

ANALYSIS OF ORDINARY SHAREHOLDERS

AS AT 22 OCTOBER 2008

Authorised Share Capital	-	RM500,000,000
Issued and Paid-up Capital	-	RM226,745,011
Class of Shares	-	Ordinary Shares of RM1 each
Voting Rights	-	1 Vote Per Ordinary Share
No. of Shareholders	-	10,978

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Capital
Less than 100	335	3.05	15,299	0.01
100 – 1,000	1,029	9.37	870,143	0.38
1,001 – 10,000	7,326	66.73	31,687,465	13.97
10,001 – 100,000	2,112	19.24	56,406,464	24.88
100,001 and below 5% of issued shares	174	1.58	77,385,907	34.13
5% and above of issued shares	2	0.02	60,379,733	26.63
TOTAL	10,978	100.00	226,745,011	100.00

THIRTY LARGEST SHAREHOLDERS AS AT 22 OCTOBER 2008

Name	Ordinary Shares of RM1/- each	(*) % of Issued Capital
1. HDM Nominees (Asing) Sdn Bhd (Beneficiary : UOB Kay Hian Pte Ltd for Melewar Equities (BVI) Ltd)	35,000,000	15.51
2. Melewar Equities (BVI) Ltd	25,379,733	11.25
3. Melewar Equities Sdn Bhd	7,600,000	3.37
4. OSK Nominees (Tempatan) Sdn Bhd (Beneficiary : Pledged securities account for Melewar Khyra Sdn Bhd)	5,969,600	2.65
5. Malaysian Assurance Alliance Berhad	5,725,900	2.54
6. Avenue Serimas Sdn Bhd	3,100,000	1.37
7. Cartaban Nominees (Asing) Sdn Bhd (Beneficiary : Exempt An For RBC Dexia Investor Services Trust (Clients Account))	3,066,666	1.36
8. Amanah Raya Nominees (Tempatan) Sdn Bhd (Beneficiary : Skim Amanah Saham Bumiputera)	2,846,633	1.26
9. Yeoh Kean Hua	2,800,000	1.24
10. OSK Nominees (Tempatan) Sdn Bhd (Beneficiary : Pledged securities account for Melewar Khyra Sdn Bhd)	2,648,800	1.17
11. Melewar Khyra Sdn Bhd	2,132,833	0.95
12. A. A. Anthony Nominees (Asing) Sdn Bhd (Beneficiary : UOB Kay Hian Pte Ltd for Bradford Securities Ltd)	1,894,566	0.84
13. Citigroup Nominees (Asing) Sdn Bhd (Beneficiary : CBNY for DFA Emerging Markets Fund)	1,253,300	0.56
14. HLB Nominees (Tempatan) Sdn Bhd (Beneficiary : Pledged securities account for Ng Kim Huat)	1,016,500	0.45
15. HDM Nominees (Tempatan) Sdn Bhd (Beneficiary : Pledged securities account for Lim Gim Leong)	924,100	0.41
16. Er Hock Lai	900,000	0.40
17. Lim Seng Qwee	864,500	0.38

ANALYSIS OF ORDINARY SHAREHOLDERS

AS AT 22 OCTOBER 2008

(continued)

THIRTY LARGEST SHAREHOLDERS AS AT 22 OCTOBER 2008 (continued)

Name	Ordinary Shares of RM1 /- each	^(#) % of Issued Capital
18. Palaniyappan Subramanian Yogeswari	733,333	0.32
19. Public Nominees (Tempatan) Sdn Bhd (Beneficiary : Pledged securities account for Zet Enterprise Sdn Bhd)	673,333	0.30
20. HLB Nominees (Tempatan) Sdn Bhd (Beneficiary : Pledged securities account for Goh Sin Bong)	636,600	0.28
21. Citigroup Nominees (Asing) Sdn Bhd (Beneficiary : Exempt An For OCBC Securities Private Limited)	600,332	0.27
22. Inter-Pacific Equity Nominees (Asing) Sdn Bhd (Beneficiary : Kim Eng Securities Pte Ltd for Hexacon Construction Pte Ltd)	587,733	0.26
23. Mayban Nominees (Tempatan) Sdn Bhd (Beneficiary : Pledged securities account for Siaw Teck Siong)	578,900	0.26
24. Daiman bin Jamaluddin	560,000	0.25
25. HLG Nominee (Tempatan) Sdn Bhd (Beneficiary : Pledged securities account for Na Chaing Ching)	532,400	0.24
26. Ho Kum Loon	500,000	0.22
27. Mayban Nominees (Asing) Sdn Bhd (Beneficiary : Nomura Singapore Limited for Tay Hwa Lang)	500,000	0.22
28. Mayban Nominees (Tempatan) Sdn Bhd (Beneficiary : Pledged securities account for Lee Chee Kong)	477,400	0.21
29. Lee Hau Hian	475,333	0.21
30. Mayban Nominees (Tempatan) Sdn Bhd (Beneficiary : Pledged securities account for Wong Ai Nong)	444,000	0.20
TOTAL	110,422,495	48.93

