The Directors have pleasure in submitting their report together with the audited financial statements of the Group and Company for the financial year ended 31 January 2006.

PRINCIPAL ACTIVITIES

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

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

FINANCIAL RESULTS

	Group RM	Company RM
Profit / (loss) after tax	41,279,545	(530,108)
Minority interest	5,635,942	-
Net profit / (loss) for the financial year	46,915,487	(530,108)

DIVIDEND

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 2005	
- Final dividend of 13% less 28% tax paid on 25 July 2005	14,996,901

The Directors recommend the payment of a first and final dividend of 3% tax exempt amounting to RM5,098,196 for the financial year ended 31 January 2006, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The Company implemented an ESOS on 5 December 2003 for a period of 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 22 to the financial statements.

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

ISSUE OF SHARES

During the financial year, 8,000 new ordinary shares of RM1.00 each were issued by the Company for cash by virtue of the exercise of options pursuant to the Company's ESOS at an exercise price of RM1.94 per share.

During the financial year, 8,952,080 new ordinary shares of RM1.00 each were issued by the Company for cash by virtue of the exercise of warrants at an exercise price of RM1.50 per share.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

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	
Lim Kim Chuan	
Azlan bin Abdullah	
Terence Francis Mahony	
Lee Ching Kion	
Datin Ezurin Yusnita binti Abdul Malik	(Appointed on 13.12.2005)
Nikmat bin Abdullah	(Appointed on 2.5.2006)
Tengku Ahmad Fuad Bin Tengku Ahmad Burhanuddin	(Resigned on 22.12.2005)

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 100 of the Company's Articles of Association, Datin Ezurin Yusnita binti Abdul Malik and Nikmat bin Abdullah, who were appointed to the Board subsequent to the date of the last Annual General Meeting, 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' Seri Iskandar bin Tunku Tan Sri Abdullah, Lim Kim Chuan and Lee Ching Kion retire by rotation from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

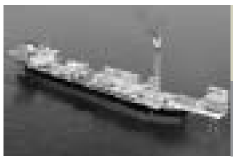
DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares and option over shares in the Company and its related corporations are as follows:

Melewar Industrial Group Berhad

	Number of ordinary shares of RM1 each			
	At 1.2.2005/ At date of appointment	**Bought**	**Sold**	**At 31.1.2006**
Tunku Tan Sri Abdullah ibni Almarhum Tuanku Abdul Rahman				
- deemed interest	52,500,000	8,920,800	-	61,420,800
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah				
- deemed interest	52,300,000	8,880,800	-	61,180,800
- direct interest	200,000	40,000	-	240,000
Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah				
- deemed interest	52,500,000	8,920,800	-	61,420,800
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah				
- deemed interest	52,500,000	8,920,800	-	61,420,800
Datin Ezurin Yusnita binti Abdul Malik				
- deemed interest	52,500,000	8,920,800	-	61,420,800
Lim Kim Chuan				
- direct interest	140,000	-	-	140,000
Azlan bin Abdullah				
- direct interest	100,000	-	-	100,000

	Number of options over ordinary shares of RM1 each			
	At 1.2.2005	**Exercised**	**Lapsed**	**At 31.1.2006**
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	300,000	-	-	300,000
Lim Kim Chuan	210,000	-	-	210,000
Azlan bin Abdullah	150,000	-	-	150,000



Melewar Industrial Group Berhad (continued)

	Number of warrants over ordinary shares of RM1 each			
	At 1.2.2005/ At date of appointment	Entitled/ Bought	Exercised/ Sold	At 31.1.2006
Tunku Tan Sri Abdullah ibni Almarhum Tuanku Abdul Rahman - deemed interest	-	10,500,000	8,920,800	1,579,200
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah - deemed interest	-	10,460,000	8,880,800	1,579,200
- direct interest	-	40,000	40,000	-
Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah - deemed interest	-	10,500,000	8,920,800	1,579,200
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah - deemed interest	-	10,500,000	8,920,800	1,579,200
Datin Ezurin Yusnita binti Abdul Malik - deemed interest	-	10,500,000	8,920,800	1,579,200
Lim Kim Chuan - direct interest	-	28,000	-	28,000

Mycron Steel Berhad

	Number of ordinary shares of RM1 each			
	At 1.2.2005/ At date of appointment	Bought	Sold	At 31.1.2006
Tunku Tan Sri Abdullah ibni Almarhum Tuanku Abdul Rahman - deemed interest	113,009,166	1,606,200	-	114,615,366
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah - deemed interest	112,459,166	1,606,200	-	114,065,366
- direct interest	550,000	-	-	550,000
Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah - deemed interest	113,009,166	1,606,200	-	114,615,366
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah - deemed intrest	113,009,166	1,606,200	-	114,615,366
Datin Ezurin Yusnita binti Abdul Malik - deemed interest	113,009,166	1,606,200	-	114,615,366
Lim Kim Chuan - direct interest	385,000	-	-	385,000
Azlan bin Abdullah - direct interest	375,000	-	-	375,000
Lee Ching Kion - deemed interest	-	100,000	-	100,000

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than the options granted pursuant to 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 7 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.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets of the Group and Company 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 twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially 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 year 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 year.

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

In the opinion of the Directors,

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

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

SIGNIFICANT EVENTS DURING THE YEAR

Renounceable Rights Issue of Warrant

During the financial year, the Company had implemented a renounceable rights issue of 32,136,420 warrants on the basis of one (1) warrant for every five (5) existing ordinary shares of RM1.00 held at an issued price of RM0.20 per warrant. This exercise was completed in May 2005.

Acquisition of equity interest in M3nergy Berhad (formely known as Trenergy (Malaysia) Berhad)

During the financial year the Company acquired 4,924,984 shares in M3nergy Berhad (formerly known as Trenergy (Malaysia) Berhad) ('M3nergy') through Melewar Steel Services Sdn. Bhd., a wholly-owned subsidiary of MIG for a cash consideration of RM8,285,600. After the above acquisition, MIG holds 21.54% of the equity interest of M3nergy's share capital.

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., entered into a share sale and purchase agreement with E Power Pte. Ltd. for the acquisition of 70% equity interest in SIPCO for a cash consideration of US$23 million. The above exercise is still in progress at the end of the financial year.

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 19 May 2006.

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

TUNKU YAHAYA@YAHYA BIN
TUNKU TAN SRI ABDULLAH
DIRECTOR

19 May 2006

REPORT OF THE AUDITORS

TO THE MEMBERS OF MELEWAR INDUSTRIAL GROUP BERHAD

We have audited the financial statements set out on pages 56 to 91. 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 Malaysian Accounting Standard Board ("MASB") approved accounting standards in Malaysia 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 the Company as at 31 January 2006 and of the results and cash flows of the Group and the Company for the financial year 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 subsidiary companies have been properly kept in accordance with the provisions of the Act.

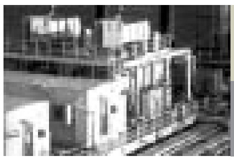
We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory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

Our audit reports on the financial statements of the subsidiary companies 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

ERIC OOI LIP AUN
(No. 1517/06/06 (J))
Partner of the firm

Kuala Lumpur
19 May 2006



INCOME STATEMENTS

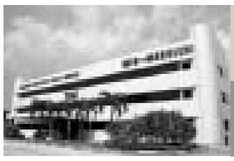
FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2006

		Group		Company	
	Note	**2006 RM**	**2005 RM**	**2006 RM**	**2005 RM**
Gross revenue	4	566,919,717	598,721,663	283,006,162	289,401,311
Cost of sales		(565,539,797)	(504,643,289)	(275,834,766)	(246,356,721)
Gross profit		1,379,920	94,078,374	7,171,396	43,044,590
Other operating income	5	66,245,660	7,837,152	7,836,158	650,539
Selling and distribution costs		(5,390,977)	(6,363,309)	(3,838,597)	(4,347,041)
Administrative and general expenses		(19,367,393)	(19,906,659)	(10,188,888)	(9,052,524)
Profit from operations		42,867,210	75,645,558	980,069	30,295,564
Finance cost	6	(8,086,693)	(2,981,261)	(3,523,049)	(1,013,027)
Share of profit in associated company		743,561	-	-	-
Profit/(loss) before tax	7	35,524,078	72,664,297	(2,542,980)	29,282,537
Tax income/(expense)	8				
- Company and subsidiaries		5,572,664	(18,132,831)	2,012,872	(7,733,307)
- Associate		182,803	-	-	-
Profit/(loss) after tax		41,279,545	54,531,466	(530,108)	21,549,230
Minority interest		5,635,942	(7,987,032)	-	-
Net profit/(loss) for the financial year		46,915,487	46,544,434	(530,108)	21,549,230
Net dividends per share (sen)	25	3.0	9.4	3.0	9.4
Earnings per share	9				
- basic (sen)		28.9	29.0		
- diluted (sen)		-	28.8		

