

ANALYSIS OF ORDINARY SHAREHOLDERS

AS AT 30 AUGUST 2007

Authorised Share Capital	-	RM500,000,000
Issued and Paid-Up Capital	-	RM226,723,011
Class of Shares	-	Ordinary Shares of RM1 each
Voting Rights	-	1 Vote Per Ordinary Share
No. of Shareholders	-	10,140

<u>Size of Shareholdings</u>	<u>No. of Shareholders</u>	<u>% of Shareholders</u>	<u>No. of Shares</u>	<u>% of Issued Capital</u>
Less than 100	260	2.56	11,775	0.01
100 - 1,000	1,077	10.62	915,019	0.40
1,001 - 10,000	6,976	68.80	28,230,061	12.45
10,001 - 100,000	1,664	16.41	42,755,179	18.86
100,001 and below 5% of issued shares	160	1.58	79,003,843	34.84
5% and above of issued shares	3	0.03	75,807,134	33.44
TOTAL	10,140	100.00	226,723,011	100.00

THIRTY LARGEST SHAREHOLDERS As at 30 August 2007

<u>Name</u>	<u>Ordinary Shares of RM1 each</u>	<u>(#) % of Issued Capital</u>
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	11.24
3. Employees Provident Fund Board	15,427,401	6.83
4. Malaysian Assurance Alliance Berhad	10,528,000	4.66
5. Melewar Equities Sdn Bhd	7,600,000	3.36
6. A. A. Anthony Nominees (Asing) Sdn Bhd (Beneficiary: UOB Kay Hian Pte Ltd for Bradford Securities Ltd)	6,677,566	2.95
7. OSK Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Melewar Khyra Sdn Bhd)	5,969,600	2.64
8. Permodalan Nasional Berhad	3,533,333	1.56
9. Cartaban Nominees (Asing) Sdn Bhd (Beneficiary: Exempt An for RBC Dexia Investor Services Trust [Clients Account])	3,066,666	1.35

THIRTY LARGEST SHAREHOLDERS
As at 30 August 2007

<u>Name</u>	<u>Ordinary Shares of RM1 each</u>	<u>(#) % of Issued Capital</u>
10. Yeoh Kean Hua	2,800,000	1.24
11. Melewar Khyra Sdn Bhd	2,132,833	0.94
12. Citigroup Nominees (Asing) Sdn Bhd (Beneficiary: CBNY for DFA Emerging Markets Fund)	1,294,300	0.57
13. Cimsec Nominees (Tempatan) Sdn Bhd (Beneficiary: CIMB for Koo Kow Kiang @ Ko Keck Ting)	1,180,000	0.52
14. Palaniyappan Subramanian Yogeswari	701,333	0.31
15. Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Zet Enterprise Sdn Bhd)	673,333	0.29
16. Public Invest Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Lam Kong Tang)	665,000	0.29
17. Lim Seng Qwee	608,000	0.26
18. Inter-Pacific Equity Nominees (Asing) Sdn Bhd (Beneficiary: Kim Eng Securities Pte Ltd for Hexacon Construction Pte Ltd)	587,733	0.26
19. Daiman bin Jamaluddin	560,000	0.24
20. Kenanga Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Chong Bui Ling)	550,000	0.24
21. Inter-Pacific Equity Nominees (Asing) Sdn Bhd (Beneficiary: OCBC Securities Private Limited for Hexacon Construction Pte Ltd)	533,333	0.23
22. Alpha Interiors Sdn Bhd	501,000	0.22
23. Lee Hau Hian	500,333	0.22
24. CIMB Trustee Berhad (Beneficiary: Amanah Saham Darul Iman)	495,300	0.21
25. Citigroup Nominees (Asing) Sdn Bhd (Beneficiary: CBNY for DFA Emerging Markets Small Cap Series)	490,000	0.21
26. Ng Kim Huat	450,000	0.19
27. Mayban Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Lee Chee Kong)	437,400	0.19
28. Bank Kerjasama Rakyat Malaysia Berhad	404,133	0.17

ANALYSIS OF ORDINARY SHAREHOLDERS

AS AT 30 AUGUST 2007

(continued)

THIRTY LARGEST SHAREHOLDERS As at 30 August 2007

<u>Name</u>	<u>Ordinary Shares of RM1 each</u>	<u>(#) % of Issued Capital</u>
29. HLG Nominee (Asing) Sdn Bhd (Beneficiary: IBB Securities Sdn Bhd)	400,000	0.17
30. Wong Fuei Boon	400,000	0.17
TOTAL	129,546,330	57.40

Note :

(#) The % 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.

