunku Tan Sri Abdullah ibni Almarhum Tuanku Abdul Rahman ("TA"), Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah ("TI"), Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah ("TY") and Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah ("TYY") have deemed interest by virtue of their substantial interest in The Melewar Corporation Berhad, who in turn is the major shareholder of Trace. Datin Ezurin Yusnita binti Abdul Malik ("DE") is deemed interested by virtue of her relationship with TY.	378,236
	Ticketing, tour and travel	Mitra Malaysia Sdn Bhd ("Mitra")	A company in which TI has deemed interest by virtue of his substantial interest in Melewar Leisure Sdn Bhd, the holding company of Mitra.	931,449

Transacting Party	Nature of Transaction	Related Party	Nature of Interest	Value of Transaction (RM)
	General and life insurance	Malaysian Assurance Alliance Berhad ("MAAB")	MAA Holdings Berhad ("MAAH") is the holding company of MAAB. Khyra Legacy Berhad, a company controlled by TY, is deemed interested in MAAH by virtue of its substantial shareholdings in Melewar Equities (BVI) Ltd, a substantial shareholder of MIG.	2,467,643
	Security services and purchase of security equipment	Wira Security Services Sdn Bhd ("WSS")	WSS is a wholly owned subsidiary of MAA Corporation Sdn Bhd ("MAA Corp") who in turn is a wholly owned subsidiary of MAAH.	415,907
	Corporate consultancy services	MAA Corporate Advisory Sdn Bhd ("MAACA")	MAACA is a wholly owned subsidiary of MAA Corp who in turn is a wholly owned subsidiary of MAAH.	-
	Payroll and information technology services	Mycron Steel Berhad ("MSB") and MSCRC	MSCRC is a wholly owned subsidiary of MSB. MIG is the substantial shareholder of MSB by virtue of its 54.47% shareholding in MSB.	80,000
	Sale of cold rolled coils by Mycron Steel CRC Sdn Bhd ("MSCRC") to MIG and Melewar Steel Tube Sdn Bhd ("MST")	MSCRC	MSCRC is a wholly owned subsidiary of MSB. MST is a wholly owned subsidiary of MIG. MIG is the substantial shareholder of MSB by virtue of its 54.4% shareholding in MSB.	76,262,568
	Slitting service and sale of pipes by MIG to MSCRC	MSCRC	MSCRC is a wholly owned subsidiary of MSB. MIG is the substantial shareholder of MSB by virtue of its 54.47% shareholding in MSB.	48,505
Melewar Steel Mills ("MSM"), a wholly-owned subsidiary of MIG	Rental and deposits charged by MSB to MSM for using land belonging to MSB	MSB	MIG is the substantial shareholder of MSB by virtue of its 54.47% shareholding in MSB.	703,548
	Sale of scrap by MSCRC to MSM, a wholly owned subsidiary of MIG	MSCRC	MSCRC is a wholly owned subsidiary of MSB. MIG is the substantial shareholder of MSB by virtue of its 54.47% shareholding in MSB.	1,047,974

Transacting Party	Nature of Transaction	Related Party	Nature of Interest	Value of Transaction (RM)
	Technical and consultancy services by MIE to MSM for expansion projects in induction mill	MIE	MIE is a 70% owned subsidiary of MIG. MSM is a wholly owned subsidiary of MIG.	160,607
Melewar Integrated Engineering Sdn Bhd ("MIE"), a 70% owned subsidiary of MIG	Technical and consultancy services by MIE to MSCRC for expansion projects in cold roll mill	MSCRC	MSCRC is a wholly owned subsidiary of MSB. MIG is the substantial shareholder of MSB by virtue of its 54.47% shareholding in MSB.	2,703,697

COMPLIANCE STATEMENT

The Board is satisfied that the Company has, in all material aspects, complied with the best practise of the Code as at 30 June 2007.

This statement was approved by the Board of Directors on 28 August 2007.

CORPORATE SOCIAL RESPONSIBILITY

The Group recognises its social obligation to society and is striving for a balanced approach to fulfill its key business objectives and the expectations of stakeholders. As an initial step of its commitment to the society, the Group has taken several initiatives particularly in the area of staff welfare.

The Group has, in place, an Occupational Safety and Health Committee to develop policies and guidelines to provide and maintain a safe and healthy workplace for all its employees, contractors and visitors. Information on safety measures is communicated to all employees through representatives from Health & Safety Committees, notice boards and regular management briefings.

The Group ensures that all employees are adequately provided for with medical and hospitalisation benefits as well as health and personal accident insurance. Retirement schemes for long-serving employees have been implemented whilst annual functions in the form of either staff annual dinner, staff family weekend retreat or staff family day are organised in appreciation of the continuous commitment and support of the employees to the Group. Such family events are intended to promote the importance of family support within the Group besides encouraging family participation in the social activities of the Group.

The Group, continues to support and make donations to The Budimas Charitable Foundation, a foundation specifically set up to care, nurture and educate the homeless children, and MAA-Medicare Kidney Charity Fund, a fund which operates a number of charity kidney dialysis centres throughout the country. Besides participating actively in the fund raising events of these two (2) charitable organisations, the Group and its employees have given and will continue to make donations and contributions in kind to other deserving charitable and welfare organisations.

The Group also acknowledges the responsibility to care for the environment. All industrial wastes from the Group's operations are properly treated and safely disposed off while steel scraps are recycled and used as feedstock for our billet plant. The Group ensures strict compliance with all environmental regulations and laws at all times.

The Group has and will always consider safety and environmental factors in all operating decisions and will also continuously explore feasible opportunities to minimise any adverse impact from all its operations. To ensure best practice at all times, the Group measures environmental performance through regular assessments with internal guidelines, procedures, and external regulations.

1. Introduction

Pursuant to Paragraph 15.27 (b) of the Listing Requirements of Bursa Securities, the Board of Directors of listed companies are required to include in their Annual Report a “statement about the state of their internal controls of the listed issuer as a group”. The Board of Melewar Industrial Group Berhad recognises the importance of sound internal control and risk management practices for good corporate governance.

In acknowledging the above statement, the Board is pleased to provide the following statement, which outlines the state of internal control of the Group for the period under review.

2. Board’s Responsibility

The Board affirms its overall responsibility for the Group’s system of internal controls and for reviewing its effectiveness, adequacy and integrity. The system of internal control is designed to manage the Group’s risks within an acceptable risk profile. As there are limitations that are inherent in any system of internal control, the Board is aware that such system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board is also responsible for identifying the nature and extent of major business risks faced by the Group, evaluating them and to manage, instead of attempting to eliminate these risks that could inadvertently prevent the achievement of the Group’s business objectives.

The role of Management is to implement the Board’s policies, procedures and guidelines on risk and control by identifying and evaluating the risks faced and design, operate and monitor a suitable system of internal control to manage these risk. The Board has extended the responsibilities of the Risk Management Committee (“RMC”) to include the role of monitoring all internal controls on behalf of the Board, including identifying risk areas and communicates to the Board critical risk areas faced by the Group. Besides the RMC, the Audit Committee is also assigned the task of reviewing and assessing the internal audit reports presented at the Audit Committee Meetings on a quarterly basis. The internal auditors have performed their duties with impartiality, proficiency and due professional care.

3. Risk Management Framework

The RMC had formally adopted a Risk Management Framework for the Group in 2005. The objective of this framework is to provide guidance to the Group to facilitate a structured approach to identifying, evaluating and managing significant risks and to achieve a level of adequacy and standard reporting by the subsidiaries to the holding company in a timely manner. This process has been in operation during the financial period ended 30 June 2007 and up to the date of approval of the annual report and its financial statement.

The roles of the Board of Directors, Risk Management Committee, Risks Committee and Divisions Head are well defined under the framework with clear lines of accountability. The Management is responsible for the identification and evaluation of key risks applicable to their areas of business on a continuous basis. Risks identified are reported in a timely manner during the periodic management meetings to enable corrective actions to be taken.

The Board has delegated the responsibility to review the entire risk management processes and procedures and to provide feedback to the Board of Directors on a regular basis to the RMC.

The main duties and functions of the RMC based on the Terms of Reference approved by the Board are, inter alia, as follows:

a. Reviewing existing controls that may reduce the risk factors of the Group;
b. Reviewing and recommending risk management strategies, policies and risk tolerance for the Board’s approval;
c. Reviewing and assessing the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;
d. Ensuring adequate infrastructure, resources and systems are in place for an effective risk management that is ensuring that the staff is responsible for implementing risk management systems, perform those duties independently; and
e. Reviewing the management’s periodic reports on risk exposure, risk portfolio composition and risk management activities.

During the period, the Group has developed an enterprise wide risk map through the control and risk self-assessment exercise facilitated by the Risk Management Unit. This exercise includes profiling and mapping of the risks identified and proposing risk mitigating strategies to manage these risks. The risk profiles of the Group and the individual business units are presented to the RMC who then present the Risk Reporting to the Board.

The RMC will co-ordinate the implementation of the risk management programme for the Group. The implementation of the risk management programme will ensure a more co-ordinated and consistent approach in managing the Group's significant risk exposures.

4. Internal Control

The Board had also engaged the services of Messrs Moores Rowland Risk Management Sdn Bhd ("MR") to carry out the internal audit functions. The principal duty and responsibility of MR is to examine and evaluate all major phases of operations of the Group and to assist the Board in the effective discharge of the Board's responsibilities.

The key elements of the Group's internal control systems include:

a. The Internal Auditors had prepared a 'risk-based' internal audit plan, which considers all the critical and high impact areas within the business operations. During the financial period, internal audits on various audit areas as per the approved internal audit plan were carried out by the internal auditors. Any weaknesses identified during the reviews were reported to the Audit Committee and improvement measures were recommended to strengthen controls. This provides assurance regarding the adequacy and the integrity of the internal controls system.

b. The Group's operations are accredited with ISO9001 international quality system standard and such quality management system provides the Group with improved control of key processes and a foundation for improving quality and customer satisfaction.

c. The Group has an appropriate organisational structure for planning, executing and controlling business operations, which enables adequate monitoring of the activities and ensures effective flow of information across the Group.

d. The Management is responsible for the identification and evaluation of key risks applicable to their areas of business on a continuous basis. Risks identified are reported in a timely manner during the periodic management meetings to enable corrective actions to be taken.

e. Lines of responsibility and delegations of authority are clearly defined which include amongst others approval of capital expenditure and investment programmes.

f. The Executive Directors and Management monitor the Group's performance via key performance indicators, monthly management report and periodic management meetings. Any exceptions noted will be duly investigated and reported.

g. Key processes of the Group are governed by policies and procedures.

h. The Group has in place a Safety and Health Committee to review the occupational safety and health procedures.

i. The Audit Committee meets at least four (4) times a year and, within its limit, reviews the effectiveness of the Group's system of internal controls. The Committee receives reports from the internal audit consultants and management.

j. The Risk Management Unit undertakes to oversee the whole risk management processes as described under the risk management framework.

5. Controls Weaknesses

The Board of Directors reviewed the adequacy and integrity of the system of internal control that provide reasonable assurance to the Company in achieving the business objectives.

The Management continues to take measures to strengthen the control environment and during the current financial period, there were no major weaknesses of internal control, which result in material losses, contingencies or uncertainties that would require disclosure in the Company's Annual Report.

6. Financial Reporting

In presenting the annual financial statements and quarterly announcements of its results, the Board of Directors have ensured that the financial statements present a balanced and understandable assessment of the Company and the Group's position and prospects.

7. Review of the Statement by External Auditors

As required by Paragraph 15.24 of the Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Internal Control for the inclusion in the Annual Report for the financial period ended 30 June 2007. Their review was performed in accordance with Recommended Practice Guide 5 : Guidance for Auditors on the Review of Directors' Statement on Internal Control issued by the Malaysian Institute of Accountants. Based on their review, the external auditors have reported to the Board that nothing have come to their attention that cause them to believe that this statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of internal control of the Group.

ESTABLISHMENT

The Audit Committee was established on 15 April 1994 as a subcommittee of the Board of Directors with specific Terms of Reference that has been approved by the Board. Its principal objectives are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the holding company and each of its subsidiaries. In addition, the Audit Committee shall:

- evaluate the quality of the audits performed by the internal and external auditors;
- provide assurance that the financial information presented by management is relevant, reliable and timely;
- oversee compliance with relevant laws and regulations and observance of a proper code of conduct; and
- determine the quality, adequacy and effectiveness of the Group's internal control environment.

The Committee comprises the following directors, the majority of whom are Independent Non-Executive Directors:

1. Mr Terence Francis Mahony - Independent Non-Executive Director
2. Dato' Jaffar Indot - Independent Non-Executive Director
3. Mr Lee Ching Kion - Independent Non-Executive Director
4. Datuk Lim Kim Chuan - Executive Director
   (*Audit Member who fulfills requirement under Paragraph 15.10(1)(c)(ii)*)
5. Encik Azlan Abdullah - Executive Director

The Chairman of the Audit Committee is Mr Terence Francis Mahony. The Directors' profiles are set out on pages 19 to 25 in the Annual Report.

The Audit Committee meets regularly with senior management and internal audit management and the external auditors to review the Company's and Group's financial reporting, the nature and scope of audit reviews and the effectiveness of the systems of internal control and compliance.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL PERIOD ENDED 30 JUNE 2007

During the financial period ended 30 June 2007, seven (7) Audit Committee meetings were held. The details of attendance of each Committee member are as follows:

Name	No. of Meetings Held	Attended	Percentage of Attendance
Mr Terence Francis Mahony	7	6	86%
Dato' Jaffar Indot	7	7	100%
Mr Lee Ching Kion	7	7	100%
Datuk Lim Kim Chuan	7	5	71%
Encik Azlan bin Abdullah	7	5	71%

During the financial period ended 30 June 2007, the main activities undertaken by the Audit Committee were as follows:

i. Reviewed the adequacy and relevance of the scope, functions, resources, internal audit plan and results of internal audit processes with the internal audit consultants;

ii. Reviewed the quarterly financial reports and year-end financial statements with management and recommend the same to the Board for approval before release to Bursa Malaysia;

iii. Reviewed with external auditors on their audit plan (including system evaluation, audit fee, issues raised and management's response) prior to the commencement of audit;

iv. Reviewed the financial statements, audit report, issues and reservations arising from audits and the management letter with the external auditors and recommend the same to the Board;

v. Reviewed the disclosure of related party transactions and any conflict of interest situation and questionable transactions;

vi. Prepared the Audit Committee Report for inclusion in the Company's Annual Report;

vii. Reported to and updated the Board on significant issues and concerns discussed during the Committee's meetings and where appropriate, made the necessary recommendations to the Board;

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

ix. Verified the allocation of share options pursuant to the Employees' Share Option Scheme.

TERMS OF REFERENCE

The Terms of Reference of the Committee are as follows:

1. Composition

1.1 The Audit Committee shall be appointed by the Board from amongst the Directors of the Company and shall consist of not less than three (3) members, of which the majority must be Independent Directors. At least one of the Committee members must be a member of the Malaysian Institute of Accountants, or passed examinations specified in Part 1 of the First Schedule of the Accountants Act, 1967 or be a member of one (1) of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967.

