



ANALYSIS OF ORDINARY SHAREHOLDERS

AS AT 28 APRIL 2006

Authorised Share Capital	-	RM500,000,000
Issued and Paid-up Capital	-	RM169,939,880
Class of Shares	-	Ordinary Shares of RM1 each
Voting Rights	-	1 Vote Per Ordinary Share
No. of Shareholders	-	7,377

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Capital
Less than 100	34	0.46	1,254	0.00
100 - 1,000	1,851	25.09	1,707,938	1.01
1,001 - 10,000	4,556	61.76	18,859,142	11.10
10,001 - 100,000	861	11.67	22,811,718	13.42
100,001 and below 5% of issued shares	73	0.99	66,737,028	39.27
5% and above of issued shares	2	0.03	59,822,800	35.20
TOTAL	7,377	100.00	169,939,880	100.00

THIRTY LARGEST SHAREHOLDERS
As at 28 April 2006

Name	Ordinary Shares of RM1/- each	(#) % of Issued Capital
1. HDM Nominees (Tempatan) Sdn Bhd Beneficiary : UOB Kay Hian Pte Ltd for Melewar Equities (BVI) Ltd.	37,354,000	22.08
2. Employees Provident Fund Board	22,468,800	13.28
3. A.A. Anthony Nominees (Asing) Sdn Bhd Beneficiary : UOB Kay Hian Pte Ltd for Bradford Securities Ltd.	8,000,000	4.73
4. Melewar Equities (BVI) Ltd	7,930,800	4.69
5. Malaysian Assurance Alliance Berhad	7,896,000	4.67
6. Melewar Equities Sdn Bhd	5,700,000	3.37
7. M & A Nominee (Asing) Sdn Bhd Beneficiary : UOB Kay Hian Pte Ltd for Ace Financial Services Inc.	2,893,900	1.71
8. Erasetia Synergy Sdn Bhd	2,666,900	1.58
9. TA Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged securities account for Kidstone Sdn Bhd	2,653,500	1.57
10. Permodalan Nasional Berhad	2,650,000	1.57
11. TA Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged securities account for Koon Yew Yin	2,392,700	1.41

ANALYSIS OF ORDINARY SHAREHOLDERS

AS AT 28 APRIL 2006

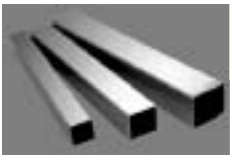
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**THIRTY LARGEST SHAREHOLDERS
As at 28 April 2006**

Name	Ordinary Shares of RM1/- each	(#) % of Issued Capital
12. HSBC Nominees (Asing) Sdn Bhd Beneficiary : RBC Dist for Melewar Equities (BVI) Limited	2,300,000	1.36
13. HSBC Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged securities account for Koon Yew Yin	2,197,700	1.30
14. Yeoh Kean Hua	1,690,000	1.00
15. TA Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged securities account for Tan Kit Pheng	1,590,000	0.94
16. Bumiputra-Commerce Trustee Berhad Beneficiary : Amanah Saham Darul Iman	850,000	0.50
17. Citigroup Nominees (Asing) Sdn Bhd Beneficiary : CBNY for DFA Emerging Markets Fund	604,400	0.36
18. OSK Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged securities account for Koon Yew Yin	596,400	0.35
19. Palaniyappan Subramanian Yogeswari	526,000	0.31
20. Yap Siew Chin	509,300	0.30
21. Public Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged securities account for Zet Enterprise Sdn Bhd	505,000	0.30
22. Lee Hau Hian	483,500	0.29
23. Lee Hau Hian	476,500	0.28
24. HSBC Nominees (Tempatan) Sdn Bhd Beneficiary : HSBC (Malaysia) Trustee Berhad for Amanah Saham Sarawak	464,000	0.27
25. Inter-Pacific Equity Nominees (Asing) Sdn Bhd Beneficiary : Kim Eng Securities Pte Ltd for Hexacon Construction Pte Ltd	440,800	0.26
26. Daiman bin Jamaluddin	420,000	0.25
27. Inter-Pacific Equity Nominees (Asing) Sdn Bhd Beneficiary : OCBC Securities Pte Ltd for Hexacon Construction Pte Ltd	400,000	0.24
28. Koon Yew Yin	400,000	0.24
29. Nik Hatmah binti Nik Hassan	327,998	0.19
30. RHB Capital Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged securities account for Jiantilal Jethalal a/l Jethalal Valji	324,500	0.19
TOTAL	117,712,698	69.59

Note :-

(#) The % of the Thirty Largest Shareholders is calculated on the total issued and paid up capital of the Company excluding a total of 795,500 Melewar Industrial Group Berhad shares bought back by the Company and retained as treasury shares as at 28 April 2006.