Note:

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

ANALYSIS OF ORDINARY SHAREHOLDERS

AS AT 22 OCTOBER 2008

(continued)

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 22 OCTOBER 2008

Name	Number of Shares Held			
	Direct	% ⁽¹⁾	Indirect	% ⁽¹⁾
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	320,000	0.14	87,523,532	38.78 ^(a)
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	-	-	87,843,532	38.92 ^(b)
Datin Ezurin Yusnita binti Abdul Malik	-	-	87,843,532	38.92 ^(b)
Khyra Legacy Berhad	-	-	87,523,532	38.78 ^(c)
Iternum Melewar Sdn Bhd	-	-	76,772,299	34.20 ^(d)
Melewar Equities (BVI) Ltd	63,446,399	28.11	5,725,900	2.54 ^(e)

DIRECTORS' SHAREHOLDINGS AS AT 22 OCTOBER 2008

Name	Number of Shares Held			
	Direct	% ⁽¹⁾	Indirect	% ⁽¹⁾
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	320,000	0.14	87,523,532	38.78 ^(a)
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	-	-	87,843,532	38.92 ^(b)
Datin Ezurin Yusnita binti Abdul Malik	-	-	87,843,532	38.92 ^(b)
Datuk Lim Kim Chuan	186,666	0.08	-	-
Azlan bin Abdullah	133,333	0.05	-	-

Notes:-

- ⁽¹⁾ The percentages of the substantial shareholdings are calculated by dividing the shares held by the respective substantial shareholders with the total number of ordinary shares in issue, excluding 1,071,600 treasury shares held by the Company.
- ^(a) Deemed interested by virtue of Section 6A(4) and Section 122A(1)(b) of the Companies Act, 1965 in Melewar Equities (BVI) Ltd, Melewar Equities Sdn Bhd, Malaysian Assurance Alliance Berhad and Melewar Khyra Sdn Bhd.
- ^(b) Deemed interested by virtue of their relationship with Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah, who is the ultimate substantial shareholder of Melewar Equities (BVI) Ltd, Melewar Equities Sdn Bhd, Malaysian Assurance Alliance Berhad and Melewar Khyra Sdn Bhd. Melewar Equities (BVI) Ltd, Melewar Equities Sdn Bhd, Malaysian Assurance Alliance Berhad, Melewar Khyra Sdn Bhd and Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah holds 28.11%, 3.37%, 2.54%, 4.76% and 0.14% respectively in the Company.
- ^(c) Deemed interested by virtue of it being the holding company of Iternum Melewar Sdn Bhd and Melewar Khyra Sdn Bhd, who in turn are deemed substantial shareholders of Melewar Equities Sdn Bhd. Melewar Equities Sdn Bhd is the holding company of Melewar Equities (BVI) Ltd who is the substantial shareholder of the Company.
- ^(d) Deemed interested by virtue of it being a substantial shareholder of Melewar Equities Sdn Bhd who in turn is the holding company of Melewar Equities (BVI) Ltd, a substantial shareholder of the Company.
- ^(e) Deemed interested in the 5,725,900 shares held by Malaysian Assurance Alliance Berhad due to it being a substantial shareholder of Malaysian Assurance Alliance Berhad.