1.2 If a member of the Audit Committee ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall, within three (3) months, appoint such number of new member(s) as may be required to make up the minimum number of three (3) members, the majority of whom must be Independent Directors.

1.3 The members of the Audit Committee shall elect a Chairman from among their numbers who shall be an Independent Non-Executive Director.

1.4 No Alternate Director is to be appointed as a member of the Audit Committee.

1.5 The term of office and performance of the Audit Committee and each of its members shall be reviewed by the Board at least once every three (3) years to determine whether the Audit Committee and its members have carried out their duties in accordance with their Terms of Reference.

2. Quorum and Procedure

2.1 Meetings shall be held not less than four (4) times a year.

2.2 The quorum for any meeting of the Audit Committee shall consist of not less than two (2) members; the majority of the members present shall be Independent Directors.

2.3 In the absence of the Chairman, the Audit Committee shall appoint one (1) of the independent members present to chair the meeting.

2.4 The Company Secretary shall be the Secretary of the Audit Committee.

2.5 The Audit Committee may require any employee and a representative of the external auditors to attend meetings. The Audit Committee may, as and when deemed necessary, invite other Board members, senior management personnel and external independent professional advisers to attend the meetings.

2.6 The Chairman of the Audit Committee shall report on each meeting to the Board.

2.7 Minutes of each meeting shall be kept and distributed to each member of the Audit Committee and the Board.

3. Authority

3.1 The Audit Committee is authorised by the Board to investigate any activity within its Terms of Reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee.

3.2 The Audit Committee is authorised by the Board to obtain legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, if it considers this necessary.

3.3 The Audit Committee is authorised to convene meetings with the external auditors, without the attendance of the Managing/Executive Director(s), whenever deemed necessary.

3.4 The Terms and Reference of the Audit Committee shall not limit in any way the responsibilities and authorities of the Managing Director to institute or instruct internal audits and reviews to be undertaken from time to time. Full reports must be made to the Audit Committee upon completion of such reviews.

4. Duties and Responsibilities

In discharging its duties and responsibilities, the Audit Committee shall perform and where appropriate, report to the Board of Directors on the following:

4.1 Financial Reporting

Review the quarterly, half-yearly and annual financial statements of the Group and Company before submission to the Board and scrutinise and evaluate:

- Any changes in accounting policies and practices;
- Compliance with prevailing accounting standards;
- Compliance with statutory and regulatory disclosure requirements;
- Any significant adjustments resulting from audits;
- Major judgemental areas (e.g. material contingent liabilities); and
- The ongoing key assumptions, which underpin the Management's business targets.

4.2 External Audit

- Recommend to the Board the appointment of the External Auditors and the audit fee to be paid;
- Make appropriate recommendations to the Board on matters of resignation or dismissal of the External Auditors;
- Make appropriate recommendations to the Board on matters relating to the periodic change of the audit partner responsible for the Company's audit;
- Review and discuss the nature and scope of the external audit strategy and plan;
- Review and discuss issues arising from External Auditors interim and final audit letters to Management and the Management's evaluation of the system of internal control; and
- Discuss problems and reservations arising from the interim and final external audits and any matter that the External Auditor may wish to discuss (in the absence of Management, where necessary).

4.3 Internal Audit

- Review the adequacy of the internal audit scope, function and authority of the Internal Audit in carrying out its work;
- Review the risk based Internal Audit Plans and Programmes;
- Assess performance of services provided by the Internal Audit Function;
- Recommend to the Board to adopt and declare the Director's Statement of Internal Control and any changes to the said Statement; and
- The Audit Committee is authorised to outsource the internal audit function and to fix fees, etc. as appropriate subject to the approval of the Board.

4.4 Related Party Transaction

- Recommend to the Board matters regarding Related Party Transactions including disclosures and review any conflict of interest situation that may arise within the Company including any transaction, procedure, or course of conduct that raises questions on Management integrity.

4.5 Other Functions

- Consider other issues, as proposed by the Board from time to time.

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and Company for the 17 months ended 30 June 2007.

PRINCIPAL ACTIVITIES

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

There was no significant change in the nature of these activities during the financial period except that the Company transferred its manufacturing operations substantially to a subsidiary, Melewar Steel Tube Sdn. Bhd.

CHANGE IN FINANCIAL YEAR END

During the financial period, the Group and Company changed its financial year end from 31 January to 30 June to rationalise the reporting periods of the Group.

FINANCIAL RESULTS

	Group RM	Company RM
Profit for the financial period	115,261,251	24,263,267

DIVIDENDS

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

	RM
In respect of the financial year ended 31 January 2006:	
- Final tax exempt dividend of 3 sen per share paid on 21 July 2006	5,074,331

The Directors now recommend the payment of a first and final tax exempt dividend of 6 sen per share amounting to RM13,509,325 for the 17 months ended 30 June 2007, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting. The dividend amount payable is computed based on the Company's issued and paid-up capital as at 30 June 2007, excluding treasury shares held by the Company.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES

During the financial period, the Company made a bonus issue of 56,287,131 new ordinary shares of RM1 each on the basis of one (1) new ordinary share of RM1 each for every three (3) existing ordinary shares of RM1 each (the "Bonus Issue"), by capitalising RM9,987,715 from share premium and RM46,299,416 from retained earnings.

The newly issued shares ranked pari passu in all respects with the existing ordinary shares of the Company.

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

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

The salient features and other terms of the ESOS are set out in Note 27 to the financial statements.

As a result of the Bonus Issue, the Company issued additional 1,876,990 options and revised the option exercise price to RM1.46 per share.

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

ISSUE OF WARRANTS

As a result of the Bonus Issue, the Company issued additional 7,727,188 warrants and revised the warrant exercise price to RM1.125 per share.

The salient features and other terms of the warrants are set out in Note 27 to the financial statements.

TREASURY SHARES

During the financial period, the Company repurchased 276,100 of its issued ordinary shares from the open market at an average price of RM1.05 per share, for RM290,772. The repurchased transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares as allowed under Section 67A of the Companies Act 1965 and are disclosed as Note 27 to the financial statements.

DIRECTORS

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

Tunku Tan Sri Abdullah ibni Almarhum Tuanku Abdul Rahman
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah
Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah
Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah
Dato' Jaffar Indot
Datuk Lim Kim Chuan
Azlan bin Abdullah
Terence Francis Mahony
Lee Ching Kion
Datin Ezurin Yusnita binti Abdul Malik
Nikmat bin Abdullah (resigned on 17 November 2006)

In accordance with Section 129(6) of the Companies Act, 1965, Tunku Tan Sri Abdullah ibni Almarhum Tuanku Abdul Rahman and Dato' Jaffar Indot, retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 95 of the Company's Articles of Association, Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah, Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah and Terence Francis Mahony retire by rotation from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

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

Melewar Industrial Group Berhad (the Company)	**Number of ordinary shares of RM1 each**				
	At 01.02.2006	**Bonus issue**	**Bought**	**Sold**	**At 30.06.2007**
Tunku Tan Sri Abdullah ibni Almarhum Tuanku Abdul Rahman					
- indirect interest	61,420,800	21,506,932	7,069,100	-	89,996,832
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah					
- indirect interest	61,180,800	21,426,932	7,069,100	-	89,676,832
- direct interest	240,000	80,000	-	-	320,000
Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah					
- indirect interest	61,420,800	21,506,932	7,069,100	-	89,996,832
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah					
- indirect interest	61,420,800	21,506,932	7,069,100	-	89,996,832
Datin Ezurin Yusnita binti Abdul Malik					
- indirect interest	61,420,800	21,506,932	7,069,100	-	89,996,832
Datuk Lim Kim Chuan					
- direct interest	140,000	46,666	-	-	186,666
Azlan bin Abdullah					
- direct interest	100,000	33,333	-	-	133,333

	Number of options over ordinary shares of RM1 each				
	At 01.02.2006	**Adjustment as a result of bonus issue**	**Exercised**	**Lapsed**	**At 30.06.2007**
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	300,000	100,000	-	-	400,000
Datuk Lim Kim Chuan	210,000	70,000	-	-	280,000
Azlan bin Abdullah	150,000	50,000	-	-	200,000

DIRECTORS' INTERESTS (continued)

Melewar Industrial Group Berhad (the Company) (continued)

	Number of warrants over ordinary shares of RM1 each				
	At 01.02.2006	Adjustment as a result of bonus issue	Entitled/ Bought	Exercised/ Sold	At 30.06.2007
Tunku Tan Sri Abdullah ibni Almarhum Tuanku Abdul Rahman - indirect interest	1,579,200	526,400	-	-	2,105,600
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah - indirect interest	1,579,200	526,400	-	-	2,105,600
Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah - indirect interest	1,579,200	526,400	-	-	2,105,600
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah - indirect interest	1,579,200	526,400	-	-	2,105,600
Datin Ezurin Yusnita binti Abdul Malik - indirect interest	1,579,200	526,400	-	-	2,105,600
Datuk Lim Kim Chuan - direct interest	28,000	9,333	-	-	37,333

Mycron Steel Berhad (related corporation)

	Number of ordinary shares of RM1 each			
	At 01.02.2006	Bought	Sold	At 30.06.2007
Tunku Tan Sri Abdullah ibni Almarhum Tuanku Abdul Rahman - indirect interest	114,615,366	-	-	114,615,366
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah - indirect interest	114,065,366	-	-	114,065,366
- direct interest	550,000	-	-	550,000
Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah - indirect interest	114,615,366	-	-	114,615,366
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah - indirect interest	114,615,366	-	-	114,615,366
Datin Ezurin Yusnita binti Abdul Malik - indirect interest	114,615,366	-	-	114,615,366
Datuk Lim Kim Chuan - direct interest	385,000	-	-	385,000
Azlan bin Abdullah - direct interest	375,000	-	-	375,000
Lee Ching Kion - direct interest	100,000	28,000	-	128,000

DIRECTORS' INTERESTS (continued)

By virtue of the above mentioned Directors' indirect interests in shares in the Company, they are deemed to have an interest in the shares in all the subsidiaries to the extent the Company has an interest.

None of the other Directors holding office at the end of the financial period held any interest in shares, options over ordinary shares and warrants over ordinary shares in the Company and/or its related corporations during the financial period.

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than Directors' remuneration disclosed in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he or she is a member, or with a company in which he or she has a substantial financial interest, except as disclosed in Note 29 to the financial statements.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (continued)

In the opinion of the Directors,

(a) except for the fair value gain on our financial asset at fair value through profit or loss as disclosed in Note 19 to the financial statements, the results of the operations of the Group and Company during the financial period 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 period and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or Company for the financial period in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

Bonus Issue

During the financial period, the Company had made a Bonus Issue of 56,287,131 new ordinary shares of RM1 each on the basis of one (1) new ordinary share of RM1 each for every three (3) existing ordinary shares of RM1 each. As a result of the Bonus Issue, the Company also issued additional 7,727,188 and 1,876,990 new warrants and new ESOS options respectively. The warrant and ESOS option exercise prices were adjusted to RM1.125 and RM1.46 per share respectively. This exercise was completed in February 2007.

Transfer of operations

Pursuant to the internal restructuring exercise to streamline and rationalise the business operations of the Group, the Company transferred substantially its manufacturing operations and its related assets totalling RM55,575,364, to a wholly owned subsidiary, Melewar Steel Tube Sdn. Bhd. The internal restructuring exercise is still in progress as at 30 June 2007.

Acquisition of equity interest in Siam Power Generation Company Ltd. ("SIPCO")

The Company had on 30 December 2005, via its wholly owned subsidiary, Mperial Power Ltd. ("Mperial"), entered into a share sale and purchase agreement with E Power Pte. Ltd. (the "Vendor") for the acquisition of 70% equity interest in SIPCO for a cash consideration of US$23 million (the "Proposed Acquisition").

Both the Vendor and Mperial have mutually agreed to extend the completion of the Proposed Acquisition to 31 October 2007 as there is a condition precedent pertaining to the power off-take that has yet to be fulfilled as at 30 June 2007.

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 26 September 2007.

TUNKU DATO' YA'ACOB BIN TUNKU TAN SRI ABDULLAH
MANAGING DIRECTOR

TUNKU YAHAYA @ YAHYA BIN TUNKU TAN SRI ABDULLAH
DIRECTOR

REPORT OF THE AUDITORS

TO THE MEMBERS OF MELEWAR INDUSTRIAL GROUP BERHAD

We have audited the financial statements set out on pages 57 to 108. These financial statements are the responsibility of the Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and MASB Approved Accounting Standards in Malaysia for Entities other than Private Entities so as to give a true and fair view of:

  (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

  (ii) the state of affairs of the Group and Company as at 30 June 2007 and of the results and cash flows of the Group and Company for the financial period ended on that date;

and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

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

Our audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

SOO HOO KHOON YEAN
(No. 2682/10/07 (J))
Partner of the firm

Kuala Lumpur
26 September 2007

INCOME STATEMENTS

FOR THE 17 MONTHS ENDED 30 JUNE 2007

	Note	Group 17 months ended 30.06.2007 RM	Group Year ended 31.01.2006 RM	Company 17 months ended 30.06.2007 RM	Company Year ended 31.01.2006 RM
Revenue	5	810,241,858	566,919,717	322,754,301	283,006,162
Cost of sales		(710,016,586)	(565,539,797)	(288,746,963)	(275,834,766)
Gross profit		100,225,272	1,379,920	34,007,338	7,171,396
Other operating income	6	1,208,247	1,154,231	6,816,322	7,836,158
Fair value gain on financial asset at fair value through profit or loss		140,137,147	65,091,429	-	-
Selling and distribution costs		(8,718,651)	(5,390,977)	(3,471,439)	(3,838,597)
Administrative and general expenses		(31,275,724)	(19,367,393)	(11,523,148)	(10,188,888)
Profit from operations	7	201,576,291	42,867,210	25,829,073	980,069
Finance cost	8	(12,673,116)	(8,086,693)	(2,901,568)	(3,523,049)
Share of results of associates		157,772	926,364	-	-
Profit/(loss) before tax		189,060,947	35,706,881	22,927,505	(2,542,980)
Tax income/(expense)	10				
- Company and subsidiaries		(73,799,696)	5,572,664	1,335,762	2,012,872
Profit/(loss) for the financial period/year		115,261,251	41,279,545	24,263,267	(530,108)
Attributable to:					
Equity holders of the Company		104,843,771	46,915,487	24,263,267	(530,108)
Minority interests		10,417,480	(5,635,942)	-	-
Profit/(loss) for the financial period/year		115,261,251	41,279,545	24,263,267	(530,108)
Earnings per share	11				
- basic (sen)		32.9	21.4		
- diluted (sen)		Not applicable	Not applicable		

