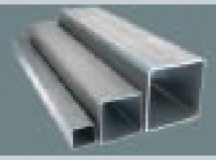


On behalf of the Board of Directors, I am pleased to present the Annual Report of the Group for the year ended 31 January 2006.

FINANCIAL RESULTS

For the year under review, the Group registered a Net Profit for the financial year of RM 46.9 million (2005: RM 46.5 million), representing an increase of 0.8%.

Total Revenue was steady at RM 566.9 million (2005: RM 598.7 million), representing a slight fall of 5.3%.

The Group has over the past few years, transformed itself from an Iron and Steel company, into a diversified industrial conglomerate, with three core divisions, namely;

- Iron & Steel
- Power, Oil & Gas
- Engineering

This diversification strategy has withstood well, the test of 2005, which had yielded stable profits for the Group, especially in light of the extreme price and demand volatility of the iron, steel, oil and gas sectors last year. The following paragraphs will address the performance of the three divisions and the Group's aspirations for them.

IRON AND STEEL DIVISION

The Group's Iron and Steel operations involve the manufacture of steel tubes, cold rolled coils (CRC), steel reinforcement bars in Malaysia and the mining of iron ore in Australia.

The division's operations are undertaken by the Group's interest in Melewar Steel Tube Sdn Bhd, Mycron Steel Berhad, Melewar Steel Mills Sdn Bhd and Gindalbie Metals Ltd respectively. A report on the performance of this division is as follows:

Industry Overview (Iron & Steel Division)

Since 2003, world steel prices have become volatile, principally because of the "China effect", which saw China's transformation from being the largest net importer of steel in the world, to a net exporter of steel by 2005. From a tight supply situation, global steel supplies rapidly changed to a net surplus by mid-2005, resulting in a substantial fall of international steel prices in 2005.

During 2005, Asian Hot Rolled Coils (HRC) prices fell 27%, from a high of US$ 620 per MT down to US$ 450 per MT.

With the collapse of the international price for steel, Malaysian domestic steel prices followed suit, resulting in substantial price erosion for steel tube products. Due to this sudden fall in price, demand for steel products also collapsed, as customers sought to minimise inventory levels, and delayed orders, in anticipation of further price falls.

To further exacerbate the situation, the Malaysian domestic construction industry, since mid-2004, had experienced 7 consecutive negative growth quarters, due to the cancellation of mega-projects by the Government. With 50% of steel tubes manufactured being supplied to the construction industry, this construction slump had directly impacted domestic steel tube demand, depressing steel tube prices even further.

However, since the first quarter of 2006, the price of steel has strengthened internationally, as well as domestically. Coupled with the recent increase in domestic demand for steel, as a result of excessively low inventory levels, the performance of the steel sector in Malaysia appears promising.

On the raw material side, international iron ore prices jumped 72% in early 2005, placing further pressure on the margins of steel makers. However, from the point of view of iron ore producers, this increase, coupled with the recently announced 2006 price increase of 19%, places iron ore producers in a very attractive light. Iron ore producers should generate very healthy profits from 2006 onwards.

Steel Tube Operations (Melewar Steel Tube Sdn Bhd)

The Group's Steel Tube operations generated a Total Revenue of RM 283 million for the year ended 31 January 2006, representing a 2.2% decrease from the previous year (2005: RM 289.4 million).

During the year, the Steel Tube operations had managed to dispose off a substantial amount of its HRC inventory, although at a loss, and thus mitigate the financial impact of the global HRC price collapse. By the year end, HRC inventory levels were reduced substantially, and a provision for steel inventory value impairment was made, amounting to RM 5.6 million.

For the year ended 31 January 2006, the Steel Tube operations recorded a Loss Before Tax of RM 2.5 million (2005: Profit Before Tax RM 29.3 million).

Although trading in a very difficult market in 2005, the Steel Tube operations' Trade Debtor balance was kept at a very healthy level of 69 days of sales, which is one of the best ratios in the industry, and reflects the prudent management style of the Group.