ANALYSIS OF ORDINARY SHAREHOLDERS

AS AT 28 APRIL 2006

(continued)

**LIST OF SUBSTANTIAL SHAREHOLDERS
As at 28 April 2006**

Name	Number of Shares Held			
	Direct	% ⁽¹⁾	Indirect	% ⁽¹⁾
Tunku Tan Sri Abdullah ibni Almarhum Tuanku Abdul Rahman	-	-	61,420,800	36.31 ^(a)
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	240,000	0.14	61,180,800	36.17 ^(b)
Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah	-	-	61,420,800	36.31 ^(a)
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	-	-	61,420,800	36.31 ^(a)
Datin Ezurin Yusnita binti Abdul Malik	-	-	61,420,800	36.31 ^(a)
Khyra Sdn Bhd	-	-	61,180,800	36.17 ^(c)
Iternum Melewar Sdn Bhd	-	-	61,180,800	36.17 ^(d)
Melewar Equities (BVI) Ltd	47,584,800	28.13	7,896,000	4.67 ^(e)
Employees Provident Fund Board	22,468,800	13.28	-	-

Notes :-

- (1) The percentages of the substantial shareholdings are calculated by dividing the shares held by the respective substantial shareholders with the total number of ordinary shares in issue, excluding 795,500 treasury shares held by the Company.
- (a) Deemed interested through Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah who is the ultimate substantial shareholder of Melewar Equities Sdn Bhd and Malaysian Assurance Alliance Berhad. Melewar Equities (BVI) Ltd., Melewar Equities Sdn Bhd, Malaysian Assurance Alliance Berhad and Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah holds 28.13%, 3.37%, 4.67% and 0.14% respectively in the Company.
- (b) Deemed interested through Melewar Equities (BVI) Ltd., Melewar Equities Sdn Bhd and Malaysian Assurance Alliance Berhad by virtue of Section 6A(4) and Section 122A(1)(b) of the Companies Act 1965. Melewar Equities Sdn Bhd holds 3.37% in the Company and Malaysian Assurance Alliance Berhad holds 4.67% in the Company and the balance of 28.13% is held by Melewar Equities (BVI) Ltd.
- (c) Deemed interested by virtue of its holding of 8,000 shares representing 80% of the issued and paid-up share capital of Iternum Melewar Sdn Bhd.
- (d) Deemed interested by virtue of its holding of 35,109,460 shares representing 64.3% of the issued and paid-up share capital of Melewar Equities Sdn Bhd. Melewar Equities Sdn Bhd is the holding company of Melewar Equities (BVI) Ltd.
- (e) Deemed interested by virtue of Malaysian Assurance Alliance Berhad being their associate company.

ANALYSIS OF ORDINARY SHAREHOLDERS

AS AT 28 APRIL 2006



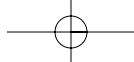
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DIRECTOR'S SHAREHOLDINGS
As at 28 April 2006

Name	Number of Shares Held			
	Direct	% ⁽¹⁾	Indirect	% ⁽¹⁾
Tunku Tan Sri Abdullah ibni Almarhum Tuanku Abdul Rahman	-	-	61,420,800	36.31 ^(a)
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	240,000	0.14	61,180,800	36.17 ^(b)
Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah	-	-	61,420,800	36.31 ^(a)
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	-	-	61,420,800	36.31 ^(a)
Datin Ezurin Yusnita binti Abdul Malik	-	-	61,420,800	36.31 ^(a)
Lim Kim Chuan	140,000	0.08	-	-
Azlan bin Abdullah	100,000	0.06	-	-

Notes :-

- ⁽¹⁾ The percentages of the substantial shareholdings are calculated by dividing the shares held by the respective substantial shareholders with the total number of ordinary shares in issue, excluding 795,500 treasury shares held by the Company.
- ^(a) Deemed interested through Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah who is the ultimate substantial shareholder of Melewar Equities Sdn Bhd and Malaysian Assurance Alliance Berhad. Melewar Equities (BVI) Ltd., Melewar Equities Sdn Bhd, Malaysian Assurance Alliance Berhad and Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah holds 28.13%, 3.37%, 4.67% and 0.14% respectively in the Company.
- ^(b) Deemed interested through Melewar Equities (BVI) Ltd., Melewar Equities Sdn Bhd and Malaysian Assurance Alliance Berhad by virtue of Section 6A(4) and Section 122A(1)(b) of the Companies Act 1965. Melewar Equities Sdn Bhd holds 3.37% in the Company and Malaysian Assurance Alliance Berhad holds 4.67% in the Company and the balance of 28.13% is held by Melewar Equities (BVI) Ltd.