BALANCE SHEETS

AS AT 30 JUNE 2007

	Note	Group 30.06.2007 RM	Group 31.01.2006 RM	Company 30.06.2007 RM	Company 31.01.2006 RM
NON-CURRENT ASSETS					
Property, plant and equipment	12	348,640,429	303,136,305	39,664,759	96,825,914
Investment properties	13	4,284,500	-	46,209,100	-
Prepaid lease rental	14	37,183,314	37,940,000	11,422,809	33,120,000
Subsidiaries	15	-	-	106,562,959	74,940,676
Associates	16	112,625,218	86,199,131	-	-
Deferred tax assets	17	13,734	160,855	-	-
Available-for-sale financial assets	18	1,869,077	7,804,064	934,531	3,104,064
		504,616,272	435,240,355	204,794,158	207,990,654
CURRENT ASSETS					
Inventories	20	152,421,385	132,730,480	23,062,954	53,134,347
Trade and other receivables	21	249,970,414	128,683,925	39,777,073	44,465,349
Financial asset at fair value through profit or loss	19	225,235,620	85,098,473	-	-
Amounts owing by subsidiaries	22	-	-	206,847,141	97,995,774
Tax recoverable		2,839,853	8,653,805	95,384	5,252,518
Deposits with licensed financial institutions	23	23,945,951	10,217,586	18,942,122	10,217,586
Cash and bank balances	23	22,869,412	27,445,510	1,381,032	2,528,616
		677,282,635	392,829,779	290,105,706	213,594,190

	Note	Group 30.06.2007 RM	Group 31.01.2006 RM	Company 30.06.2007 RM	Company 31.01.2006 RM
Less: CURRENT LIABILITIES					
Trade and other payables	24	42,367,731	16,692,892	3,171,304	5,326,535
Derivative liability	25	77,499	-	-	-
Amounts owing to subsidiaries	22	-	-	18,976,350	5,318,619
Tax payable		9,603,684	19,021	-	-
Borrowings	26	255,649,752	158,964,526	124,467,303	79,300,000
		307,698,666	175,676,439	146,614,957	89,945,154
NET CURRENT ASSETS		369,583,969	217,153,340	143,490,749	123,649,036
NON-CURRENT LIABILITIES					
Deferred tax liabilities	17	98,086,456	47,505,152	19,072,621	25,730,134
Borrowings	26	81,769,219	20,326,879	466,049	-
		179,855,675	67,832,031	19,538,670	25,730,134
		694,344,566	584,561,664	328,746,237	305,909,556
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
Share capital	27	226,227,011	169,939,880	226,227,011	169,939,880
Treasury shares		(1,953,900)	(1,663,128)	(1,953,900)	(1,663,128)
Retained earnings		276,156,455	223,146,835	80,926,483	91,369,822
Share premium		-	9,987,715	-	9,987,715
Warrants reserve		4,164,662	4,164,662	4,164,662	4,164,662
Asset revaluation reserve		76,511,541	77,215,892	19,381,981	34,515,000
Other reserves		-	(7,324,362)	-	(2,404,395)
		581,105,769	475,467,494	328,746,237	305,909,556
Minority interests		113,238,797	109,094,170	-	-
TOTAL EQUITY		694,344,566	584,561,664	328,746,237	305,909,556

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE 17 MONTHS ENDED 30 JUNE 2007

	Attributable to equity holders of the Company									
	Share capital RM	Treasury shares RM	Share premium RM	Warrants reserve RM	Other reserves RM	Asset revaluation reserve RM	Retained earnings RM	Total RM	Minority Interests RM	Total RM
At 1 February 2006	169,939,880	(1,663,128)	9,987,715	4,164,662	(7,324,362)	77,215,892	223,146,835	475,467,494	109,094,170	584,561,664
Realisation of revaluation surplus on disposal of property, plant and equipment	-	-	-	-	-	(2,819,381)	2,819,381	-	-	-
Reclassification of available-for-sale financial assets reserve	-	-	-	-	7,324,395	-	-	7,324,395	-	7,324,395
Impairment loss in revalued property, plant and equipment	-	-	-	-	-	(532,768)	-	(532,768)	(445,685)	(978,453)
Foreign exchange differences, representing net gain not recognised in income statement	-	-	-	-	(33)	-	-	(33)	-	(33)
Reversal of deferred tax liability due to change in tax rate	-	-	-	-	-	2,647,798	-	2,647,798	843,429	3,491,227
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	(4,950,450)	(4,950,450)
Dilution of shareholdings in associates	-	-	-	-	-	-	(4,545,110)	(4,545,110)	-	(4,545,110)
Share of reserve in associates	-	-	-	-	-	-	1,265,325	1,265,325	60,958	1,326,283
Income and expense recognised directly in equity	-	-	-	-	7,324,362	(704,351)	(460,404)	6,159,607	(4,491,748)	1,667,859
Profit for the financial period	-	-	-	-	-	-	104,843,771	104,843,771	10,417,480	115,261,251
Total recognised income and expense for the financial period	-	-	-	-	7,324,362	(704,351)	104,383,367	111,003,378	5,925,732	116,929,110
Dividends paid (Note 28)	-	-	-	-	-	-	(5,074,331)	(5,074,331)	(1,781,105)	(6,855,436)
Shares repurchased	-	(290,772)	-	-	-	-	-	(290,772)	-	(290,772)
Issue of bonus shares	56,287,131	-	(9,987,715)	-	-	-	(46,299,416)	-	-	-
At 30 June 2007	226,227,011	(1,953,900)	-	4,164,662	-	76,511,541	276,156,455	581,105,769	113,238,797	694,344,566
At 1 February 2005	160,979,800	(723,553)	3,896,070	-	-	41,014,898	146,238,639	351,405,854	105,947,378	457,353,232
Adjustments due to changes in accounting policies	-	-	-	-	(4,991,343)	-	(90,904)	(5,082,247)	-	(5,082,247)
	160,979,800	(723,553)	3,896,070	-	(4,991,343)	41,014,898	146,147,735	346,323,607	105,947,378	452,270,985
Realisation of revaluation surplus on disposal on property, plant and equipment	-	-	-	-	-	(1,573,346)	1,573,346	-	-	-
Revaluation surplus on property, plant and equipment, net of tax	-	-	-	-	-	37,774,340	-	37,774,340	14,553,608	52,327,948
Foreign exchange differences, representing net gain not recognised in income statement	-	-	-	-	33	-	-	33	-	33
Negative goodwill on acquisition of an associate being recognised	-	-	-	-	-	-	41,451,542	41,451,542	-	41,451,542
Pre-acquisition profit on acquisition of an associate being recognised	-	-	-	-	-	-	2,055,626	2,055,626	-	2,055,626
Fair value loss on available-for-sale financial assets	-	-	-	-	(2,333,052)	-	-	(2,333,052)	-	(2,333,052)
Income and expense recognised directly in equity	-	-	-	-	(2,333,019)	36,200,994	45,080,514	78,948,489	14,553,608	93,502,097
Profit for the financial year	-	-	-	-	-	-	46,915,487	46,915,487	(5,635,942)	41,279,545
Total recognised income and expense for the financial year	-	-	-	-	(2,333,019)	36,200,994	91,996,001	125,863,976	8,917,666	134,781,642
Issue of new shares in a subsidiary	-	-	-	-	-	-	-	-	89,850	89,850
Issue of shares from the exercise of ESOS options	8,000	-	7,520	-	-	-	-	15,520	-	15,520
Issue of warrants	-	-	-	5,772,747	-	-	-	5,772,747	-	5,772,747
Warrants converted to ordinary shares	8,952,080	-	6,084,125	(1,608,085)	-	-	-	13,428,120	-	13,428,120
Dividends paid (Note 28)	-	-	-	-	-	-	(14,996,901)	(14,996,901)	(5,860,724)	(20,857,625)
Shares repurchased	-	(939,575)	-	-	-	-	-	(939,575)	-	(939,575)
At 31 January 2006	169,939,880	(1,663,128)	9,987,715	4,164,662	(7,324,362)	77,215,892	223,146,835	475,467,494	109,094,170	584,561,664

	Non-distributable						Distributable	
	Share capital RM	Treasury shares RM	Share premium RM	Warrant reserve RM	Other reserves RM	Asset revaluation reserve RM	Retained earnings RM	Total RM
At 1 February 2006	169,939,880	(1,663,128)	9,987,715	4,164,662	(2,404,395)	34,515,000	91,369,822	305,909,556
Realisation of revaluation surplus on disposal of property, plant and equipment	-	-	-	-	-	(16,667,141)	16,667,141	-
Reversal of deferred tax liabilities due to change in tax rate	-	-	-	-	-	1,534,122	-	1,534,122
Reclassification of available-for-sale financial assets reserve	-	-	-	-	2,404,395	-	-	2,404,395
Income and expense recognised directly in equity	-	-	-	-	2,404,395	(15,133,019)	16,667,141	3,938,517
Profit for the financial period	-	-	-	-	-	-	24,263,267	24,263,267
Total recognised income and expense for the financial period	-	-	-	-	2,404,395	(15,133,019)	40,930,408	28,201,784
Issue of bonus shares	56,287,131	-	(9,987,715)	-	-	-	(46,299,416)	-
Dividends paid (Note 28)	-	-	-	-	-	-	(5,074,331)	(5,074,331)
Shares repurchased	-	(290,772)	-	-	-	-	-	(290,772)
At 30 June 2007	226,227,011	(1,953,900)	-	4,164,662	-	19,381,981	80,926,483	328,746,237
At 1 February 2005	160,979,800	(723,553)	3,896,070	-	-	15,671,811	104,121,089	283,945,217
Adjustments due to changes in accounting policies	-	-	-	-	(71,343)	-	1,202,396	1,131,053
	160,979,800	(723,553)	3,896,070	-	(71,343)	15,671,811	105,323,485	285,076,270
Realisation of revaluation surplus on disposal of property, plant and equipment	-	-	-	-	-	(1,573,346)	1,573,346	-
Revaluation surplus on property, plant and equipment, net of tax	-	-	-	-	-	20,416,535	-	20,416,535
Fair value loss on available-for-sale financial assets	-	-	-	-	(2,333,052)	-	-	(2,333,052)
Income and expense recognised directly in equity	-	-	-	-	(2,333,052)	18,843,189	1,573,346	18,083,483
Loss for the financial year	-	-	-	-	-	-	(530,108)	(530,108)
Total recognised income and expense for the financial year	-	-	-	-	(2,333,052)	18,843,189	1,043,238	17,553,375
Issue of shares from the exercise of ESOS options	8,000	-	7,520	-	-	-	-	15,520
Issue of warrants	-	-	-	5,772,747	-	-	-	5,772,747
Warrants converted to ordinary shares	8,952,080	-	6,084,125	(1,608,085)	-	-	-	13,428,120
Dividends paid (Note 28)	-	-	-	-	-	-	(14,996,901)	(14,996,901)
Shares repurchased	-	(939,575)	-	-	-	-	-	(939,575)
At 31 January 2006	169,939,880	(1,663,128)	9,987,715	4,164,662	(2,404,395)	34,515,000	91,369,822	305,909,556

	Group		Company	
	17 months ended 30.06.2007 RM	Year ended 31.01.2006 RM	17 months ended 30.06.2007 RM	Year ended 31.01.2006 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before tax	189,060,947	35,706,881	22,927,505	(2,542,980)
Adjustments for:				
Goodwill written off	108,009	-	-	-
Depreciation on property, plant and equipment	22,175,451	8,530,389	5,185,694	2,922,368
Prepaid lease rental	756,685	479,083	451,635	430,876
Loss/(gain) on disposal of property, plant and equipment	1,236,005	(12,099)	143,666	-
Gain on disposal of investment properties	(600,000)	-	(600,000)	-
Impairment loss on property, plant and equipment	-	1,286,938	-	1,001,639
Impairment loss on inventory	-	30,114,527	-	5,629,887
Unrealised loss on foreign exchange	458,901	77,723	395,193	-
Property, plant and equipment written off	72,841	3	43,562	-
Fair value gain on financial asset at fair value through profit or loss	(140,137,147)	(65,091,429)	-	-
Fair value gain on investment properties	(104,500)	-	(641,500)	-
Gain on disposal of available-for-sale financial assets	-	(146,680)	-	(146,680)
Dividend income	-	(360,747)	(2,440,095)	(7,310,476)
Interest income	(1,562,109)	(377,195)	(811,721)	(216,762)
Interest expense	12,673,116	8,086,693	2,901,568	3,523,049
Share of results of associates	(157,772)	(926,364)	-	-
	83,980,427	17,367,723	27,555,507	3,290,921
Changes in inventories	(19,690,905)	12,270,361	30,071,393	19,082,459
Changes in trade and other receivables	(56,738,219)	14,394,153	4,293,084	13,496,132
Changes in trade and other payables	25,752,342	2,676,717	(2,155,232)	1,093,057
Cash generated from operations	33,303,645	46,708,954	59,764,752	36,962,569
Interest paid	(12,673,116)	(8,086,693)	(2,901,568)	(3,523,049)
Interest received	1,562,109	377,195	811,721	216,762
Tax paid	(3,837,647)	(8,456,816)	1,506,706	(4,200,460)
Net cash generated from operating activities	18,354,991	30,542,640	59,181,611	29,455,822

(continued)

	Group		Company	
	17 months ended 30.06.2007 RM	Year ended 31.01.2006 RM	17 months ended 30.06.2007 RM	Year ended 31.01.2006 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase consideration paid (Note 21)	(64,943,464)	(18,900,500)	-	-
Investment in subsidiary	-	-	(999,998)	(209,654)
Purchase of property, plant and equipment	(79,327,331)	(32,682,525)	(2,515,996)	(3,067,587)
Proceeds from disposal of property, plant and equipment	691,676	3,867,095	273,359	3,845,655
Proceeds from disposal of investment properties	5,600,000	-	5,600,000	-
Proceeds from disposal of available-for-sale financial asset	-	346,680	-	346,680
Purchase of available-for-sale financial assets	(969,077)	(7,258,513)	(484,531)	(2,558,511)
Purchase of investment in associates	(20,693,805)	(8,285,599)	-	-
Purchase of financial asset at fair value through profit or loss	-	(12,260,045)	-	-
Dividends received	-	-	2,302,894	7,173,276
Dividends received from associates	376,660	360,747	-	-
Advances to subsidiaries	-	-	(95,193,636)	(61,616,910)
Issue of shares:				
- minority interests	-	89,850	-	-
Net cash used in investing activities	(159,265,341)	(74,722,810)	(91,017,908)	(56,087,051)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issue of shares:				
- exercise of ESOS options	-	15,520	-	15,520
- warrants converted to ordinary shares	-	13,428,120	-	13,428,120
Proceeds from issuance of warrants	-	5,772,747	-	5,772,747
Dividends paid	(5,074,331)	(14,996,901)	(5,074,331)	(14,996,901)
Dividends paid - minority interests	(1,781,105)	(5,860,724)	-	-
Proceeds from borrowings	157,384,214	59,765,599	44,890,000	22,740,618
Repurchase of own shares	(290,772)	(939,575)	(290,772)	(939,575)
Repayment of hire purchase	(111,648)	-	(111,648)	-
Deposit with licensed financial institution pledged as security	(15,000,000)	-	(15,000,000)	-
Net cash generated from financing activities	135,126,358	57,184,786	24,413,249	26,020,529
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(5,783,992)	13,004,616	(7,423,048)	(610,700)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	37,663,096	24,658,447	12,746,202	13,356,902
CURRENCY TRANSLATION DIFFERENCES	(63,741)	33	-	-
CASH AND CASH EQUIVALENTS CARRIED FORWARD (Note 23)	31,815,363	37,663,096	5,323,154	12,746,202

1 GENERAL INFORMATION

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

During the financial period, the Company transferred its manufacturing operations substantially to a subsidiary, Melewar Steel Tube Sdn. Bhd.