LIST OF SUBSTANTIAL SHAREHOLDERS As at 30 August 2007

<u>Name</u>	<u>Number of Shares Held</u>			
	<u>Direct</u>	<u>%⁽¹⁾</u>	<u>Indirect</u>	<u>%⁽¹⁾</u>
Tunku Tan Sri Abdullah ibni Almarhum Tuanku Abdul Rahman	-	-	89,996,832	39.88 ^(a)
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	320,000	0.14	89,676,832	39.74 ^(b)
Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah	-	-	89,996,832	39.88 ^(a)
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	-	-	89,996,832	39.88 ^(a)
Datin Ezurin Yusnita binti Abdul Malik	-	-	89,996,832	39.88 ^(a)
Khyra Legacy Berhad	-	-	89,676,832	39.74 ^(c)
Iternum Melewar Sdn Bhd	-	-	81,574,399	36.15 ^(d)
Melewar Equities (BVI) Ltd	63,446,399	28.11	10,528,000	4.66 ^(e)
Employees Provident Fund Board	15,427,401	6.83	-	-

DIRECTORS' SHAREHOLDINGS
As at 30 August 2007

Name	Number of Shares Held			
	Direct	% ⁽¹⁾	Indirect	% ⁽¹⁾
Tunku Tan Sri Abdullah ibni Almarhum Tuanku Abdul Rahman	-	-	89,996,832	39.88 ^(a)
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	320,000	0.14	89,676,832	39.74 ^(b)
Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah	-	-	89,996,832	39.88 ^(a)
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	-	-	89,996,832	39.88 ^(a)
Datin Ezurin Yusnita binti Abdul Malik	-	-	89,996,832	39.88 ^(a)
Datuk Lim Kim Chuan	186,666	0.08	-	-
Azlan bin Abdullah	133,333	0.06	-	-

Notes :-

- (1) The percentages of the substantial shareholdings are calculated by dividing the shares held by the respective substantial shareholders with the total number of ordinary shares in issue, excluding 1,071,600 treasury shares held by the Company.
- (a) 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 and Melewar Khyra Sdn Bhd hold 28.12%, 3.36%, 4.67% and 3.59% respectively in the Company. Tunku Dato' Ya'acob has direct interest of 0.14% in the Company.
- (b) 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.
- (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 10,528,000 shares held by Malaysian Assurance Alliance Berhad due to it being associated to Malaysian Assurance Alliance Berhad.

ANALYSIS OF WARRANTHOLDERS

AS AT 30 AUGUST 2007

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	-	2,656

Size of Shareholdings	No. of Warrantholders	% of Warrantholders	No. of Warrant	% of Warrant
Less than 100	196	7.38	9,235	0.03
100 - 1,000	425	16.00	205,691	0.66
1,001 - 10,000	1,627	61.26	5,505,642	17.81
10,001 to 100,000	364	13.70	11,406,088	36.90
100,001 and below 5% of issued warrants	42	1.58	9,492,606	30.71
5% and above of issued warrants	2	0.08	4,292,266	13.89
Total	<u>2,656</u>	<u>100.00</u>	<u>30,911,528</u>	<u>100.00</u>

LIST OF SUBSTANTIAL WARRANTHOLDERS As at 30 August 2007

Name	Number of Warrants Held			
	Direct	%	Indirect	%
A.A. Anthony Nominees (Asing) Sdn Bhd (Beneficiary: UOB Kay Hian Pte Ltd for Bradford Securities Ltd.)	2,186,666	7.07	-	-
Malaysian Assurance Alliance Berhad	2,105,600	6.81	-	-

