CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report of the Melewar Industrial Group Berhad and its group of companies (the "Group") for the financial year ended 30 June 2008.

For the 2007 financial year, the Group's year-end date was changed from 31 January to 30 June, and as a result, the comparative figures for this Report are for the 17 months ended 30 June 2007.

I am happy to report, that the Group has recorded a healthy set of financial results for the year, which has contributed to its now unbroken 37 year profit track record, and its equally impressive unbroken dividend record, since its listing in 1986.

This is indeed an outstanding achievement that the Group can take much pride in. Considering the sluggish domestic economy and the increased cost environment for global steel, the Group's performance during the year has been sterling.

FINANCIAL RESULTS

For the financial year under review, the Group recorded a Revenue of RM703.3 million and achieved an Operating Profit of RM71.8 million, with Net Profit Attributable to Equity Holders of RM45.5 million.

The Group's earnings were RM0.20 per share, while its Net Tangible Assets increased to RM2.71 per share, during the period.

DIVIDEND

The Board of Directors had, on 26 August 2008 recommended a first and final dividend of 4% in respect of the financial year ended 30 June 2008. This is subject to shareholders' approval at the forthcoming Annual General Meeting, to be held on 9 December 2008. If approved, the final dividend will be paid on 30 December 2008.

DIVISIONAL PERFORMANCE

The Group is principally involved in 3 core business divisions, namely:

(1) Iron and Steel;
(2) Power, Oil and Gas; and
(3) Engineering

The Group's diversified income base has, once again, proven to be a successful strategy, and I am pleased to report on the progress of the 3 core divisions, in the ensuing paragraphs.

IRON & STEEL DIVISION

The Group's Iron and Steel division is made up by its interest in the following companies:

(1) Melewar Steel Tube Sdn Bhd - manufacturer of steel tubes;
(2) Mycron Steel Berhad - manufacturer of Cold Rolled Coil steel sheets;
(3) Melewar Steel Mills Sdn Bhd - manufacturer of steel reinforcement bars; and
(4) Gindalbie Metals Ltd - miner of iron ore in Australia.

Industry Overview (Iron & Steel Division)

During the financial year under review, global steel prices increased by as much as 70%, due to the soaring cost of inputs, like iron ore, coking coal and energy, as well as shipping freight charges. For instance, Hot Rolled Coil (ex-Japan) export prices increased from US$610 per tonne in January 2008, to US$1,050 per tonne by July 2008.

In addition, the significant depreciation of the US dollar during the year, boosted iron ore and crude oil prices to new highs, further intensifying worldwide inflation.

Growing steel demand in the global market, complemented by the securing of raw material resources by big steel millers, had pushed capacity expansion in the steel industry to new highs. It was then forecasted that the global economy will continue to expand in the long run, powered by the buoyant market in emerging Asia, in particular China and India.

The United Nations Conference on Trade and Development (UNCTAD) had indicated that the iron ore market is likely to continue to remain tight until 2011. During 2008, the steel industry witnessed another surge of 85% in the iron ore price, compared to the 10% rise in 2007. Further price increases were predicted for 2009.

In Malaysia, the Malaysian Institute of Economic Research (MIER) had however, revised downwards its gross domestic product (GDP) growth forecast for 2008 from 5.4% to 4.6%. This is below the Government's growth target of 5% to 6%, due to the impact of the slowing US economy, soaring food prices, rising global oil prices and the local political uncertainty.

Fortunately, the GDP growth for the construction sector had increased from 0.6% in the fourth quarter of 2007, to 5.3% in the first quarter of 2008. With that, the domestic demand for both long-steel products and flat-steel products, like Cold Rolled Coils and steel pipes, began to improve favourably from early 2008.

However, the substantial increase in costs of building materials during 2008, namely in steel reinforcement bars ("rebars") and cement, together with the massive increase in petrol and diesel prices of 41% and 63% respectively, had posed tremendous cost pressures on developers and contractors, for ongoing projects, thus dampening future start-ups.

Steel Tube Operations (Melewar Steel Tube Sdn Bhd)

The Malaysian construction industry, which had earlier experienced 3 consecutive years of contraction, registered positive growth from the end of 2007. Likewise, the domestic steel industry had experienced a distinct improvement in demand, from the beginning of 2008.

This increased demand for steel products, resulted in higher sales tonnage for the Group during the period under review. This increase of 21% in sales tonnage, compared to the previous year, together with increased prices, has resulted in the Group recording a Revenue of RM320.7 million, which was 29% higher than the previous 12 months.