ANALYSIS OF WARRANTHOLDERS

AS AT 22 OCTOBER 2008

Number of warrants issued	-	39,863,608
Number of warrants exercised	-	8,952,080
Number of warrants unexercised	-	30,911,528
Number of warrant holders	-	2,687

Size of Shareholdings	No. of Warrantholders	% of Warrantholders	No. of Warrants	% of Warrants Issued
Less than 100	246	9.15	11,718	0.04
100 – 1,000	403	14.99	194,182	0.63
1,001 – 10,000	1,553	57.75	5,605,116	18.13
10,001 - 100,000	438	16.29	13,441,512	43.48
100,001 and below 5% of issued warrants	49	1.82	11,659,000	37.72
5% and above of issued warrants	0	0.00	0	0.00
Total	2,689	100.00	30,911,528	100.00

LIST OF SUBSTANTIAL WARRANTHOLDERS AS AT 22 OCTOBER 2008

There were no warrant holders holding 5% and above of the issued warrants of the Company.

THIRTY LARGEST WARRANTHOLDERS AS AT 22 OCTOBER 2008

Name	No. of Warrants	% of Warrants Issued
1. HDM Nominees (Tempatan) Sdn Bhd (Beneficiary : Pledged securities account for Lim Gim Leong)	932,166	3.02
2. Malaysian Assurance Alliance Berhad	870,800	2.82
3. Happy GMP System Sdn Bhd	869,100	2.81
4. OSK Nominees (Tempatan) Sdn Bhd (Beneficiary : Pledged securities account for Melewar Khyra Sdn Bhd)	800,026	2.59
5. OSK Nominees (Tempatan) Sdn Bhd (Beneficiary : Pledged securities account for Hee Yuen Sang)	640,000	2.07
6. Lim Kam Wai	410,000	1.33
7. Public Nominees (Tempatan) Sdn Bhd (Beneficiary : Pledged securities account for Lim Eng San)	380,000	1.23
8. AIBB Nominees (Tempatan) Sdn Bhd (Beneficiary : Pledged securities account for Lee Sui Lian)	375,100	1.21
9. OSK Nominees (Tempatan) Sdn Bhd (Beneficiary : Pledged securities account for Lor Lee Fong)	322,533	1.04
10. Mayban Nominees (Tempatan) Sdn Bhd (Beneficiary : Pledged securities account for Chua Hian Hock)	253,400	0.82
11. Mayban Nominees (Tempatan) Sdn Bhd (Beneficiary : Pledged securities account for Chua Chin Chyang)	249,000	0.81
12. Yeoh Kean Hua	240,000	0.78
13. Alliancegroup Nominees (Asing) Sdn Bhd (Beneficiary : Pledged securities account for Lee Chin Weng)	223,500	0.72
14. Ng Eng Choon	215,000	0.70
15. Mah Chiew Siong	210,000	0.68
16. Fua Ah Sang @ Phuah Kooi Hua	206,266	0.67
17. Chua Chooi See	200,000	0.65

ANALYSIS OF WARRANTHOLDERS

AS AT 22 OCTOBER 2008

(continued)

THIRTY LARGEST WARRANTHOLDERS AS AT 22 OCTOBER 2008 (continued)

	Name	No. of Warrants	% of Warrants Issued
18.	Inter-Pacific Equity Nominees (Asing) Sdn Bhd (Beneficiary : Kim Eng Securities Pte Ltd for Quek Eng Wah)	200,000	0.65
19.	Hor Kuang Siang	192,000	0.62
20.	Cheong Kai Kee	190,000	0.61
21.	Chua Kin Hua	165,066	0.53
22.	Huah Gim Huat	161,600	0.52
23.	Lim Kam Seng	160,000	0.52
24.	Soon Koon Cheng	151,800	0.49
25.	RC Nominees (Tempatan) Sdn Bhd (Beneficiary : Pledged securities account for Soh Lian Guan)	150,000	0.49
26.	Tai Chow Leng	150,000	0.49
27.	Chan Heng Soon	146,000	0.47
28.	OSK Nominees (Tempatan) Sdn Bhd (Beneficiary : Pledged securities account for Hiew Seek Ling)	140,866	0.46
29.	Lim Jit Hai	139,166	0.45
30.	So Lip Gee	133,333	0.43
	TOTAL	9,476,722	30.66

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

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

BOARD OF DIRECTORS

a) Board Responsibilities

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

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

While the Board is responsible for the framework and policies of the Group, the management is accountable for the execution of the policies and the attainment of the Group’s corporate objectives. This demarcation reinforces the supervisory role of the Board.