International steel prices, especially for HRC, have strengthened since the beginning of 2006 and this bodes well for the sale of Steel Tubes to the non-construction sectors (50% of sales). Demand from the construction sector is, however, still relatively weak, and is not expected to improve, until the Government is able to fully implement the Ninth Malaysia Plan, and begins investing in the long awaited, national water pipe renewal programme.

Cold Rolled Coil (CRC) Operations (Mycron Steel Berhad)

Total Revenue for the year ended 31 January 2006 of Mycron Steel Berhad, experienced an increase of 7.0% to RM 325.5 million (2005: RM 304.3 million).

The company, however, generated a Loss Before Tax for the year of RM 15.6 million (2005: Profit Before Tax RM 30.7 million), which was mainly due to provisions for steel inventory value impairment at year-end of RM21.4 million, and the sale of CRC during the year at higher HRC raw material cost.

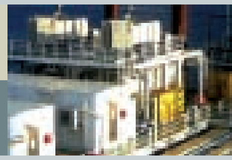
The CRC operations has no exposure to the construction sector and was spared the excessive turmoil of the Steel Tube and Steel Reinforcement Bar markets. Fortunately for the CRC operations, its customers are principally from the furniture, oil drum, automotive, electrical and steel centre industries, which continued to perform well in 2005.

Domestic CRC demand, however, had still experienced substantial decline since the second half of 2005, as customers reduced orders to minimise their inventory levels in an environment of international price volatility. Unfortunately, this drop in orders, coupled with the high cost of HRC feed stock, bought in earlier quarters, lowered operating margins significantly.

Customers' CRC inventory levels, have now reached minimum limits, which has resulted in orders picking up substantially since the start of 2006. This increase in demand coupled with the strengthening of international CRC price, bodes well for the CRC operations. Indeed, the Group is expecting the performance of Mycron Steel Berhad to improve substantially, and to generate profits similar to those produced in the pre-2005 financial years.

It is also worthy to note that since the end of 2005, the CRC operation had invested in new equipment to upgrade the quality of its CRC output, as well as boost production capacity by 45% or 80,000 MT per year (currently 180,000 MT per year). This new facility is expected to come on stream by end-2007, and is expected to produce higher quality CRC which should also enjoy improved margins.

This upgrade and expansion exercise is expected to bolster Myron Steel Berhad's profits substantially, as off-take agreements for the sale of 75,000 MT per year of the new CRC output, has already been signed. The Group looks forward to the developments of this project with much anticipation.



Steel Reinforcement Bar Operations (Melewar Steel Mills Sdn Bhd)

The Steel Bar operations, which is heavily dependent on the construction sector, suffered a severe setback in 2005 due to the negative growth of the construction industry. Rising raw material cost of steel billets and lower selling price of finished products, continued to undermine the profitability of the long product industry during the first half of 2005.

In the second half of 2005, raw material prices dropped drastically, and the majority of the Steel Bar operators ended up carrying highly priced inventories.

Sales revenue for the Group's Steel Bar operations for the year ended 31 January 2006 increased slightly to RM 42.9 million (2005: RM 41.4 million).

The Steel Bar operations recorded a Loss Before Tax of RM 1.7 million (2005: Profit Before Tax RM 1.7 million), due to lower margins and a provision for steel inventory value impairment of RM 1.5 million.

However, since the beginning of 2006, Steel Reinforcement Bar prices have picked up significantly, and profit margins have returned to their pre-crash levels.

The Group had, in order to reduce raw material billet cost and to overcome the irregular supply situation, embarked on a scrap-smelting and billet-casting plant, which started construction in early 2005. This facility has recently been completed and production has now commenced. With the introduction of lower cost raw material billets, the Steel Bar operations is expected to generate substantial profits from the second half of 2006.

