

ANALYSIS OF ORDINARY SHAREHOLDERS

AS AT 30 SEPTEMBER 2009

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	-	10,509

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Capital
Less than 100	381	3.63	17,001	0.01
100 – 1,000	973	9.26	810,107	0.36
1,001 – 10,000	6,830	64.99	29,520,778	13.02
10,001 – 100,000	2,152	20.48	58,334,177	25.73
100,001 and below 5% of issued shares	172	1.64	77,683,215	34.26
5% and above of issued shares	1	0.01	60,379,733	26.63
TOTAL	10,509	100.00	226,745,011	100.00

THIRTY LARGEST SHAREHOLDERS AS AT 30 SEPTEMBER 2009

Name	Ordinary Shares of RM1 each	(¹) % of Issued Capital
1. Melewar Equities (BVI) Ltd	60,379,733	26.77
2. OSK Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Melewar Khyra Sdn Bhd)	8,102,433	3.59
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)	5,979,066	2.65
5. Malaysian Assurance Alliance Berhad	5,725,900	2.54
6. A. A. Anthony Nominees (Asing) Sdn Bhd (Beneficiary: UOB Kay Hian Pte Ltd for Bradford Securities Ltd)	3,000,000	1.33
7. Amanah Raya Nominees (Tempatan) Sdn Bhd (Beneficiary: Skim Amanah Saham Bumiputera)	2,846,633	1.26
8. Yeoh Kean Hua	2,800,000	1.24
9. Araneum Sdn Bhd	1,894,566	0.84
10. Lim Seng Qwee	1,133,500	0.50
11. Mayban Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Lim Gim Leong)	1,034,300	0.46
12. Mayban Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Siaw Teck Siong)	911,900	0.40
13. Er Hock Lai	900,000	0.40
14. Palaniyappan Subramanian Yogeswari	733,333	0.32
15. HLG Nominee (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Na Chaing Ching)	707,100	0.31
16. Ong Wan Chin	695,000	0.31

ANALYSIS OF ORDINARY SHAREHOLDERS

AS AT 30 SEPTEMBER 2009

(continued)

	Name	Ordinary Shares of RM1 each	(1) % of Issued Capital
17.	Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Zet Enterprise Sdn Bhd)	673,333	0.30
18.	HLB Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Goh Sin Bong)	636,600	0.28
19.	Citigroup Nominees (Asing) Sdn Bhd (Beneficiary: Exempt an for OCBC Securities Private Limited)	600,332	0.27
20.	Inter-Pacific Equity Nominees (Asing) Sdn Bhd (Beneficiary: Kim Eng Securities Pte Ltd for Hexacon Construction Pte Ltd)	587,733	0.26
21.	Daiman bin Jamaluddin	560,000	0.25
22.	Mayban Nominees (Asing) Sdn Bhd (Beneficiary: Nomura Singapore Limited for Tay Ah Kou @ Tay Hwa Lang)	500,000	0.22
23.	Mayban Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Lee Chee Kong)	477,400	0.21
24.	Lee Hau Hian	475,333	0.21
25.	Mayban Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Wong Ai Nong)	440,000	0.19
26.	Yeo Whee Kiak	436,700	0.19
27.	M & A Nominee (Tempatan) Sdn Bhd (Beneficiary: Titan Express Sdn Bhd)	415,700	0.18
28.	Chuah Hak Sip	402,000	0.18
29.	Ng Kau Song	397,000	0.18
30.	Lee Chee Hai	390,000	0.17
	TOTAL	111,435,595	49.41

Note:

- (1) The percentages of the Thirty Largest Shareholders is calculated on the total issued and paid up capital of the Company excluding a total of 1,232,600 Melewar Industrial Group Berhad shares bought back by the Company and retained as treasury shares.

ANALYSIS OF ORDINARY SHAREHOLDERS

AS AT 30 SEPTEMBER 2009

(continued)

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 30 SEPTEMBER 2009

Name	Number of Shares Held			
	Direct	% ⁽¹⁾	Indirect	% ⁽¹⁾
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	320,000	0.14	87,787,132	38.93 ^(a)
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	-	-	88,107,132	39.07 ^(b)
Khyra Legacy Berhad	-	-	87,787,132	38.93 ^(c)
Iternum Melewar Sdn Bhd	-	-	73,705,633	32.68 ^(d)
Melewar Equities (BVI) Ltd	60,379,733	26.77	5,725,900	2.54 ^(e)