ANALYSIS OF WARRANTHOLDERS

AS AT 28 APRIL 2006

Number of warrants issued	-	32,136,420
Number of warrants exercised	-	8,952,080
Number of warrants unexercised	-	23,184,340
Number of warrant holders	-	2,853

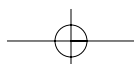
Size of Shareholdings	No. of Warrantholders	% of Warrantholders	No. of Warrant	% of Warrant
Less than 100	26	0.91	906	0.00
100 - 1,000	1,453	50.93	1,093,660	4.72
1,001 - 10,000	1,112	38.98	4,144,784	17.88
10,001 to 100,000	233	8.17	7,733,464	33.36
100,001 and below 5% of issued warrants	27	0.95	6,992,326	30.16
5% and above of issued warrants	2	0.07	3,219,200	13.89
Total	<u>2,853</u>	<u>100.00</u>	<u>23,184,340</u>	<u>100.00</u>

LIST OF SUBSTANTIAL WARRANTHOLDERS
 As at 28 April 2006

Name	Number of Warrant Held			
	Direct	%⁽¹⁾	Indirect	%⁽¹⁾
A.A. Anthony Nominees (Asing) Sdn Bhd Beneficiary : UOB Kay Hian Pte Ltd for Bradford Securities Ltd.	1,640,000	7.07	-	-
Malaysian Assurance Alliance Berhad	1,579,200	6.81	-	-

THIRTY LARGEST WARRANTHOLDERS
 As at 28 April 2006

Name	No. of Warrants	% of Warrants
1. A.A. Anthony Nominees (Asing) Sdn Bhd Beneficiary : UOB Kay Hian Pte Ltd for Bradford Securities Ltd.	1,640,000	7.07
2. Malaysian Assurance Alliance Berhad	1,579,200	6.81
3. United Overseas Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged securities account for Len Book Learn	1,147,600	4.95
4. Erasetia Synergy Sdn Bhd	606,340	2.62
5. M & A Nominee (Asing) Sdn Bhd Beneficiary : UOB Kay Hian Pte Ltd for Ace Financial Services Inc.	578,780	2.50
6. Ong Wan Chin	528,000	2.28



ANALYSIS OF WARRANTHOLDERS

AS AT 28 APRIL 2006



(continued)

THIRTY LARGEST WARRANTHOLDERS
As at 28 April 2006

<u>Name</u>	<u>No. of Warrants</u>	<u>% of Warrants</u>
7. Wong Lee Peng	334,000	1.44
8. Hing Chin Hool	279,500	1.21
9. Teo Hong Kok	259,000	1.12
10. Yeoh Kean Hua	253,000	1.09
11. Kenanga Nominees (Asing) Sdn Bhd Beneficiary : DMG & Partners Securities Pte Ltd for Ong Boon Tong	235,000	1.01
12. Yeo Kian Huat	229,100	0.99
13. TA Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged securities account for Kidstone Sdn Bhd	226,140	0.98
14. Cimsec Nominees (Tempatan) Sdn Bhd Beneficiary : CIMB for Tee Chin Teck	200,000	0.86
15. Ee Kuen Kiat	193,000	0.83
16. Pang Yang Chung	190,000	0.82
17. Amsec Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged securities account for Hee Yuen Sang	165,000	0.71
18. Chua Kin Hua	162,900	0.70
19. Chong Yoon Huat	155,200	0.67
20. Lee Seng Ann	150,000	0.65
21. Pang Chen Fei	139,300	0.60
22. Yong Chau Chin	134,600	0.58
23. Chan Kok Toong	131,800	0.57
24. Lim Jit Hai	131,000	0.57
25. Tan Bee Yook	125,000	0.54
26. Public Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged securities account for Wong Kok Hou	114,800	0.50
27. RHB Capital Nominees (Tempatan) Sdn Bhd (Pledged Securities account for Jiantilal Jethalal a/l Jethalal Valji	113,980	0.49
28. Teo Ah Seng	107,486	0.46
29. Lim Kim Wah	101,800	0.44
30. Chan Beng Kuan	100,000	0.43
	10,311,526	44.48