The Profit Before Tax generated by this division for the financial year under review was RM22.7 million.

The increase in steel volume and price, has put a strain on the working capital requirements of steel manufacturers, and in view of the tightening of banking credits to the steel sector, management is mindful of the need for tight inventory management and stringent credit controls. In this respect, I am happy to report that the division has been keeping inventory at a minimal level of 2.5 times sales volume, and has been managing trade debtors at 66 days of sales, which is one of the lowest in the industry.

Cold Rolled Coil Operations (Mycron Steel Berhad)

The Group's Cold Rolled Coil ("CRC") steel sheet operations are conducted through its 54.5% subsidiary, Mycron Steel Berhad ("Mycron"), which is listed on the Main Board of Bursa Malaysia.

For the financial year under review, the CRC division achieved its highest ever recorded Revenue of RM406.1 million with a commendable Profit Before Tax of RM16.7 million.

Faced with keen competition from cheap Chinese CRC imports, the Group's CRC division focused on moving up the value chain, by manufacturing CRC products to penetrate the galvanizing and automotive sectors. This move has brought about some positive developments for the division, which was able to achieve total sales of over 160,000 tonnes of CRC, for the financial year under review. This is the highest sales tonnage recorded since CRC operations began in 1990, and represents an increase of 11% over the volume sold in the previous 12 months.

With technical assistance from JFE Steel Corporation, Japan, the CRC division is now able to produce automotive grades, under the specification of JFS A2001:1998 (i.e. Cold Rolled steel sheets and strip for internal automobile use) and has begun supplying to the automotive sector, namely Proton and very soon, Perodua.

The much anticipated plant upgrade and expansion was completed in June 2008, and with this, CRC production capacity has been increased substantially by 45%, from 180,000 to 260,000 tonnes per year.

This is expected to contribute positively to the earnings of the Group for the next financial year. Apart from the benefits of an increase in economies of scale, the plant upgrade and expansion also facilitates the division to produce higher grade, and therefore, higher margin CRC products. Faster equipment also means shortened lead-times, which will improve customer delivery service, thus strengthening Mycron's reputation, as the manufacturer of higher quality CRC in Malaysia.

On the premise of expanded capacity, the Group had earlier signed off-take agreements with PMP Galvanizers Sdn Bhd, and Bluescope (Malaysia) Sdn Bhd which is part of the largest steel manufacturer in Australia. With these off-take agreements, and the penetration into the galvanizing and automobile sectors, the Group's expanded CRC capacity will be fully taken up.

Steel Reinforcement Bar Operations (Melewar Steel Mills Sdn Bhd)

During the period under review, there were some important developments in the long-steel product market. The Chinese government, in addition to the removal of rebate on value added tax for billets and bars, also decided to impose export duties for these products. These measures drastically reduced Chinese exports of billets and bars in the region, and caused a marked increase in prices of steel products.

The Malaysian government had also liberalised the long-product market in May 2008, resulting in the steel bar prices moving closer to international prices. Whilst this augured well for the steel industry, the escalating cost of raw materials, especially alloys and scrap, continued to be a concern for the industry.

For the period under review, the total Revenue for the Steel Bar division was RM23.4 million. However, the division recorded a Loss Before Tax of RM3.5 million, largely attributed to production disruption caused by furnace breakdowns. A new set of furnaces has since been installed, in June 2008 as part of the plant upgrade. Henceforth, the division should contribute positively to the Group earnings, in the new financial year, assuming the steel industry remains stable.

Iron Ore Mining Operations (Gindalbie Metals Ltd)

The Group's interest in iron ore mining is held through Gindalbie Metals Ltd ("Gindalbie"), which is listed on the Australian Stock Exchange. Gindalbie is an iron ore exploration and mining company based in Perth, Western Australia, with a total tenement holding of about 1,900 sq km, located in the north of Perth.

Gindalbie's main ongoing development is the Karara Magnetite and Hematite Project, which is being developed jointly with the Anshan Steel Group, the second largest steel company in China.

Initial production of the project which is budgeted to cost A$1.8 billion to develop, is targeted at 3 million tonnes a year of hematite beginning 2009, and 8 million tonnes a year of magnetite iron ore beginning 2010. The total estimated iron ore reserves and resources at the Karara site is over 1.8 billion tonnes. Under the joint venture agreement, Anshan Steel will off-take the entire iron ore production from this project.

The Group made an initial investment in Gindalbie in 2004, via a direct subscription for shares, amounting to 12.4% of the company's share capital. Following subsequent rights issues and share placements, the Group ended with a holding of 14.4% in Gindalbie.