DIRECTORS' SHAREHOLDINGS AS AT 30 SEPTEMBER 2009

Name	Number of Shares Held			
	Direct	% ⁽¹⁾	Indirect	% ⁽¹⁾
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	320,000	0.14	87,787,132	38.93 ^(a)
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	-	-	88,107,132	39.07 ^(b)
Datuk Lim Kim Chuan	186,666	0.08	-	-
Azlan bin Abdullah	133,333	0.06	-	-

NOTES:

- (1) The percentages of the substantial and directors' shareholdings are calculated by dividing the shares held by the respective substantial shareholders and directors with the total number of ordinary shares in issue, excluding 1,232,600 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 26.77%, 3.37%, 2.54%, 6.24% 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. Iternum Melewar is 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.
- (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 associated to Malaysian Assurance Alliance Berhad.

ANALYSIS OF WARRANTHOLDERS

AS AT 30 SEPTEMBER 2009

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	-	2,569

Size of Shareholdings	No. of Warrantholders	% of Warrantholders	No. of Warrants	% of Warrants Issued
Less than 100	283	11.02	13,395	0.04
100 – 1,000	403	15.69	192,216	0.62
1,001 – 10,000	1,422	55.35	4,927,700	15.94
10,001 to 100,000	417	16.23	13,728,048	44.41
100,001 and below 5% of issued warrants	44	1.71	12,050,169	38.98
5% and above of issued warrants	0	0.00	0	0.00
Total	2,569	100.00	30,911,528	100.00

LIST OF SUBSTANTIAL WARRANTHOLDERS AS AT 30 SEPTEMBER 2009

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

THIRTY LARGEST WARRANTHOLDERS AS AT 30 SEPTEMBER 2009

Name	No. of Warrants	% of Warrants
1. Mayban Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Lim Gim Leong)	878,866	2.84
2. Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Happy GMP System Sdn Bhd)	869,100	2.81
3. Mayban Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Tang Sing Ling)	837,500	2.71
4. OSK Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Melewar Khyra Sdn Bhd)	800,026	2.59
5. Mayban Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Chua Hian Hock)	793,600	2.57
6. HLG Nominee (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Thin Kim Huat @ Loh Kim Huat)	545,000	1.76
7. OSK Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Hee Yuen Sang)	476,000	1.54
8. Lim Kam Wai	410,000	1.33
9. Ong Kean Hoong	386,200	1.25
10. Mayban Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Tan Tai Kuan)	332,600	1.08
11. Tan Mui Hing	258,000	0.83
12. Yeoh Kean Hua	240,000	0.78
13. Khoo Hong Joo	232,000	0.75

ANALYSIS OF WARRANTHOLDERS

AS AT 30 SEPTEMBER 2009

(continued)

	Name	No. of Warrants	% of Warrants
14.	Alliancegroup Nominees (Asing) Sdn Bhd (Beneficiary: Pledged securities account for Lee Chin Weng)	223,500	0.72
15.	Ng Eng Choon	215,000	0.70
16.	Mah Chiew Siong	210,000	0.68
17.	Chua Chooi See	200,000	0.65
18.	HLG Nominee (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Thin Kim Huat @ Loh Kim Huat)	200,000	0.65
19.	Inter-Pacific Equity Nominees (Asing) Sdn Bhd (Beneficiary: Kim Eng Securities Pte Ltd for Quek Eng Wah)	200,000	0.65
20.	Mayban Nominees (Tempatan) Sdn Bhd (Beneficiary: Sophie Goh Su Ann)	200,000	0.65
21.	Teoh Kok Seng	200,000	0.65
22.	Mayban Securities Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Tee Kai Shiang)	194,500	0.63
23.	Mayban Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Chua Chin Chyang)	192,500	0.62
24.	Cheong Kai Kee	190,000	0.61
25.	Won Chee Seng	177,800	0.58
26.	Lim Kam Seng	170,000	0.55
27.	Ong Kim Ho	170,000	0.55
28.	Hor Kuang Siang	167,000	0.54
29.	Lim Kam Seng	160,000	0.52
30.	Lee Low Fong	157,000	0.51
	TOTAL	10,286,192	33.28

The Board of Directors ("the Board") of Melewar Industrial Group Berhad recognises the importance in achieving a high standard of corporate governance and observes the Principles and Best Practices as set out in the Malaysian Code on Corporate Governance ("the Code"). The general framework of corporate governance that the Board upholds is one which aims to encourage positive entrepreneurial 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 eight (8) members comprising of the following:

- One (1) Executive Chairman;
- One (1) Chief Executive Officer;
- One (1) Executive Director;
- One (1) 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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") 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 cognisant of the key role they play in charting the strategic direction, development and control of the Group and have adopted the six (6) primary responsibilities as listed in the Code. The profiles of the Directors which are set out on pages 19 to 24 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 whose responsibility is to ensure the execution of strategic goals, effective operation within the Group, to explain, clarify and inform the Board on matters pertaining to the Group. The Chief Executive Officer sets the Board agenda for approval of the Executive Chairman.