STATEMENT ON

CORPORATE GOVERNANCE

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

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

BOARD OF DIRECTORS

a) Board Responsibilities

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

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

The Board has delegated specific responsibilities to four (4) sub-committees namely Audit, Nomination, Remuneration and Risk Management Committees. These Committees have the authority to examine particular issues and will report to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, rests with the entire Board.

b) Board Balance and Composition

The Board currently has 12 members comprising of the following :-

- 1 non-executive non-independent Chairman
- 1 Managing Director
- 3 Executive Directors
- 3 non-executive non-independent directors
- 4 non-executive independent directors

Premised on the above Board balance, the Board has complied with Paragraph 15.02 of the Listing Requirements to have at least one-third (1/3) of the Board comprising Independent Directors. The composition of the Board reflects a balance of Executive, Non-Executive and Independent Directors from diverse professional backgrounds with vast experience of a mixture of technical, entrepreneurial and financial skills. All Board members participate and deliberate on the issues and matters affecting the Company. The profiles of the Directors which are set out on Page 19 to 25 illustrate an impressive spectrum of experiences vital to the direction and management of the Company.

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

The Executive Directors are responsible for implementing the policies and decisions of the Board, overseeing the daily operations and business development of the Group. The Non-Executive Directors are independent of management and are free from any business relationship which could materially interfere with the exercise of their independent judgment. Together with the Independent Non-Executive Directors, they provide the support to complement the skills and experience of the Executive Directors. The Independent Non-Executive Directors also offer the unbiased independent view, advise and judgment in the best interest, not only for the Group but also of shareholders, employees and communities in which the Group conducts its business.

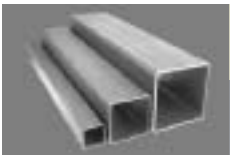
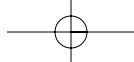
c) Board Meetings

The Board meets at least four (4) times a year, with additional meetings convened as necessary, to review Management Reports on the progress of business operations and minutes of meetings of the various Board Committees and to consider and if deem fit approve proposals that require the sanction of the Board.

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

During the financial year ended 31 January 2006, five (5) meetings were held. The following is the record of attendance of the Directors:-

Executive Directors	Total
1. Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	4/5
2. Mr Lim Kim Chuan	5/5
3. Encik Azlan bin Abdullah	5/5
4. Encik Nikmat bin Abdullah (Appointed w.e.f. 2.5.2006)	N/A
Non-Independent Non-Executive Directors	Total
1. Tunku Tan Sri Abdullah ibni Almarhum Tuanku Abdul Rahman	4/5
2. Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah	5/5
3. Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	5/5
4. Datin Ezurin Yusnita binti Abdul Malik (Appointed w.e.f. 13.12.2005)	N/A
Independent Non-Executive Directors	Total
1. Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah (Appointed w.e.f. 03.05.2005)	3/4
2. Dato' Jaffar Indot	5/5
3. Mr Terence Francis Mahony	3/5
4. Mr Lee Ching Kion	5/5
5. Tengku Ahmad Fuad bin Tengku Burhanuddin (Resigned w.e.f. 22.12.2005)	3/5



STATEMENT ON

CORPORATE GOVERNANCE

(continued)

d) Supply of Information

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

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

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

e) Appointments to the Board

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

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

- (i) Mr Lee Ching Kion (Chairman);
- (ii) Dato' Jaffar Indot; and
- (iii) Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah

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

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

The Nomination Committee has also recommended the appointment of Dato' Jaffar Indot as the Senior Independent Director to whom all concerns may be conveyed and which was endorsed by the Board.

f) Re-election

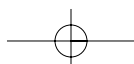
Every Director is required by the Company's Articles of Association to retire from office once at least every three years except for those who retire every year in accordance with Section 129 of the Companies Act, 1965 and to seek re-election by the shareholders at the Annual General Meeting.

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

g) Directors' Training

All Directors who are required to accumulate Continuing Education Programmes ("CEP") points had fulfilled the CEP Requirements within the extended time frame of 31 December 2005.

In line with the amendment on Practice Note 15/2003 by Bursa Securities which was with effect from 1 January 2005, the Board of Directors shall be responsible to determine their continuous training needs to keep themselves updated on the relevant regulatory and corporate governance development as well as keeping abreast with global and local economic developments.