THIRTY LARGEST WARRANTHOLDERS
As at 30 August 2007

<u>Name</u>	<u>No. of Warrants</u>	<u>% of Warrants</u>
1. A.A. Anthony Nominees (Asing) Sdn Bhd (Beneficiary: UOB Kay Hian Pte Ltd for Bradford Securities Ltd.)	2,186,666	7.07
2. Malaysian Assurance Alliance Berhad	2,105,600	6.81
3. OSK Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Melewar Khyra Sdn Bhd)	800,026	2.59
4. HDM Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Lim Gim Leong)	720,366	2.33
5. OSK Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Hee Yuen Sang)	671,300	2.17
6. United Overseas Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Len Book Learn)	429,700	1.39
7. Fua Ah Sang @ Phuah Kooi Hua	399,066	1.29
8. Chua Kwang Khim	394,800	1.28
9. Soon Koon Cheng	306,400	0.99
10. RHB Capital Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Jiantilal Jethalal a/l Jethalal Valji)	287,306	0.93
11. Chua Chooi See	250,000	0.81
12. Wong Sien Ngik	250,000	0.81
13. Mayban Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Chua Chin Chyang)	249,000	0.81
14. Yeoh Kean Hua	240,000	0.78
15. Lee Chin Weng	223,600	0.72
16. Mayban Securities Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Tee Kai Shiang)	210,000	0.68
17. Inter-Pacific Equity Nominees (Asing) Sdn Bhd (Beneficiary: Kim Eng Securities Pte Ltd for Quek Eng Wah)	200,000	0.65
18. OSK Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Lor Lee Fong)	200,000	0.65
19. Chee Hian Boon @ Chee Ah Deck	197,200	0.64
20. Soon Cheng Boon	190,000	0.61
21. Teo Thin Kui	188,000	0.61
22. Mayban Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Chee Hian Boon @ Chee Ah Deck)	168,000	0.54
23. Teng Kim Chew	168,000	0.54

ANALYSIS OF WARRANTHOLDERS

AS AT 30 AUGUST 2007

(continued)

THIRTY LARGEST WARRANTHOLDERS As at 30 August 2007

<u>Name</u>	<u>No. of Warrants</u>	<u>% of Warrants</u>
24. Yow Suit Ching	160,000	0.52
25. Kishor Timbadia a/l Manilal	158,000	0.51
26. AIBB Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Lau Sie Kwong)	150,000	0.49
27. Hor Kuang Siang	150,000	0.49
28. Mah Chiew Siong	150,000	0.49
29. Chan Heng Soon	146,000	0.47
30. OSK Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Hiew Seek Ling)	140,866	0.46
TOTAL	12,089,896	39.11

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 behaviour while ensuring that the appropriate checks and balances are in place so that decisions are made wisely in the long term interests of the Company and its shareholders.

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

BOARD OF DIRECTORS

a) Board Responsibilities

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

The Board has full control of the management of the Company and is overall responsible for the strategies and directions, shareholders and investors' relationship, annual budget, major capital expenditure, significant financial matters, 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 objective. 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 eleven (11) members comprising the following :

- One (1) Non-Executive Non-Independent Chairman;
- One (1) Managing Director;
- Two (2) Executive Directors;
- Three (3) Non-Executive Non-Independent Directors; and
- Four (4) Non-Executive Independent Directors.

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

There is a clear division of responsibilities between the Chairman and the Managing Director/Chief Executive Officer to ensure that there is a balance of power and authority. The Chairman is primarily responsible for the working of the Board, its membership and participation of the members at Board meetings. The Managing Director/Chief Executive Officer steers the direction of the Group and is assisted by the Chief Operating 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 of 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 (4) 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 period ended 30 June 2007, five (5) 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	4/5	80
2.	Datuk Lim Kim Chuan	5/5	100
3.	Encik Azlan bin Abdullah	5/5	100
4.	Encik Nikmat bin Abdullah (Appointed on 2.5.2006 and resigned on 17.11.2006)	1/1	100
Non-Independent Non-Executive Directors		No. of Attendance	%
1.	Tunku Tan Sri Abdullah ibni Almarhum Tuanku Abdul Rahman	4/5	80
2.	Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah	5/5	100
3.	Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	5/5	100
4.	Datin Ezurin Yusnita binti Abdul Malik	4/5	80
Independent Non-Executive Directors		No. of Attendance	%
1.	Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah	5/5	100
2.	Dato' Jaffar Indot	5/5	100
3.	Mr Terence Francis Mahony	4/5	80
4.	Mr Lee Ching Kion	5/5	100