BALANCE SHEETS

AS AT 31 JANUARY 2006

	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
PROPERTY, PLANT AND EQUIPMENT	10	341,076,305	246,943,436	129,945,914	107,490,984
SUBSIDIARY COMPANIES	11	-	-	74,940,676	66,633,170
INVESTMENT IN ASSOCIATED COMPANY	12	86,199,131	-	-	-
DEFERRED TAX ASSET	13	160,855	-	-	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS	14	7,804,064	41,549,946	3,104,064	3,149,948
CURRENT ASSETS					
Inventories	16	132,730,480	175,115,368	53,134,347	85,136,008
Trade and other receivables	17	128,683,925	122,507,581	44,465,349	56,291,480
Other financial asset at fair value through profit or loss	15	85,098,473	9,153,000	-	-
Amount owing by subsidiary companies	18	-	-	97,995,774	38,141,613
Tax recoverable		8,653,805	1,288,047	5,252,518	1,194,859
Deposits with licensed financial institutions	19	10,217,586	5,850,000	10,217,586	2,450,000
Cash and bank balances	19	27,445,510	18,808,447	2,528,616	10,906,902
		392,829,779	332,722,443	213,594,190	194,120,862
Less: CURRENT LIABILITIES					
Trade and other payables	20	16,692,892	14,016,214	5,326,535	4,233,478
Amount owing to subsidiary companies	18	-	-	5,318,619	7,081,368
Tax payable		19,021	452,335	-	-
Borrowings	21	158,964,526	119,560,784	79,300,000	56,559,382
		175,676,439	134,029,333	89,945,154	67,874,228
NET CURRENT ASSETS		217,153,340	198,693,110	123,649,036	126,246,634
NON CURRENT LIABILITIES					
Deferred tax liabilities	13	47,505,152	29,833,260	25,730,134	19,575,519
Long term loan	24	20,326,879	-	-	-
		67,832,031	29,833,260	25,730,134	19,575,519
		584,561,664	457,353,232	305,909,556	283,945,217
Financed by:					
SHARE CAPITAL	22	169,939,880	160,979,800	169,939,880	160,979,800
RESERVES	23	82,380,779	44,187,415	44,599,854	18,844,328
RETAINED EARNINGS	23	223,146,835	146,238,639	91,369,822	104,121,089
SHAREHOLDERS' EQUITY		475,467,494	351,405,854	305,909,556	283,945,217
MINORITY INTEREST		109,094,170	105,947,378	-	-
		584,561,664	457,353,232	305,909,556	283,945,217



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2006

	Note	Share capital RM	Treasury shares RM	Share premium RM	Warrant reserve RM	Other reserve RM	Asset revaluation reserve RM	Distributable Retained earnings RM	Total RM
At 1 February 2005		160,979,800	(723,553)	3,896,070	-	-	41,014,898	146,238,639	351,405,854
Adjustments due to changes in accounting policies	23	-	-	-	-	(4,991,343)	-	(90,904)	(5,082,247)
		160,979,800	(723,553)	3,896,070	-	(4,991,343)	41,014,898	146,147,735	346,323,607
Realisation of assets revaluation surplus on disposal of property, plant and equipment		-	-	-	-	-	(1,573,346)	1,573,346	-
Revaluation surplus of property, plant and equipment net of tax		-	-	-	-	-	37,774,340	-	37,774,340
Foreign exchange differences, representing net gain not recognised in income statement		-	-	-	-	33	-	-	33
Negative goodwill on acquisition of associate company being recognised		-	-	-	-	-	-	41,451,542	41,451,542
Pre-acquisition profit on acquisition of associate company being recognised		-	-	-	-	-	-	2,055,626	2,055,626
Net gain not recognised in income statement		-	-	-	-	33	36,200,994	45,080,514	81,281,541
Issue of shares from exercise of share option		8,000	-	7,520	-	-	-	-	15,520
Issue of warrant		-	-	-	5,772,747	-	-	-	5,772,747
Warrant converted to shares		8,952,080	-	6,084,125	(1,608,085)	-	-	-	13,428,120
Fair value loss-available-for-sale financial assets		-	-	-	-	(2,333,052)	-	-	(2,333,052)
Net profit for the financial year		-	-	-	-	-	-	46,915,487	46,915,487
Dividend paid		-	-	-	-	-	-	(14,996,901)	(14,996,901)
Shares repurchased		-	(939,575)	-	-	-	-	-	(939,575)
At 31 January 2006	23	169,939,880	(1,663,128)	9,987,715	4,164,662	(7,324,362)	77,215,892	223,146,835	475,467,494

	Share capital RM	Treasury shares RM	Share premium RM	Asset revaluation reserve RM	Distributable Retained earnings RM	Total RM
At 1 February 2004	158,312,000	-	297,000	71,896,125	128,605,785	359,110,910
Revaluation net of tax	-	-	-	56,722	-	56,722
Realisation of assets revaluation surplus on disposal of property, plant and equipment	-	-	-	(2,679,329)	2,679,329	-
Dilution of interest in subsidiary due to public issue of shares	-	-	-	(11,258,620)	11,258,620	-
Net gain not recognised in income statement	-	-	-	(13,881,227)	13,937,949	56,722
Issue of shares from exercise of share option	2,667,800	-	3,599,070	-	-	6,266,870
Net profit for the financial year	-	-	-	-	46,544,434	46,544,434
Dividend paid	-	-	-	-	(16,066,810)	(16,066,810)
Distribution of shares in subsidiary to shareholders	-	-	-	(17,000,000)	(26,782,719)	(43,782,719)
Shares repurchased	-	(723,553)	-	-	-	(723,553)
At 31 January 2005	160,979,800	(723,553)	3,896,070	41,014,898	146,238,639	351,405,854

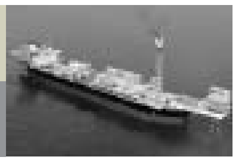
	Note	Share capital RM	Treasury shares RM	Share premium RM	Warrant reserve RM	Other reserve RM	Asset revaluation reserve RM	Distributable Retained earnings RM	Total RM
At 1 February 2005		160,979,800	(723,553)	3,896,070	-	-	15,671,811	104,121,089	283,945,217
Adjustments due to changes in accounting policies	23	-	-	-	-	(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 assets revaluation surplus on disposal of property, plant and equipment		-	-	-	-	-	(1,573,346)	1,573,346	-
Revaluation surplus of property, plant and equipment net of tax		-	-	-	-	-	20,416,535	-	20,416,535
Net gain not recognised in income statement		-	-	-	-	-	18,843,189	1,573,346	20,416,535
Issue of shares from exercise of share option		8,000	-	7,520	-	-	-	-	15,520
Issue of warrant		-	-	-	5,772,747	-	-	-	5,772,747
Warrant converted to shares		8,952,080	-	6,084,125	(1,608,085)	-	-	-	13,428,120
Fair value loss-available-for-sale financial assets		-	-	-	-	(2,333,052)	-	-	(2,333,052)
Net loss for the financial year		-	-	-	-	-	-	(530,108)	(530,108)
Dividend paid		-	-	-	-	-	-	(14,996,901)	(14,996,901)
Shares repurchased		-	(939,575)	-	-	-	-	-	(939,575)
At 31 January 2006	23	169,939,880	(1,663,128)	9,987,715	4,164,662	(2,404,395)	34,515,000	91,369,822	305,909,556

	Share capital RM	Treasury shares RM	Share premium RM	Asset revaluation reserve RM	Distributable Retained earnings RM	Total RM
At 1 February 2004	158,312,000	-	297,000	35,294,418	96,959,339	290,862,757
Revaluation net of tax	-	-	-	56,722	-	56,722
Realisation of assets revaluation surplus on disposal of property, plant and equipment	-	-	-	(2,679,329)	2,679,329	-
Net gain not recognised in income statement	-	-	-	(2,622,607)	2,679,329	56,722
Issue of shares from exercise of share option	2,667,800	-	3,599,070	-	-	6,266,870
Net profit for the financial year	-	-	-	-	21,549,230	21,549,230
Distribution of shares in subsidiary to shareholders	-	-	-	(17,000,000)	(999,999)	(17,999,999)
Dividends paid	-	-	-	-	(16,066,810)	(16,066,810)
Shares repurchased	-	(723,553)	-	-	-	(723,553)
At 31 January 2005	160,979,800	(723,553)	3,896,070	15,671,811	104,121,089	283,945,217