Toward the end of 2007, the Group took a loan of A$11.5 million from Opes Prime Stockbroking Ltd ("Opes Prime"), secured by 6.8% of its shareholding in Gindalbie. Unfortunately, Opes Prime went into receivership in early 2008, and the pledged Gindalbie shares were disposed of by 1 or 2 creditor banks of Opes Prime. As already announced, the Group is pursuing legal action against the said banks, in the Australian courts, for the return of the shares. The outcome of this suit will likely be known by end 2008 or at the latest, in early 2009.

POWER, OIL AND GAS DIVISION

The Group's participation in the Oil & Gas sector is principally via its 22.6% interest in M3nergy Berhad, while its Power Generation business is conducted via Siam Power Generation Company Ltd ("SIPCO"). A report of the performance of this division is set out in the ensuing paragraphs.

Oil & Gas Operations (M3nergy Berhad)

The principal activities of M3nergy Berhad ("M3nergy"), which is listed on the Main Board of Bursa Malaysia, are:

(1) operation and maintenance of FPSO (i.e. Floating, Production, Storage and Offloading) amd FSO (i.e. Floating, Storage and Offloading) facilities;
(2) oil and gas exploration and field development; and
(3) infrastructure engineering works for the power transmission sector.

M3nergy currently owns an FPSO vessel, located in off-shore Terengganu, which is contracted to Petronas Carigali Sdn Bhd, for which the tenure has recently been extended by another 4 years. M3nergy also operates another vessel, located in the Malaysian-Thai Joint Development Area in the Gulf of Thailand, on behalf of Carigali Hess Operating Company Sdn Bhd.

Recently, M3nergy secured a 16-year contract to supply and operate an FSO vessel for another client, Carigali-PTTEPI Operating Company Sdn Bhd.

M3nergy's foray into the upstream oil exploration and field development activities are still in the early stages. It had, in 2006, secured a 30% interest in a joint venture with Hindustan Petroleum for an oil field development for the Indian Government, known as Cluster 7, located in off-shore Mumbai. In 2007, M3nergy also secured a Production Sharing Contract from Pertamina, to develop the Ujong Kulon oil and gas field, located in the south-west of Java, Indonesia.

For the period under review, the company recorded Revenue of RM168.0 million with a Net Profit attributable to shareholders of RM9.3 million.

Power Operations (Siam Power Generation Public Company Ltd)

The Group, via its wholly owned subsidiary, Mperial Power Ltd ("Mperial"), acquired a 70% interest in SIPCO on 30 December 2005. On 9 July 2008, Mperial acquired a further 25.03% interest in SIPCO, taking the Group's total interest to 95.03%.

SIPCO has a license under the Small Power Producer ("SPP") program which is under the purview of Electricity Generation Authority of Thailand ("EGAT"), to build, own and operate a 450 MW combined cycle power plant, in the SPP Industrial Park, in Rayong Province of Thailand.

The first phase involves the construction of a 160 MW combined cycle gas fired power plant. EGAT is the principal purchaser for 90 MW of power, with a 25-year Power Purchase agreement, to off-take power at US$0.0753 per kWh, with fluctuation in foreign exchange and energy cost passed through, incorporated therein. The remaining 70 MW of power is to be sold to a large Thailand listed steel mill, located nearby, under a similarly structured Energy Services Contract.

Financial close for this first phase of 160 MW was achieved on 30 June 2008 and physical construction of the plant began in September 2008. The plant is expected to be completed mid 2010 with commercial operations targeted for October 2010.

Although the Power Generation sector will not contribute profits for the next 2 years, the Group recognises the potential of SIPCO's long term power off-take concessions, as a steady source of earnings, which will complement the Group's earnings base, by financial year 2011.

ENGINEERING DIVISION

The Engineering division of the Group comprises its 70% interest in Melewar Integrated Engineering Sdn Bhd and other companies.

Engineering Consultancy (Melewar Integrated Engineering Sdn Bhd)

Melewar Integrated Engineering Sdn Bhd ("MIE") has been instrumental in the managing and construction of the various new and expansion projects within the Group. MIE has successfully completed and commissioned the CRC plant upgrade and expansion for Mycron, and has also completed a 60,000 tonne per year Barite Grinding Plant in Labuan for M3nergy.

The engineering division also undertakes third party works, and actively participates in tenders for various project management and engineering works within and outside the country.