Details of the seminars and training programmes attended by the Board members during the financial year ended 31 January 2006 are as follows :-

- Managing Corporate Turnaround and Change Management
- Board Agenda Briefing : Business Impact of New Financial Reporting Standards
- National Sales Congress
- The Malaysian Private Debt Securities ("PDS") or Bond Market :
A Director's Perspective on Efficient and Alternative Financing Sources
- The Obligations of A Listed Company and Its Directors for Transactions under The Bursa Malaysia Listing Requirements
- Accounting for Construction Contracts and Property Development Activities
- Off-Balance Sheet Items, Offshore Accounts & Derivatives

h) Directors' Remuneration

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

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

The members of the Remuneration Committee comprises the following members :-

- (i) Mr Lee Ching Kion (Chairman);
- (ii) Dato' Jaffar Indot; and
- (iii) Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah

Non-Executive Directors are paid attendance allowance for each Board Meeting. Directors' fees are also paid to the Non-Executive Directors which will be presented to shareholders for approval at the Annual General Meeting.

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



STATEMENT ON CORPORATE GOVERNANCE

(continued)

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

Type of Remuneration	* Executive Directors RM'000	Non-Executive Directors RM'000
Salaries	684	-
Allowances	-	36
Bonuses	391	-
Fees	-	503
Benefits-In-Kind	50	12
Other Emoluments	198	36
TOTAL	1,323	587

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
Less than RM50,000	-	8
RM350,001 to RM400,000	-	1
RM550,001 to RM600,000	1	-
RM750,001 to RM800,000	1	-

* One of the Executive Directors of the Company is remunerated by Mycron Steel Berhad, a subsidiary of the Company.

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

RELATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

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



(continued)

ACCOUNTABILITY AND AUDIT

a) Audit Committee

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

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

Full details of the composition, complete terms of reference and the activities of the Audit Committee during the financial year are set out in the Audit Committee Report included in this Annual Report.

b) Financial Reporting

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

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

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

c) Internal Control

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

The Group's Statement of Internal Control is set out on pages 44 to 45 of this Annual Report.

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

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

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

The members of the RMC are as follows :-

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

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



STATEMENT ON CORPORATE GOVERNANCE

(continued)

d) Relationship with the External Auditors

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

The relationship between the Board and the External Auditors is also formalized through the Audit Committee's terms of reference.

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF FINANCIAL STATEMENT

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

The Directors considered the following in preparing the financial statements :-

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

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

ADDITIONAL INFORMATION

a) Utilisation of Proceeds

On 15 June 2005, the Company had successfully raised RM6,427,284.00 pursuant to the Rights Issue of Warrants. The utilisation of the proceeds as at 28 April 2006 is as follows :-

Purpose	Allocated RM	Utilised RM	Balance RM
Working capital	5,772,747	5,772,747	-
Expenses for the proposal	654,537	654,537	-
	6,427,284	6,427,284	-

b) Options, Warrants of Convertible Securities

During the financial year under review, the following ordinary shares of RM1.00 were issued by the Company :-

- a total of 8,952,080 warrants had been converted to 8,952,080 ordinary shares of RM1.00 each ;
- 8,000 ordinary shares of RM1.00 each were issued pursuant to the Company's ESOS at the exercise price of RM1.94 per ordinary share.

c) Non-Audit Fees

Non-audit fees paid by the Group to the External Auditors during the financial year amounted to RM21,530.00.



(continued)

d) During the financial year ended 31 January 2006 :-

- (i) There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Group which involved Directors and shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year ;
- (ii) The Company has not sponsored any ADR or GDR programme ;
- (iii) There were no sanctions and / or penalties imposed on the Company, Directors or Management by the relevant regulatory bodies ;
- (iv) There were no profit guarantees given by the Company ;
- (v) There were no profit estimates, forecasts, projections or unaudited results made or announced for the financial year ended 31 January 2006 which differed by 10 per cent or more from the audited results ;
- (vi) There were no profit guarantees given in respect of the Company ;
- (vii) There were no loans between the Company and its subsidiaries that involve Directors' or major shareholders' interests ;

e) Revaluation Policy on Landed Properties

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

f) Share Buy-Back

During the financial year ended 31 January 2006, the Company had acquired 489,800 ordinary shares of RM1.00 each of its shares from the open market at an average price of RM1.92 per share. As at 28 April 2006, the Company had repurchased in total 795,500 ordinary shares of MIG from the open market at an average price of RM2.09 per share. All the shares repurchased are being held as treasury shares.