d) Supply of Information

The Board Members are given board papers with appropriate supporting 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.

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

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

e) Appointments to the Board

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

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

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 development 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 period ended 30 June 2007 are as follows:

- Corporate Fraud
- Macro Economics: Malaysian Scenario 2006
- Innovation and Branding
- Talk on Macroeconomics - Local and Global

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.

STATEMENT ON

CORPORATE GOVERNANCE

(continued)

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

The Company recognises the need to have a competitive remuneration package to attract and retain the Directors of the calibre needed to lead the Group successfully. In the case of the Executive Directors, their remuneration is linked to their 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 RM'000	*Executive Directors RM'000	Non-Executive Directors
Salaries	1,577	-
Allowances	-	30
Bonuses	328	-
Fees	-	723
Benefits-In-Kind	68	22
Other Emoluments	306	38
TOTAL	2,279	813

Range of Remuneration	Number of Directors	
	*Executive	Non-Executive
Less than RM50,000	-	5
RM50,001 to RM100,000	-	2
RM100,001 to RM200,000	-	1
RM200,001 to RM300,000	1	-
RM300,001 to RM400,000	1	-

*One (1) of the Executive Directors of the Company is remunerated by Mycron Steel CRC Sdn Bhd, a wholly owned subsidiary of Mycron Steel Berhad who in turn is 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 Securities' website. In addition to various announcements made during the year, information on the Company is available on the Company's website at www.melewar-mig.com. Any general enquiries and comments can be addressed to enquiry@melewar-mig.com.

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

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

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

ACCOUNTABILITY AND AUDIT

a) Audit Committee

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

With a majority of the members being independent, the composition of the Audit Committee is fully compliant with the Code and the Listing Requirements of Bursa Securities, which require the majority of directors on the Audit Committee to be independent and that one (1) 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 period 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 44 to 46 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.

(continued)

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

The members of the RMC are as follows:

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

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

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 STATEMENT

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

The Directors considered the following in preparing the financial statements:

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

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

ADDITIONAL INFORMATION

a) Options, Warrants or Convertible Securities

During the financial period under review, there were no options, warrants or convertible securities exercised or converted by the Company.

b) Non-audit fees

Non-audit fees paid by the Group to the external auditors during the financial period amounted to RM2,100.

c) During the financial period ended 30 June 2007:

- (i) There were no material contracts (not being contract 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 period ended 30 June 2007 which differed by ten (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 five (5) years.

e) Share Buybacks

During the financial period ended 30 June 2007, the Company had acquired 276,100 ordinary shares of RM1.00 each of its shares from the open market at an average price of RM1.05 per share. As at 30 August 2007, the Company had repurchased in total 1,071,600 ordinary shares of MIG from the open market at an average price of RM1.70 per share. All the shares repurchased are being held as treasury shares.

Details of the Company's shares bought back by the Company during the previous seventeen (17) months up to 30 June 2007 are set out below:

Date/Month	No. of MIG Shares	Highest Price (RM)	Lowest Price (RM)	Average Price (RM)	Total Consideration
08.09.2006	87,000	1.05	1.04	1.04	90,480.00
18.09.2006	51,800	1.06	1.05	1.05	54,390.00
21.09.2006	82,500	1.08	1.06	1.06	87,450.00
22.09.2006	54,800	1.07	1.06	1.06	58,088.00

f) During the financial period, a total of additional 1,876,990 ordinary shares of RM1.00 each were allocated in respect of MIG's Employees Share Option Scheme ("ESOS"). Pursuant to the Bonus Issue of 56,287,131 new ordinary shares on the basis of one (1) new share in the Company for every three (3) existing ordinary shares of RM1.00 each held in the Company. The Audit Committee had in the financial period ended 30 June 2007 verified the allocation of options pursuant to the ESOS.