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2006

	Group		Company	
	2006 RM	**2005 RM**	**2006 RM**	**2005 RM**
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/l(loss) before tax	35,524,078	72,664,297	(2,542,980)	29,282,537
Adjustments for:				
Depreciation	9,009,472	15,394,151	3,353,244	5,601,324
Gain on disposal of property, plant and equipment	(12,099)	(552,564)	-	(96,179)
Deficit on impairment of land & building	1,286,938	-	1,001,639	-
Impairment loss on inventory	30,114,527	-	5,629,887	-
Unrealised loss on exchange difference	77,723	-	-	-
Property, plant and equipment written off	-	370	-	-
Fair value gain on other financial asset at fair value through profit or loss	(65,091,429)	-	-	-
Gain on disposal of investments	(146,680)	(209,851)	(146,680)	(99,681)
Gain on deemed dilution of interest in subsidiary	-	(5,679,014)	-	-
Allowance for doubtful debts	-	2,428,517	-	612,149
Dividend income	(360,747)	(4,000)	(7,310,476)	(4,000)
Interest income	(377,195)	(750,141)	(216,762)	(389,677)
Interest expense	8,086,693	2,981,261	3,523,049	1,013,027
Share of profit in associate	(743,561)	-	-	-
Operating profit before working capital changes	17,367,720	86,273,026	3,290,921	35,919,500
Changes in inventories	12,270,361	(74,748,827)	19,082,459	(34,225,496)
Changes in receivables	(4,506,344)	(42,355,136)	13,496,132	(12,545,964)
Changes in payables	2,676,717	(6,324,899)	1,093,057	(8,666,937)
Cash generated from/(used in) operations	27,808,454	(37,155,836)	36,962,569	(19,518,897)
Interest paid	(8,086,693)	(2,981,261)	(3,523,049)	(1,013,027)
Interest received	377,195	750,141	216,762	389,677
Tax paid	(8,456,816)	(9,337,663)	(4,200,460)	(7,111,471)
Net cash generated from/(used in) operating activities	11,642,140	(48,724,619)	29,455,822	(27,253,718)



(continued)

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in subsidiary	-	-	(209,654)	(2,980,267)
Purchase of property, plant and equipment	(32,682,525)	(12,628,906)	(3,067,587)	(1,446,243)
Proceeds from disposal of property, plant and equipment	3,867,095	8,135,898	3,845,655	6,840,800
Proceeds from disposal of available-for-sale investment	346,680	2,588,936	346,680	2,390,363
Purchase of available-for-sale investment	(7,258,513)	(43,633,231)	(2,558,511)	(5,233,231)
Purchase of investment in associate	(8,285,599)	-	-	-
Purchase of financial asset at fair value through profit or loss	(12,260,045)	(9,153,000)	-	-
Dividends received	360,747	4,000	7,173,276	4,000
Advances to subsidiary companies	-	-	(61,616,910)	(16,482,764)
Issue of shares:				
- minority interest	89,850	59,856,638	-	-
Net cash (used in)/generated from investing activities	(55,822,310)	5,170,335	(56,087,051)	(16,907,342)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issue of shares:				
- exercise of share option	15,520	6,266,870	15,520	6,266,870
- warrant	5,772,747	-	5,772,747	-
- warrant converted to ordinary share	13,428,120	-	13,428,120	-
Dividend paid	(14,996,901)	(16,066,810)	(14,996,901)	(16,066,810)
Dividend paid - minority interest	(5,860,724)	-	-	-
Proceeds from borrowings	59,765,599	37,401,784	22,740,618	35,989,380
Repurchase of own shares	(939,575)	(723,553)	(939,575)	(723,553)
Net cash generated from financing activities	57,184,786	26,878,291	26,020,529	25,465,887
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	13,004,616	(16,675,993)	(610,700)	(18,695,173)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	24,658,447	41,334,440	13,356,902	32,052,075
CURRENCY TRANSLATION DIFFERENCES	33	-	-	-
CASH AND CASH EQUIVALENTS CARRIED FORWARD (Note 19)	37,663,096	24,658,447	12,746,202	13,356,902

1 GENERAL INFORMATION

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

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

The number of employees in the Group and Company at the end of the financial year was 361 and 198 (2005: 358 and 198) respectively.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies of the Group are summarised as below:

(a) Basis of preparation

The financial statements are prepared under the historical cost convention as modified by the revaluation of land and buildings, plant and machinery and electrical installation, available-for-sale financial assets and financial liabilities (including derivative instruments at fair value through profit or loss) unless otherwise indicated in the accounting policies set out below.

The financial statements comply with MASB approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

The preparation of financial statements in conformity with the provisions of the Companies Act 1965 and the MASB approved accounting standards in Malaysia requires the use of 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. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

The accounting policies adopted are consistent with those of the prior year except as noted below:

(i) Financial instruments

In the financial year ended 31 January 2006, the Company early adopted Financial Reporting Standard ("FRS") 139, Financial Instruments: Recognition and Measurement. FRS 139 requires simultaneous adoption with FRS 132, Financial Instruments: Disclosure and Presentation. This change in accounting policy has been accounted for prospectively in accordance with the transitional provisions.

The early adoption of FRS 132 did not result in substantial changes to the Company's accounting policies.

The early adoption of FRS 139 has resulted in a change in the accounting policy relating to the classification of financial assets in the following categories:

- fair value through profit or loss
- available for sale
- held-to-maturity
- loans and receivables

Similarly the accounting policies relating to the measurement of those financial assets changed from 31 January 2006 onwards, as described in note 2(e) to the financial statements.

(ii) Revaluation of property, plant and equipment

A change from historical cost to revaluation model for assets held as plant, machinery and electrical installation, accounted for prospectively in the financial statements.

The table below summarises the changes in the financial statements arising from the changes in accounting policies.

	GROUP		
	Unadjusted for accounting policy changes RM	Impact of accounting policy changes RM	Adjusted for accounting policy changes RM
Impact resulting from the adoption of FRS 139:			
Balance sheet items			
Investment:			
Other financial asset through profit or loss	21,300,344	63,798,129	85,098,473
Available-for-sale financial assets	10,208,459	(2,404,395)	7,804,064
Statement of changes in equity			
Other reserves – reserves for available-for-sale financial assets	-	(7,324,395)	(7,324,395)
Income statement items			
Other operating income	1,154,231	65,091,429	66,245,660
Impact resulting from changes in subsequent measurement policy for property, plant and equipment:			
Balance sheet items			
Property, plant and equipment	268,869,219	72,207,086	341,076,305
Statement of changes in equity			
Asset revaluation reserve	39,441,552	37,774,340	77,215,892

	COMPANY		
	Unadjusted for accounting policy changes RM	Impact of accounting policy changes RM	Adjusted for accounting policy changes RM
Impact resulting from the adoption of FRS 139:			
Balance sheet items			
Investment:			
Available-for-sale financial assets	5,508,459	(2,404,395)	3,104,064
Statement of changes in equity			
Other reserves – reserves for available-for-sale financial assets	-	(2,404,395)	(2,404,395)
Impact resulting from changes in subsequent measurement policy for property, plant and equipment:			
Balance sheet items:			
Property, plant and equipment	103,117,939	26,827,975	129,945,914
Statements of changes in equity			
Asset revaluation reserve	14,098,465	20,416,535	34,515,000

(b) Basis of consolidation

(i) Subsidiary companies

A subsidiary company is a company in which the Company has the power to control the financial and operating policies so as to obtain benefits from its activities.

Investment in subsidiary companies are stated at cost and written down when, in the opinion of the Directors, there is an impairment in value of the investments.

The consolidated financial statements include the audited financial statements of the Company and all its subsidiary companies made up to the end of the financial year. All material inter-company transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are also eliminated unless cost cannot be recovered.

The financial statements of the subsidiary companies are consolidated on the acquisition method of accounting. Under the acquisition method of accounting, subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

At the date of acquisition, the fair values of the net assets of the subsidiary companies are determined and these values are reflected in the consolidated financial statements. The difference between the cost of acquisition over the Group's share of the fair value of the identifiable net assets of the subsidiary companies acquired at the date of acquisition is reflected as goodwill or negative goodwill.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree. Separate disclosure is made of minority interest.

(ii) Associated company

Associated company is a company in which the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associated company but not control over those policies. Investment in associated company is accounted for in the consolidated financial statements by the equity method of accounting.

Under the equity method of accounting, the Group's share of profits of associate during the year is included in the consolidated income statement. The Group's investment in associated company is carried in the balance sheet at amount that reflects its share of the net assets of the associated company and includes goodwill on acquisition.

Unrealised gains on transactions between the Group and its associated company are eliminated to the extent of the Group's interest in the associated company, unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

(c) Goodwill or reserve on acquisition

The difference between the acquisition cost and the Group's share of the fair value of attributable net assets acquired at the dates of acquisition is reflected as either goodwill or reserve on acquisition as appropriate.

Goodwill or reserve on acquisition is written off / credited in the year of acquisition against reserves in the consolidated statement of changes in equity.

(d) Property, plant and equipment

(i) Measurement basis

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss except for the freehold and leasehold properties, plant, machinery and electrical installation which are stated at valuation less accumulated depreciation and accumulated impairment loss.