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.

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 year ended 30 June 2009, 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 (Chairman)	5/5	100
2. Datuk Lim Kim Chuan	5/5	100
3. Encik Azlan bin Abdullah	3/5	60
Non-Independent Non-Executive Directors	No. of Attendance	%
1. Tunku Tan Sri Abdullah ibni Almarhum Tuanku Abdul Rahman (Demised on 20 August 2008)	1/1	100
2. Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	4/5	80
3. Datin Ezurin Yusnita binti Abdul Malik *	2/5	40
Independent Non-Executive/Directors	No. of Attendance	%
1. Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah	3/5	60
2. Dato' Jaffar Indot	4/5	80
3. Mr Lee Ching Kion	5/5	100
4. Mr Onn Kien Hoe	5/5	100

* Note: Datin Ezurin Yusnita binti Abdul Malik vacated office on 9 September 2009 pursuant to Paragraph 15.05(3)(c) of the Main Market Listing Requirements of Bursa Securities.

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.

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

STATEMENT ON

CORPORATE GOVERNANCE

(continued)

The principle 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 (3) 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 and shall also be eligible for re-election.

g) Directors' Training

All Directors of the Company have attended the Mandatory Accreditation Programme prescribed by Bursa Securities.

In compliance with the Main Market Listing Requirements of 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 2009 are as follows:

Members of the Board	Seminars/Training Programmes
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	<ul style="list-style-type: none">• The Malaysian Economy and Market Outlook• National Sales Congress• Global Macroeconomics
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	<ul style="list-style-type: none">• Global Macroeconomics
Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah	<ul style="list-style-type: none">• Mind Mapping for Quick Action• Winning the Next Lap
Dato' Jaffar Indot	<ul style="list-style-type: none">• The Malaysian Economy and Market Outlook• Directors' Continuing Education Programme 2009
Datin Ezurin Yusnita binti Abdul Malik	Nil *
Datuk Lim Kim Chuan	<ul style="list-style-type: none">• The Malaysian Economy and Market Outlook• Global Macroeconomics
En Azlan bin Abdullah	<ul style="list-style-type: none">• The Malaysian Economy and Market Outlook
Mr Lee Ching Kion	<ul style="list-style-type: none">• Global Macroeconomics• Updates on Regulatory Framework, Directors Duties & Effective Governance Conference 2009 "Managing Corporation During Times of Financial Turbulence - The Way Forward"
Mr Onn Kien Hoe	<ul style="list-style-type: none">• Persidangan Cukai Malaysia 2008• 2009 Budget Talk• The Malaysian Economy and Market Outlook

* Note: Datin Ezurin Yusnita binti Abdul Malik has not managed to attend directors' training in compliance with Paragraph 15.08 of the Main Market Listing Requirements of Bursa Securities due to her busy travelling commitment.

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 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.

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

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	1,426	-
Allowances	-	-
Bonuses	178	-
Fees	-	221
Benefits-In-Kind	57	5
Other Emoluments	292	60
TOTAL	1,953	286

Range of Remuneration	Number of Directors	
	*Executive	Non-Executive
Less than RM50,000	-	6
RM50,001 to RM100,000	-	1
RM850,001 to RM900,000	1	-
RM1,050,001 to RM1,100,000	1	-

* Note: One (1) 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.

(continued)

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 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 of three (3) 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 Main Market 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.

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 50 to 51 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.

The members of the RMC are as follows:

- (i) Dato' Jaffar Indot (Chairman);
- (ii) Mr Lee Ching Kion; and
- (iii) Datuk Lim Kim Chuan

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 External 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; 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.

OTHER BURSA SECURITIES COMPLIANCE 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.

b) Non-audit fees

There were no non-audit fees paid by the Group to the External Auditors during the financial year.

c) During the financial year ended 30 June 2009:

- (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 year ended 30 June 2009 which differed by ten percent (10%) 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.