For the period under review, MIE achieved a total of revenue of RM37.4 million and Profit Before Tax of RM2.4 million

Steel Smelting Technology (Melewar Mycrosmelt Technology Ltd)

Melewar Mycrosmelt Technology Ltd ("MMTL") was incorporated to market the Group's scrap-smelting technology for the production of steel billets. The Group's existing billet plant in Shah Alam operated by Melewar Steel Mills Sdn Bhd, underwent an upgrading, which was completed in June 2008.

With the successful commissioning of the upgraded Shah Alam plant, MMTL is now actively looking into licensing the use of this technology outside the country.

BUSINESS OUTLOOK

The global financial crisis, in September and October 2008, and the prediction of an impending global recession, does not bode well for the economy. Coupled with the drastic fall in commodity prices, including crude oil, palm oil and steel, the outlook for 2009 is extremely challenging for Malaysia, and consequently, the Group.

Steel consumption in Malaysia, which was forecasted to grow at a rate of 7% in 2008, with the anticipated implementation of 9th Malaysia Plan and the Third Industrial Master Plan, may experience a lower growth, if projects are shelved.

The steel tube division will be affected by any slowdown in the construction sector due to their close inter-dependency. Early indications show a slow down in demand for steel for the 4th quarter of 2008, and may be the precursor to a slow down in sales for the financial year 2009.

On the other hand, it is anticipated that the Group's CRC division will be less affected by any economic downturn, as the major application of CRC products, are not related to the construction sector. Any global slow down in demand for durable and semi-durable goods may, on the other hand, have a negative impact on CRC demand, but any correction in demand from this sector, is not expected to be significant or long lasting. The CRC division is thus expected to remain profitable.

The Power, Oil and Gas division will be the least affected, if at all, among the Group's divisions, as their main revenue, which is largely derived from the FPSO business, will remain constant and steady, due to the long term nature of their contracts. The upstream oil field development projects were embarked on when the crude oil prices were between US$35 to 50 per barrel, and are therefore, expected to remain viable unless crude oil prices fall below this range.

The performance of the engineering division will be dependent on the success of its bids for various projects, which is difficult to ascertain at this time. However, should the Malaysian government proceed with the implementation of the various projects under the 9th Malaysia Plan, MIE is poised to take on the challenges of these developments, and should contribute positively to the Group's future results.

APPRECIATION

On behalf of the Board of Directors, I would like to place on record our sincere appreciation to all our staff and members of the management team, for their commitment and hard work in the past year.

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

Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah
Chairman
28 October 2008

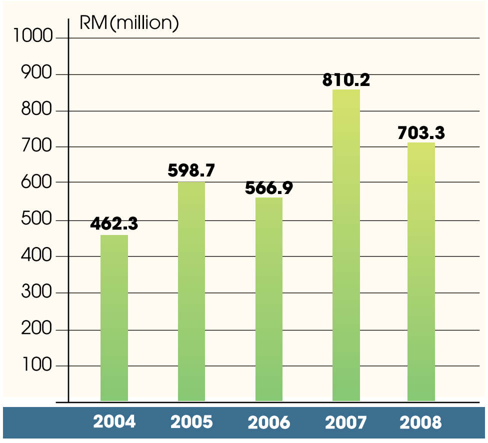
GROUP FINANCIAL HIGHLIGHTS

		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
1	**Result of Operations**										
	Revenue (RM mil)	300.9	366.6	378.3	352.3	390.8	462.3	598.7	566.9	810.2	703.3
	Profit Before Tax (RM mil)	7.0	72.3	67.9	42.8	77.5	80.6	72.7	35.7	189.1	56.2
	Profit After Tax (RM mil)	7.9	62.3	59.5	53.9	56.6	64.4	46.5*	46.9*	104.8*	45.5
2	**Balance Sheet**										
	Share Capital (RM mil)	79.0	79.0	79.0	79.0	158.1	158.3	161.0	169.9	226.2	226.7
	Bonus Shares (RM mil)	0	0	0	0	79.0	0	0	0	56.3	0
	Shareholders' Fund (RM mil)	389.4	436.8	584.4	623.6	630.3	359.1	351.4	475.5	581.1	616.4
	Total Assets (RM mil)	413.2	471.0	597.2	658.0	685.5	484.8	621.2	828.1	1,181.9	1,582.6
3	**Financial Ratio**										
	Return on Equity	2.0%	14.3%	10.2%	8.7%	9.0%	17.9%	13.3%	9.9%	18.0%	7.4%
	Total Liabilities*** /Equity (Times)	0.05	0.07	0.01	0.05	0.05	0.29	0.38	0.41	0.67	1.16
	Currrent Assets/Current Liabilities (Times)	9.57	9.15	37.34	12.00	12.56	2.20	2.41	2.24	2.20	1.36
	Pre-Tax Profit/Average Shareholders' Fund	1.8%	17.5%	13.3%	7.1%	12.4%	16.3%	20.5%	8.6%	35.8%	9.4%
	Pre-Tax Profit/Revenue	2.3%	19.7%	18.0%	12.2%	19.8%	17.4%	12.1%	6.3%	23.3%	8.0%
4	**Per Share**										
	Gross Earnings**** per share (sen)	3.3	34.3	32.2	20.3	36.8	38.2	34.0	16.3	59.2**	24.9
	Net Earnings**** per share (sen)	3.7	29.5	28.2	25.6	26.7	30.6	21.8	21.4	32.9**	20.2
	Net Tangible Assets per share (RM)	4.93	5.53	7.39	7.89	3.99	2.27	2.19	2.79	2.56	2.71
5	**Dividends**										
	Tax Exempt Dividend (sen)	-	10.0	10.0	20.0	10.0	80.0	-	3.0	6.0	-
	Ordinary Dividend (sen)	12.0	12.0	12.0	-	-	180.0	13.0	-	-	4.0