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

b) Board Balance and Composition

The Board currently has nine members comprising of the following:

- One Executive Chairman;
- One Chief Executive Officer;
- One Executive Director;
- Two Non-Executive Non-Independent Directors; and
- Four 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 of the Board comprising Independent Directors. The composition of the Board reflects a balance of Executive, Non-Executive and Independent Directors from diverse professional backgrounds with vast experience of a mixture of technical, entrepreneurial and financial skills. The Directors are cognizant of the key role they play in charting the strategic direction, development and control of the Group and have adopted the six primary responsibilities as listed in the Code. The profiles of the Directors which are set out on Page 20 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 Executive Chairman and the Chief Executive Officer to ensure that there is a balance of power and authority. The Executive Chairman is primarily responsible for the Group’s corporate affairs and development and he is also tasked with ensuring the effectiveness and conduct of the Board in carrying out its duties and responsibilities and participation of the members at Board meetings. The Executive Chairman steers the direction of the Group and is assisted by the Chief Executive Officer in the execution of strategic goals, effective operation within the Group, to explain, clarify and inform the Board on matters pertaining to the Group.

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

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

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

STATEMENT ON

CORPORATE GOVERNANCE

(continued)

c) Board Meetings

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

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

During the financial year ended 30 June 2008, four meetings were held. The following is the record of attendance of the Directors:

Executive Directors	No. of Attendance	%
1. Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	4/4	100
2. Datuk Lim Kim Chuan	4/4	100
3. Encik Azlan bin Abdullah	4/4	100
Non-Independent Non-Executive Directors	No. of Attendance	%
1. Tunku Tan Sri Abdullah ibni Almarhum Tuanku Abdul Rahman (Demised on 20.8.2008)	4/4	100
2. Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah (Resigned on 12.2.2008)	2/2	100
3. Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	4/4	100
4. Datin Ezurin Yusnita binti Abdul Malik	4/4	100
Independent Non-Executive Directors	No. of Attendance	%
1. Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah	4/4	100
2. Dato' Jaffar Indot	4/4	100
3. Mr Terence Francis Mahony (Resigned on 28.1.2008)	2/2	100
4. Mr Lee Ching Kion	3/4	75
5. Mr Onn Kien Hoe (Appointed on 1.11.2007)	3/3	100

d) Supply of Information

The Board Members are given board papers with appropriate support documentation in a timely manner prior to each Board Meeting to enable them to function effectively and allow Directors to discharge their responsibilities accordingly. These include, a periodic financial and operational report, proposals for capital expenditure and proposals for investment. In addition, there is a schedule of matters reserved specifically for the Board's decision, including the approval of corporate plans and annual budgets, acquisitions and disposals of undertakings and properties of substantial value, major investments and financial decisions, and changes to the management and control structure within the Group, including key policies and procedures and delegated authority limits.

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

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

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

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

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

f) Re-election

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

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

g) Directors' Training

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

Details of the seminars and training programmes attended by the Board members during the financial year ended 30 June 2008 are as follows:

- Directors' Duties and Liabilities - Impact of the Companies (Amendments) Act 2007
- Economic and Market Outlook for the Second Quarter 2008

h) Directors' Remuneration

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

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

The members of the Remuneration Committee comprises the following members:

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

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

STATEMENT ON

CORPORATE GOVERNANCE

(continued)

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 the level of responsibilities, experience, contributions and individual as well as Group performance. For the Non-Executive Directors, the level of remuneration reflects the experience and level of responsibility undertaken by them.

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

Type of Remuneration	*Executive Directors RM'000	Non-Executive Directors RM'000
Salaries	1,361	-
Allowances	-	-
Bonuses	346	-
Fees	-	506
Benefits-In-Kind	40	41
Other Emoluments	319	76
TOTAL	2,066	623

Range of Remuneration	Number of Directors	
	*Executive	Non-Executive
Less than RM50,000	-	6
RM50,001 to RM100,000	-	2
RM300,001 to RM350,000	-	1
RM900,001 to RM950,000	1	-
RM1,100,001 to RM1,150,000	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 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 have been made.

ACCOUNTABILITY AND AUDIT

a) Audit Committee

The Company has in place an Audit Committee which comprises of three Independent 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 all 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 recognises that it has overall responsibility for maintaining a sound system of internal control for the Group in order to safeguard shareholders' interest of the Group's assets. The system of internal control not only covers financial controls but also operational and compliance controls as well as risk management.

The Group's Statement of Internal Control is set out on pages 43 to 44 of this Annual Report.