Details of the Company's shares bought back by the Company during the previous twelve (12) months up to 31 January 2006 are set out below :-

Date/Month	No. of MIG Shares	Highest Price (RM)	Lowest Price (RM)	Average Price (RM)	Total Consideration
19.04.2005	128,800	1.89	1.85	1.87	240,534.00
20.04.2005	56,700	1.92	1.90	1.91	108,200.61
22.04.2005	100,500	1.94	1.91	1.93	193,894.65
27.04.2005	63,300	1.96	1.92	1.94	123,321.06
29.04.2005	106,400	1.96	1.92	1.94	207,235.28
03.05.2005	34,100	1.97	1.93	1.95	66,389.29



STATEMENT ON

CORPORATE GOVERNANCE

(continued)

g) Recurrent Related Party Transaction

On 30 June 2005, the Company sought approval for a shareholders' mandate for the MIG Group to enter into Recurrent Transactions (as defined in the Circular to Shareholders dated 8 June 2005) in their ordinary course of business with related parties ("Shareholders' Mandate") as defined in Chapter 10 of the Listing Requirements of Bursa Securities.

The aggregate value of transactions conducted during the financial year ended 31 January 2006 in accordance with the Shareholders' Mandate obtained in the last Annual General Meeting were as follows :-

Transacting Party	Nature of Transaction	Related Party	Nature of Interest	Value of Transaction (RM)
Melewar Industrial Group Berhad ("MIG")	Providing corporate secretarial services	Trace Management Services Sdn Bhd ("Trace")	A company in which Tunku Tan Sri Abdullah ibni Almarhum Tuanku Abdul Rahman ("TA"), Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah ("TI") and Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah ("TY") have deemed interest by virtue of their substantial interest in The Melewar Corporation Berhad, who in turn is the major shareholder of Trace.	377,106.00
	Ticketing, tour and travel	Mitra Malaysia Sdn Bhd ("Mitra")	A company in which TI has deemed interest by virtue of his substantial interest in Melewar Leisure Sdn Bhd, the holding company of Mitra.	300,031.00
	General and life insurance business	Malaysian Assurance Alliance Berhad ("MAAB")	MAA Holdings Berhad ("MAAH") is the holding company of MAAB. Khyra Sdn Bhd, a company controlled by TY, is deemed interested in MAAH by virtue of its substantial shareholdings in Melewar Equities (BVI) Ltd, a substantial shareholder of MIG.	1,535,474.00
	Providing security services and trading in security equipment	Wira Security Services Sdn Bhd ("WSS")	WSS is a wholly-owned subsidiary of MAA Corporation Sdn Bhd ("MAA Corp") who in turn is a wholly-owned subsidiary of MAAH.	304,492.00
	Providing corporate consultancy services	MAA Corporate Advisory Sdn Bhd ("MAACA")	MAACA is a wholly-owned subsidiary of MAA Corp who in turn is a wholly-owned subsidiary of MAAH.	105,514.00
	Provision of payroll and information technology services	Mycron Steel Berhad ("MSB")	MIG is the substantial shareholder of MSB by virtue of its 54.47% shareholding in MSB.	48,000.00
	Sales of cold rolled coils by Mycron Steel CRC Sdn Bhd ("MSCRC") to MIG	MSCRC	MSCRC is a wholly-owned subsidiary of MSB. MIG is the substantial shareholder of MSB by virtue of its 54.47% shareholding in MSB.	56,742,587.00



(continued)

Transacting Party	Nature of Transaction	Related Party	Nature of Interest	Value of Transaction (RM)
	Provision of slitting service and sales of pipes by MIG to MSCRC	MSCRC	MSCRC is a wholly-owned subsidiary of MSB. MIG is the substantial shareholder of MSB by virtue of its 54.47% shareholding in MSB.	29,339.00
Melewar Steel Mills Sdn Bhd ("MSM"), a wholly-owned subsidiary of MIG	Rental and deposits charged by MSB to MSM for using land belonging to MSB	MSB	MIG is the substantial shareholder of MSB by virtue of its 54.47% shareholding in MSB.	108,000.00
	Supply of scrap by MSCRC to MSM, a wholly-owned subsidiary of MIG	MSCRC	MSCRC is a wholly-owned subsidiary of MSB. MIG is the substantial shareholder of MSB by virtue of its 54.47% shareholding in MSB.	609,318.00
	Provision of technical and consultancy services by Melewar Integrated Engineering Sdn Bhd ("MIE") to MSM for expansion projects in induction mill	MIE	MIE is a 70%-owned subsidiary of MIG. MSM is a wholly-owned subsidiary of MIG.	5,234,148.00
MIE, a 70% owned subsidiary of MIG	Provision of technical and consultancy services by MIE to MSCRC for expansion projects in cold roll mill	MSCRC	MSCRC is a wholly-owned subsidiary of MSB. MIG is the substantial shareholder of MSB by virtue of its 54.47% shareholding in MSB.	3,786,662.00

COMPLIANCE STATEMENT

The Board is satisfied that the Company has, in all material aspects, complied with the best practices of the Code as at 31 January 2006.