(continued)

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. The last revaluation of its properties was carried out in January 2006.

e) Share Buybacks

During the financial year ended 30 June 2009, the Company had acquired 161,000 ordinary shares of RM1.00 each of its shares from the open market at an average price of RM0.55 per share. As at 30 June 2009, the Company had repurchased in total 1,232,600 ordinary shares of MIG from the open market at an average price of RM1.62 per share. All the shares repurchased are being held as treasury shares.

Details of the Company's shares bought back by the Company during the previous twelve (12) months up to 30 June 2009 are set out below:

Date	No. of MIG Shares	Highest Price (RM)	Lowest Price (RM)	Average Price (RM)	Total Consideration (RM)
5.12.2008	161,000	0.55	0.54	0.55	88,292.40

f) Employees Share Option Scheme ("ESOS")

During the financial year ended 30 June 2009, there was no exercise of ESOS.

The Company's ESOS is governed by the By-Laws approved by the shareholders at an Extraordinary General Meeting held on 21 November 2003. The ESOS was implemented on 5 December 2003 and was valid for a period of five (5) years from the date of implementation. The ESOS expired on 4 December 2008 and was subsequently not extended.

g) Recurrent Related Party Transactions ("RRPTs")

On 9 December 2008, 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 17 November 2008) in their ordinary course of business with related parties ("Shareholders' Mandate") as defined in Chapter 10 of the Main Market Listing Requirements of Bursa Securities.

g) Recurrent Related Party Transactions ("RRPTs") (continued)

The aggregate value of transactions conducted during the financial year ended 30 June 2009 in accordance with the Shareholders' Mandate obtained in the last Annual General Meeting were as follows:

RRPTs with Melewar Group of Companies

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Party		Value of Transaction (RM)
				Director	Major Shareholder	
1.	Mitra Malaysia Sdn Bhd ("Mitra")	Purchase of air tickets, tour and travel package by Melewar Industrial Group Bhd ("MIG") and its subsidiaries ("MIG Group") from Mitra.	Interested Directors Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah ("TY"), Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah ("TY") and Datin Ezurin Yusnita binti Abdul Malik* ("Datin Ezurin").	Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah ("TI") is deemed interested in Mitra by virtue of his substantial shareholdings in Melewar Leisure Sdn Bhd who is the holding company of Mitra. TY, TY and Datin Ezurin* are deemed interested in Mitra by virtue of their family relationship with TI. TI is the brother to TY and TY. Datin Ezurin is the wife of TY.	Nil	404,232
2.	Trace Management Services Sdn Bhd ("Trace")	Corporate secretarial services by Trace to MIG Group	Interested Directors TY, TY and Datin Ezurin*	TY and TY are deemed interested in Trace by virtue of their major shareholdings in The Melewar Corporation Berhad, the substantial shareholder of Trace. Datin Ezurin* is the wife of TY.	Nil	350,939

(continued)

RRPTs with MAAH Group of Companies

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Party		Value of Transaction (RM)
				Director	Major Shareholder	
1.	Wira Security Services Sdn Bhd ("WSS")	Provision of security guard services by WSS to MIG Group	<p>Interested Directors TY, TYY and Datin Ezurin*</p> <p>Interested Major Shareholder Kyhra Legacy Berhad ("KLB")</p>	<p>TY is deemed interested in MAA Holdings Berhad ("MAAH") by virtue of his substantial shareholdings in KLB who is the ultimate major shareholder of MAAH.</p> <p>TYY and Datin Ezurin* are therefore deemed interested by virtue of their relationship with TY based on Section 122A(1)(a) of the Companies Act, 1965.</p>	<p>WSS is a wholly owned subsidiary of MAA Corporation Sdn Bhd ("MAA Corp") who in turn is a wholly owned subsidiary of MAAH.</p> <p>KLB is the ultimate major shareholder of MAAH.</p>	341,887
2.	Malaysian Assurance Alliance Berhad ("MAAB")	Provision of insurance business by MAAB to MIG Group	<p>Interested Directors TY, TYY and Datin Ezurin*</p> <p>Interested Major Shareholder KLB</p>	<p>TY is deemed interested in MAAB by virtue of his substantial shareholdings in KLB who has a 34% indirect shareholding in MAAH, the holding company of MAAB.</p> <p>TYY and Datin Ezurin* are therefore deemed interested by virtue of their relationship with TY based on Section 122A(1)(c) of the Companies Act, 1965.</p>	<p>MAAB is a wholly owned subsidiary of MAAH.</p> <p>KLB is the ultimate major shareholder of MAAH.</p>	1,965,645