Iron Ore Mining Operations (Gindalbie Metals Ltd)

The Group made an initial investment in an Iron Ore exploration and mining company named Gindalbie Metals Ltd (GBG) in 2004, by way of subscription via private placement, of 27.0 million shares, for a consideration of AUD 3.38 million. This represented an interest of 12.84% in the issued capital of the company.

During the year, through a rights issue exercise undertaken by GBG, the Group increased its shareholding further to 23.5% by subscribing for an additional 47.0 million shares, at a cost of AUD 4.24 million.

To fund their exploration and feasibility studies, GBG subsequently undertook several issuances of shares, by way of private placements. These fund raising exercises diluted our shareholding down to our current interest of 17.2%, consisting of a total of 74,087,009 shares at an average cost of AUD 0.10 per share.

Based on the market price of AUD 0.69 per share, as at 28 April 2006, this investment translates into an unrealised capital gain, of AUD 43.7 million (or RM 118 million) for the Group.

GBG, which is listed on the Australian Stock Exchange, is an Iron Ore mining company, with exploratory and mining rights over more than 2,600 sq. km of tenements, in the north of Perth, Western Australia.

GBG has recently signed a joint-development contract with Anshan Steel Group from China, to develop the tenements, for the extraction of steel-making standard Iron Ore. It is targeting a production of 8.0 million MT (metric tonnes) of Magnetite Iron Ore, and 1.5 million MT of Haematite Iron Ore per year, beginning the third quarter of 2007.

The strong price of Iron Ore, following the 72% in 2005 and the 19% in 2006 price hikes, places the international price for Iron Ore lumps at US$ 65 per MT. This situation bodes very well for Iron Ore mining companies, and it is expected that the Group's investment in this mining operations, will reap healthy profits for shareholders in the near future.

Business Outlook (Iron & Steel Division)

The worldwide steel industry continues to be driven by China. Its voracious appetite for steel has turned China from customer to competitor, as it became a net exporter in 2005. During the year, inefficient Chinese mills were shut down, which lowered the supply of steel by 2006.

Global consumption for steel is still strong, and should China manage to control its growth in capacity for steel-making, by shutting down inefficient and illegal mills whilst encouraging consolidation of Government owned mills, the future for the steel sector appears good.

The outlook for the domestic Malaysian steel industry hinges on the Ninth Malaysia Plan (9MP). The 9MP is expected to be the catalyst for the construction sector, and the Malaysian Iron & Steel Industry Federation (MISIF) is projecting domestic steel consumption to rebound 8% this year, 12% in 2007 and 15% in 2008.

The Group has experienced downtrends and fluctuations in the industry in the past, which the Group has weathered well, while still managing to sustain its market lead. The Group will continue to adapt to the prevailing conditions during these difficult times, and do our best for our employees, customers, suppliers and shareholders.

POWER, OIL AND GAS DIVISION

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

Oil & Gas Operations (M3nergy Berhad)

The Oil and Gas industry continued to surge ahead in 2005, with Oil prices rising to the unprecedented levels of US$ 70 per barrel. Driven by the huge drive in demand for power, principally from developing countries like China and India, and coupled with shortages in supply, due to the lagged introduction of new refining capacity, and the constant threat of war, it is expected that Oil and Gas prices will not abate very much in the near future.

The Group's associated company M3nergy Berhad (listed on second board of Bursa Malaysia) is principally involved in the Oil and Gas industry, via its interest in FPSO ("Floating Production Storage and Offloading") vessels. It currently owns one vessel which is contracted to Petronas, and operates another on behalf of Carigali-Triton.

M3nergy Berhad's operations have performed well for the year, with marked improvement in its results for the year ended 31 December 2005. Whilst Total Revenue fell 24.1% to RM 345.1 million (2004: RM 454.8 million), following the disposal of non-core operations over the past two years, the Profit Before Tax improved by 82.6% to RM 44.0 million (2004: RM 24.1 million).

During the year, the company had announced the disposal of its Singapore-based instrumentation operations, held via its listed subsidiary Total Automation Ltd, to the Wartsila Group from Finland. The sale of the operations, which is expected to be completed in 2006, will generate cash to M3nergy Berhad of about RM 120 million, and will allow the Group to refocus its activity in the Oil and Gas industry.