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

The registered office of the Company is:

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

The principal place of business of the Company is:

Lot 53, Persiaran Selangor
40200 Shah Alam
Selangor Darul Ehsan

The financial year end of the Group and Company was changed from 31 January to 30 June to rationalise the reporting periods of the Group. Accordingly, comparative amounts for income statement, changes in equity, cash flow and related notes are not comparable.

As at 30 June 2007, all monetary assets and liabilities of the Group and Company are denominated in Ringgit Malaysia, unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

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

The new accounting standards, amendments to published standards and IC (Interpretation Committee) interpretations to existing standards effective for the Group's financial period beginning on or after 1 February 2006 are as follows:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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

- FRS 1 First-time Adoption of Financial Reporting Standards
- FRS 2 Share-based Payment
- FRS 3 Business Combinations
- FRS 5 Non-current Assets Held for Sale and Presentation of Discontinued Operations
- FRS 101 Presentation of Financial Statements
- FRS 102 Inventories
- FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors
- FRS 110 Events After the Balance Sheet Date
- FRS 116 Property, Plant and Equipment
- FRS 121 The Effect of Changes in Foreign Exchange Rates
- FRS 127 Consolidated and Separate Financial Statements
- FRS 128 Investments in Associates
- FRS 131 Interest in Joint Ventures
- FRS 133 Earnings Per Share
- FRS 136 Impairment of Assets
- FRS 138 Intangible Assets
- FRS 140 Investment Property
- Amendments to FRS 119_{2004} Employee Benefits-Actuarial Gains and Losses, Group Plans and Disclosures - in relation to the "assets ceiling" test
- IC 107 Introduction of the Euro
- IC 110 Government Assistance - No Specific Relation to Operating Activities
- IC 112 Consolidation - Special Purpose Entities
- IC 113 Jointly Controlled Entities - Non - Monetary Contributions by Ventures
- IC 115 Operating Leases - Incentives
- IC 121 Income Taxes - Recovery of Revalued Non-Depreciable Assets
- IC 125 Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
- IC 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease
- IC 129 Disclosure - Service Concession Arrangements
- IC 131 Revenue - Barter Transactions Involving Advertising Services
- IC 132 Intangible Assets - Web Site Costs

All changes in accounting policies have been made in accordance with the transitional provisions in the respective standards, amendments to published standards and interpretations. All standards, amendments and interpretations adopted by the Group require retrospective application other than:

- FRS 2 - retrospective application for all equity instruments granted after 31 December 2004 and not vested at 1 February 2006;
- FRS 3 - prospectively for business combinations for which the agreement date is on or after 1 January 2006;
- FRS 5 - prospectively to non-current assets (or disposal groups) that meet the criteria to be classified as held for sale and to operations that meet the criteria to be classified as discontinued on/after 1 February 2006;
- FRS 116 - the exchange of property, plant and equipment is accounted at fair value prospectively;
- FRS 121 - prospective accounting for goodwill and fair value adjustments as part of foreign operations;
- FRS 136 & 138 - applies to goodwill and intangible assets acquired in business combinations for which the agreement date is on or after 1 January 2006 and all other assets prospectively from 1 February 2006;
- FRS 140 - the effect of adopting the fair value model is adjusted to the opening balance of retained earnings for the financial period.

The following describes the impact of new standards, amendments and interpretations on the financial statements of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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

- Irrelevant or immaterial effect on financial statements

  The adoption of FRS 1, 2, 3, 5, 102, 108, 110, 116, 121, 127, 128, 131, 133, 136, 138, the "asset ceiling" amendment to FRS 119_{2004} and ICs did not have a material impact on the financial statements of the Group. In summary:

  - FRS 2, 5 131, amendment to FRS 119_{2004} and ICs are not relevant to the Group.
  - FRS 1, 3, 102, 108, 110, 116, 121, 127, 128, 133, 136 and 138 had no material effect to the Group.

- Reclassification of prior year comparatives

  Set out below are changes in accounting policies that resulted in reclassification of prior financial year comparatives but did not affect the recognition and measurement of the net assets of the Group and Company:

  - FRS 101 has affected the presentation of minority interest. In the consolidated balance sheet, minority interest is now presented within equity, separately from parent shareholders' equity. Profit or loss in the consolidated income statement as well as total income and expenses for the financial year recognised directly in equity are now allocated between minority interest and equity holders of the parent.

  - Under FRS 101, the Group's share of associates are now shown net of tax.

- FRS 140 - Investment Properties

  The adoption of FRS 140 has resulted in a change in accounting policy for investment properties. Investment properties are now stated at fair value. Gains or losses arising from changes in the fair values of investment properties are recognised in the income statement in the period in which they arise.

  The definition of investment properties under FRS 140 has resulted in identification of assets of the Group and Company that meet the definition of investment properties. These properties are now classified into a separate asset category in the balance sheet.

  Previously, investment property was treated as part of property, plant and equipment and measured at cost at initial recognition. Subsequently, investment property is carried at fair value determined at regular intervals by external independent valuers based on open market values with additional valuations performed in the intervening period where market conditions indicate that the carrying amount on the revalued asset is materially different from the market value. Surplus arising from revaluation is dealt with through the asset revaluation reserve account. Any deficit arising is set-off against the asset revaluation reserve to the extent of a previous increase for the same asset. In all other cases, a decrease in carrying amount will be charged immediately to the income statement.

  In accordance with the transitional provision of FRS 140, this change in accounting policy is applied prospectively and the comparatives are not restated. The assets revaluation reserve arising from the investment property was derecognised with a corresponding increase in retained earnings.

  The adoption of this new standard has resulted in the Group's earnings per share to increase by one sen due to the fair value gain on investment properties of RM104,500.

(ii) Standards early adopted by the Group

The following standards have been early adopted by the Group:

- FRS 124 - Related Party Disclosures. This standard affects the identification of related parties and some other related party disclosures.

- FRS 117 - Leases. This standard requires the classification of leasehold land as prepaid lease payments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(ii) Standards early adopted by the Group (continued)

The following adjustments have been made in accordance with the new FRS 117 to the affected balance sheet items as at 31 January 2006 and affected income statement items for the financial year ended 31 January 2006:

	GROUP		
	As previously reported RM	**Impact of accounting policy changes RM**	**Adjusted for accounting policy changes RM**
Balance sheet			
NON-CURRENT ASSETS			
Property, plant and equipment	341,076,305	(37,940,000)	303,136,305
Prepaid lease rental	-	37,940,000	37,940,000

	COMPANY		
	As previously reported RM	**Impact of accounting policy changes RM**	**Adjusted for accounting policy changes RM**
NON-CURRENT ASSETS			
Property, plant and equipment	129,945,914	(33,120,000)	96,825,914
Prepaid lease rental	-	33,120,000	33,120,000

	GROUP		
	As previously reported RM	**Impact of accounting policy changes RM**	**Adjusted for accounting policy changes RM**
Income statement			
Depreciation of property, plant and equipment	9,009,472	(479,083)	8,530,389
Prepaid lease rental	-	479,083	479,083

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

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

(ii) Standards early adopted by the Group (continued)

	COMPANY		
	As previously reported RM	**Impact of accounting policy changes RM**	**Adjusted for accounting policy changes RM**
Depreciation of property, plant and equipment	3,353,244	(430,876)	2,922,368
Prepaid lease rental	-	430,876	430,876

There is no impact to the Group's earnings per share as a result of the adoption of FRS 117.

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

- FRS 107 - Cash Flow Statements
- FRS 111 - Construction Contracts
- FRS 112 - Income Taxes
- FRS 118 - Revenue
- FRS 134 - Interim Financial Reporting
- FRS 137 -Provisions, Contingent Liabilities and Contingent Assets
- IC Interpretation 8 - Scope of FRS 2

The adoption of the above standards and interpretations to existing standards in financial year ending 30 June 2008 are not expected to have any significant effects on the financial statements of the Group and Company.

(iv) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and not relevant for the Group's operations

Effective for accounting periods beginning on or after 1 January 2007

- FRS 6 - Exploration for and Evaluation of Mineral Resources
- Amendment to FRS 119_{2004} Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures

Effective for accounting periods beginning on or after 1 July 2007

- FRS 120 – Accounting for Government Grants and Disclosures of Government Assistance
- IC Interpretation 1 - Changes in Existing Decommissioning, Restoration and Similar Liabilities
- IC Interpretation 2 - Members' Shares in Co-operative Entities and Similar Instruments
- IC Interpretation 5 - Rights to Interests arising from Decommission, Restoration and Environmental Rehabilitation Funds

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

(a) Basis of preparation (continued)

(iv) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and not relevant for the Group's operations (continued)

- IC Interpretation 6 - Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
- IC Interpretation 7 - Applying the Restatement Approach under FRS 129_{2004} Financial Reporting in Hyperinflationary Economics

Effective for accounting periods beginning on or after 1 January 2008

- Amendment to FRS 121 - The Effects of Changes in Foreign Exchange Rates - *Net Investment in a Foreign Operations*

(b) Basis of consolidation

(i) Subsidiaries

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

Subsidiaries are consolidated using the purchase method of accounting.

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

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

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

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

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

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

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

(b) Basis of consolidation (continued)

(ii) Associates

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

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

Dilution gains and losses in associates are recognised in equity.

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

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

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

Goodwill on acquisitions of associates occurring on or after 1 February 2006 is included in investment in associates. Such goodwill is tested for impairment as part of the overall balance.

(c) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries over the fair value of the Group's share of the identifiable net assets at the date of acquisition. Goodwill on acquisitions of subsidiaries occurring on or after 1 February 2006 are included in the balance sheet as intangible assets.

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

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

(d) Property, plant and equipment

(i) Measurement basis

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

(i) Measurement basis (continued)

The Group revalues its properties comprising land and buildings, as well as assets held as plant, machinery and electrical installation periodically, at least once in every five (5) years. 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. Additions of land and buildings, and plant, machinery and electrical installation are stated at cost in the intervening years. Surplus arising from revaluation is dealt with through the asset revaluation reserve account. Any deficit arising is set-off against the asset revaluation reserve to the extent of a previous increase for the same asset. In all other cases, a decrease in carrying amount will be charged immediately to the income statement.

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

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount.

(ii) Depreciation

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

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

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

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

(e) Investment properties

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

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

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

In accordance with the transitional provisions of FRS 140, this change in accounting policy is applied prospectively and the comparatives are not restated. The assets revaluation reserve relating to investment properties was derecognised with a corresponding increase in retained earnings.

(f) Leases

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

As the Group had previously revalued its leasehold land, the Group adopted the transitional provisions by retaining the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of non-financial assets

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

The impairment loss and subsequent increase in recoverable amount is recognised in the income statement.

(h) Financial assets

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

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

(iv) Available-for-sale financial assets

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial assets (continued)

(iv) Available-for-sale financial assets (continued)

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

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

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

Valuation principles

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

Impairment of financial instruments

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

(i) 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 comprises cost of materials, direct labour, other direct charges and an appropriate proportion of factory overheads.

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

(j) Cash and cash equivalents

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

(k) Share capital

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Share capital (continued)

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

(l) Income tax

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based upon the taxable profits and real property gains taxes payable on disposal of properties.

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

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

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

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

(m) Employees' benefits

(i) Short term employee benefits

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

(ii) Key executive retirement scheme

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

(iii) Defined contribution plan

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

(iv) Share-based compensation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Revenue recognition

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

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

(i) Sale of goods

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

(ii) Processing service income

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

(iii) Dividend income

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

(iv) Interest income

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

(v) Rental income

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

(vi) Consultancy and project services

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

(o) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Segment reporting

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

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

(q) Assets acquired under hire purchase arrangements

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

(r) Trade payables

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

(s) Borrowings

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

Borrowing costs incurred to finance the construction of property, plant and equipment are capitalised as part of the cost of the assets during the period of time that is required to complete and prepare the assets for its intended use.

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

(t) Trade receivables

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Warrants reserve

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

(v) Derivative financial instruments

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

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

(i) Estimate of fair value of investment properties

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

- Current prices in an active market for properties of different nature, condition or location (or subject to different leases or other contracts), adjusted to reflect those differences, and
- Recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices.

(ii) Income taxes

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

(iii) Valuation of property, plant and equipment

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

(iv) Impairment of assets

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(v) Recoverability of debtors

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

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

(a) Credit risk

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

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

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

(b) Interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group is exposed to interest rate risk in respect of its time deposits placed with financial institutions. This risk is managed through monitoring of the money market for favourable returns.

The Group monitors the interest rate on borrowings closely to ensure that the borrowings are maintained at favourable rates.

It is the policy of the Group not to trade in interest rate swap agreements.

(c) Market risk

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

The management of the Group also monitors the quoted investments in order to minimise the impact.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Foreign currency exchange risk

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

During the financial period, the Group entered into forward foreign currency exchange contracts to limit its exposure on cash flows generated from anticipated borrowing drawdown transactions denominated in foreign currencies. However, the forward foreign currency exchange contracts do not form a significant proportion of the Group's transaction.

The Group is also exposed to foreign currency exchange risk due to the fair value change in its financial asset at fair value through profit or loss, denominated in Australian Dollar.