STATEMENT ON CORPORATE GOVERNANCE

(continued)

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Party		Value of Transaction (RM)
				Director	Major Shareholder	
3.	MAAB	Office rental, deposits and utilities charged by MAAB to MIG Group	<p>Interested Directors TY, TYY and Datin Ezurin*</p> <p>Interested Major Shareholder KLB</p>	<p>TY is deemed interested in MAAB by virtue of his substantial shareholdings in KLB who has a 34% indirect shareholding in MAAH, the holding company of MAAB.</p> <p>TYY and Datin Ezurin* are therefore deemed interested by virtue of their relationship with TY based on Section 122A(1)(a) of the Companies Act, 1965.</p>	<p>MAAB is a wholly owned subsidiary of MAAH.</p> <p>KLB is the ultimate major shareholder of MAAH.</p>	881,558
4.	MAA Corporate Advisory Sdn Bhd ("MAACA")	Provision of corporate consultancy services by MAACA to MIG Group	<p>Interested Directors TY, TYY and Datin Ezurin*</p> <p>Interested Major Shareholder KLB</p>	<p>TY is deemed interested in MAACA by virtue of his substantial shareholdings in KLB who has a 34% indirect shareholding in MAAH, the holding company of MAA Corp.</p> <p>TYY and Datin Ezurin* are therefore deemed interested by virtue of their relationship with TY based on Section 122A(1)(a) of the Companies Act, 1965.</p>	<p>MAACA is a wholly owned subsidiary of MAA Corp who in turn is a wholly owned subsidiary of MAAH.</p> <p>KLB is the ultimate major shareholder of MAAH.</p>	Nil

STATEMENT ON

CORPORATE GOVERNANCE

(continued)

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Party		Value of Transaction (RM)
				Director	Major Shareholder	
5.	Chelsea Parking Services Sdn Bhd ("Chelsea")	Car parks rental charged by Chelsea to MIG Group payable on monthly basis	<p>Interested Directors TY, TYY and Datin Ezurin*</p> <p>Interested Major Shareholder KLB</p>	<p>TY is deemed interested in Chelsea by virtue of his substantial shareholdings in KLB who has a 34% indirect shareholding in MAAH, the holding company of MAA Corp.</p> <p>TY and Datin Ezurin* are therefore deemed interested by virtue of their relationship with TY based on Section 122A(1)(a) of the Companies Act, 1965.</p>	<p>Chelsea is a wholly owned subsidiary of MAA Corp who in turn is a wholly owned subsidiary of MAAH.</p> <p>KLB is the ultimate major shareholder of MAAH.</p>	31,195
6.	MAA Fire-X Sdn Bhd ("MAA Fire-X")	Provision of fire fighting system services by MAA Fire-X to MIG Group	<p>Interested Directors TY, TYY and Datin Ezurin*</p> <p>Interested Major Shareholder KLB</p>	<p>TY is deemed interested in MAA Fire-X by virtue of his substantial shareholdings in KLB who has a 34% indirect shareholding in MAAH, the holding company of MAA Corp.</p> <p>TY and Datin Ezurin* are therefore deemed interested by virtue of their relationship with TY based on Section 122A(1)(a) of the Companies Act, 1965.</p>	<p>MAA Fire-X is a 55% owned subsidiary of MAA Corp who in turn is a wholly owned subsidiary of MAAH.</p> <p>KLB is the ultimate major shareholder of MAAH.</p>	Nil

STATEMENT ON CORPORATE GOVERNANCE

(continued)