The Group revalues its properties comprising land and buildings, as well as assets held as plant, machinery and electrical installation at least once in every five years. 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 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 exist, 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 while leasehold land is amortised over the remaining lease periods of between 39 and 97 years.

Leasehold properties are depreciated over the remaining lease period of 63 years.

Depreciation is calculated to write off the cost or amount of valuation of other property, plant and equipment on the straight line basis over their estimated useful lives at the following annual rates:

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

During the financial year, the Directors of the Group and Company are of the opinion that certain items of their major plant and machinery have a longer life span of up to 40 years based on management's study and autonomous maintenance programme. The estimated useful lives of these plant and machinery have been revised to appropriately reflect their economic life span.

(e) Financial instruments

The Group accounts for financial instruments, under FRS 132 and FRS 139.

Financial assets

For the financial year ended 31 January 2005, the Group's accounting policies on financial assets were as follows:

(i) Investments

Investments are shown at cost and an allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified. On disposal of an investment, the differences between net disposal proceeds and its carrying amount is charged/credited to the income statement.

(ii) Trade receivables

Receivables are carried at anticipated realisable value. An estimate is made on doubtful debts based on review of all outstanding amounts on a periodic basis. Bad debts are written off during the financial year in which they are identified.

Following the early adoption of FRS139 for the financial year ended 31 January 2006 and transitional provisions therein, the Group's accounting policies on financial assets in the current financial year are as follows:

Regular way purchases and sales of investments are recognised on trade dates – the dates on which the Group commits to purchase or sell the assets. Investments are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisitions. Investments are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

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 investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

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

This category has two sub-categories; financial assets held for trading, and those designated at fair value through profit or loss at inception. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. Financial assets at fair value through profit or loss are subsequently carried at fair value.

Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair vale through profit or loss' category are included in the income statement in the period in which they arise.

(ii) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted 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 and are recognised initially at fair values, subsequently measured at amortised cost and after deducting adequate allowance for doubtful debts.

(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. During the year, the Group did not hold any investments in this category.

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

(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. Unrealised gains and losses arising from changes in fair value are recognised in equity. Realised gains and losses arising from changes in fair value, interest are included in the income statement.

(continued)

Financial liabilities

(i) Payables

Payables are stated at invoiced values which are the fair values of the consideration to be paid in the future for goods and services received.

(ii) 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.

Valuation principles

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Group establishes 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 an available-for-sale financial asset is impaired, including in the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost. 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 statements. Impairment losses recognised in the income statements on equity instruments are not subsequently reversed

A provision of 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 receivables. 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 effective interest rate. The amount of the provision is recognised in the income statement.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value (net of selling cost). 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.

(g) 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.

Dividends on the ordinary shares, when declared by the Directors of the Company are disclosed within the components of equity. Upon approval and when paid, such dividends will be accounted for in the shareholders' equity as an appropriation of distributable reserves in the financial year in which the dividends are paid.

(h) 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).

(i) Foreign currencies

Transactions in foreign currencies during the financial year are converted to Ringgit Malaysia at the rates of exchange ruling at the date 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 ruling at the date of transactions.

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

The closing rates used in translation are as follows:

	2006 RM	2005 RM
USD1.00	3.78	3.80
SGD1.00	2.20	2.30

(j) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the Company and when the income can be measured reliably, on the following basis:

(i) Sale of goods

Sales 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 interest rate applicable.

(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.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, deposits held on call with financial institutions and short term, highly liquid investments that are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value.

(l) 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 Company.

(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 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.

(m) Income taxes

The tax expense in the income statement comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at balance sheet date.

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 statement.

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

3 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 Group's financial risk management policies.

The Group does not find it necessary to enter into derivative transactions based on its current level operations.

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 management reviews and agrees policies from managing each of these risks and they are summarised below. These policies have remained unchanged during the financial year.

(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 the credit risk exposure. The risk is managed through the application of the Group's extensive credit management procedures which include the application of credit evaluation, credit approvals and adherence to credit limits, credit periods, regular monitoring and follow up procedures.

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

The Group considers the risk of material loss from the non-performance on the part of a financial counter-party to be negligible.

(b) Interest rate risk

The Group is exposed to interest rate risk in respect of its time deposits placed with financial institutions. This risk is managed through the use of fixed rate financial instruments. It is the policy of the Group not to trade in interest rate swap agreements.

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

The effective interest rates for the interest earning financial assets at balance sheet date are disclosed in the respective notes to the financial statements.

(c) Market risk

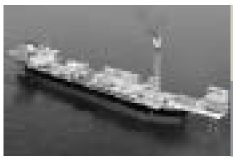
The Group's exposure to market risk arises mainly from changes in steel raw material and finished goods prices and market price of its quoted investments. The management of the Group manage the sales of finished goods and procurement of its raw materials closely to minimise the impact on the Group.

The management of the Group also monitor closely on the quoted investment in order to minimise the impact.

(d) Foreign currency exchange risk

The Group is exposed to foreign currency exchange risk as a results of transactions denominated in foreign currencies entered into by the Group. Furthermore, the Group only trades in US dollars, which had minimum fluctuation during the financial year.

The Group has not hedged against the translation exposure as it does not form a significant proportion of the Group's transaction.



(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.

4 GROSS REVENUE

	Group		Company	
	2006 RM	**2005 RM**	**2006 RM**	**2005 RM**
Sale of goods	554,880,787	577,252,711	278,502,019	284,664,375
Processing service income	5,070,475	5,068,074	4,504,143	4,736,936
Dividend and interest income	-	7,150	-	-
Consultancy and project services	6,968,455	16,393,728	-	-
	566,919,717	598,721,663	283,006,162	289,401,311

5 OTHER OPERATING INCOME

	Group		Company	
	2006 RM	**2005 RM**	**2006 RM**	**2005 RM**
Interest on fixed deposit	377,195	750,141	216,762	389,677
Gain on disposal of property, plant and equipment	12,099	552,564	-	96,179
Gain/(loss) on disposal of investments	105,480	35,851	105,480	(74,317)
Rental income	309,500	248,000	309,500	235,000
Dividend income	360,747	4,000	7,310,476	4,000
Realised foreign exchange gain/(loss)	59,460	214,182	(106,060)	-
Gain deemed dilution of interest in subsidiary	-	5,679,014	-	-
Fair value gain on other financial asset held at fair value	65,091,429	-	-	-
Others	(70,250)	353,400	-	-
	66,245,660	7,837,152	7,836,158	650,539

6 FINANCE COST

Finance cost is in respect of the interest expense incurred on banker's acceptances, revolving credit, term loan and other borrowings taken by the Group and the Company during the financial year (refer note 21 and note 24 of the financial statements).

7 PROFIT BEFORE TAX

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Profit before tax is stated after charging:				
Allowance for doubtful debts	-	2,428,517	-	612,149
Auditors' remuneration				
- current year	131,700	120,100	53,000	53,000
Depreciation	9,009,472	15,394,151	3,353,244	5,601,324
Directors' remuneration				
- fees	762,113	624,000	502,500	480,000
- other emoluments	3,205,313	2,532,662	1,345,428	979,100
Staff costs	17,957,811	15,090,495	9,670,972	8,658,837
Rental of premises	21,020	155,940	253,200	405,000
Realised foreign exchange loss	-	-	106,060	-
Loss on disposal of available-for-sale investment	41,200	174,000	41,200	174,000
and crediting:				
Gain on disposal of property, plant and equipment	12,099	552,564	-	96,179
Gain on disposal of investments	146,680	209,851	146,680	99,681
Gain on deemed dilution of interest in subsidiary	-	5,679,014	-	-
Gross dividend income				
- subsidiary companies	-	-	7,310,476	-
- investment quoted in Malaysia	360,747	7,150	-	-
- unquoted investments	-	4,000	-	4,000
Interest income				
- time deposits	377,195	750,141	216,762	389,677
Rental income	309,500	248,000	309,500	235,000
Unrealised foreign exchange gain	140,234	214,243	21,718	-
Realised foreign exchange gain	461,884	-	-	-
Fair value gain on other financial asset at fair value through profit or loss	65,091,429	-	-	-

The estimated monetary value of benefits-in-kind received by the Directors otherwise than in cash from the Group and the Company amounted to RM119,431 and RM62,175 (2005: RM109,083 and RM69,952) respectively.

The contribution to Employee Provident Fund included in staff cost and directors' remuneration amounted to RM2,136,201 (2005: RM1,852,840) for the Group and RM1,262,490 (2005: RM1,073,401) for the Company.