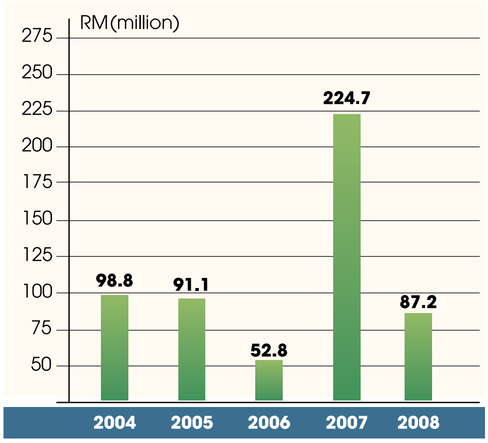
The figures for 2007 are for 17-month financial period while the figures for other years are for full 12-month financial period.

*	Profit After Tax and After Minority Interests
**	Annualised
***	Total Liabilities exclude deferred tax liabilities
****	After adjusting for bonus issues

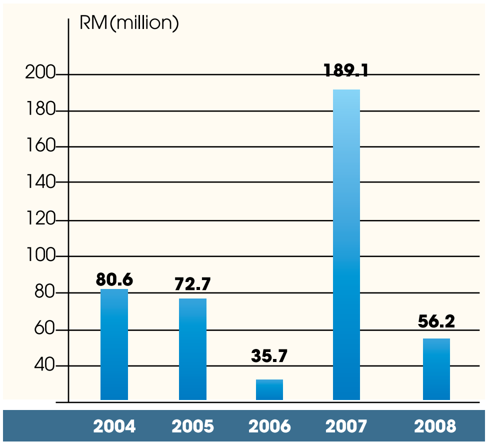
REVENUE



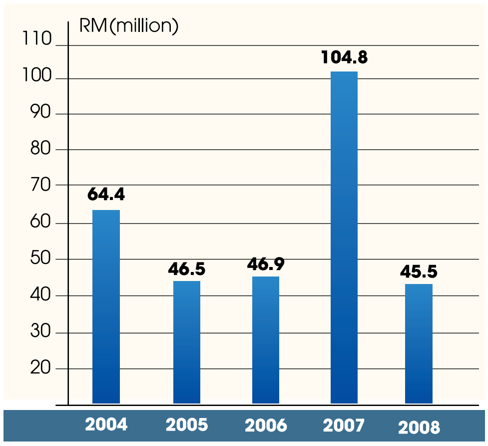
EBITA



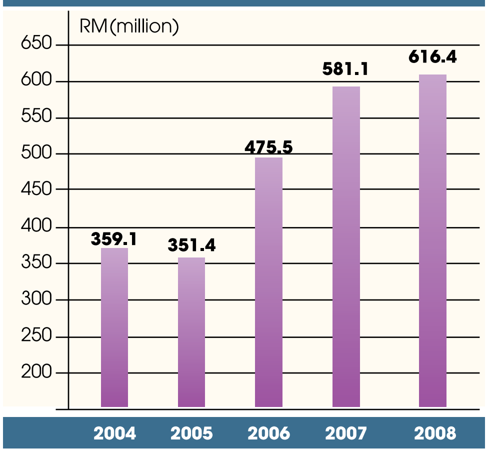
PROFIT BEFORE TAX



PROFIT AFTER TAX



SHAREHOLDERS' FUNDS



TOTAL ASSETS