(e) Liquidity and cash flow risk

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

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

5 REVENUE

	Group		Company	
	17 months ended 30.06.2007 RM	Year ended 31.01.2006 RM	17 months ended 30.06.2007 RM	Year ended 31.01.2006 RM
Sale of goods	774,640,457	554,880,787	319,652,076	278,502,019
Processing service income	7,865,330	5,070,475	3,102,225	4,504,143
Consultancy and project services	27,736,071	6,968,455	-	-
	810,241,858	566,919,717	322,754,301	283,006,162

(continued)

6 OTHER OPERATING INCOME

	Group		Company	
	17 months ended 30.06.2007 RM	Year ended 31.01.2006 RM	17 months ended 30.06.2007 RM	Year ended 31.01.2006 RM
Interest on deposits with financial institutions	1,562,109	377,195	811,721	216,762
(Loss)/gain on disposal of property, plant and equipment	(1,236,005)	12,099	(143,666)	-
Gain on disposal of investment properties	600,000	-	600,000	-
Gain/(loss) on disposal of available-for-sale financial asset	-	146,680	-	146,680
Rental income	280,714	309,500	2,301,714	309,500
Dividend income	-	360,747	2,440,095	7,310,476
Realised foreign exchange gain/(loss)	166,140	59,460	(8,317)	(106,060)
Unrealised foreign exchange loss	(458,901)	(77,723)	(395,193)	-
Fair value gain on investment properties	104,500	-	641,500	-
Management fees	-	-	400,000	-
Marketing fees	-	-	283,468	-
Others	189,690	(33,727)	(115,000)	(41,200)
	1,208,247	1,154,231	6,816,322	7,836,158

7 PROFIT FROM OPERATIONS

	Group		Company	
	17 months ended 30.06.2007 RM	**Year ended 31.01.2006 RM**	**17 months ended 30.06.2007 RM**	**Year ended 31.01.2006 RM**
Profit from operations is stated after charging:				
Auditors' remuneration:				
- current financial year	172,000	131,700	75,083	53,000
Depreciation on property, plant and equipment	22,175,451	8,530,389	5,185,694	2,922,368
Prepaid lease rental	756,685	479,083	451,635	430,876
Staff costs	30,508,234	17,957,811	7,813,640	9,670,972
Rental of buildings	545,529	21,020	505,710	253,200
Loss on disposal of property, plant and equipment	1,236,005	-	143,666	-
Unrealised foreign exchange loss	458,901	77,723	395,193	-
Realised foreign exchange loss	-	-	8,317	106,060
Impairment losses:				
- property, plant and equipment	-	1,286,938	-	1,001,639
- inventories	-	30,114,527	-	5,629,887
Property, plant and equipment written off	72,841	3	43,562	-
Goodwill written off	108,009	-	-	-
and crediting:				
Bad debts recovered	45,000	-	-	-
Gain on disposal of property, plant and equipment	-	12,099	-	-
Gain on disposal of investment properties	600,000	-	600,000	-
Gain on disposal of available-for-sale financial assets	-	146,680	-	146,680
Gross dividend income:				
- subsidiaries	-	-	490,000	7,310,476
- investment quoted in Malaysia	-	360,747	1,950,095	-
Interest income:				
- deposits with licensed financial institutions	1,520,002	377,195	811,721	216,762
- bank balances	42,107	-	-	-
Rental income	280,714	309,500	2,301,714	309,500
Realised foreign exchange gain	166,140	59,460	-	-
Fair value gain on investment properties	104,500	-	641,500	-
Fair value gain on financial asset at fair value through profit or loss	140,137,147	65,091,429	-	-

The contribution to Employee Provident Fund included in staff costs was RM2,820,109 (2006: RM1,835,196) for the Group and RM861,292 (2006: RM1,096,485) for the Company.

Direct operating expenses of investment properties that generated rental income to the Group and Company during the financial period amounted to nil and RM370,603 respectively.

Direct operating expenses of investment properties that did not generate rental income to the Group and Company during the financial period amounted to RM17,999.

(continued)

8 FINANCE COST

	Group		Company	
	17 months ended 30.06.2007 RM	Year ended 31.01.2006 RM	17 months ended 30.06.2007 RM	Year ended 31.01.2006 RM
Interest on borrowings	12,580,034	8,086,693	2,885,985	3,523,049
Interest on hire-purchase	15,583	-	15,583	-
Fair value loss on foreign currency forward contract	77,499	-	-	-
	12,673,116	8,086,693	2,901,568	3,523,049

9 DIRECTORS' REMUNERATION

The aggregate amount of emoluments received/receivable by Directors of the Group are as follows:

	Group		Company	
	17 months ended 30.06.2007 RM	Year ended 31.01.2006 RM	17 months ended 30.06.2007 RM	Year ended 31.01.2006 RM
Directors of the Company				
Non-executive Directors:				
- fees	722,500	502,500	722,500	502,500
- allowances	67,500	72,750	67,500	72,750
- estimated monetary value of benefits-in-kind	22,504	11,939	22,504	11,939
Executive Directors:				
- salaries and bonuses	1,935,695	1,106,673	1,935,695	1,106,673
- estimated monetary value of benefits-in-kind	68,128	50,236	68,128	50,236
- defined contribution plan	275,535	166,005	275,535	166,005
Directors of subsidiaries				
Non-executive Directors:				
- fees	374,000	259,614	-	-
- allowances	43,500	25,000	-	-
- estimated monetary value of benefits-in-kind	52,800	27,156	-	-
Executive Directors:				
- salaries and bonuses	2,074,465	1,699,884	-	-
- estimated monetary value of benefits-in-kind	73,234	30,100	-	-
- defined contribution plan	262,798	135,000		
	5,972,659	4,086,857	3,091,862	1,910,103

10 TAX

	Group		Company	
	17 months ended 30.06.2007 RM	Year ended 31.01.2006 RM	17 months ended 30.06.2007 RM	Year ended 31.01.2006 RM
Current tax:				
- Malaysian tax	9,951,129	637,198	3,787,629	280,000
- Foreign tax	9,075,960	-	-	-
- Under accrual in prior financial year	194,062	20,546	-	-
Deferred tax (Note 17)	54,578,545	(6,230,408)	(5,123,391)	(2,292,872)
	73,799,696	(5,572,664)	(1,335,762)	(2,012,872)
Profit/(loss) before tax	189,060,947	35,706,881	22,927,505	(2,542,980)
Tax calculated at the Malaysian tax rate of 27% (2006: 28%)	51,046,456	9,997,927	6,190,426	(712,034)
Tax effects of:				
- share of results of associates	(42,598)	131,618	-	-
- different tax rate in other countries	6,952,537	-	-	-
- expenses not deductible for tax purposes	869,844	1,426,367	442,086	649,966
- income not subject to tax	(3,153,950)	(18,194,878)	(526,526)	(1,950,804)
- change in tax rate	(764,035)	(16,384)	(409,485)	-
- utilisation of previously unrecognised tax losses	401,892	-	401,892	-
- controlled transfer of property, plant and equipment to subsidiary	(2,843,450)	-	(6,702,952)	-
- under accrual in prior financial year	135,065	741,460	-	-
- tax incentive obtained for double deduction	(96,516)	(85,086)	-	-
- utilisation of reinvestment allowance	(426,072)	-	(341,252)	-
- current financial period tax losses not recognised	612,115	-	-	-
- change in tax estimates	19,826,469	-	-	-
- deferred tax assets not recognised	1,671,890	426,312	-	-
- others	(389,951)	-	(389,951)	-
Tax expense	73,799,696	(5,572,664)	(1,335,762)	(2,012,872)

11 EARNINGS PER SHARE

(a) Basic earnings per share

	Group	
	17 months ended 30.06.2007 RM	**Year ended 31.01.2006 RM**
Profit attributable to equity holders of the Company	104,843,771	46,915,487
Number of ordinary shares in issue at beginning of financial period/year after deducting treasury shares	169,144,380	160,674,100
Effect of exercise of ESOS options and warrants	-	2,259,030
Effect of share repurchase	(167,265)	(405,325)
Effect of bonus issue	56,287,131	56,287,131
Weighted average number of ordinary shares	225,264,246	218,814,936
Basic earnings per share (sen) *	32.9	21.4

* For comparative purposes, the calculation of earnings per share for the financial period ended 30 June 2007 is annualised and the earnings per share for the previous financial year is adjusted to reflect the bonus issue of shares on the basis of one (1) bonus share for every three (3) existing shares held.

(b) Diluted earnings per share

Diluted earnings per share is not applicable to the Group because potential ordinary shares are anti-dilutive. The effect of anti-dilutive potential ordinary shares is ignored in the calculation of diluted earnings per share.

12 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Long term leasehold land RM	Short term leasehold land RM	Buildings RM	Plant, machinery and electrical installation RM	Motor vehicles, furniture, fittings and equipment RM	Capital work-in-progress RM	Total RM
2007								
Cost/valuation								
At 1 February 2006								
Cost	-	-	-	-	2,458,208	9,619,703	26,756,450	38,834,361
Valuation	29,780,000	4,180,000	2,430,000	87,766,100	151,276,630	-	-	275,432,730
	29,780,000	4,180,000	2,430,000	87,766,100	153,734,838	9,619,703	26,756,450	314,267,091
Effects of adoption of FRS 140	(880,000)	(4,180,000)	(2,430,000)	(1,690,000)	-	-	-	(9,180,000)
As adjusted	28,900,000	-	-	86,076,100	153,734,838	9,619,703	26,756,450	305,087,091
Additions	-	-	-	520,984	3,707,037	2,540,105	73,414,205	80,182,331
Disposals	-	-	-	-	(2,757,808)	(530,500)	(3,829)	(3,292,137)
Impairment loss charged against revaluation surplus	-	-	-	-	(1,322,234)	-	-	(1,322,234)
Reclassification of account	-	-	-	-	19,630,549	-	(19,630,549)	-
Write-off	-	-	-	-	(75,654)	(1,024,420)	-	(1,100,074)
At 30 June 2007								
Cost	-	-	-	520,984	51,015,844	10,604,888	80,536,277	142,677,993
Valuation	28,900,000	-	-	86,076,100	121,900,884	-	-	236,876,984
	28,900,000	-	-	86,597,084	172,916,728	10,604,888	80,536,277	379,554,977
Accumulated depreciation								
At 1 February 2006	-	-	-	-	4,323,733	6,807,053	-	11,130,786
Charge for the financial period	-	-	-	4,292,665	16,923,086	959,700	-	22,175,451
Disposals	-	-	-	-	(1,088,122)	(276,334)	-	(1,364,456)
Write-off	-	-	-	-	(7,320)	(1,019,913)	-	(1,027,233)
At 30 June 2007	-	-	-	4,292,665	20,151,377	6,470,506	-	30,914,548
Net book value at 30 June 2007								
Cost	-	-	-	508,367	46,553,738	4,134,382	80,536,277	131,732,764
Valuation	28,900,000	-	-	81,796,052	106,211,613	-	-	216,907,665
	28,900,000	-	-	82,304,419	152,765,351	4,134,382	80,536,277	348,640,429

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold land RM	Long term leasehold land RM	Short term leasehold land RM	Buildings RM	Plant, machinery and electrical installation RM	Motor vehicles, furniture, fittings and equipment RM	Capital work-in-progress RM	Total RM
2006								
Cost/valuation								
At 1 February 2005								
Cost	871,000	410,014	-	9,986,277	271,720,697	9,228,871	2,990,614	295,207,473
Valuation	35,752,674	42,445,145	3,244,660	78,374,565	-	-	-	159,817,044
	36,623,674	42,855,159	3,244,660	88,360,842	271,720,697	9,228,871	2,990,614	455,024,517
Effects of adoption of FRS 117	-	(37,288,159)	-	-	-	-	-	(37,288,159)
As restated	36,623,674	5,567,000	3,244,660	88,360,842	271,720,697	9,228,871	2,990,614	417,736,358
Additions	-	-	-	4,528,741	1,645,712	390,832	26,117,240	32,682,525
Disposals	(3,845,655)	-	-	-	(63,750)	-	-	(3,909,405)
Reclassification of accounts	-	-	-	-	2,351,404	-	(2,351,404)	-
Write-off	-	-	-	-	(614,393)	-	-	(614,393)
Revaluation	(2,998,019)	(1,387,000)	(814,660)	(5,123,483)	(121,304,832)	-	-	(131,627,994)
At 31 January 2006								
Cost	-	-	-	-	2,458,208	9,619,703	26,756,450	38,834,361
Valuation	29,780,000	4,180,000	2,430,000	87,766,100	151,276,630	-	-	275,432,730
	29,780,000	4,180,000	2,430,000	87,766,100	153,734,838	9,619,703	26,756,450	314,267,091
Accumulated depreciation								
At 1 February 2005	-	2,280,020	353,585	5,535,912	193,671,255	6,240,309	-	208,081,081
Effects of adoption of FRS 117	-	(2,036,104)	-	-	-	-	-	(2,036,104)
As restated	-	243,916	353,585	5,535,912	193,671,255	6,240,309	-	206,044,977
Charge for the financial year	-	57,392	83,196	2,989,862	4,833,195	566,744	-	8,530,389
Disposals	-	-	-	-	(54,409)	-	-	(54,409)
Write-off	-	-	-	-	(614,390)	-	-	(614,390)
Adjustment for revaluation	-	(301,308)	(436,781)	(8,525,774)	(193,511,918)	-	-	(202,775,781)
At 31 January 2006	-	-	-	-	4,323,733	6,807,053	-	11,130,786
Net book value at 31 January 2006								
Cost	-	-	-	-	95,084	2,812,650	26,756,450	29,664,184
Valuation	29,780,000	4,180,000	2,430,000	87,766,100	149,316,021	-	-	273,472,121
	29,780,000	4,180,000	2,430,000	87,766,100	149,411,105	2,812,650	26,756,450	303,136,305

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

Company	Freehold land RM	Long term leasehold land RM	Short term leasehold land RM	Buildings RM	Plant, machinery and electrical installation RM	Motor vehicles, furniture, fittings and equipment RM	Capital work-in-progress RM	Total RM
2007								
Cost/valuation								
At 1 February 2006								
Cost	-	-	-	-	-	6,530,378	692,277	7,222,655
Valuation	880,000	4,180,000	2,430,000	31,040,000	56,579,000	-	-	95,109,000
	880,000	4,180,000	2,430,000	31,040,000	56,579,000	6,530,378	692,277	102,331,655
Effects of adoption of FRS 140	(880,000)	(4,180,000)	(2,430,000)	(1,690,000)	-	-	-	(9,180,000)
As adjusted	-	-	-	29,350,000	56,579,000	6,530,378	692,277	93,151,655
Additions	-	-	-	124,520	242,547	1,724,978	1,278,951	3,370,996
Transfer to investment properties	-	-	-	(20,910,000)	-	-	-	(20,910,000)
Transfer of assets to subsidiary	-	-	-	-	(26,658,185)	-	(301,209)	(26,959,394)
Disposals	-	-	-	-	(3,428)	(915,744)	-	(919,172)
Reclassification of accounts	-	-	-	-	251,333	-	(251,333)	-
Write-off	-	-	-	-	(45,102)	(1,019,422)	-	(1,064,524)
At 30 June 2007								
Cost	-	-	-	124,520	493,880	6,320,190	1,418,686	8,357,276
Valuation	-	-	-	8,440,000	29,872,285	-	-	38,312,285
	-	-	-	8,564,520	30,366,165	6,320,190	1,418,686	46,669,561
Accumulated depreciation								
At 1 February 2006	-	-	-	-	-	5,505,741	-	5,505,741
Effects of adoption of FRS 140	-	-	-	-	-	-	-	-
As adjusted	-	-	-	-	-	5,505,741	-	5,505,741
Charge for the financial period	-	-	-	1,264,452	3,491,677	429,565	-	5,185,694
Transfer to investment properties	-	-	-	(767,957)	-	-	-	(767,957)
Transfer of asset to subsidiary	-	-	-	-	(1,395,567)	-	-	(1,395,567)
Disposals	-	-	-	-	-	(502,147)	-	(502,147)
Write-off	-	-	-	-	(1,540)	(1,019,422)	-	(1,020,962)
At 30 June 2007	-	-	-	496,495	2,094,570	4,413,737	-	7,004,802
Net book value at 30 June 2007								
Cost	-	-	-	123,136	481,704	1,906,453	1,418,686	3,929,979
Valuation	-	-	-	7,944,889	27,789,891	-	-	35,734,780
	-	-	-	8,068,025	28,271,595	1,906,453	1,418,686	39,664,759