8 TAX

	Group		Company	
	2006 RM	**2005 RM**	**2006 RM**	**2005 RM**
Current tax:				
- Malaysian tax	637,198	10,163,975	280,000	7,630,000
- Under accrual in prior year	20,546	-	-	-
Deferred tax	(6,230,408)	7,968,856	(2,292,872)	103,307
Share of taxation in associate	(182,803)	-	-	-
	(5,755,467)	18,132,831	(2,012,872)	7,733,307
Profit/(Loss) from ordinary activities before tax	35,524,078	72,664,297	(2,542,980)	29,282,537
Tax calculated at the Malaysian tax rate of 28% (2005: 28%)	9,946,742	20,346,003	(712,034)	8,199,110
Tax effects of:				
- expenses not deductible for tax purposes	1,426,367	690,134	649,966	416,108
- income not subject to tax	(18,194,878)	(1,694,188)	(1,950,804)	(27,911)
- change in tax rate	(16,384)	-	-	-
- Utilisation of previously unrecognised tax losses	-	(355,118)	-	-
- Utilisation of reinvestment allowance	-	(854,000)	-	(854,000)
- Under accrual in prior year	741,460	-	-	-
- Tax incentive obtained for double deduction on insurance	(85,086)	-	-	-
- Deferred tax assets not recognised	426,312	-	-	-
Tax expense	(5,755,467)	18,132,831	(2,012,872)	7,733,307

Based on the estimated tax credits and tax exempt income available and the prevailing tax rate applicable to dividends, the entire retained profits of the Company at year end is available for distribution by way of dividends without incurring additional tax liability.

9 EARNINGS PER SHARE

(a) Basic earnings per share

	Group	
	2006 RM	**2005 RM**
Net profit attributable to ordinary shareholders	46,915,487	46,544,434
Number of ordinary shares in issue at beginning of financial year after deducting treasury shares	160,674,100	158,312,000
Effect of exercise of ESOS and warrant	2,259,030	2,248,283
Effect of share repurchase	(405,325)	(203,800)
Weighted average number of ordinary shares	162,527,805	160,356,483
Basic earnings per ordinary share (sen)	28.9	29.0

(b) Diluted earnings per share

	Group	
	2006 RM	**2005 RM**
Net profit attributable to ordinary shareholders	-	46,544,434
Weighted average number of ordinary shares calculated above	-	160,356,483
ESOS :		
Weighted average number of unissued shares		
- based on exercise price	-	5,639,200
- based on average fair value	-	(4,655,340)
Weighted average number of ordinary shares (diluted)	-	161,340,343
Diluted earnings per ordinary share (sen)	-	28.8

For financial year ended 31 January 2006, diluted earnings per share is not applicable to the Group. This is due to the potential ordinary shares are anti-dilutive and the effect of anti-dilutive potential ordinary shares are ignored in calculating diluted earning per share.

10 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings RM	Long term leasehold land and buildings RM	Short term leasehold land and 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	1,775,000	9,492,291	-	271,720,697	9,228,871	2,990,614	295,207,473
Valuation	75,371,044	79,733,000	4,713,000	-	-	-	159,817,044
Total	77,146,044	89,225,291	4,713,000	271,720,697	9,228,871	2,990,614	455,024,517
Additions	4,330,842	197,899	-	1,645,712	390,832	26,117,240	32,682,525
Disposals	(3,845,655)	-	-	(63,750)	-	-	(3,909,405)
Transfers	-	-	-	2,351,404	-	(2,351,404)	-
Write-off	-	-	-	(614,393)	-	-	(614,393)
Revaluation	(2,211,231)	(5,997,090)	(1,463,000)	(121,304,832)	-	-	(130,976,153)
At 31 January 2006							
Cost	-	-	-	2,458,208	9,619,703	26,756,450	38,834,361
Valuation	75,420,000	83,426,100	3,250,000	151,276,630	-	-	313,372,730
	75,420,000	83,426,100	3,250,000	153,734,838	9,619,703	26,756,450	352,207,091
Accumulated depreciation							
At 1 February 2005	1,108,202	6,555,085	506,230	193,671,255	6,240,309	-	208,081,081
Charge for the year	1,159,937	2,309,195	140,401	4,833,195	566,744	-	9,009,472
Disposals	-	-	-	(54,409)	-	-	(54,409)
Write-off	-	-	-	(614,390)	-	-	(614,390)
Adjustment for revaluation	(2,268,139)	(8,864,280)	(646,631)	(193,511,918)	-	-	(205,290,968)
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	75,420,000	83,426,100	3,250,000	149,316,021	-	-	311,412,121
	75,420,000	83,426,100	3,250,000	149,411,105	2,812,650	26,756,450	341,076,305
2005							
Net book value at 31 January 2005							
Cost	1,759,932	9,227,818	-	78,049,443	2,988,561	2,990,614	95,016,368
Valuation	74,277,910	73,442,388	4,206,770	-	-	-	151,927,068
	76,037,842	82,670,206	4,206,770	78,049,443	2,988,561	2,990,614	246,943,436

10 PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Freehold land and buildings RM	Long term leasehold land and buildings RM	Short term leasehold land and 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	1,775,000	-	-	105,066,181	6,526,604	583,283	113,951,068
Valuation	4,304,360	72,288,000	4,713,000	-	-	-	81,305,360
Total	6,079,360	72,288,000	4,713,000	105,066,181	6,526,604	583,283	195,256,428
Additions	-	139,512	-	463,903	3,774	2,460,398	3,067,587
Disposals	(3,845,655)	-	-	(2,627,424)	-	-	(6,473,079)
Transfers	-	-	-	2,351,404	-	(2,351,404)	-
Revaluation	(483,705)	(5,777,512)	(1,463,000)	(48,675,064)	-	-	(56,399,281)
At 31 January 2006							
Cost	-	-	-	-	6,530,378	692,277	7,222,655
Valuation	1,750,000	66,650,000	3,250,000	56,579,000	-	-	128,229,000
	1,750,000	66,650,000	3,250,000	56,579,000	6,530,378	692,277	135,451,655
Accumulated depreciation							
At 1 February 2005	15,067	5,689,602	506,230	76,335,797	5,218,748	-	87,765,444
Charge for the year	18,080	1,921,641	140,401	986,129	286,993	-	3,353,244
Disposals	-	-	-	(1,818,887)	-	-	(1,818,887)
Write-off	-	-	-	-	-	-	-
Adjustment for revaluation	(33,147)	(7,611,243)	(646,631)	(75,503,039)	-	-	(83,794,060)
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	1,750,000	66,650,000	3,250,000	56,579,000	-	-	128,229,000
	1,750,000	66,650,000	3,250,000	56,579,000	1,024,637	692,277	129,945,914
2005							
Net book value at 31 January 2005							
Cost	1,759,933	-	-	28,730,384	1,307,856	583,283	32,381,456
Valuation	4,304,360	66,598,398	4,206,770	-	-	-	75,109,528
	6,064,293	66,598,398	4,206,770	28,730,384	1,307,856	583,283	107,490,984

The long term leases are those which have an unexpired period of 50 years or more and short term leases are those which have an unexpired period of less than 50 years.

The directors revalued the freehold and leasehold land and buildings, plant, machinery and electrical installation comprising of the Company and its subsidiaries in January 2006 based on valuations carried out by an independent firm of professional valuers on open market value basis. The resultant revaluation surpluses amounting to RM76,060,495 for the Group and RM28,855,124 for the Company have been credited directly to the asset revaluation reserve account. Deferred taxation on the surplus arising form the revaluation has been provided accordingly. In addition, the Group recognised the impairment losses on freehold and leasehold land and building amounting to RM1,286,939 in the current financial year.

Details of the independent firm of professional valuers are as follows:

Name of firm : C H Williams Talhar & Wong Sdn Bhd (18149-U)
32nd Floor, Menara Tun Razak
Jalan Raja Laut
50768 Kuala Lumpur

Land and buildings

Name of valuer : Tan Ka Leong
Qualification of valuer : B. Surv (Hons) Prop. Mgt. MISM
Registration number : V-629

Name of valuer : Foo Gee Jen
Qualification of valuer : Dip. in Valuation, B. Surv (Hons) Prop. Mgt. MISM
Registration number : V-368

Name of valuer : P'ng Soo Theng
Qualification of valuer : B.Sc FRICS MISM
Registration number : V-140

Name of valuer : Danny Yeo Soon Kee
Qualification of valuer : Associate Diploma in Valuations, MISM
Registration number : V-0352

Plant and Machinery

Name of valuer : Muhammad Baharuddin Mustafa
Qualification of valuer : B.Surv. (Hons) FISM, MMIM
Registration number : V-215

The revision of the estimated life resulted in a reduction of the depreciation charge in the finance year by approximately RM5,283,000 and RM1,120,000 for the Group and the Company respectively.

Certain plant and machinery is held as collateral via a debenture over a fixed charge of those assets against a term loan drawdown by a wholly-owned subsidiary (see note 24 to the financial statements).