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

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

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

(continued)

The members of the RMC are as follows:

- (i) Dato' Jaffar Indot (Chairman);
- (ii) Mr Lee Ching Kion;
- (iii) Datuk Lim Kim Chuan (*Appointed on 15.2.2008*); and
- (iv) Mr Terence Francis Mahony (*Resigned on 28.1.2008*).

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

d) Relationship with the External Auditors

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

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

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF FINANCIAL STATEMENTS

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; and
- state whether applicable approved accounting standards have been followed.

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

ADDITIONAL INFORMATION

a) Options, Warrants of Convertible Securities

During the financial year under review, there were no options, warrants or convertible securities exercised or converted by the Company, other than the granting/exercise of options under the Employees' Share Option Scheme as disclosed in the Directors' Report.

b) Non-audit fees

Non-audit fees paid by the Group to the external auditors during the financial year amounted to RM84,000.

c) During the financial year ended 30 June 2008:

- (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 30 June 2008 which differed by 10 per cent or more from the audited results; and
- (vi) There were no loans between the Company and its subsidiaries that involve directors' or major shareholders' interests.

d) Revaluation Policy on landed properties

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

(continued)

e) Share Buybacks

During the financial year ended 30 June 2008, the Company had not acquired the ordinary shares of the Company. As at 30 June 2008, the total number of ordinary shares of MIG bought back by the Company from the open market remains at 1,071,600 ordinary shares at an average price of RM1.70 per share. All the shares repurchased are being held as treasury shares.

f) Employees Share Option Scheme (“ESOS”)

During the financial year ended 30 June 2008, a total of 518,000 ordinary shares of RM1.00 each were exercised in respect of MIG’s ESOS at the exercise price of RM1.46 per ordinary share. The Audit Committee had in the financial year ended 30 June 2008 verified the allocation of options pursuant to the ESOS.

g) Recurrent Related Party Transactions (“RRPTs”)

On 31 October 2007, 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 9 October 2007) 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 30 June 2008 in accordance with the Shareholders’ Mandate obtained in the last Annual General Meeting were as follows:

A. Shareholders’ Mandate for RRPTS with Melewar Group of Companies

Transacting Party	Nature of Transaction	Related Party	Nature of Interest	Value of Transaction (RM)
Melewar Industrial Group Berhad (“MIG”) and its subsidiaries (“MIG Group”)	Air tickets, tour and travel package	Mitra Malaysia Sdn Bhd (“Mitra”)	A company in which Dato’ Seri Iskandar bin Tunku Tun Sri Abdullah (“TI”)* has deemed interest by virtue of his substantial interest in Melewar Leisure Sdn Bhd, the holding company of Mitra.	335,943
	Corporate secretarial services	Trace Management Services Sdn Bhd (“Trace”)	A company in which Tunku Tan Sri Abdullah ibni Almarhum Tuanku Abdul Rahman (“TA”), TI, Tunku Dato’ Ya’acob bin Tunku Tan Sri Abdullah (“TY”) and Tunku Yahaya @ Yahya 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. Datin Ezurin Yusnita binti Abdul Malik (“DE”) is therefore deemed interested by virtue of her relationship with TY.	282,249

Note:

* TI resigned as Non-Executive Non-Independent Director of the Company with effect from 12 February 2008.

(continued)

B. Shareholders' Mandate for RRPTs with MAA Holdings Berhad Group of Companies

Transacting Party	Nature of Transaction	Related Party	Nature of Interest	Value of Transaction (RM)
MIG Group	Security guard services and purchase of security equipment	Wira Security Services Sdn Bhd ("WSS")	WSS is a wholly owned subsidiary of MAA Corporation Sdn Bhd ("MAA Corp") who in turn is a wholly owned subsidiary of MAA Holdings Berhad ("MAAH"). Khyra Legacy Berhad ("KLB"), a company controlled by TY, is deemed interested in MAAH by virtue of its substantial shareholdings in Melewar Equities (BVI) Ltd ("MEBVI"), a substantial shareholder of MIG.	348,440
	General and life insurance business	Malaysian Assurance Alliance Berhad ("MAAB")	MAAB is a wholly owned subsidiary of MAAH. KLB is the ultimate major shareholder of MAAH.	1,644,695
	Office rental, deposits and utilities charges	MAAB	MAAB is a wholly owned subsidiary of MAAH. KLB is the ultimate major shareholder of MAAH.	698,228
	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. KLB is the ultimate major shareholder of MAAH.	Nil
	Car parks rental charges	Chelsea Parking Services Sdn Bhd ("Chelsea")	Chelsea is a wholly owned subsidiary of MAA Corp who in turn is a wholly owned subsidiary of MAAH. KLB is the ultimate major shareholder of MAAH.	35,114
	Fire fighting system services	MAA Fire-X Sdn Bhd ("MAA Fire-X")	MAA Fire-X is a 55% owned subsidiary of MAA Corp who in turn is a wholly owned subsidiary of MAAH. KLB is the ultimate major shareholder of MAAH.	6,492