g) Recurrent Related Party Transaction

On 22 June 2006, 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 31 May 2006) 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 period ended 30 June 2007 in accordance with the Shareholders' Mandate obtained in the last Annual General Meeting were as follows:

Transacting Party	Nature of Transaction	Related Party	Nature of Interest	Value of Transaction (RM)
Melewar Industrial Group Berhad ("MIG") and its subsidiaries	Providing corporate secretarial services	Trace Management Services Sdn Bhd ("Trace")	A company in which Tunku Tan Sri Abdullah ibni Almarhum Tuanku Abdul Rahman ("TA"), Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah ("TI"), 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 deemed interested by virtue of her relationship with TY.	378,236
	Ticketing, tour and travel	Mitra Malaysia Sdn Bhd ("Mitra")	A company in which TI has deemed interest by virtue of his substantial interest in Melewar Leisure Sdn Bhd, the holding company of Mitra.	931,449

(continued)

Transacting Party	Nature of Transaction	Related Party	Nature of Interest	Value of Transaction (RM)
	General and life insurance	Malaysian Assurance Alliance Berhad ("MAAB")	MAA Holdings Berhad ("MAAH") is the holding company of MAAB. Khyra Legacy Berhad, a company controlled by TY, is deemed interested in MAAH by virtue of its substantial shareholdings in Melewar Equities (BVI) Ltd, a substantial shareholder of MIG.	2,467,643
	Security 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 MAAH.	415,907
	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.	-
	Payroll and information technology services	Mycron Steel Berhad ("MSB") and 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.	80,000
	Sale of cold rolled coils by Mycron Steel CRC Sdn Bhd ("MSCRC") to MIG and Melewar Steel Tube Sdn Bhd ("MST")	MSCRC	MSCRC is a wholly owned subsidiary of MSB. MST is a wholly owned subsidiary of MIG. MIG is the substantial shareholder of MSB by virtue of its 54.4% shareholding in MSB.	76,262,568
	Slitting service and sale of pipes by MIG to MSCRC	MSCRC	MSCRC is a wholly owned subsidiary of MSB. MIG is the substantial shareholder of MSB by virtue of its 54.47% shareholding in MSB.	48,505
Melewar Steel Mills ("MSM"), a wholly-owned subsidiary of MIG	Rental and deposits charged by MSB to MSM for using land belonging to MSB	MSB	MIG is the substantial shareholder of MSB by virtue of its 54.47% shareholding in MSB.	703,548
	Sale of scrap by MSCRC to MSM, a wholly owned subsidiary of MIG	MSCRC	MSCRC is a wholly owned subsidiary of MSB. MIG is the substantial shareholder of MSB by virtue of its 54.47% shareholding in MSB.	1,047,974

Transacting Party	Nature of Transaction	Related Party	Nature of Interest	Value of Transaction (RM)
	Technical and consultancy services by MIE to MSM for expansion projects in induction mill	MIE	MIE is a 70% owned subsidiary of MIG. MSM is a wholly owned subsidiary of MIG.	160,607
Melewar Integrated Engineering Sdn Bhd ("MIE"), a 70% owned subsidiary of MIG	Technical and consultancy services by MIE to MSCRC for expansion projects in cold roll mill	MSCRC	MSCRC is a wholly owned subsidiary of MSB. MIG is the substantial shareholder of MSB by virtue of its 54.47% shareholding in MSB.	2,703,697

COMPLIANCE STATEMENT

The Board is satisfied that the Company has, in all material aspects, complied with the best practise of the Code as at 30 June 2007.

This statement was approved by the Board of Directors on 28 August 2007.

CORPORATE SOCIAL RESPONSIBILITY

The Group recognises its social obligation to society and is striving for a balanced approach to fulfill its key business objectives and the expectations of stakeholders. As an initial step of its commitment to the society, the Group has taken several initiatives particularly in the area of staff welfare.