M3nergy Berhad has targeted its activities, by also entering the very lucrative Production Sharing Contract (PSC) sector of the Oil and Gas industry, which involves the drilling, extraction, processing and sale of crude oil. The Joint Venture Consortium, with Hindustan Petroleum (70%) and M3nergy Berhad (30%) as shareholders, was recently awarded a PSC award by the Indian Government, for the west of Bombay "Cluster 7" proven off-shore oil field.

When the PSC agreement is signed, M3nergy Berhad, which is the lead manager of the Joint Venture Consortium, will become an Oil Production Company, with a reserve of approximately 35 million barrels, and an output production rate of capacity of about 18,000 barrels a day.

In addition to the Oil Production operations, the field will require an FPSO, which is expected to further boost the processing capacity of the Group.




Apart from the Indian field, M3nergy Berhad is also tendering for other PSC for oil field production facilities within the region. The Group looks forward to further positive news on PSC awards, and has high hopes for the division's performance.

M3nergy Berhad's associated company, Malaysian Merchant Marine Berhad (MMM), which is listed on the first board of Bursa Malaysia, is involved in the shipping industry, principally focused on the shipment of Oil and Chemical products, and until recently, was involved in the shipping of dry-bulk cargo.

MMM is in the midst of realigning itself as a focused Oil and Chemical tanker group, and has made the conscious decision to dispose off non-core vessels, and will undertake a tanker fleet renewal and expansion programme.

For the year ended 30 August 2005, MMM registered Total Revenue growth of 6.3% to RM 127.0 million (2004: RM 119.5 million), reflecting the charter rate and fuel cost escalation during the period. Profit Before Tax on the other hand fell 48.2% to RM 5.7 million (2004: RM 11.0 million) as a result of the mid-year disposal of MMM's dry-bulk fleet, which accounted for 73% of their total dead weight tonnage (DWT) of the company.

The Group's interest in MMM, is principally in its strategy to use MMM, as a source of supply of tanker vessels for conversion into FPSO, as a future owner of FPSO assets, as well as in its expertise as a commercial Oil and Chemical shipping operation.

The Group is extremely excited of the prospects for the M3nergy Berhad, and its Oil and Gas operations, and looks forward to substantial improvements in the years ahead.

Power Operations (Siam Power Generation Company Ltd "SIPCO")

The Group had on 30 December 2005, via its wholly-owned subsidiary, Mperial Power Ltd, entered into an agreement with E Power Pte Ltd, for the acquisition of 70% equity interest in SIPCO, for a cash consideration of US$23 million. The above exercise is still in progress and is expected to be completed by end 2006.

SIPCO has been awarded a license under the Small Power Producer (SPP) generation program by the Electricity Generation Authority of Thailand (EGAT) to build, own and operate a 450 MW combined cycle power plant, in the SPP Industrial Park, Rayong Province of Thailand. The project was planned to be implemented in several phases.

Currently, SIPCO is implementing the first phase, a 150 MW combined cycle gas fired power plant together with related transmission and distributions systems, which is expected to be in operation in 2007. The Power Purchase agreement which has been signed, promises lucrative returns for the Group, with a US$ 0.060 per kWh tariff and with energy cost fluctuation pass-through clauses incorporated therein.

The Group views this acquisition as an important first step, in its quest to be a major Power Producer in the region. The management team working on the implementation of the SIPCO project has been assembled, and has also been charged to identify new Power projects for the Group.

Due to their stability of earnings, the Group views the Power Generation sector as an important component of its strategy to diversify the Group's earnings base, and looks forward to add further Power Generation assets into the Group portfolio, in the future.