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Party		Value of Transaction (RM)
				Director	Major Shareholder	
7.	MAA Credit Sdn Bhd ("MAA Credit")	Term loan and interest charged on term loan by MAA Credit to MIG Group	<p>Interested Directors TY, TYY and Datin Ezurin*</p> <p>Interested Major Shareholder KLB</p>	<p>TY is deemed interested in MAA Credit by virtue of his substantial shareholdings in KLB who has a 34% indirect shareholding in MAAH, the ultimate holding company of MAA Credit.</p> <p>TYY and Datin Ezurin* are therefore deemed interested by virtue of their relationship with TY based on Section 122A(1)(a) of the Companies Act, 1965.</p>	<p>MAA Credit is a wholly owned subsidiary of MAA Corp who in turn is a wholly-owned subsidiary of MAAH.</p> <p>KLB is the ultimate major shareholder of MAAH.</p>	Nil
8.	Maybach Logistic Sdn Bhd ("Maybach")	Provision of transportation services by Maybach to MIG Group	<p>Interested Directors TY, TYY and Datin Ezurin*</p> <p>Interested Major Shareholder KLB</p>	<p>TY is deemed interested in Maybach by virtue of his deemed substantial interest in MAAH, MIG, Mycron Steel Berhad ("MSB") and M3nergy Bhd ("M3nergy"), who are the shareholders of Maybach.</p> <p>TYY and Datin Ezurin* are therefore deemed interested by virtue of their relationship with TY based on Section 122A(1)(a) of the Companies Act, 1965.</p>	<p>KLB is the ultimate major shareholder of MAAH, MIG, MSB and M3nergy.</p>	387,231

(continued)

RRPTs with MSB Group of Companies

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Party		Value of Transaction (RM)
				Director	Major Shareholder	
1.	Mycron Steel CRC Sdn Bhd ("MSCRC")	Provision of treasury services by MIG to MSCRC	Interested Directors TY, TYY and Datin Ezurin*	TY is deemed interested in MSB by virtue of his 38.9% indirect shareholding in MIG. TYY and Datin Ezurin* are therefore deemed interested by virtue of their relationship with TY based on Section 122A(1)(a) of the Companies Act, 1965.	MSCRC is a wholly owned subsidiary of MSB. MIG is the substantial shareholder of MSB by virtue of its 54.8% shareholding in MSB.	Nil
2.	MSCRC	Provision of finance, payroll and information technology services by Melewar Steel Tube Sdn Bhd ("MST") to MSCRC	Interested Directors TY, TYY and Datin Ezurin*	TY is deemed interested in MSB by virtue of his 38.9% indirect shareholding in MIG. TYY and Datin Ezurin* are therefore deemed interested by virtue of their relationship with TY based on Section 122A(1)(d) of the Companies Act, 1965.	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 54.8% shareholding in MSB.	72,000
3.	MSCRC	Rental charged by MSCRC to Melewar Steel Mills Sdn Bhd ("MSM") for using land belonging to MSCRC	Interested Directors TY, TYY and Datin Ezurin*	TY is deemed interested in MSB by virtue of his 38.9% indirect shareholding in MIG. TYY and Datin Ezurin* are therefore deemed interested by virtue of their relationship with TY based on Section 122A(1)(a) of the Companies Act, 1965.	MSCRC is a wholly owned subsidiary of MSB. MSM is a wholly owned subsidiary of MIG. MIG is the substantial shareholder of MSB by virtue of its 54.8% shareholding in MSB	500,000

STATEMENT ON CORPORATE GOVERNANCE

(continued)

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Party		Value of Transaction (RM)
				Director	Major Shareholder	
4.	MSCRC	Purchase of cold rolled coils by MST from MSCRC	Interested Directors TY, TYY and Datin Ezurin*	<p>TY is deemed interested in MSB by virtue of his 38.9% indirect shareholding in MIG.</p> <p>TYY and Datin Ezurin* are therefore deemed interested by virtue of their relationship with TY based on Section 122A(1)(a) of the Companies Act, 1965.</p>	<p>MSCRC is a wholly owned subsidiary of MSB.</p> <p>MST is a wholly owned subsidiary of MIG.</p> <p>MIG is the substantial shareholder of MSB by virtue of its 54.8% shareholding in MSB.</p>	29,474,558
5.	MSCRC	Sale of pipes by MIG to MSCRC	Interested Directors TY, TYY and Datin Ezurin*	<p>TY is deemed interested in MSB by virtue of his 38.9% indirect shareholding in MIG.</p> <p>TYY and Datin Ezurin* are therefore deemed interested by virtue of their relationship with TY based on Section 122A(1)(a) of the Companies Act, 1965.</p>	<p>MSCRC is a wholly owned subsidiary of MSB.</p> <p>MIG is the substantial shareholder of MSB by virtue of its 54.8% shareholding in MSB.</p>	203,938

STATEMENT ON

CORPORATE GOVERNANCE

(continued)