The Group has, in place, an Occupational Safety and Health Committee to develop policies and guidelines to provide and maintain a safe and healthy workplace for all its employees, contractors and visitors. Information on safety measures is communicated to all employees through representatives from Health & Safety Committees, notice boards and regular management briefings.

The Group ensures that all employees are adequately provided for with medical and hospitalisation benefits as well as health and personal accident insurance. Retirement schemes for long-serving employees have been implemented whilst annual functions in the form of either staff annual dinner, staff family weekend retreat or staff family day are organised in appreciation of the continuous commitment and support of the employees to the Group. Such family events are intended to promote the importance of family support within the Group besides encouraging family participation in the social activities of the Group.

The Group continues to support and make donations to The Budimas Charitable Foundation, a foundation specifically set up to care, nurture and educate the homeless children, and MAA-Medicare Kidney Charity Fund, a fund which operates a number of charity kidney dialysis centres throughout the country. Besides participating actively in the fund raising events of these two (2) charitable organisations, the Group and its employees have given and will continue to make donations and contributions in kind to other deserving charitable and welfare organisations.

The Group also acknowledges the responsibility to care for the environment. All industrial wastes from the Group's operations are properly treated and safely disposed off while steel scraps are recycled and used as feedstock for our billet plant. The Group ensures strict compliance with all environmental regulations and laws at all times.

The Group has and will always consider safety and environmental factors in all operating decisions and will also continuously explore feasible opportunities to minimise any adverse impact from all its operations. To ensure best practice at all times, the Group measures environmental performance through regular assessments with internal guidelines, procedures, and external regulations.

1. Introduction

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

In acknowledging the above statement, the Board is pleased to provide the following statement, which outlines the state of internal control of the Group for the period 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 control 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 control, the Board is aware that such system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

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

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 control to manage these risk. 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 2007 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 co-ordinated and consistent approach in managing the Group's significant risk exposures.

4. Internal Control

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

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

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

5. Controls Weaknesses

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

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

6. Financial Reporting

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

STATEMENT ON

INTERNAL CONTROL

(continued)

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 period ended 30 June 2007. 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 cause 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 control of the Group.

ESTABLISHMENT

The Audit Committee was established on 15 April 1994 as a subcommittee of the Board of Directors with specific Terms of Reference that has 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, the majority of whom are Independent Non-Executive Directors:

- | | | | |
|----|---------------------------|---|--|
| 1. | Mr Terence Francis Mahony | - | Independent Non-Executive Director |
| 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>(Audit Member who fulfills requirement under Paragraph 15.10(1)(c)(ii))</i> |
| 5. | Encik Azlan Abdullah | - | Executive Director |

The Chairman of the Audit Committee is Mr Terence Francis Mahony. The Directors' profiles are set out on pages 19 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 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 PERIOD ENDED 30 JUNE 2007

During the financial period ended 30 June 2007, seven (7) 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 Terence Francis Mahony	7	6	86%
Dato' Jaffar Indot	7	7	100%
Mr Lee Ching Kion	7	7	100%
Datuk Lim Kim Chuan	7	5	71%
Encik Azlan bin Abdullah	7	5	71%

During the financial period ended 30 June 2007, the main activities undertaken by the Audit Committee were as follows:

- i. Reviewed the adequacy and relevance of the scope, functions, resources, internal audit plan and results of internal audit processes with the internal audit consultants;
- ii. Reviewed the quarterly financial reports and year-end financial statements with management and recommend the same to the Board for approval before release to Bursa Malaysia;
- iii. Reviewed with external auditors on their audit plan (including system evaluation, audit fee, issues raised and management's response) prior to the commencement of audit;
- iv. Reviewed the financial statements, 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;

AUDIT COMMITTEE

REPORT

(continued)

- 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 the Malaysian Code on Corporate Governance, Board's responsibility on the annual audited financial statements and the state of internal control and other relevant documents for publication in the Company's Annual Report; and
- ix. Verified the allocation of share options pursuant to the Employees' Share Option Scheme.