ENGINEERING DIVISION

The Group's activity in the Engineering sector is principally conducted via its interest in Melewar Integrated Engineering Sdn Bhd (MIE) and other companies. A report on their activity during the year is as follows:

Engineering Consultancy (Melewar Integrated Engineering Sdn Bhd "MIE")

The Engineering Consultancy operations although relatively small, have performed well during the year. MIE recorded Total Revenue of RM 16.8 million (2005: RM 18.3 million) and Profit Before Tax of RM 0.8 million (2005: RM 1.6 million).

Apart from MIE servicing third party clients, the Group has used MIE, as its main technology partner in assessing and analysing new projects, as well as enhancing Group factory process and operational efficiencies.

MIE has been the core back bone behind the expansion of the CRC facilities of Mycron Steel Berhad, the technology behind the scrap smelting facility of Melewar Steel Mills Sdn Bhd, and the Group's tendering for the much publicised Penang Monorail project. The Group will continue to use MIE, as its technology excellence centre, and use its professional engineering expertise, to power ahead with its goal to building an industrial group, of respect and repute.

Steel Smelting Technology (Melewar Micromill Technology Ltd "MMTL")

On 16 March 2006, the Group incorporated a subsidiary in British Virgin Islands, by the name of Melewar Micromill Technology Ltd (MMTL). MMTL will be a joint venture company, with Korean partners, which will be the technology owner and promoter, of a new low-cost scrap-smelting technology, for the production of steel billets, usually meant for the re-rolling of steel reinforcement bars.

MMTL will license the use of this new technology, within and outside the Group. The Group is hopeful that with this new low-operating cost technology, its own Steel Reinforcement Bar operations can grow substantially, not just in Malaysia, but also in the international arena.

Penang Monorail Proposal

The Group has made an announcement recently that it has made a proposal to the Malaysian Government to build, operate and transfer (BOT) an Ultra Light Monorail System for the island of Penang. The proposal involves the construction of 3 elevated single-track loops, over a total distance of 52 km, to be built principally of steel sections and steel tubes. The project is estimated to cost RM 1.6 billion, and if awarded to the Group, should be completed within 3 years.

The low capital expenditure nature of the proposal, at only RM 31 million per km, will result in low ticket tariffs for passengers, and bodes well for the viability of the project from an operational point of view.

The Group is confident that the project is entirely feasible, and has undergone rigorous technical and financial test, to ensure success. It is hoped that the Government will make a decision soon, and that an award can be made by end-2006.

CHANGE IN FINANCIAL YEAR END

On 29 March 2006, the Board announced to Bursa Malaysia that the Group's financial year-end would be changed from 31 January to 30 June, and the next audited accounts will be for the 17 months ending 30 June 2007.

RENOUNCEABLE RIGHTS ISSUE OF WARRANTS

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

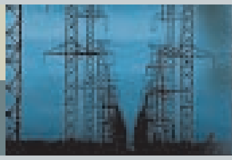
DIVIDEND

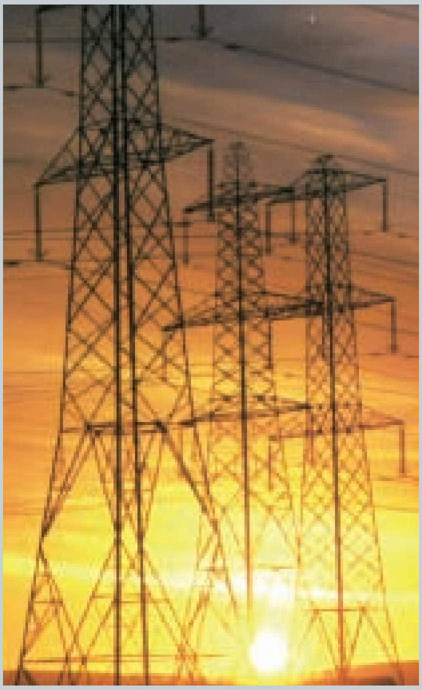
The Board of Directors had, on 28 March 2006 recommended a first and final tax exempt dividend of 3% in respect of financial year ended 31 January 2006. This is subject to shareholders' approval at the forthcoming Annual General Meeting to be held on 22 June 2006. If approved, the final dividend will be paid on 21 July 2006.