C. Shareholders' Mandate for RRPTs with Mycron Steel Berhad Group of Companies

Transacting Party	Nature of Transaction	Related Party	Nature of Interest	Value of Transaction (RM)
MIG	Payroll and information technology services to Mycron Steel CRC Sdn Bhd ("MSCRC")	MSCRC	MSCRC is a wholly owned subsidiary of Mycron Steel Berhad ("MSB"). MIG is the substantial shareholder of MSB by virtue of its 54.47% shareholding in MSB.	Nil
	Sale of cold rolled coils by 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.	Nil
	Sale of pipes 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.	221,653
Melewar Steel Tube Sdn Bhd ("MST"), a wholly owned subsidiary of MIG.	Payroll and information technology services 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.	72,000
	Sale of cold rolled coils by 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.	56,388,381
	Sale of second grade pipes and slitting services 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.	14,154
Melewar Steel Mills Sdn Bhd ("MSM"), a wholly owned subsidiary of MIG.	Rental charged by MSCRC to MSM for using land belonging 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.	507,000
	Sale of scrap by 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.	4,447,440
Melewar Integrated Engineering ("MIE") is a 70% owned subsidiary of MIG.	Technical and consultancy services 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.	4,803,131

(continued)

D. Shareholders' Mandate for RRPT with MIE

Transacting Party	Nature of Transaction	Related Party	Nature of Interest	Value of Transaction (RM)
MSM	Technical and consultancy services by MIE for expansion projects in induction mill	MIE	MIE is a 70% owned subsidiary of MIG. MSM a wholly owned subsidiary of MIG. MIG is the substantial shareholder of MSB by virtue of its 54.47% shareholding in MSB.	Nil

E. Shareholders' Mandate for the Financial Assistance

Transacting Party	Nature of Transaction	Related Party	Nature of Interest	Value of Transaction (RM)
MIG	Providing guarantees, indemnity or such other collateral to or in favour of another person which is necessary in order for MIE to procure a contract or secure work from the other person or to enable the other person to commence and/or complete a contract or work for MIG Group.	MIE	MIE is a 70% owned subsidiary of MIG. MSM a wholly owned subsidiary of MIG. MIG is the substantial shareholder of MSB by virtue of its 54.47% shareholding in MSB.	Nil
M-Power TT Ltd ("M-Power")	Providing financial assistance by the pooling of funds via a centralised treasury management function within MIG Group on a short or medium term basis i.e. for a duration not exceeding three (3) years.	Siam Power Generation Company Ltd ("SIPCO")	SIPCO is a 95.03% owned subsidiary of Mperial Power Ltd ("Mperial"). Mperial and M-Power are wholly owned subsidiaries of Melewar Steel Engineering Sdn Bhd, who in turn is a wholly owned subsidiary of MIG.	91,376,606

COMPLIANCE STATEMENT

The Board is satisfied that the Company has, in all material aspects, complied with the best practices of the Code as at 30 June 2008.

This statement was approved by the Board of Directors on 26 August 2008.

1. Introduction

Pursuant to Paragraph 15.27 (b) of the Listing Requirements of Bursa Malaysia, the Board of Directors of listed companies is required to include in their annual report a "statement about the state of their internal controls of the listed issuer as a group". The Board of Melewar Industrial Group Berhad recognises the importance of sound internal controls 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 controls 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. The system of internal controls is designed to manage the Group's risks within an acceptable risk profile. As there are limitations that are inherent in any system of internal controls, the Board is aware that such system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

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

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

3. Risk Management Framework

The RMC had formally adopted a Risk Management Framework for the Group in 2005. The objective of this framework is to provide guidance to the Group to facilitate a structured approach to identifying, evaluating and managing significant risks and to achieve a level of adequacy and standard reporting by the subsidiaries to the holding company in a timely manner. This process has been in operation during the financial period ended 30 June 2008 and up to the date of approval of the annual report and its financial statement.