TERMS OF REFERENCE

The Terms of Reference of the Committee are as follows:

1. Composition

- 1.1 The Audit Committee shall be appointed by the Board from amongst the Directors of the Company and shall consist of not less than three (3) members, of which the majority must be Independent Directors. At least one of the Committee members must be a member of the Malaysian Institute of Accountants, or passed examinations specified in Part 1 of the First Schedule of the Accountants Act, 1967 or be a member of one (1) of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967.
- 1.2 If a member of the Audit Committee ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall, within three (3) months, appoint such number of new member(s) as may be required to make up the minimum number of three (3) members, the majority of whom must be Independent Directors.
- 1.3 The members of the Audit Committee shall elect a Chairman from among their numbers who shall be an Independent Non-Executive Director.
- 1.4 No Alternate Director is to be appointed as a member of the Audit Committee.
- 1.5 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 (3) 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 Meetings shall be held not less than four (4) times a year.
- 2.2 The quorum for any meeting of the Audit Committee shall consist of not less than two (2) 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 (1) of the independent members present to chair the meeting.
- 2.4 The Company Secretary shall be the Secretary of the Audit Committee.
- 2.5 The Audit Committee may require any employee and a representative of the external auditors to attend meetings. The Audit Committee may, as and when deemed necessary, invite other Board members, senior management personnel and external independent professional advisers to attend the meetings.
- 2.6 The Chairman of the Audit Committee shall report on each meeting to the Board.
- 2.7 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 is authorised by the Board to investigate any activity within its Terms of Reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee.
- 3.2 The Audit Committee is authorised by the Board to obtain legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, if it considers this necessary.

- 3.3 The Audit Committee is authorised to convene meetings with the external auditors, without the attendance of the Managing/Executive Director(s), whenever deemed necessary.
- 3.4 The Terms and Reference of the Audit Committee shall not limit in any way the responsibilities and authorities of the Managing Director to institute or instruct internal audits and reviews to be undertaken from time to time. Full reports must be made to the Audit Committee upon completion of such reviews.

4. Duties and Responsibilities

In discharging its duties and responsibilities, the Audit Committee shall perform and where appropriate, report to the Board of Directors on the following:

4.1 Financial Reporting

Review the quarterly, half-yearly and annual financial statements of the Group and Company before submission to the Board and scrutinise and evaluate:

- Any changes in accounting policies and practices;
- Compliance with prevailing accounting standards;
- Compliance with statutory and regulatory disclosure requirements;
- Any significant adjustments resulting from audits;
- Major judgemental areas (e.g. material contingent liabilities); and
- The ongoing key assumptions, which underpin the Management's business targets.

4.2 External Audit

- Recommend to the Board the appointment of the External Auditors and the audit fee to be paid;
- Make appropriate recommendations to the Board on matters of resignation or dismissal of the External Auditors;
- Make appropriate recommendations to the Board on matters relating to the periodic change of the audit partner responsible for the Company's audit;
- Review and discuss the nature and scope of the external audit strategy and plan;
- Review and discuss issues arising from External Auditors interim and final audit letters to Management and the Management's evaluation of the system of internal control; and
- Discuss problems and reservations arising from the interim and final external audits and any matter that the External Auditor may wish to discuss (in the absence of Management, where necessary).

4.3 Internal Audit

- Review the adequacy of the internal audit scope, function and authority of the Internal Audit in carrying out its work;
- Review the risk based Internal Audit Plans and Programmes;
- Assess performance of services provided by the Internal Audit Function;
- Recommend to the Board to adopt and declare the Director's Statement of Internal Control and any changes to the said Statement; and
- The Audit Committee is authorised to outsource the internal audit function and to fix fees, etc. as appropriate subject to the approval of the Board.

4.4 Related Party Transaction

- Recommend to the Board matters regarding Related Party Transactions including disclosures and review any conflict of interest situation that may arise within the Company including any transaction, procedure, or course of conduct that raises questions on Management integrity.

4.5 Other Functions

- Consider other issues, as proposed by the Board from time to time.