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Party		Value of Transaction (RM)
				Director	Major Shareholder	
6.	MSCRC	Sale of second grade pipes and provision of slitting services by MST to MSCRC	Interested Directors TY, TYY and Datin Ezurin*	TY is deemed interested in MSB by virtue of his 38.9% indirect shareholding in MIG. TYY and Datin Ezurin* are therefore deemed interested by virtue of their relationship with TY based on Section 122A(1)(a) of the Companies Act, 1965.	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 54.8% shareholding in MSB.	Nil
7.	MSCRC	Sale of scrap by MSCRC to MSM	Interested Directors TY, TYY and Datin Ezurin*	TY is deemed interested in MSB by virtue of his 38.9% indirect shareholding in MIG. TYY and Datin Ezurin* are therefore deemed interested by virtue of their relationship with TY based on Section 122A(1)(a) of the Companies Act, 1965.	MSCRC is a wholly owned subsidiary of MSB. MSM is a wholly owned subsidiary of MIG. MIG is the substantial shareholder of MSB by virtue of its 54.8% shareholding in MSB.	5,919,749

STATEMENT ON CORPORATE GOVERNANCE

(continued)

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Party		Value of Transaction (RM)
				Director	Major Shareholder	
8.	MSCRC	Provision of technical and consultancy services by Melewar Integrated Engineering Sdn Bhd ("MIE") to MSCRC for expansion projects in cold roll mill	Interested Directors TY, TYY and Datin Ezurin*	TY is deemed interested in both MIE and MSCRC by virtue of his 38.9% indirect shareholding in MIG. TYY and Datin Ezurin* are therefore deemed interested by virtue of their relationship with TY based on Section 122A(1)(a) of the Companies Act, 1965.	MSCRC is a wholly owned subsidiary of MSB. MIE is a 70% owned subsidiary of MIG. MIG is the substantial shareholder of MSB by virtue of its 54.8% shareholding in MSB.	3,222,364

RRPTs with MIE

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Party		Value of Transaction (RM)
				Director	Major Shareholder	
1.	MIE	Provision of technical and consultancy services by MIE to MSM for expansion projects in induction mill	Interested Directors TY, TYY and Datin Ezurin*	TY is deemed interested in MIE by virtue of his 38.9% indirect shareholding in MIG. TYY and Datin Ezurin* are therefore deemed interested by virtue of their relationship with TY based on Section 122A(1)(a) of the Companies Act, 1965.	MIE is a 70% owned subsidiary of MIG. MSM is a wholly owned subsidiary of MIG.	Nil

STATEMENT ON

CORPORATE GOVERNANCE

(continued)

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Party		Value of Transaction (RM)
				Director	Major Shareholder	
2.	MIE	Sales of steel bar by MSM to MIE	Interested Directors TY, TYY and Datin Ezurin*	TY is deemed interested in MIE by virtue of his 38.9% indirect shareholding in MIG. TYY and Datin Ezurin* are therefore deemed interested by virtue of their relationship with TY based on Section 122A(1)(a) of the Companies Act, 1965.	MIE is a 70% owned subsidiary of MIG. MSM is a wholly owned subsidiary of MIG.	Nil
3.	MIE	Provision of professional services by MIE to MIG in relation to a joint development study on pellet plant	Interested Directors TY, TYY and Datin Ezurin*	TY is deemed interested in MIE by virtue of his 38.9% indirect shareholding in MIG. TYY and Datin Ezurin* are therefore deemed interested by virtue of their relationship with TY based on Section 122A(1)(a) of the Companies Act, 1965.	MIE is a 70% owned subsidiary of MIG.	Nil

Financial assistance between MIG Group and the classes of related parties

Type of Financial Assistance	Related Party	Interested Related Parties	Manner of relationship with the Related Party		Value of Transaction (RM)
			Director	Major Shareholder	
Provision of 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 the MIG Group.	MIE	Interested Directors TY, TYY and Datin Ezurin*	TY is deemed interested in MIE by virtue of his 38.9% indirect shareholding in MIG. TYY and Datin Ezurin* are therefore deemed interested by virtue of their relationship with TY based on Section 122A(1)(a) of the Companies Act, 1965.	MIE is a 70% owned subsidiary of MIG.	Nil
Provision of financial assistance to the Group by the pooling of funds via a centralised treasury management function within the MIG Group on a short or medium term basis i.e. for a duration not exceeding three (3) years.	MIG Group	Interested Directors TY, TYY and Datin Ezurin*	TY is deemed interested in MIG Group by virtue of his 39.74% indirect shareholding in MIG. TYY and Datin Ezurin* are therefore deemed interested by virtue of their relationship with TY based on Section 122A(1)(a) of the Companies Act, 1965.	Nil	60,745,680

* Note: Datin Ezurin Yusnita binti Abdul Malik vacated office on 9 September 2009 pursuant to Paragraph 15.03 (3)(c) of the Main Market Listing Requirements of Bursa Securities.