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

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

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

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

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

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

STATEMENT ON

INTERNAL CONTROL

(continued)

4. Internal Control

The Board had during the financial year changed the outsourced internal auditors from Messrs Moores Rowland Risk Management Sdn Bhd to Messrs Baker Tilly Monteiro Heng ("BTMH"). The principal duty and responsibility of BTMH 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 control systems.
- 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 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 controls 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 controls which result in material losses, contingencies or uncertainties that would require disclosure in the Company's Annual Report.

6. Financial Reporting

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

7. Review of the Statement by External Auditors

As required by paragraph 15.24 of the Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Internal Control for the inclusion in the annual report for the financial year ended 30 June 2008. Their review was performed in accordance with Recommended Practice Guide 5: Guidance for Auditors on the Review of Directors' Statement on Internal Control issued by the Malaysian Institute of Accountants. Based on their review, the external auditors have reported to the Board that nothing have come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of internal controls of the Group.

ESTABLISHMENT

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

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

The Committee comprises the following directors, all of whom are independent non-executive directors:

- | | | | |
|----|---------------------------|---|---|
| 1. | Mr Onn Kien Hoe | - | Independent Non-Executive Director
<i>(Audit Member who fulfils requirement under Paragraph 15.10(1)(c)(ii)
(Appointed as a member on 1.11.2007 and Chairman on 29.2.2008)</i> |
| 2. | Dato' Jaffar Indot | - | Independent Non-Executive Director |
| 3. | Mr Lee Ching Kion | - | Independent Non-Executive Director |
| 4. | Datuk Lim Kim Chuan | - | Executive Director
<i>(Resigned as a member on 1.11.2007)</i> |
| 5. | Encik Azlan Abdullah | - | Executive Director
<i>(Resigned as a member on 1.11.2007)</i> |
| 6. | Mr Terence Francis Mahony | - | Independent Non-Executive Director
<i>(Resigned as Chairman/member on 28.1.2008)</i> |

The Chairman of the Audit Committee is Mr Onn Kien Hoe. The Directors' profiles are set out on pages 20 to 25 in the Annual Report.

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

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR ENDED 30 JUNE 2008

During the financial year ended 30 June 2008, seven Audit Committee meetings were held. The details of attendance of each Committee member are as follows:

Name	No. of Meetings Held	Attended	Percentage of Attendance
Mr Onn Kien Hoe <i>(Appointed on 1.11.2007)</i>	5	5	100%
Dato' Jaffar Indot	7	7	100%
Mr Lee Ching Kion	7	6	86%
Datuk Lim Kim Chuan <i>(Resigned as member on 1.11.2007)</i>	1	1	100%
Encik Azlan bin Abdullah <i>(Resigned as member on 1.11.2007)</i>	1	1	100%
Mr Terence Francis Mahony <i>(Resigned as Chairman/member on 28.1.2008)</i>	3	3	100%

During the financial year ended 30 June 2008, 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;

(continued)

- 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 controls and other relevant documents for publication in the Company's Annual Report; and
- ix. Verified the allocation of share options pursuant to the Employees' Share Option Scheme; and
- x. Meet with the external auditors in the absence of management except the Company Secretary.

TERMS OF REFERENCE

The Terms of Reference of the Committee are as follows:

1. Composition

- 1.1 The members of the Audit Committee shall be appointed from among the Directors of the Company and composed of no fewer than three Directors of whom all must be Non-Executive Directors, with majority of them being Independent Directors.
- 1.2 All members of the Audit Committee should be financially literate and at least one member of the Audit Committee:
 - (a) must be a member of the Malaysian Institute of Accountants; or
 - (b) if he is not a member of the Malaysian Institute of Accountants, he must have at least three years of experience and :
 - i. he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
 - ii. he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
 - (c) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Malaysia").
- 1.3 If a member of the Audit Committee ceases to be a member with the result that the number of members is reduced below three, the Board shall, within three months, appoint such number of new member(s) as may be required to make up the minimum number of three members, the majority of whom must be independent directors.
- 1.4 The members of the Audit Committee shall elect a Chairman from among their numbers who shall be an Independent Non-Executive Director.
- 1.5 No Alternate Director is to be appointed as a member of the Audit Committee; and
- 1.6 The term of office and performance of the Audit Committee and each of its members shall be reviewed by the Board at least once every three years to determine whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference.