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Freehold land RM	Long term leasehold land RM	Short term leasehold land RM	Buildings RM	Plant, machinery and electrical installation RM	Motor vehicles, furniture, fittings and equipment RM	Capital work-in-progress RM	Total RM
2006								
Cost/valuation								
At 1 February 2005								
Cost	871,000	-	-	904,000	105,066,181	6,526,604	583,283	113,951,068
Valuation	4,304,360	38,685,145	3,244,660	35,071,195	-	-	-	81,305,360
	5,175,360	38,685,145	3,244,660	35,975,195	105,066,181	6,526,604	583,283	195,256,428
Effects of adoption of FRS 117	-	(33,118,145)	-	-	-	-	-	(33,118,145)
As restated	5,175,360	5,567,000	3,244,660	35,975,195	105,066,181	6,526,604	583,283	162,138,283
Additions	-	-	-	139,512	463,903	3,774	2,460,398	3,067,587
Disposals	(3,845,655)	-	-	-	(2,627,424)	-	-	(6,473,079)
Reclassification of accounts	-	-	-	-	2,351,404	-	(2,351,404)	-
Revaluation	(449,705)	(1,387,000)	(814,660)	(5,074,707)	(48,675,064)	-	-	(56,401,136)
At 31 January 2006								
Cost	-	-	-	-	-	6,530,378	692,277	7,222,655
Valuation	880,000	4,180,000	2,430,000	31,040,000	56,579,000	-	-	95,109,000
	880,000	4,180,000	2,430,000	31,040,000	56,579,000	6,530,378	692,277	102,331,655
Accumulated depreciation								
At 1 February 2005	-	2,075,148	353,585	3,782,166	76,335,797	5,218,748	-	87,765,444
Effects of adoption of FRS 117	-	(1,831,232)	-	-	-	-	-	(1,831,232)
As restated	-	243,916	353,585	3,782,166	76,335,797	5,218,748	-	85,934,212
Charge for the financial year	-	57,392	83,196	1,508,658	986,129	286,993	-	2,922,368
Disposals	-	-	-	-	(1,818,887)	-	-	(1,818,887)
Adjustment for revaluation	-	(301,308)	(436,781)	(5,290,824)	(75,503,039)	-	-	(81,531,952)
At 31 January 2006	-	-	-	-	-	5,505,741	-	5,505,741
Net book value at 31 January 2006								
Cost	-	-	-	-	-	1,024,637	692,277	1,716,914
Valuation	880,000	4,180,000	2,430,000	31,040,000	56,579,000	-	-	95,109,000
	880,000	4,180,000	2,430,000	31,040,000	56,579,000	1,024,637	692,277	96,825,914

Land and buildings, plant, machinery and electrical installation were revalued in January 2006 by an independent firm of professional valuers, C H Williams Talhar & Wong Sdn Bhd, based on open market value.

During the financial period, the Group and Company acquired property, plant and equipment with a cost of RM950,000 of which RM855,000 was acquired by means of hire purchase. As at 30 June 2007, the net book value of the property, plant and equipment under hire purchase arrangement in the Group and Company stood at RM902,500 (2006: nil).

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Included in the capital work-in-progress incurred during the financial period was interest capitalised of RM1,007,852 (2006:nil).

Capital work-in-progress relating to an expansion project amounting to RM83,410,819 (2006: nil), has been pledged as security, for borrowings granted (see Note 26).

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

	Group		Company	
	30.06.2007 RM	31.01.2006 RM	30.06.2007 RM	31.01.2006 RM
Freehold land	14,189,793	17,754,869	-	871,000
Long term leasehold land	-	4,180,000	-	4,180,000
Short term leasehold land	-	139,917	-	139,917
Buildings	48,134,584	51,694,906	3,496,145	11,420,451
Plant, machinery and electrical installation	70,426,642	77,304,962	17,444,481	29,776,101
	132,751,019	151,074,654	20,940,626	46,387,469

13 INVESTMENT PROPERTIES

	Group		Company	
	30.06.2007 RM	31.01.2006 RM	30.06.2007 RM	31.01.2006 RM
At beginning of the financial period/year	-	-	-	-
Effects of adopting FRS 140:				
- transfer from property, plant and equipment	9,180,000	-	9,180,000	-
- transfer from prepaid lease rental	-	-	21,245,557	-
As restated	9,180,000	-	30,425,557	-
Transfer from property, plant and equipment	-	-	20,142,043	-
Fair value gain	104,500	-	641,500	-
Disposal	(5,000,000)	-	(5,000,000)	-
At end of the financial period/year	4,284,500	-	46,209,100	-

The investment properties were revalued by an independent external valuer, C H Williams Talhar & Wong Sdn Bhd in January 2006, based on open market value. The fair value of these properties as at 30 June 2007 were estimated using the valuation performed as a base and with an estimated growth rate of 5% reflecting the growth in market value of properties in their surrounding areas.

14 PREPAID LEASE RENTAL

The prepaid lease rental relates to leasehold lands, which were revalued in January 2006 by an independent external valuer, C H Williams Talhar & Wong Sdn Bhd in January 2006 based on open market value. The Group has adopted the transitional provisions by retaining the unamortised revalued amount as the surrogate carrying amount of prepaid lease rental.

15 SUBSIDIARIES

	Company	
	30.06.2007 RM	31.01.2006 RM
Cost		
Quoted shares	47,058,463	42,000,000
Unquoted shares	59,504,496	32,940,676
	106,562,959	74,940,676
Market value of quoted shares	80,928,956	67,549,368

The details of the subsidiaries are as follows:

Name	Principal activities	Group's effective interest 30.06.2007 %	Group's effective interest 31.01.2006 %
Mycron Steel Berhad	Investment holding and provision of management services to subsidiaries	54.5	52.4
Mycron Steel CRC Sdn. Bhd.	Manufacturing and trading of cold rolled steel sheets in coils	54.5	52.4
Silver Victory Sdn. Bhd.	Dormant	54.5	52.4
Melewar Steel Services Sdn.Bhd.	Investment holding	100.0	100.0
Melewar Steel Assets Sdn. Bhd.	Property investment	100.0	100.0
Melewar Steel Tube Sdn. Bhd.	Provision of engineering services, and manufacturing and trading of steel pipes and tubes	100.0	100.0
Melewar Steel Mills Sdn. Bhd.	Manufacturing, distributing and trading of steel and iron products	100.0	100.0
Melewar Integrated Engineering Sdn. Bhd.	Provision of engineering and technical consultancy services	70.0	70.0
Melewar Steel Ventures Ltd.	Investment holding	100.0	100.0
Melewar Steel Engineering Sdn. Bhd.	Investment holding	100.0	100.0
M-Power TT Ltd.	Project management	100.0	100.0
Mperial Power Ltd.	Investment holding	100.0	100.0
Melewar MycroSmelt Technology Ltd.	Dormant	85.0	-
Melewar Metro Sdn. Bhd.	Dormant	100.0	-
Melewar Metro (Penang) Sdn. Bhd.	Dormant	100.0	-

15 SUBSIDIARIES (continued)

All subsidiaries are incorporated in Malaysia except for Melewar MycroSmelt Technology Ltd., which is incorporated in British Virgin Islands.

All subsidiaries are audited by PricewaterhouseCoopers, Malaysia.

16 ASSOCIATES

	Group	
	30.06.2007 RM	**31.01.2006 RM**
Share of net assets of associates	112,625,218	86,199,131
Market value of quoted shares	44,916,978	26,741,475

Although the carrying amounts of the associates are higher than the market value of quoted shares, no impairment is recognised as the Directors have determined that the value-in-use is higher than the carrying amount of each of the associates. The value-in-use is computed based on the annualised cash flows of the associate discounted using a discount rate of the industry of 11.56% and estimated growth rate of 5% per annum.

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

	Group	
	30.06.2007 RM	**31.01.2006 RM**
Revenue	79,219,464	13,346,758
Profit after tax	157,772	926,364
Non-current assets	92,453,200	107,534,974
Current assets	59,919,971	50,997,035
Current liabilities	(24,242,119)	(33,268,447)
Non-current liabilities	(15,505,834)	(39,064,431)
Net assets	112,625,218	86,199,131

The details of associates are as follows:

		Group's effective interest	
Name	**Principal activities**	**30.06.2007 %**	**31.01.2006 %**
M3nergy Berhad #	Investment holding and provision of management services to its subsidiaries	22.59	21.54
PMP Galvanizers Sdn Bhd +	Manufacturing and trading of galvanised metal	10.89	8.89

\# Shares of the investment in the associate amounting to RM95,491,362 (2006: RM86,199,131) have been pledged as collateral for borrowings of a subsidiary (see Note 26).

\+ This company is an associate to the Group in this financial period, as a subsidiary is able to exercise significant influence over this company. The investment in this company was classified as available-for-sale financial assets in prior financial year and thus, the Group's effective interest of 8.89% is disclosed for comparison purposes only.

Contingent liabilities relating to associates are shown in Note 32.

17 DEFERRED TAX

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

	Group		Company	
	30.06.2007 RM	**31.01.2006 RM**	**30.06.2007 RM**	**31.01.2006 RM**
Deferred tax assets	13,734	160,855	-	-
Deferred tax liabilities:				
- subject to income tax	(98,086,456)	(46,769,189)	(19,072,621)	(25,729,684)
- subject to real property gains tax	-	(735,963)	-	(450)
	(98,086,456)	(47,505,152)	(19,072,621)	(25,730,134)
	(98,072,722)	(47,344,297)	(19,072,621)	(25,730,134)
At beginning of the financial period/year	(47,344,297)	(29,833,260)	(25,730,134)	(19,575,519)
- tax effect arising from changes in accounting policies	-	(467,604)	-	(467,604)
As restated	(47,344,297)	(30,300,864)	(25,730,134)	(20,043,123)
(Charged)/credited to income statement (Note 10):				
- property, plant and equipment	8,297,454	(4,868,441)	8,085,007	(668,744)
- tax losses	(4,824,374)	4,824,374	(1,572,780)	1,572,780
- unabsorbed capital allowances	(6,249,534)	6,274,475	(1,388,836)	1,388,836
- financial asset at fair value through profit or loss	(51,902,464)	-	-	-
- others	100,373	-	-	-
	(54,578,545)	6,230,408	5,123,391	2,292,872
(Debited)/credited to asset revaluation reserve:				
- property, plant and equipment	-	(23,273,841)	-	(7,979,883)
- change in tax rate	3,491,227	-	1,534,122	-
- impairment of property, plant and equipment	343,781	-	-	-
- others	15,112	-	-	-
	(50,728,425)	(17,043,433)	6,657,513	(5,687,011)
	(98,072,722)	(47,344,297)	(19,072,621)	(25,730,134)
Subject to income tax:				
Deferred tax assets (before offsetting):				
- property, plant and equipment	13,734	-	-	-
- unabsorbed capital allowances	24,941	6,274,475	-	1,388,836
- tax losses	-	4,824,374	-	1,572,780
- others	100,373	-	-	-
	139,048	11,098,849	-	2,961,616
Offsetting	(125,314)	(10,937,994)	-	(2,961,616)
Deferred tax assets (after offsetting)	13,734	160,855	-	-

17 DEFERRED TAX (continued)

	Group		Company	
	30.06.2007 RM	**31.01.2006 RM**	**30.06.2007 RM**	**31.01.2006 RM**
Deferred tax liabilities (before offsetting):				
- property, plant and equipment	(37,479,075)	(49,185,107)	(7,549,458)	(20,444,808)
- prepaid lease rental	(8,830,231)	(8,522,076)	(2,645,057)	(8,246,492)
- investment properties	-	-	(8,878,106)	-
- financial asset at fair value through profit or loss	(51,902,464)	-	-	-
	(98,211,770)	(57,707,183)	(19,072,621)	(28,691,300)
Offsetting	125,314	10,937,994	-	2,961,616
Deferred tax liabilities (after offsetting)	(98,086,456)	(46,769,189)	(19,072,621)	(25,729,684)
Subject to real property gains tax:				
Deferred tax liabilities:				
- property, plant and equipment	-	(735,963)	-	(450)

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

	Group		Company	
	30.06.2007 RM	**31.01.2006 RM**	**30.06.2007 RM**	**31.01.2006 RM**
Tax losses	7,478,715	1,596,616	-	-
Capital allowances	6,634,860	167,092	-	-

18 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets include the following:

	Group		Company	
	30.06.2007 RM	**31.01.2006 RM**	**30.06.2007 RM**	**31.01.2006 RM**
Securities:				
- Quoted in Malaysia	-	2,654,064	-	2,654,064
- Unquoted in Malaysia	1,869,077	5,150,000	934,531	450,000
	1,869,077	7,804,064	934,531	3,104,064

18 AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

The table below illustrates the movement of available-for-sale financial assets:

	Group		Company	
	30.06.2007 RM	**31.01.2006 RM**	**30.06.2007 RM**	**31.01.2006 RM**
At beginning of the financial period/year	7,804,064	41,549,948	3,104,064	3,149,948
Adjustment due to changes in accounting policy	-	(4,991,343)	-	(71,343)
As restated	7,804,064	36,558,605	3,104,064	3,078,605
Addition	969,077	15,544,110	484,531	2,558,511
Disposal	-	(200,000)	-	(200,000)
Deficit transferred to other reserves for available-for-sale financial assets	-	(2,333,052)	-	(2,333,052)
	8,773,141	49,569,663	3,588,595	3,104,064
Less : reclassification to investment in associates	(4,250,000)	(41,765,599)	-	-
Less : reclassification to investment in subsidiaries	(2,654,064)	-	(2,654,064)	-
At end of the financial period/year	1,869,077	7,804,064	934,531	3,104,064

19 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	Group	
	30.06.2007 RM	**31.01.2006 RM**
Equity securities:		
- Quoted outside Malaysia	225,235,620	85,098,473

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

	Group	
	30.06.2007 RM	**31.01.2006 RM**
At beginning of the financial period/year	85,098,473	7,859,700
Additions	-	12,147,344
Fair value gain	140,137,147	65,091,429
At end of the financial period/year	225,235,620	85,098,473

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

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

The financial asset at fair value through profit or loss is charged as security for borrowings granted to the Group (see Note 26) and financing facilities granted to the Group and Company.