The net carrying amounts of the revalued freehold and leasehold properties, as well as plant, machinery and electrical installation that would have been included in the financial statements had these properties been carried at cost less accumulated depreciation are as follows:

	Group		Company	
	2006 RM	**2005 RM**	**2006 RM**	**2005 RM**
Freehold properties	39,958,998	44,389,873	1,756,920	2,354,754
Long term leasehold properties	30,040,765	21,440,770	18,732,924	19,171,819
Short term leasehold properties	689,575	719,587	689,575	719,587
Plant, machinery and electrical installation	77,304,962	78,049,443	29,776,101	28,730,384
	147,994,300	144,599,673	50,955,520	50,976,544

11 SUBSIDIARY COMPANIES

	Company 2006 RM	Company 2005 RM
Cost		
Quoted shares	42,000,000	42,000,000
Unquoted shares	32,940,676	24,633,170
	74,940,676	66,633,170
Market value of quoted shares	67,549,368	126,655,064

The subsidiary companies, which are all incorporated in Malaysia are as follows:

Name	Principal activities	Equity interest 2006 %	Equity interest 2005 %
Mycron Steel Berhad	Investment holding and provision of management services to subsidiaries	52.4	52.4
Mycron Steel CRC Sdn. Bhd.	Manufacturing and trading of cold rolled steel sheets in coils	52.4	52.4
Silver Victory Sdn. Bhd.	Dormant	52.4	-
Melewar Steel Services Sdn.Bhd.	Investment holding	100	100
Melewar Steel Assets Sdn. Bhd.	Property investment	100	100
Melewar Steel Tube Sdn. Bhd.	Providing engineering services, and manufacturing and trading of steel pipes and tubes	100	100
Melewar Steel Mills Sdn. Bhd.	Manufacturing, distributing and trading in steel and iron products	100	100
Melewar Integrated Engineering Sdn. Bhd.	Providing engineering and technical consultancy services	70	70
Melewar Steel Ventures Ltd.	Investment holding	100	100
Melewar Steel Engineering Sdn. Bhd. (formerly known as Simplex Trend Sdn. Bhd.)	Investment holding	100	-
M - Power TT Ltd.	Project management	100	-
Mperial Power Ltd.	Investment holding	100	-

12 INVESTMENT IN ASSOCIATED COMPANY

	Group 2006 RM
Quoted share in Malaysia at cost	41,765,599
Share of profit of associated company (net of taxation)	926,364
Negative goodwill recognised on acquisition	41,451,542
Share of pre-acquisition profit	2,055,626
Share of net assets	86,199,131
Market value of quoted share	26,741,475

The Group's interest in the associated company is analysed as follow:

	Group 2006 RM
Share of net assets	86,199,131
Negative goodwill on acquisition	(41,451,542)
Negative goodwill credited to retained profit	41,451,542
	86,199,131

The associated company is:

Name	Principal activities	Equity interest 2006 %	Equity interest 2005 %
M3nergy Berhad	Investment holding and provision of management services to its subsidiaries	# 21.54	16.03

The financial year end of M3nergy Berhad is 31 December.
Held in equity by a wholly-owned subsidiary company.

The shares of the associated company are held as collateral against other borrowings of a subsidiary company (see note 21 and note 24 to the financial statements).

13 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	
	2006 RM	**2005 RM**	**2006 RM**	**2005 RM**
Deferred tax assets	160,855	-	-	-
Deferred tax liabilities				
- subject to income tax	(46,769,189)	(28,872,848)	(25,729,684)	(19,478,036)
- subject to real property gains tax	(735,963)	(960,412)	(450)	(97,483)
	(47,505,152)	(29,833,260)	(25,730,134)	(19,575,519)
	(47,344,297)	(29,833,260)	(25,730,134)	(19,575,519)
At beginning of the financial year	(29,833,260)	(22,443,832)	(19,575,519)	(20,051,639)
(Charged)/credited to income statement:				
- Property, plant and equipment	(4,868,441)	(4,100,998)	(668,744)	(265,707)
- Allowance for doubtful debts	-	162,400	-	162,400
- Unabsorbed losses	4,824,374	-	1,572,780	-
- Unabsorbed capital allowances	6,274,475	(4,030,257)	1,388,836	-
	6,230,408	(7,968,855)	2,292,872	(103,307)
Debited to				
Assets Revaluation Reserves	(23,273,841)	579,427	(7,979,883)	579,427
Retained earnings				
- tax effect arising from changes in accounting policies	(467,604)	-	(467,604)	-
	(17,511,037)	(7,389,428)	(6,154,615)	476,120
	(47,344,297)	(29,833,260)	(25,730,134)	(19,575,519)
Subject to income tax:				
Deferred tax assets (before offsetting):				
Property, plant and equipment	-	270,370	-	-
Allowance for doubtful debts	-	467,600	-	-
Unabsorbed capital allowances	6,274,475	-	1,388,836	467,600
Unabsorbed losses	4,824,374	-	1,572,780	-
	11,098,849	737,970	2,961,616	467,600
Offsetting	(10,937,994)	(737,970)	(2,961,616)	(467,600)
Deferred tax assets (after offsetting)	160,855	-	-	-
Deferred tax liabilities (before offsetting):				
Property, plant and equipment	(58,443,146)	(30,571,230)	(28,691,750)	(20,043,119)
Offsetting	10,937,994	737,970	2,961,616	467,600
Deferred tax liabilities (after offsetting)	(47,505,152)	(29,833,260)	(25,730,134)	(19,575,519)

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets include the following:

	Group		Company	
	2006 RM	**2005 RM**	**2006 RM**	**2005 RM**
Securities:				
- Quoted in Malaysia	2,654,064	41,349,946	2,654,064	2,949,748
- Unquoted in Malaysia	5,150,000	200,000	450,000	200,000
	7,804,064	41,549,946	3,104,064	3,149,948

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

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Beginning of the year	41,549,948	295,800	3,149,948	207,400
Adjustment due to changes in accounting policy	(4,991,343)	-	(71,343)	-
Addition	15,544,110	43,633,231	2,558,511	5,233,231
Disposal	(200,000)	(2,379,085)	(200,000)	(2,290,683)
Revaluation deficit transferred to reserves for available for sale financial assets (note 23)	(2,333,052)	-	(2,333,052)	-
	49,569,663	41,549,946	3,104,064	3,149,948
Less : reclassification to investment in associated company (note 12)	(41,765,599)	-	-	-
	7,804,064	41,549,946	3,104,064	3,149,948

During the financial year, certain available-for-sale financial assets have been reclassified as investment in associated company as the Group was able to exercise significant influence over the associated company in the current financial year.

Following the transitional provisions under FRS 139, the comparative balances are stated at its carrying value as at 31 January 2005.

15 OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Other financial assets at fair value through profit or loss include the following:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Equity securities:				
- Quoted outside of Malaysia	85,098,473	9,153,000	-	-

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

	Group	
	2006 RM	2005 RM
At beginning of the financial year	9,153,000	-
Adjustment due to changes in accounting policy	(1,293,300)	-
Adjusted balance	7,859,700	-
Additions, net of unrealised foreign exchange loss	12,147,344	9,153,000
Fair value gain	65,091,429	-
	85,098,473	9,153,000

Change in fair values of other financial assets at fair value through profit or loss is recorded in other operating income in the income statement (See note 5 to the financial statements).

Following the transitional provisions under FRS 139, the comparative balances are stated at its carrying value as at 31 January 2005.

16 INVENTORIES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Inventories stated at net realisable value comprise:				
Raw materials	89,111,849	93,486,107	31,729,785	50,058,694
Work-in-progress	2,864,491	12,148,802	-	-
Finished goods	39,094,553	67,873,754	20,823,839	34,513,266
Inventories stated at cost				
- consumables	1,659,587	1,606,705	580,723	564,048
	132,730,480	175,115,368	53,134,347	85,136,008

Inventories are stated at the lower of cost and net realiasable value (net of selling cost). During the financial year the Group's has recognised an impairment loss on inventories amounting to RM30,114,527 and RM5,629,887 for the Group and Company respectively.

17 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Gross trade receivables	81,132,559	112,104,649	36,153,819	50,549,452
Less: Allowance for doubtful debts	-	(3,518,517)	-	(1,702,149)
	81,132,559	108,586,132	36,153,819	48,847,303
Other receivables	16,967,062	2,589,710	2,714,751	1,594,017
Deposits	29,310,865	10,532,737	5,189,851	5,355,644
Prepayments	1,273,439	799,002	406,928	494,516
	128,683,925	122,507,581	44,465,349	56,291,480
The currency exposure profile of trade receivables is as follows:				
- Ringgit Malaysia	76,527,033	105,876,822	35,153,819	48,847,303
- Singapore Dollar	4,540,708	2,052,244	-	-
- US Dollar	64,818	657,066	-	-
	81,132,559	108,586,132	35,153,819	48,847,303

All other receivables are denominated in Ringgit Malaysia.

Trade receivables comprise amounts receivable from the sales of goods and services rendered to customers. Other receivables are from the normal business transactions of the Group.

All trade receivables are granted credit periods of between 30 and 90 days.