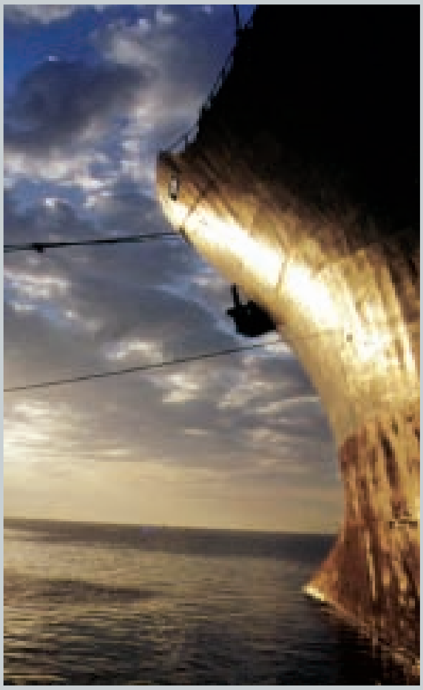
ACKNOWLEDGEMENT

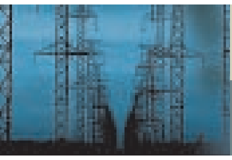
On behalf of the Board of Directors, I wish to convey my utmost gratitude to all our shareholders, customers, suppliers and business partners for their support. I also wish to thank all our staff and members of the management team, for their hard work, loyalty and dedication that has steered the Group on an even keel throughout the years.