20 INVENTORIES

	Group		Company	
	30.06.2007 RM	**31.01.2006 RM**	**30.06.2007 RM**	**31.01.2006 RM**
Raw materials	83,127,990	89,111,849	14,458,736	31,729,785
Work-in-progress	13,597,973	2,864,491	-	-
Finished goods	53,164,722	39,094,553	8,165,558	20,823,839
Consumables	2,530,700	1,659,587	438,660	580,723
	152,421,385	132,730,480	23,062,954	53,134,347

21 TRADE AND OTHER RECEIVABLES

	Group		Company	
	30.06.2007 RM	**31.01.2006 RM**	**30.06.2007 RM**	**31.01.2006 RM**
Trade receivables	102,618,576	81,132,559	32,732,846	36,153,819
Other receivables	50,757,114	16,967,062	1,628,635	2,714,751
Deposits	10,384,460	10,410,365	5,161,643	5,189,851
Prepayments	2,366,300	1,273,439	253,949	406,928
Purchase consideration paid	83,843,964	18,900,500	-	-
	249,970,414	128,683,925	39,777,073	44,465,349
The currency exposure profile of trade receivables is as follows:				
- Ringgit Malaysia	91,924,608	76,527,033	29,660,420	36,153,819
- Singapore Dollar	2,908,822	4,540,708	2,908,822	-
- US Dollar	7,785,146	64,818	163,604	-
	102,618,576	81,132,559	32,732,846	36,153,819

The purchase consideration paid relates to the acquisition of Siam Power Generation Company Ltd. (“SIPCO”), which has yet to be completed as there is a condition precedent that has not been fulfilled as at 30 June 2007.

Included in other receivables are advances to SIPCO amounting to RM26,913,724 (2006:RM191,740).

(continued)

22 AMOUNT OWING BY/(TO) SUBSIDIARIES

The amount owing by/(to) subsidiaries are unsecured and interest free. There are no fixed terms of repayment for inter-company advances whereas inter-company trade transactions are subject to credit terms between 30 to 90 (2006: 30 to 90) days.

	Company	
	30.06.2007 RM	**31.01.2006 RM**
Amount owing by subsidiaries:		
Trade	93,364	10,062,254
Advance	206,753,777	87,933,520
	206,847,141	97,995,774
Amount owing to subsidiaries:		
Trade	18,976,350	5,118,619
Advance	-	200,000
	18,976,350	5,318,619

23 CASH AND CASH EQUIVALENTS

	Group		Company	
	30.06.2007 RM	**31.01.2006 RM**	**30.06.2007 RM**	**31.01.2006 RM**
Deposits with licensed financial institutions	23,945,951	10,217,586	18,942,122	10,217,586
Cash and bank balances	22,869,412	27,445,510	1,381,032	2,528,616
	46,815,363	37,663,096	20,323,154	12,746,202
Less: Restricted cash	(15,000,000)	-	(15,000,000)	-
	31,815,363	37,663,096	5,323,154	12,746,202

The restricted cash relates to deposit with a financial institution that is pledged as security for financing facilities granted to the Group and Company.

The weighted average interest rate that was effective at the balance sheet date are as follows:

	Group		Company	
	30.06.2007 % per annum	**31.01.2006 % per annum**	**30.06.2007 % per annum**	**31.01.2006 % per annum**
Deposits with licensed financial institutions	2.79	2.20	2.94	2.20
Bank balances	0.03	-	-	-

Deposits with licensed financial institutions have an average maturity period of 30 (2006: 30) days.

23 CASH AND CASH EQUIVALENTS (continued)

	Group		Company	
	30.06.2007 RM	31.01.2006 RM	30.06.2007 RM	31.01.2006 RM
The currency exposure profile of cash and bank balances is as follows:				
- Ringgit Malaysia	22,756,896	27,387,989	1,381,032	2,528,616
- Australian Dollar	43,123	42,474	-	-
- US Dollar	69,393	15,047	-	-
	22,869,412	27,445,510	1,381,032	2,528,616

24 TRADE AND OTHER PAYABLES

	Group		Company	
	30.06.2007 RM	31.01.2006 RM	30.06.2007 RM	31.01.2006 RM
Trade payables	9,507,303	3,857,689	381,740	2,327,621
Other payables	5,838,846	3,907,889	1,739,110	1,383,242
Accruals	27,021,582	8,852,814	425,454	1,541,172
Deposits received	-	74,500	625,000	74,500
	42,367,731	16,692,892	3,171,304	5,326,535

25 DERIVATIVE LIABILITY

The notional principal amounts of the outstanding foreign currency forward contracts as at 30 June 2007 totalled RM8,667,000 (2006: nil).

The foreign currency forward contracts entered into during the financial period were for hedging the future drawdown of borrowings denominated in US Dollars which are expected to occur at various dates during the next 12 months.

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

26 BORROWINGS

	Group		Company	
	30.06.2007 RM	31.01.2006 RM	30.06.2007 RM	31.01.2006 RM
Current				
Bankers' acceptance	141,290,000	83,500,437	86,190,000	41,300,000
Revolving credit	73,000,000	73,000,000	38,000,000	38,000,000
Hire purchase creditor	277,303	-	277,303	-
Term loans	41,082,449	2,464,089	-	-
	255,649,752	158,964,526	124,467,303	79,300,000

(continued)

26 **BORROWINGS** (continued)

	Group 30.06.2007 RM	Group 31.01.2006 RM	Company 30.06.2007 RM	Company 31.01.2006 RM
Non-current				
Hire purchase creditor	466,049	-	466,049	-
Term loans	81,303,170	20,326,879	-	-
	81,769,219	20,326,879	466,049	-
Total				
Bankers' acceptance	141,290,000	83,500,437	86,190,000	41,300,000
Revolving credit	73,000,000	73,000,000	38,000,000	38,000,000
Hire purchase creditor	743,352	-	743,352	-
Term loans	122,385,619	22,790,968	-	-
	337,418,971	179,291,405	124,933,352	79,300,000

Contractual terms of borrowings

Group	Contractual interest rate at balance sheet date (per annum)	Functional currency/ currency exposure	Total carrying amount RM	Maturity profile < 1 year RM	Maturity profile 1 - 2 years RM	Maturity profile > 2 years RM
At 30 June 2007						
Unsecured						
- Bankers' acceptance	3.90% - 4.97%	RM	94,090,000	94,090,000	-	-
- Revolving credit	4.75%	RM	38,000,000	38,000,000	-	-
Secured						
- Bankers' acceptance	4.12% - 4.15%	RM	47,200,000	47,200,000	-	-
- Revolving credit	3.95%	RM	35,000,000	35,000,000	-	-
- Hire purchase creditor	2.38%	RM	743,352	277,303	290,503	175,546
- Term Loan (1)	BLR + 1.5% - 12%	RM	45,460,485	35,460,485	10,000,000	-
- Term Loan (2)	BLR + 2.0%/ SIBOR + 1.2%, 3.23%	RM; RM/USD; RM/EURO	76,925,134	5,621,964	27,727,821	43,575,349
			337,418,971	255,649,752	38,018,324	43,750,895
At 31 January 2006						
Unsecured						
- Bankers' acceptance	3.40% - 4.25%	RM	41,300,000	41,300,000	-	-
- Revolving credit	3.75%	RM	38,000,000	38,000,000	-	-
Secured						
- Bankers' acceptance	3.65% - 5.26%	RM	42,200,437	42,200,437	-	-
- Revolving credit	4.05%	RM	35,000,000	35,000,000	-	-
- Term Loan (1)	COF + 2% - 8.8%	RM	12,464,089	2,464,089	-	10,000,000
- Term Loan (2)	BLR + 2.0%	RM	10,326,879	-	-	10,326,879
			179,291,405	158,964,526	-	20,326,879

26 BORROWINGS (continued)

Contractual terms of borrowings (continued)

Group	30.06.2007 Functional currency/ currency exposure	30.06.2007 Total amount RM	31.01.2006 Functional currency	31.01.2006 Total amount RM
Unsecured	RM	132,090,000	RM	79,300,000
Secured	RM	141,734,957	RM	99,991,405
	RM/USD	40,569,032	-	-
	RM/EURO	23,024,982	-	-
		337,418,971		179,291,405

Term Loan (1) is secured against the investment in an associate (see Note 16) or financial asset at fair value through profit or loss (see Note 19).
Term Loan (2) is secured by a debenture over the fixed charge on the plant and machinery financed by the bank (see Note 12) and/ or a debenture over the fixed and floating assets of the subsidiary.

Company	Contractual interest rate at balance sheet date (per annum)	Functional currency/ currency exposure	Total carrying amount RM	Maturity profile < 1 year RM	1 - 2 years RM	> 2 years RM
At 30 June 2007						
Unsecured						
- Bankers' acceptance	3.90% - 4.97%	RM	86,190,000	86,190,000	-	-
- Revolving credit	4.75%	RM	38,000,000	38,000,000	-	-
Secured						
- Hire purchase creditor	2.38%	RM	743,352	277,303	290,503	175,546
			124,933,352	124,467,303	290,503	175,546
At 31 January 2006						
Unsecured						
- Bankers' acceptance	3.40% - 4.25%	RM	41,300,000	41,300,000	-	-
- Revolving credit	3.75%	RM	38,000,000	38,000,000	-	-
			79,300,000	79,300,000	-	-

Fair Value

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

	Group 30.06.2007 RM	Group 31.01.2006 RM
Term loan (2)	22,550,460	-

26 BORROWINGS (continued)

The weighted average interest rates of borrowings as at 30 June 2007 are as follows:

	Group		Company	
	30.06.2007 % per annum	**31.01.2006 % per annum**	**30.06.2007 % per annum**	**31.01.2006 % per annum**
Banker's acceptance	4.32	3.96	4.41	3.82
Revolving credit	4.37	3.89	4.75	3.75
Hire purchase creditor	2.38	-	2.38	-
Term loans	6.35	6.71	-	-

The hire purchase creditor at the balance sheet date is due in the following period:

	Group/Company	
	30.06.2007 RM	**31.01.2006 RM**
Not later than one (1) year	305,352	-
Later than one (1) year and not later than two (2) years	305,352	-
Later than two (2) years	178,113	-
	788,817	-
Less: future finance charge	(45,465)	-
Present value	743,352	-

27 SHARE CAPITAL

	Group/Company			
	30.06.2007		**31.01.2006**	
	Number of shares	**Nominal value RM**	**Number of shares**	**Nominal value RM**
Authorised				
Ordinary shares of RM1 each				
At beginning and end of the financial period/year	500,000,000	500,000,000	500,000,000	500,000,000
Issued and Fully paid				
Ordinary shares of RM1 each				
At beginning of the financial period/year	169,939,880	169,939,880	160,979,800	160,979,800
Exercise of ESOS options	-	-	8,000	8,000
Exercise of warrants	-	-	8,952,080	8,952,080
Issue of bonus shares	56,287,131	56,287,131	-	-
At end of the financial period/year	226,227,011	226,227,011	169,939,880	169,939,880

During the financial period, the Company made a bonus issue of 56,287,131 new ordinary shares of RM1 each on the basis of one (1) new ordinary share of RM1 each for every three (3) existing ordinary shares of RM1 each (the "Bonus Issue"), by capitalising RM9,987,715 from share premium and RM46,299,416 from retained earnings.

27 SHARE CAPITAL (continued)

The newly issued shares ranked pari passu in all respects with the existing ordinary shares of the Company.

Employee Share Option Scheme

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

The main features of the ESOS are as follows:

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

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

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

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

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

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

  Maximum percentage of options exercisable within each particular year of the scheme

Year 1	Year 2	Year 3	Year 4	Year 5
40%	20%	20%	20%	-

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

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

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

			Number of options				
Grant date	**Expiry date**	**Exercise price * RM/share**	**At 01.02.2006**	**Adjustment as a result of Bonus Issue**	**Exercised**	**Lapsed**	**At 30.06.2007**
5 December 2003	4 December 2008	1.46	5,631,200	1,876,990	-	-	7,508,190

* Exercise price for outstanding options as at 30 June 2007

As a result of the Bonus Issue, an additional 1,876,990 new options were granted on the basis of one (1) new option for every three (3) options vested and the option exercise price was adjusted from RM1.94 per share to RM1.46 per share.

27 SHARE CAPITAL (continued)

Treasury shares

The shareholders of the Company, by an ordinary resolution passed in an Annual General Meeting held on 22 June 2006, approved to renew the authorisation to enable the Company to repurchase its own shares. The Board of Directors is of the opinion that empowering the Company to undertake the share buy back is in the best interest of the Company and will provide an opportunity to the Company to purchase its own shares for the purposes of stabilising the supply and demand, as well as the price of the Company's shares and consequently, the fundamental value of the Company may be preserved.

During the financial period, the Company repurchased 276,100 of its issued ordinary shares from the open market at an average price of RM1.05 per share, for RM290,772. The repurchased transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares as allowed under Section 67A of the Companies Act, 1965. The Company has the right to reissue these shares at a later date. As treasury shares, the rights attached as to voting, dividends and participation in other distributions are suspended.

At the balance sheet date, the number of outstanding shares in issue after setting off the treasury shares against equity is 225,155,411 (2006: 169,144,380).

Warrants

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

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

Each warrant entitles the warrant holder to subscribe for one (1) new ordinary share of the Company at a subscription price of RM1.50 per share.

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

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

The warrants are quoted on the Bursa Malaysia Securities Berhad.

As a result of the Bonus Issue, an additional 7,727,188 new warrants were issued on the basis of one (1) new warrant for every three (3) warrants held and the warrant exercise price was adjusted from RM1.50 per share to RM1.125 per share.

As at 30 June 2007, there are 30,911,528 (2006: 23,184,340) warrants which have not been exercised.

28 DIVIDENDS

Dividends declared or proposed for the 17 months ended 30 June 2007 are as follows:

	17 months ended 30.06.2007		Year ended 31.01.2006	
	Tax exempt dividend per share	Amount of tax exempt dividend	Gross dividend per share	Amount of dividend, net of tax
	Sen	RM	Sen	RM
Final dividend paid	3.0	5,074,331	13.0	14,996,901
Dividend recognised as distribution to equity holders of the Company	3.0	5,074,331	13.0	14,996,901

28 DIVIDENDS (continued)

At the forthcoming Annual General Meeting on 31 October 2007, a first and final tax exempt dividend in respect of the 17 months ended 30 June 2007 of 6 (2006: 3) sen per share amounting to RM13,509,325 (2006: RM5,074,331) will be proposed for shareholders' approval.

29 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

The Group also has related party relationship with the following related parties:

The companies in which the Directors of the Company, Tunku Tan Sri Abdullah ibni Almarhum Tuanku Abdul Rahman, Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah, Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah, Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah and Datin Ezurin Yusnita binti Abdul Malik have or deemed to have financial interests in, are as follows:

- Trace Management Services Sdn. Bhd.
- Mitra Malaysia Sdn. Bhd.
- Malaysian Assurance Alliance Berhad
- Wira Security Services Sdn. Bhd.
- MAA Corporate Advisory Sdn. Bhd.
- MAA Credit Sdn. Bhd.