Included in the current financial year's balances consist of the adjustment of RM1,670,000 relating to the trade and other receivable balances at 31 January 2005 for Group and Company arising for the early adoption of FRS139.

18 AMOUNT OWING BY/(TO) SUBSIDIARY COMPANIES

The amount owing by the subsidiary companies which are unsecured and interest free. For amount arose from inter-company advances there have no fixed terms of repayment. For amount arose from trade transaction are subject to credit terms of 30 to 90 days.

	Company	
	2006 RM	2005 RM
Amount owing by the subsidiaries:		
Trade	10,062,254	7,268,613
Advance	87,933,520	30,873,000
	97,995,774	38,141,613

The amount owing to subsidiary companies which are unsecured and interest free. For amount arose from inter-company advances there have no fixed terms of repayment. For amount arose from trade transaction are subject to credit terms of 30 to 60 days.

	Company	
	2006 RM	2005 RM
Amount owing to the subsidiaries :		
Trade	5,118,619	6,831,368
Advance	200,000	250,000
	5,318,619	7,081,368

19 CASH AND CASH EQUIVALENTS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Deposits with licensed financial institutions	10,217,586	5,850,000	10,217,586	2,450,000
Cash and bank balances	27,445,510	18,808,447	2,528,616	10,906,902
	37,663,096	24,658,447	12,746,202	13,356,902

All time deposits are denominated in Ringgit Malaysia and earn effective interest rates of between 2.0% and 2.2% (2005: 2.62% and 2.64%) per annum. All the time deposits have maturity periods of less than one year.

20 TRADE AND OTHER PAYABLES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Trade payables	3,857,689	4,278,385	2,327,621	476,405
Other payables	3,907,889	4,025,966	1,383,242	1,587,973
Accruals	8,852,814	5,230,673	1,541,172	1,687,910
Deposits	74,500	481,190	74,500	481,190
	16,692,892	14,016,214	5,326,535	4,233,478

Trade payables are all denominated in Ringgit Malaysia.

Trade payables represent amounts outstanding for trade purchases. Other payables are from the normal business transactions of the Group. The normal credit periods granted by trade and other creditors are between 7 and 90 days.

21 SHORT TERM BORROWINGS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Bankers acceptance	83,500,437	66,249,382	41,300,000	56,559,382
Revolving credit	73,000,000	34,800,000	38,000,000	-
Other borrowing	2,464,089	18,511,402	-	-
	158,964,526	119,560,784	79,300,000	56,559,382

The bankers' acceptances amounting to RM41,300,000 (2005: RM56,559,382) are unsecured and bear interest rates ranging between 3.40% and 4.25% (2005: 3.23% and 3.85%) per annum and are repayable between 1 and 6 months (2005: 1 and 6 months).

The remaining bankers' acceptance amounting to RM42,200,437 (2005: RM9,690,000) is secured by a debenture over the fixed and floating assets of a subsidiary company and bear interest rates ranging between 3.65% and 5.26% (2005: 3.35% and 3.45%) per annum and are repayable between 1 to 6 months (2005: 1 and 6 months).

The revolving credit of RM38,000,000 is unsecured and bears interest rate of 3.75% and repayable within 3 months.

The remaining revolving credit of RM35,000,000 (2005: RM34,800,000) is secured by a debenture over the fixed and floating assets of a subsidiary company and bears interest rate of 4.05% (2005: 3.85%) per annum and repayable within 1 month (2005: 1 month).

The other borrowings of a subsidiary company is secured against the shares purchased and bears interest rate 8.8% per annum and renewable every 3 months.

22 SHARE CAPITAL

	Group/Company			
	2006		2005	
	Number of shares RM	Nominal value RM	Number of shares RM	Nominal value RM
Authorised				
Ordinary shares of RM1 each				
At beginning and end of the financial 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 year	160,979,800	160,979,800	158,312,000	158,312,000
Exercise of ESOS	8,000	8,000	2,667,800	2,667,800
Exercise of warrants	8,952,080	8,952,080	-	-
At end of the financial year	169,939,880	169,939,880	160,979,800	160,979,800

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 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 options price under the ESOS is the average of the mean market quotation of the shares of the Company as quoted in the Daily Official List issued by the Bursa Malaysia Securities Berhad for the five market days preceding the offer date, or the par value of the shares of the Company of RM1.00, whichever is higher.
- The options granted are exercisable in a particular year of the Scheme (the first year of the Scheme commencing from the date of 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 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. Upon exercise of the options, shares issued rank pari passu in all respects with existing ordinary shares of the Company.

Set out below are 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 start of year**	**Granted**	**Exercised**	**Lapsed**	**At end of year**
5 December 2003	4 December 2008	1.94-2.35	5,639,200	-	(8,000)	-	5,631,200

	2006	**2005**
Number of share options vested at balance sheet date	5,631,200	2,228,400

Details relating to options exercised during the period are as follows:

Exercise date	**Number of ordinary share of RM1.00 each**	**Exercise price RM/share**	**Fair value RM/share**
21/02/2005	6,000	1.94	2.12
28/02/2005	2,000	1.94	2.09
	8,000		

	2006 RM	**2005 RM**
Ordinary share capital - at par	8,000	2,667,800
Share premium	7,520	3,599,070
Proceeds received on exercise of share options	15,520	6,266,870
Fair value at exercise date of shares issued	16,900	7,846,566

Treasury shares

The shareholders of the Company, by an ordinary resolution passed in an Annual General Meeting held on 30 June 2005, 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 period, the Company repurchased 489,800 of its issued share capital from the open market on the Bursa Malaysia Securities Berhad for RM939,575. The average prices paid for the shares repurchased was approximately RM1.92 per share. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares as allowed under Section 67A of 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 treasury share off against equity is 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 right issue of 32,136,420 warrants on the basis of one (1) new warrant for every five (5) existing ordinary shares of RM1.00 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 of the Warrant entitles the warrant holder to subscribe for one new ordinary share of the Company at a subscription price of RM1.50 per share.

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 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.

During the period, the Company issued 8,952,080 new ordinary shares of RM1.00 each by virtue of the exercise of warrants at an exercise price of RM1.50 per share.

As at 31 January 2006, there were 23,184,340 warrants with a right to subscribe for ordinary shares of the company have not been exercised.

23 RESERVES AND RETAINED EARNINGS

	Group		Company	
	2006 RM	**2005 RM**	**2006 RM**	**2005 RM**
Treasury shares (refer Note 22)	(1,663,128)	(723,553)	(1,663,128)	(723,553)
Share premium	9,987,715	3,896,070	9,987,715	3,896,070
Asset revaluation reserve	77,215,892	41,014,898	34,515,000	15,671,811
Warrant reserve	4,164,662	-	4,164,662	-
Other reserves				
- Reserves for available-for-sale-financial assets	(7,324,395)	-	(2,404,395)	-
- Foreign exchange reserve	33	-	-	-
Retained earnings	223,146,835	146,238,639	91,369,822	104,121,089
	305,527,614	190,426,054	135,969,676	122,965,417

Following the early adoption of FRS 139 for the financial year ended 31 January 2006, and the transitional provisions therein, the effects of the early adoptions to the reserves of the Group and Company are shown below:

	As previously reported RM	Effects of adoption of FRS 139 RM	As restated RM
Group			
Retained earnings:			
At 31 January 2005	146,238,639	-	146,238,639
- other financial assets at fair value through profit or loss	-	(1,293,300)	(1,293,300)
- loans and receivables	-	1,202,396	1,202,396
	146,238,639	(90,904)	146,147,735
Reserves for available-for-sale financial assets:			
At 31 January 2005	-	(4,991,343)	(4,991,343)
Company			
Retained earnings:			
At 31 January 2005	104,121,089	-	104,121,089
- loans and receivables	-	1,202,396	1,202,396
	104,121,089	1,202,396	105,323,485
Reserves for available-for-sale financial assets:			
At 31 January 2005	-	(71,343)	(71,343)

24 LONG TERM LOAN

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Term loan	20,326,879	-	-	-
	20,326,879	-	-	-

A wholly-owned subsidiary had drawndown a 3 years term loan of RM10,000,000. The term loan is secured by share purchased and bears interest rate in the range of cost of fund plus 2% and base lending rate ("BLR") plus 1.5%.

Term loan of RM10,326,879 drawndown by a wholly-owned subsidiary bears interest rate of BLR plus 2% margin per annum and is secured by a debenture over the fixed charge on the plant and machinery financed by the bank and a debenture over the fixed and floating assets of the subsidiary.

25 DISTRIBUTION TO SHAREHOLDERS

During the year, the following distribution to its shareholders were made / proposed by the Company:

(a) A final dividend of 13% less 28% tax amounting to RM14,996,901 in respect of financial year ended 31 January 2005 was paid on 25 July 2005; and

(b) A proposed final tax exempt dividend of 3% amounting to RM5,098,196 for the financial year ended 31 January 2006 was recommended and subject to the approval of shareholders at the forthcoming Annual General Meeting.