This statement was approved by the Board of Directors on 28 March 2006.



STATEMENT ON INTERNAL CONTROL

1. Introduction

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

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

2. Board's Responsibility

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

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

3. Risk Management Framework

The Risk Management Committee ("RMC") had formally adopted a Risk Management Framework for the Group in 2004. The objective of this framework is to provide guidance to the Group to facilitate a structured approach to identifying, evaluating and managing significant risks and to achieve a level of adequacy and standard reporting by the subsidiaries to the holding company in a timely manner. This process has been in operation during the financial year ended 31 January 2006 and up to the date of approval of the Annual Report and its financial statement.

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

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

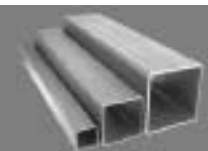
The main duties and functions of the RMC based on the Terms of Reference approved by the Board are, inter-alia, as follows :-

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

The Company has established, within its risk management framework, a structured approach to enterprise-wide risk management. The risk management process entails the following to be carried out :-

- Risk Identification ;
- Risk Assessment ;
- Risk Mitigation ;
- Risk Monitoring ; and
- Risk Reporting

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



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

4. Internal Control

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

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

- a. The Internal Auditors had prepared a 'risk-based' internal audit plan which considers all the critical and high impact areas within the business operations. During the financial year, internal audits on various audit areas per the approved internal audit plan were carried out by the Internal Auditors. Any weaknesses identified during the reviews were reported to the Audit Committee and improvement measures were recommended to strengthen controls. This provides assurance regarding the adequacy and the integrity of the internal controls system.
- b. The Group's operations are accredited with ISO9001 international quality system standard and such quality management system provides the Group with improved control of key processes and a foundation for improving quality and customer satisfaction.
- c. The Group has an appropriate organisational structure for planning, executing and controlling business operations which enables adequate monitoring of the activities and ensures effective flow of information across the Group.
- d. The Management is responsible for the identification and evaluation of key risks applicable to their areas of business on a continuous basis. Risks identified are reported in a timely manner during the periodic management meetings to enable corrective actions to be taken.
- e. Lines of responsibility and delegations of authority are clearly defined which include amongst others approval of capital expenditure and investment programmes.
- f. The Executive Directors and Management monitor the Group's performance via key performance indicators, monthly management report and periodic management meetings. Any exceptions noted will be duly investigated and reported.
- g. Key processes of the Group are governed by policies and procedures.
- h. The Group has in place a Safety and Health Committee to review the occupational safety and health procedures.
- i. The Audit Committee meets at least four (4) times a year and, within its limit, reviews the effectiveness of the Group's system of internal controls. The Committee receives reports from the internal audit consultants and management.
- j. The Risk Management Unit undertakes to oversee the whole risk management processes as described under the risk management framework.

5. Controls Weaknesses

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

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

6. Financial Reporting

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



AUDIT COMMITTEE

REPORT

Members and Meetings

Chairman of the Audit Committee

Mr Terence Francis Mahony (Independent Non-Executive Director)

Members of the Audit Committee

Dato' Jaffar Indot (Independent Non-Executive Director)
(Appointed with effect from 15.02.2006)

Mr Lee Ching Kion (Independent Non-Executive Director)

Mr Lim Kim Chuan (Executive Director)

(Audit Member who fulfils requirement under Paragraph 15.10(1)(c)(ii))

Encik Azlan Abdullah (Executive Director)

Secretary

The Company Secretary is the Secretary of the Audit Committee.

During the financial year ended 31 January 2006, five (5) Audit Committee meetings were held. The details of attendance of each Committee member are as follows :

Name	Total
Mr Terence Francis Mahony (Chairman)	5/5
Dato' Jaffar Indot	N/A
Mr Lee Ching Kion	5/5
Mr Lim Kim Chuan	3/5
Encik Azlan bin Abdullah	4/5
Tengku Ahmad Fuad bin Tengku Ahmad Burhanuddin (Resigned w.e.f. 22.12.2005)	3/5

Terms of Reference

The terms of reference of the Committee are as follows :-

Formation

1. The Board of Directors of Melewar Industrial Group Berhad ("the Company") had established an Audit Committee ("the Committee") on 15 April 1994.