COMPLIANCE STATEMENT

The Board is satisfied that the Company has, in all material aspects, complied with the best practice of the Code for the financial year ended 30 June 2009.

This statement was approved by the Board of Directors on 9 October 2009.

1. Introduction

Pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Securities, 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 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 financial 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 year ended 30 June 2009 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 Division Heads are well defined under the framework with clear lines of accountability. The Management is responsible for the identification and evaluation of key risks applicable to their areas of business on a continuous basis. Risks identified are reported in a timely manner during the periodic management meetings to enable corrective actions to be taken.

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

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

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

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

4. Internal Control Systems

The Board had engaged the services of Messrs Baker Tilly Monteiro Heng Governance Sdn Bhd ("BTMH") to carry out the internal audit function. The principle 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 costs incurred by the internal audit function in respect of the financial year ended 30 June 2009 was RM90,057.

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

- a. The Internal Auditors had prepared a 'risk-based' internal audit plan which considers all the critical and high impact areas within the business operations. During the financial year, internal audits on various audit areas per the approved internal audit plan were carried out by the internal auditors. Any weaknesses identified during the reviews were reported to the Audit Committee and improvement measures were recommended to strengthen controls. This provides assurance regarding the adequacy and the integrity of the internal controls system.
- b. The Group's operations are accredited with ISO9001 international quality system standard and such quality management system provides the Group with improved control of key processes and a foundation for improving quality and customer satisfaction.
- c. The Group has an appropriate organisational structure for planning, executing and controlling business operations which enables adequate monitoring of the activities and ensures effective flow of information across the Group.
- d. The Management is responsible for the identification and evaluation of key risks applicable to their areas of business on a continuous basis. Risks identified are reported in a timely manner during the periodic management meetings to enable corrective actions to be taken.
- e. Lines of responsibility and delegations of authority are clearly defined which include amongst others approval of capital expenditure and investment programmes.
- f. The Board of 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 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 15.23 of the Main Market Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement on Internal Control for the inclusion in the annual report for the financial year ended 30 June 2009. Their review was performed in accordance with Recommended Practise 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 principle 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 subsidiary. 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
(*Audit Member who fulfils requirement under Paragraph 15.09(1)(c)(i) of the Main Market Listing Requirements of Bursa Securities*)
2. Dato' Jaffar Indot - Independent Non-Executive Director
3. Mr Lee Ching Kion - Independent Non-Executive Director

The Chairman of the Audit Committee is Mr Onn Kien Hoe. The Directors' profiles are set out on pages 19 to 24 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 2009

During the financial year ended 30 June 2009, five (5) 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	5	5	100%
Dato' Jaffar Indot	5	5	100%
Mr Lee Ching Kion	5	5	100%

During the financial year ended 30 June 2009, 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 Securities;
- iii. Reviewed with external auditors on their audit plan (including system evaluation, audit fee, issues raised and management's response) prior to the commencement of audit;
- iv. Reviewed the financial statements, the audit report, issues and reservations arising from audits and the management letter with the external auditors and recommend the same to the Board;
- v. Reviewed the disclosure of related party transactions and any conflict of interest situation and questionable transactions;
- vi. Prepared the Audit Committee Report for inclusion in the Company's Annual Report;
- vii. Reported to and updated the Board on significant issues and concerns discussed during the Committee's meetings and where appropriate, made the necessary recommendations to the Board;
- viii. Reviewed the disclosure statements on compliance of Malaysian Code on Corporate Governance, Board's responsibility on the annual audited financial statements and the state of internal controls and other relevant documents for publication in the Company's Annual Report;
- 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.

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 (3) 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 (1) 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 (3) 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 (1) 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 Securities.
- 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 (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.
- 1.4 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 (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 The Audit Committee meetings shall be conducted at least four (4) 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 (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 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;

(continued)

- (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 Securities 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 Managing Director 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 (1) 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).

(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.