Group

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

Entity	**Type of Transaction**	**17 months ended 30.06.2007 RM**	**Year ended 31.01.2006 RM**
Trace Management Services Sdn. Bhd.	Corporate secretarial services	378,236	377,106
MAA Corporate Advisory Sdn. Bhd.	Corporate consultancy services	-	105,514
Mitra Malaysia Sdn. Bhd.	Travel tickets	931,449	300,031
Malaysian Assurance Alliance Berhad	Insurance	2,467,643	1,535,474
	Rental and utilities	842,261	-
Wira Security Services Sdn. Bhd.	Security guard services	415,907	304,492
MAA Credit Sdn. Bhd.	Interest on term loan	921,789	-
	Term loan obtained	29,398,773	-

(b) Significant outstanding balances arising from the above transactions are as follows:

Entity	**30.06.2007 RM**	**31.01.2006 RM**
MAA Credit Sdn. Bhd.	29,398,773	-

29 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

Company

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

Entity	Type of Transaction	17 months ended 30.06.2007 RM	Year ended 31.01.2006 RM
Melewar Steel Tube Sdn. Bhd.	Purchase of pipes	79,094,770	600,692
	Sale of pipes	36,998,603	-
	Rental income	2,021,000	3,000
	Engineering services	534,864	1,170,902
	Marketing fees income	283,470	-
	Management fees income	400,000	-
Mycron CRC Sdn. Bhd.	Purchase of cold rolled coils	52,606,633	56,472,587
Mycron Steel Berhad	Dividend income	1,950,095	6,820,476
Melewar Steel Mills Sdn. Bhd.	Sale of pipes	17,378,965	32,374,322
Melewar Integrated Engineering Sdn. Bhd.	Dividend income	490,000	490,000
Melewar Steel Services Sdn. Bhd.	Rental expenses	240,000	240,000
Trace Management Services Sdn. Bhd.	Corporate secretarial services	234,559	249,370
MAA Corporate Advisory Sdn. Bhd.	Corporate consultancy services	-	105,514
Mitra Malaysia Sdn. Bhd.	Travel tickets	205,517	44,821
Malaysian Assurance Alliance Berhad	Insurance	1,005,573	514,747
	Rental and utilities	358,168	-
Wira Security Services Sdn. Bhd.	Security guard services	130,916	122,772

(b) There are no significant outstanding balances arising from the above transactions.

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

The ESOS options granted to the Directors of the Company are disclosed in page 2 of the Directors' Report.

The key management compensation is disclosed in Note 9.

30 SEGMENTAL ANALYSIS

Business segment

The Group operates mainly in steel manufacturing.

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

	Steel manufacturing RM	Others RM	Elimination RM	Group RM
17 months ended 30.06.2007				
Operating revenue				
External revenue	785,766,832	24,475,026	-	810,241,858
Total operating revenue	785,766,832	24,475,026	-	810,241,858
Results				
Segment results	67,429,914	146,044,205	(11,789,819)	201,684,300
Unallocated costs				(108,009)
Finance cost				(12,673,116)
Share of results of associates				157,772
Taxation				(73,799,696)
Profit for the financial period				115,261,251
At 30 June 2007				
Net assets				
Segment assets	542,398,256	524,021,846	-	1,066,420,102
Associates				112,625,218
Unallocated assets				2,853,587
Total assets				1,181,898,907
Segment liabilities	17,731,921	24,635,810	-	42,367,731
Unallocated liabilities				445,186,610
Total liabilities				487,554,341
Net assets				694,344,566

30 SEGMENTAL ANALYSIS (continued)

	Steel manufacturing RM	Others RM	Elimination RM	Group RM
17 months ended 30.06.2007				
Other information				
Capital expenditure	77,906,542	2,275,789	-	80,182,331
Goodwill written off	-	108,009	-	108,009
Depreciation of property, plant and equipment	21,854,784	320,667	-	22,175,451
Property, plant and equipment written off	72,841	-	-	72,841
Prepaid lease rental	756,685	-	-	756,685
Loss on disposal of property, plant and equipment	1,236,005	-	-	1,236,005
Gain on disposal of investment property	600,000	-	-	600,000
Fair value gain on investment properties	104,500	-	-	104,500
Fair value gain on financial asset at fair value through profit or loss	-	140,137,147	-	140,137,147
Year ended 31.01.2006				
Operating revenue				
External revenue	559,951,262	6,968,455	-	566,919,717
Total operating revenue	559,951,262	6,968,455	-	566,919,717
Results				
Segment results	(14,153,713)	65,812,094	(8,791,171)	42,867,210
Finance cost				(8,086,693)
Share of results of associates				926,364
Taxation				5,572,664
Profit for the financial year				41,279,545

30 SEGMENTAL ANALYSIS (continued)

	Steel manufacturing RM	Others RM	Elimination RM	Group RM
At 31 January 2006				
Net assets				
Segment assets	600,179,840	132,876,503	-	733,056,343
Associates				86,199,131
Unallocated assets				8,814,660
Total assets				828,070,134
Segment liabilities	8,880,366	7,812,526	-	16,692,892
Unallocated liabilities				226,815,578
Total liabilities				243,508,470
Net assets				584,561,664
Year ended 31.01.2006				
Other information				
Capital expenditure	32,531,368	151,157	-	32,682,525
Depreciation of property, plant and equipment	8,173,126	357,263	-	8,530,389
Impairment losses:				
- property, plant and equipment	1,286,938	-	-	1,286,938
- inventories	30,114,527	-	-	30,114,527

31 CAPITAL COMMITMENTS

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

	Group	
	30.06.2007 RM	**31.01.2006 RM**
Property, plant and equipment	55,179,372	61,344,795
Acquisition of SIPCO	-	68,040,000
	55,179,372	129,384,795

32 CONTINGENT LIABILITIES

As at 30 June 2007, the Company had given guarantees to banks amounting to RM74,450,000 (2006: RM44,500,000) for banking facilities extended to its subsidiaries of which, RM58,791,611 have been drawndown.

The Group's share of contingent liabilities of associates is nil (2006: RM1,823,000).

33 FAIR VALUES

The fair values of financial assets and liabilities as at 30 June 2007 with maturity of a year approximate their respective carrying amounts.

34 AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors on 26 September 2007.

STATEMENT BY DIRECTORS

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

We, Tunku Dato' Ya'acob Bin Tunku Tan Sri Abdullah and Tunku Yahaya @ Yahya Bin Tunku Tan Sri Abdullah, two (2) of the Directors of Melewar Industrial Group Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 57 to 108 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 30 June 2007 and of the results and cash flows of the Group and Company for the 17 months ended on that date in accordance with the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities other than Private Entities and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 26 September 2007.

TUNKU DATO' YA'ACOB BIN TUNKU TAN SRI ABDULLAH
MANAGING DIRECTOR

TUNKU YAHAYA @ YAHYA BIN TUNKU TAN SRI ABDULLAH
DIRECTOR

STATUTORY DECLARATION

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

I, Tunku Dato' Ya'acob Bin Tunku Tan Sri Abdullah, the Director primarily responsible for the financial management of Melewar Industrial Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 57 to 108 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.

TUNKU DATO' YA'ACOB BIN TUNKU TAN SRI ABDULLAH

Subscribed and solemnly declared by the abovenamed Tunku Dato' Ya'acob Bin Tunku Tan Sri Abdullah, at Kuala Lumpur in Malaysia on 26 September 2007, before me.

COMMISSIONER FOR OATHS

Address of Property	Lease expiry date	Brief description and existing use	Land/built-up area	Approximate age of building (years)	Net book value (RM)
Lot 53, Persiaran Selangor, 40200 Shah Alam Selangor.	22.5.2078	Factory cum office building	196,144 sq.ft. (4.50 acres)	17	17,356,000
Lot 7, Jalan Gudang 2/9, 40200 Shah Alam Selangor.	17.7.2068	Factory building	43,000 sq.ft. (0.99 acre)	38	2,804,000
Lot 49, Jalan Utas, 40200 Shah Alam Selangor.	13.4.2072	Factory building	316,300 sq.ft. (7.26 acres)	33	23,002,000
Lot 10, Persiaran Selangor, 40200 Shah Alam Selangor.	11.5.2085	Factory building	220,437 sq.ft. (5.06 acres)	27	16,687,000
Lot 16, Jalan Pengapit 15/19, 40200 Shah Alam Selangor.	8.4.2078	Factory building	94,000 sq.ft. (2.16 acres)	29	6,721,000
Lot 717, Jalan Sungai Rasau, Seksyen 16, 40200 Shah Alam Selangor.	Freehold	Factory cum office building	781,423 sq.ft. (17.94 acres)	18	72,322,000
Lot 30 & Lot 36, Section 5, Phase 2B, Pulau Indah, Industrial Park, West Port, Selangor.	24.2.2097	Vacant industrial land	278,348 sq.ft. (6.39 acres)	-	4,284,000
Lot 2953, Mukim Kelemak, Daerah Alor Gajah, Melaka.	27.9.2082	Factory cum office building	66,022 sq.ft. (1.52 acres)	21	1,024,000
Flat 28, Consort House, 26 Queensway, Paddington, London W2 3RX.	23.3.2066	Apartment for corporate use	Approximately 900 sq.ft.	37	2,657,000
Flat 10, 19-23 Palace Court London W2 4LP.	30.9.2995	Apartment for corporate use	Approximately 1,456 sq.ft.	11	5,815,000

Note: The above properties were revalued in 2006.

MELEWAR INDUSTRIAL GROUP BERHAD
(8444-W)

FORM OF PROXY
(please refer to the notes behind)

No. of ordinary shares held

I / We ____________________ NRIC No. / Co. No. / CDS No. ____________________
(Full Name in block letters)

of ____

____
(Full address)
being a member/members of **MELEWAR INDUSTRIAL GROUP BERHAD** hereby appoint the following person(s):-

Name of proxy, NRIC No. & Address **No. of shares to be represented by proxy**

1. ____________________ ____________________

2. ____________________ ____________________

or failing him / her, the Chairman of the Meeting as my / our proxy to vote for me / us and my / our behalf at the Thirty-Eighth Annual General Meeting of the Company to be held at the Auditorium, Podium 1, Menara MAA, No. 12 Jalan Dewan Bahasa, 50460 Kuala Lumpur on Wednesday, 31 October 2007 at 4.00 p.m. My / our proxy is to vote as indicated below:-

		FIRST PROXY		SECOND PROXY	
		For	Against	For	Against
RESOLUTION 1	TO APPROVE THE PAYMENT OF A FIRST AND FINAL TAX EXEMPT DIVIDEND OF 6% IN RESPECT OF THE FINANCIAL PERIOD ENDED 30 JUNE 2007.				
RESOLUTION 2	TO APPROVE THE PAYMENT OF DIRECTORS' FEES IN RESPECT OF THE PERIOD FROM 1 JULY 2007 TO 31 DECEMBER 2008 TO BE PAYABLE QUARTERLY IN ARREARS.				
RESOLUTION 3	TO RE-ELECT TUNKU TAN SRI ABDULLAH IBNI ALMARHUM TUANKU ABDUL RAHMAN, WHO IS OVER 70 YEARS OF AGE, AS DIRECTOR TO HOLD OFFICE UNTIL THE NEXT ANNUAL GENERAL MEETING OF THE COMPANY.				
RESOLUTION 4	TO RE-ELECT DATO' JAFFAR INDOT, WHO IS OVER 70 YEARS OF AGE, AS DIRECTOR TO HOLD OFFICE UNTIL THE NEXT ANNUAL GENERAL MEETING OF THE COMPANY.				
RESOLUTION 5	TO RE-ELECT TUNKU DATO' YA'ACOB BIN TUNKU TAN SRI ABDULLAH AS DIRECTOR RETIRING UNDER ARTICLE 95.				
RESOLUTION 6	TO RE-ELECT TUNKU YAHAYA @ YAHYA BIN TUNKU TAN SRI ABDULLAH AS DIRECTOR RETIRING UNDER ARTICLE 95.				
RESOLUTION 7	TO RE-ELECT MR TERENCE FRANCIS MAHONY AS DIRECTOR RETIRING UNDER ARTICLE 95.				
RESOLUTION 8	TO RE-APPOINT MESSRS PRICEWATERHOUSECOOPERS AS AUDITORS OF THE COMPANY.				
RESOLUTION 9	TO AUTHORISE THE DIRECTORS TO ISSUE SHARES IN THE COMPANY PURSUANT TO THE EMPLOYEES' SHARE OPTION SCHEME.				
RESOLUTION 10	TO AUTHORISE THE RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES.				
RESOLUTION 11	TO APPROVE THE SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS.				
RESOLUTION 12	TO APPROVE THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY.				

(Please indicate with a "√" or "X" in the space provided how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion).

Dated this ____________ day of____________ 2007 ____________________
Signature / Common Seal

NOTES :

1. *A member entitled to attend and vote at a meeting of the Company is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.*
2. *A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 may appoint one (1) proxy in respect of each securities account.*
3. *The instrument appointing a proxy, shall be in writing under the hand of the appointer or his attorney duly authorised in writing, and in the case of a corporation, either under seal or under hand of an officer or attorney duly authorised.*
4. *The instrument appointing a proxy must be deposited at the Company's Registered Office, Suite 20.03, 20th Floor, Menara MAA, No.12, Jalan Dewan Bahasa, 50460 Kuala Lumpur, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*
5. *Any alteration in the form of proxy must be initialled.*
6. *Explanatory notes to Special Business of Agenda 7 :*

(a) Authority to allot and issue shares in general pursuant to Employees' Share Option Scheme ("ESOS")

On 21 November 2003, the shareholders of the Company had approved the ESOS. The purpose of this ordinary resolution is to enable the Directors of the Company to allot shares to those employees and Executive Directors who have exercised their option under the Company's ESOS

(b) Proposed Renewal of authority for the Company to purchase its own shares

The Proposed Resolution 10, if passed, would empower the Directors to exercise the power of the Company to purchase its own shares ("the Proposal") by utilising its financial resources not immediately required. The Proposal may have a positive impact on the market price of the Company's shares. The details of the Proposed Resolution 10 are given under Part A of the Circular to Shareholders dated 9 October 2007 which is dispatched together with the Company's 2007 Annual Report

(c) Proposed Shareholders' Mandate for Recurrent Related Party Transactions

The Proposed Resolution 11, 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.

The detailed information on Recurrent Related Party Transactions is set out in Part B of the Circular to Shareholders of the Company dated 9 October 2007 which is dispatched together with the Company's 2007 Annual Report.

(d) Special Resolution 1 – Proposed Amendments to Articles of Association of the Company

The Proposed Resolution 12, if passed, will update the Articles of Association of the Company to ensure continued compliance with the Listing Requirements of Bursa Securities and to further enhance the administration of the internal affairs of the Company as well as to streamline and add clarity to the Articles of Association.

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The Secretary
MELEWAR INDUSTRIAL GROUP BERHAD
Suite 20.03 20th Floor Menara MAA
No. 12 Jalan Dewan Bahasa
50460 Kuala Lumpur

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NOTICE

There will be no distribution of door gifts.

MELEWAR INDUSTRIAL GROUP BERHAD

(8444-W)

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