Membership

2. The Committee shall be appointed by the Board from amongst the Directors of the Company and shall consist of not less than three (3) members of which the majority of them must consist of Independent Directors. At least one of the Committee members must be a member of the Malaysian Institute of Accountants, or such other qualifications approved by the Bursa Malaysia.



No member of the Committee shall be :

- An alternate Director, or
 - A spouse, parent, brother, sister, son or adopted son, daughter or adopted daughter of an Executive Director of the Company or of any related corporation, or
 - Spouse of brother, sister, son or adopted son, daughter or adopted daughter of an Executive Director of the Company or of any related corporation, or
 - Any person having a relationship which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgement in carrying out the functions of the Committee.
3. The members of the Committee shall elect a Chairman from amongst their number who shall be an Independent Director.
 4. If a member of the Committee ceases to be a member with the result that the number of members is reduced below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.
 5. The term of office of Committee members should be reviewed by the Board no less than every three (3) years.

Authority

6. The Committee is authorised by the Board to investigate any activity within its terms of reference and has the right to any resources which are required to perform its duties. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
7. The Committee is authorised by the Board to obtain outside legal or other independent professional advice to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
8. The Committee is authorised by the Board to have direct communication channels with the External Auditors and person(s) carrying out the internal audit function. It is also authorised to convene meeting with the External Auditors whenever deemed necessary.

Functions

9. The functions of the Committee shall be :
 - (a) to review the following and report the same to the Board of Directors :
 - (i) with the External Auditors, the audit plan;
 - (ii) with the External Auditors, the evaluation of the system of internal controls;
 - (iii) with the External Auditors, the audit report;
 - (iv) the assistance given by the Company's officers to the External Auditors;
 - (v) the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;
 - (vi) the internal audit programme, processes or investigations, undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - (vii) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on :
 - changes in or implementation of major accounting policy;
 - significant and unusual events; and
 - compliance with accounting standards and other legal requirements;
 - (viii) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - (ix) any letter of resignation from the External Auditors of the Company; and
 - (x) whether there is reason (supported by grounds) to believe that the External Auditors of the Company is not suitable for reappointment; and
 - (b) to consider the nomination of External Auditors together with such other functions as may be agreed to by the Committee and the Board of Directors.



AUDIT COMMITTEE

REPORT

(continued)

Attendance at Meetings

10. The Vice President-Finance & Corporate Services, Internal Audit Consultants, a representative of the External Auditors and other authorised officers shall normally attend meetings. Other Board members may attend meeting upon the invitation of the Committee.
11. The Company Secretary shall be the Secretary of the Committee.

Frequency of Meetings

12. (a) Meetings shall be held not less than four (4) times a year. The External Auditors may request a meeting if they consider necessary.
- (b) In order to form a quorum in respect of a meeting of the Committee, the majority members present must be Independent Directors.

Reporting Procedures

13. The Secretary shall circulate the minutes of meeting of the Committee to all members of the Board.

Summary of Activities of the Committee during the financial year ended 31 January 2006

During the financial year ended 31 January 2006, the main activities undertaken by the Audit Committee were as follows :-

- i. Reviewed the adequacy and the relevance of the scope, functions, resources, internal audit plan and results of internal audit processes with the internal audit consultants ;
- ii. Reviewed the quarterly financial reports and year-end financial statements with management and recommend the same to the Board for approval before release to Bursa Malaysia ;
- iii. Reviewed with External Auditors on their audit plan (including system evaluation, audit fee, issues raised and management's response) prior to the commencement of audit ;
- iv. Reviewed the financial statements, the audit report, issues and reservations arising from audits and the management letter with the External Auditors and recommend the same to the Board ;
- v. Reviewed the disclosure of related party transactions and any conflict of interest situation and questionable transactions ;
- vi. Prepared the Audit Committee Report for inclusion in the Company's Annual Report ;
- vii. Reported to and updated the Board on significant issues and concerns discussed during the Committee's meetings and where appropriate, made the necessary recommendations to the Board ;
- viii. Reviewed the disclosure statements on compliance of Malaysian Code on Corporate Governance, Board's responsibility on the annual audited financial statements and the state of internal control and other relevant documents for publication in the Company's Annual Report.
- ix. Verifying the allocation of share options pursuant to the Employees' Share Option Scheme.