26 SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group has a controlling related party relationship with its subsidiary companies.

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

(a) A Company in which 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 deem to have financial interests in:

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

Transactions with related parties during the financial year are as follows:

Entity	**Type of Transaction**	**Group**	
		2006 RM	**2005 RM**
Trace Management Services Sdn. Bhd.	Corporate Secretarial Services	377,106	177,777
MAA Corporate Advisory Sdn. Bhd.	Corporate Consultancy Services	105,514	1,124,889
Mitra Malaysia Sdn. Bhd.	Travel tickets	300,031	253,227
Malaysia Assurance Alliance Berhad	Provision of insurance	1,535,474	891,370
Wira Security Services Sdn. Bhd.	Security Guard Services	304,492	231,296

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

The ESOS granted to Directors of the Company is disclosed in page 51 of the Directors' Report.

27 SEGMENT ANALYSIS

Business segment

The Group operates in 2 main business segments:

- Steel manufacturing
- Investment holdings

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

2006	Steel manufacturing RM	Investment holdings RM	Others RM	Elimination RM	Group RM
Operating revenue					
External revenue	559,951,262	-	6,968,455	-	566,919,717
Intersegment sales	91,497,821	-	9,829,696	(101,327,517)	-
Total operating revenue	651,449,083	-	16,798,151	(101,327,517)	566,919,717
Results					
Segment results	(12,866,775)	65,043,803	768,291	(8,791,171)	44,154,148
Impairment loss on property, plant and equipment					(1,286,938)
Finance cost					(8,086,693)
Share of profit of associated company					743,561
Taxation					5,755,467
Profit after taxation					41,279,545
Other information					
Segment assets	608,788,145	95,309,836	37,773,022	-	741,871,003
Investment in associated company					86,199,131
Total assets					828,070,134
Segment liabilities	221,562,977	4,088,419	17,857,074	-	243,508,470
Capital expenditure	32,531,368	-	151,157	-	32,682,525
Depreciation	8,652,209	264,616	92,647	-	9,009,472

2005	Steel manufacturing RM	Investment holdings RM	Others RM	Elimination RM	Group RM
Operating revenue					
External revenue	582,327,934	-	16,393,729	-	598,721,663
Intersegment sales	106,694,647	-	1,941,043	(108,635,690)	-
Total operating revenue	689,022,581	-	18,334,772	(108,635,690)	598,721,663
Results					
Segment results	69,836,901	239,188	(109,545)	5,679,014	75,645,558
Finance cost					(2,981,261)
Taxation					(18,132,831)
Profit after taxation					54,531,466
Other information					
Segment assets	556,456,407	56,945,851	7,813,567	-	621,215,825
Segment liabilities	138,676,411	19,923,207	5,262,975	-	163,862,593
Capital expenditure	12,573,883	-	55,023	-	12,628,906
Depreciation	15,049,019	264,616	80,516	-	15,394,151

Geographical segment

No geographical segment analysis is provided as substantially all of the Group operations are entirely carried out in Malaysia.

28 CAPITAL COMMITMENTS

Capital expenditure not provided for in the financial statements are as follows:

	Group	
	2006 RM	2005 RM
Property, plant and equipment	61,344,795	9,972,173
Acquisition of SIPCO	68,040,000	-
	129,384,795	9,972,173

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

On 30 December 2005, via its wholly-owned subsidiary, Mperial Power Ltd., entered into a share sale and purchase agreement with E Power Pte. Ltd. for the acquisition of 70% equity interest in SIPCO for a cash consideration of US$23 million. The above exercise is still in progress at the end of the financial year.

Plant expansion and financing

On 30 June 2005 the Directors of MSB reviewed and formally approved a budget of RM120 million in respect of the plant upgrading and expansion project being undertaken by the subsidiary company, MSCRC, thus increasing MSCRC's production capacity by 45%.

On the 29 July 2005 the first contract was signed and executed for the purchase and installation of the Combined Skin Pass Mill and Tension Leveller with VAI CLECIM and VA TECH Malaysia. VAI CLECIM, France, is a subsidiary company of VOEST-ALPINE INDUSTRIEANLAGENBAU, Austria and the SIEMENS Group.

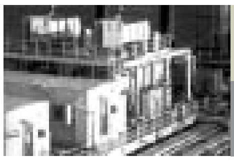
On 28 December 2005, an agreement was signed with the French Bank Natexis Banques Populaires to finance about 38% of this project. The rest will be financed by DBS Bank Ltd., Labuan Branch.

<u>Acquisition of equity interest in PMP Galvanizers Sdn. Bhd.</u>

MSB had on 12 March 2005 entered into a Share Sale Agreement to acquire 15,600,000 ordinary shares of RM1.00 each in PMP Galvanizers Sdn. Bhd. ("PMP") which represented 20% of the issued and paid-up capital of PMP at a total purchase price of RM17 million. To-date the Company had paid RM4.25 million for this investment. The remaining payment on the equity interest is expected to be completed within the next financial year.

29 AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements of the Company and of the Group were authorised for issue by the Board of Directors on 19 May 2006.



STATEMENT BY DIRECTORS

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

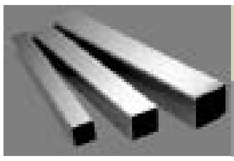
We, Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah and Tunku Yahaya@Yahya bin Tunku Tan Sri Abdullah, being two of the Directors of Melewar Industrial Group Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 56 to 91 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 January 2006 and of the results and cash flows of the Group and Company for the financial year ended on that date in accordance with the Malaysian Accounting Standard Board ("MASB") approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 19 May 2006.

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

TUNKU YAHAYA@YAHYA BIN
TUNKU TAN SRI ABDULLAH
DIRECTOR

Kuala Lumpur
19 May 2006



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 56 to 91 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 19 May 2006, before me.

LEONG TUCK ONN
COMMISSIONER FOR OATHS

PROPERTIES

OWNED BY MELEWAR INDUSTRIAL GROUP BERHAD
& ITS SUBSIDIARIES

Address of Property	Lease expiry date	Brief description and existing use	Land/built-up area	Approximate age of buildings (years)	Net book value (RM)
Lot 53, Persiaran Selangor, 40200 Shah Alam Selangor.	22.5.2078	Factory cum office building	196,144 sq.ft. (4.5 acres)	16	17,920,000
Lot 7, Jalan Gudang 2/9, 40200 Shah Alam Selangor.	17.7.2068	Factory building	43,000 sq.ft. (1 acres)	37	3,000,000
Lot 49, Jalan Utas, 40200 Shah Alam Selangor.	13.4.2072	Factory building	316,300 sq.ft. (7.3 acres)	32	24,470,000
Lot 10, Persiaran Selangor, 40200 Shah Alam Selangor.	11.5.2085	Factory building	220,437 sq.ft. (5 acres)	26	17,080,000
Lot 16, Jalan Pengapit 15/19, 40200 Shah Alam Selangor.	8.4.2078	Factory building	94,000 sq.ft. (2.1 acres)	28	7,000,000
Lot 717, Jalan Sungai Rasau, Seksyen 16, 40200 Shah Alam Selangor.	Freehold	Factory cum office building	781,423 sq.ft. (17.94 acres)	17	73,670,000
PLO 17, Jalan Gangsa, Kawasan Perindustrian Pasir Gudang, 81700 Pasir Gudang, Johor.	5.5.2039	Industrial building for rental income	217,800 sq.ft. (5 acres)	26	3,250,000
Lot 30 & Lot 36, Section 5, Phase 2B, Pulau Indah, Industrial Park, West Pork, Selangor.	24.2.2097	Vacant Industrial Land	278,348 sq.ft. (6.39 acres)	-	4,180,000

Note: The above properties were revalued in 2006.

PROPERTIES

OWNED BY MELEWAR INDUSTRIAL GROUP BERHAD
& ITS SUBSIDIARIES

(continued)

Address of Property	Lease expiry date	Brief description and existing use	Land/built-up area	Approximate age of buildings (years)	Net book value (RM)
Lot 2953, Mukim Kelemak, Daerah Alor Gajah, Melaka.	27.9.2082	Factory cum office building	66,022 sq.ft. (1.5 acres)	20	1,050,000
Flat 28, Consort House, 26 Queensway, Paddington, London W2 3RX.	23.3.2066	Apartment for corporate use	Approximately 900 sq.ft.	36	2,741,960
No. 5, Jalan Jasmin 4, Section BB10, Bandar Bukit Beruntung 48300 Serendah Selangor.	Freehold	Factory cum office building	87,122 sq.ft. (2.1 acres)	11	1,750,000
Flat 10, 19-23 Palace court London W2 4LP.	30.9.2995	Apartment for corporate use	Approximately 1456 sq.ft	10	5,984,140

Note: The above properties were revalued in year 2006.