TUNKU TAN SRI ABDULLAH IBNI ALMARHUM TUANKU ABDUL RAHMAN
Chairman





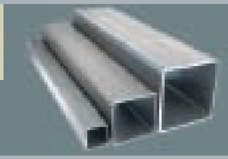




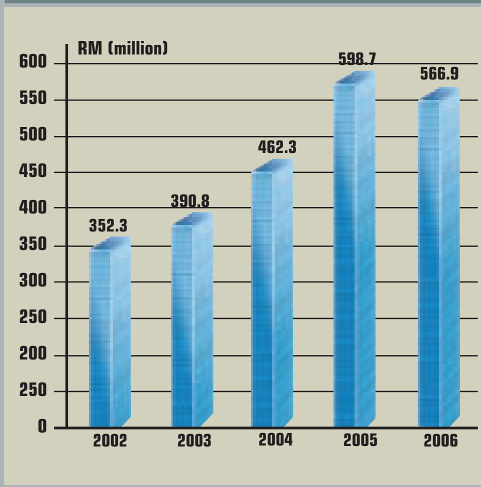
GROUP FINANCIAL HIGHLIGHTS

		1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
1	**Result of Operations**										
	Revenue (RM mil)	433.2	461.5	300.9	366.6	378.3	352.3	390.8	462.3	598.7	566.9
	Profit Before Tax (RM mil)	56.0	55.4	7.0	72.3	67.9	42.8	77.5	80.6	72.7	35.5
	Profit After Tax (RM mil)	44.8	45.0	7.9	62.3	59.5	53.9	56.6	64.4	46.5*	46.9*
2	**Balance Sheet**										
	Share Capital (RM mil)	79.0	79.0	79.0	79.0	79.0	79.0	158.1	158.3	161.0	169.9
	Bonus Shares (RM mil)	0	0	0	0	0	0	79.0	0	0	0
	Shareholders' Funds (RM mil)	350.1	388.4	389.4	436.8	584.4	623.6	630.3	359.1	351.4	475.5
	Total Assets (RM mil)	411.8	476.3	413.2	471.0	597.2	658.0	685.5	484.8	621.2	828.1
3	**Financial Ratio**										
	Return on Equity	12.8%	11.6%	2.0%	14.3%	10.2%	8.7%	9.0%	17.9%	13.3%	9.9%
	Debts / Equity (Times)	0.17	0.22	0.05	0.07	0.01	0.05	0.05	0.29	0.38	0.41
	Current Assets / Current Liabilities (Times)	3.18	3.01	9.57	9.15	37.34	12.00	12.56	2.20	2.41	2.23
	Pre-Tax Profit / Average Shareholders' Fund	16.9%	15.0%	1.8%	17.5%	13.3%	7.1%	12.4%	16.3%	20.5%	8.6%
	Pre-Tax Profit / Revenue	12.9%	12.0%	2.3%	19.7%	18.0%	12.2%	19.8%	17.4%	12.1%	6.3%
4	**Per Share**										
	Net Tangible Asset per share (RM)	4.43	4.19	4.93	5.53	7.39	7.89	3.99	2.27	2.19	2.79
	Gross Earnings per share (sen)	70.8	70.0	8.9	91.5	85.9	54.2	49.0	50.9	45.3	21.9
	Net Earnings per share (sen)	56.7	56.9	10.0	78.8	75.3	68.2	35.8	40.7	29.0	28.9
5	**Dividends**										
	Tax Exempt Dividend (sen)	-	-	-	10.0	10.0	20.0	10.0	80.0	-	3.0
	Ordinary Dividend (sen)	12.0	12.0	12.0	12.0	12.0	-	-	180.0	13.0	-

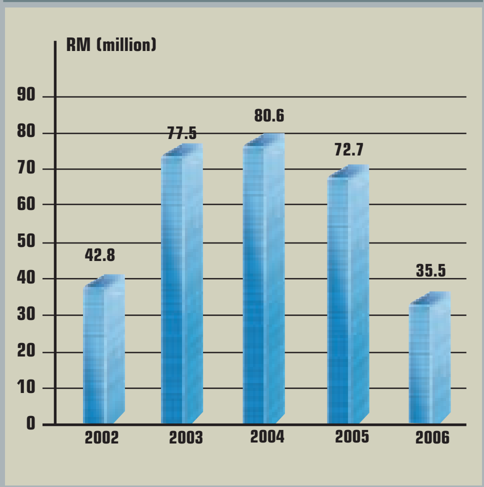
* Note : Profit After Tax and After Minority Interest



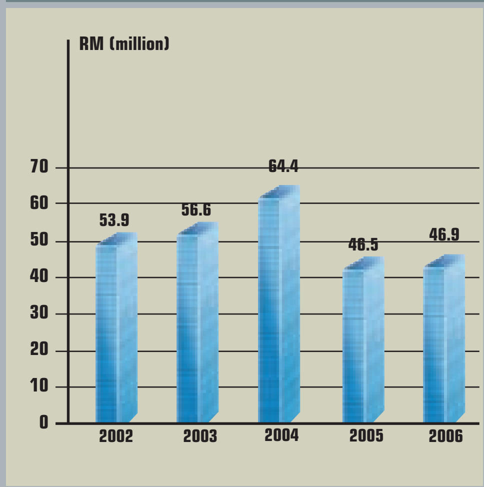
REVENUE



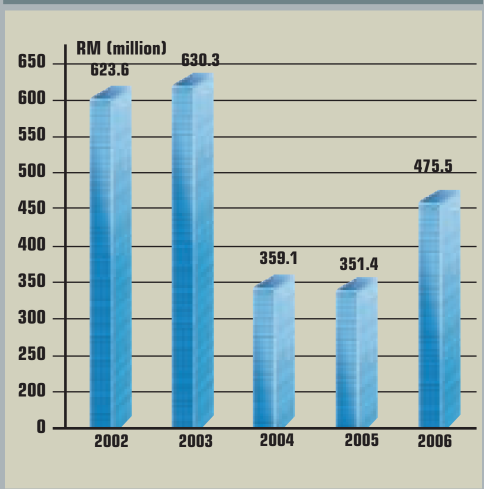
PROFIT BEFORE TAX



PROFIT AFTER TAX



SHAREHOLDERS' FUNDS



TOTAL ASSETS