2. Quorum and Procedure

- 2.1 The Audit Committee meetings shall be conducted at least four times annually, or more frequently as circumstances dictate. The Chief Executive Officer and Chief Financial Officer should normally attend meetings. Other Board members, employees, a representative of the external auditors and external independent professional advisers may attend meetings upon the invitation of the Audit Committee. However, the Committee should meet with the External Auditors without Executive Board members present at least twice a year.
- 2.2 The quorum for any meeting of the Audit Committee shall consist of not less than two members; the majority of the members present shall be Independent Directors.
- 2.3 In the absence of the Chairman, the Audit Committee shall appoint one of the independent members present to chair the meeting.

- 2.4 The Secretary of the Company shall also be the Secretary of the Audit Committee. The Secretary shall be responsible for drawing up the agenda in consultation with the Chairperson and shall be responsible for keeping the minutes of the meeting of the Audit Committee, circulating them to Committee members and ensuring compliance with regulatory requirements. The agenda together with relevant explanatory papers and documents are circulated to the Committee members.
- 2.5 The Chairman of the Audit Committee shall report on each meeting to the Board.
- 2.6 Minutes of each meeting shall be kept and distributed to each member of the Audit Committee and the Board.

3. Authority

- 3.1 The Audit Committee shall, in accordance with a procedure to be determined by the Board of Directors and at the expense of the Company:
- (a) have explicit authority to investigate any matters within its terms of reference. All employees shall be directed to cooperate as requested by members of the Audit Committee;
 - (b) have full and unrestricted access to any information and resources which are required to perform its duties;
 - (c) be able to obtain, if it considers necessary, external independent professional advice;
 - (d) be able to invite outsiders with relevant experience to attend meeting if necessary;
 - (e) be able to convene meetings with the External Auditors, Internal Auditors or both, excluding the attendance of other Directors and employees, whenever deemed necessary;
 - (f) have direct communication channels with the External Auditors and Internal Auditors; and
 - (g) be able to make prompt reports to Bursa Malaysia when the Audit Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of listing requirements.
- 3.2 The terms and reference of the Audit Committee shall not limit in any way the responsibilities and authorities of the Chief Executive Officer to institute or instruct internal audits and reviews to be undertaken from time to time. Full report must be made to the Audit Committee upon completion of such reviews.

4. Duties and Responsibilities

- 4.1 The Chairman of the Audit Committee should engage on a continuous basis with Senior Management, such as the Chairman, Chief Executive Officer, Chief Financial Officer and the External Auditors in order to be kept informed of matters affecting the Company.
- 4.2 In discharging its duties and responsibilities, the Audit Committee shall perform and where appropriate, report to the Board of Directors on the following:
- (a) Financial reporting
 - i. To review the quarterly and year-end financial statements of the Board, focusing particularly on:
 - Any change in accounting policies and practices;
 - Significant adjustments arising from the audit;
 - The going concern assumption; and
 - Compliance with accounting standards and other legal requirements.
 - (b) External audit
 - i. To consider the appointment of the External Auditor, the audit fee and any question of resignation or dismissal;
 - ii. To discuss with the External Auditor before the audit commences, the nature and scope of audit and ensure co-ordination where more than one audit firm is involved;
 - iii. To monitor provision of non-audit services by External Auditors;
 - iv. To review the External Auditors' management letter and management's response; and
 - v. To discuss problems and reservations arising from the interim and final audits and any matter the External Auditor may wish to discuss (in the absence of management where necessary).

AUDIT COMMITTEE

REPORT

(continued)

(c) Internal audit

- i. To do the following, in relation to Internal Audit Function:
- Review the adequacy of the scope, functions competency and resources, and that it has the necessary authority to carry out its work;
 - Review the internal audit program and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations;
 - Review any appraisal of the performance and compensation of staff members;
 - Approve any appointment or termination of senior staff members; and
 - Take cognisance of resignations of staff members and provide the resigning staff members an opportunity to submit their reasons for resigning.

(d) Related Party Transaction

- i. To consider any related-party transactions that may arise within the Company or Group

(e) Other Functions

- i. To consider the major findings of internal investigations and Management's response; and
ii. To consider other topics as defined by the Board.