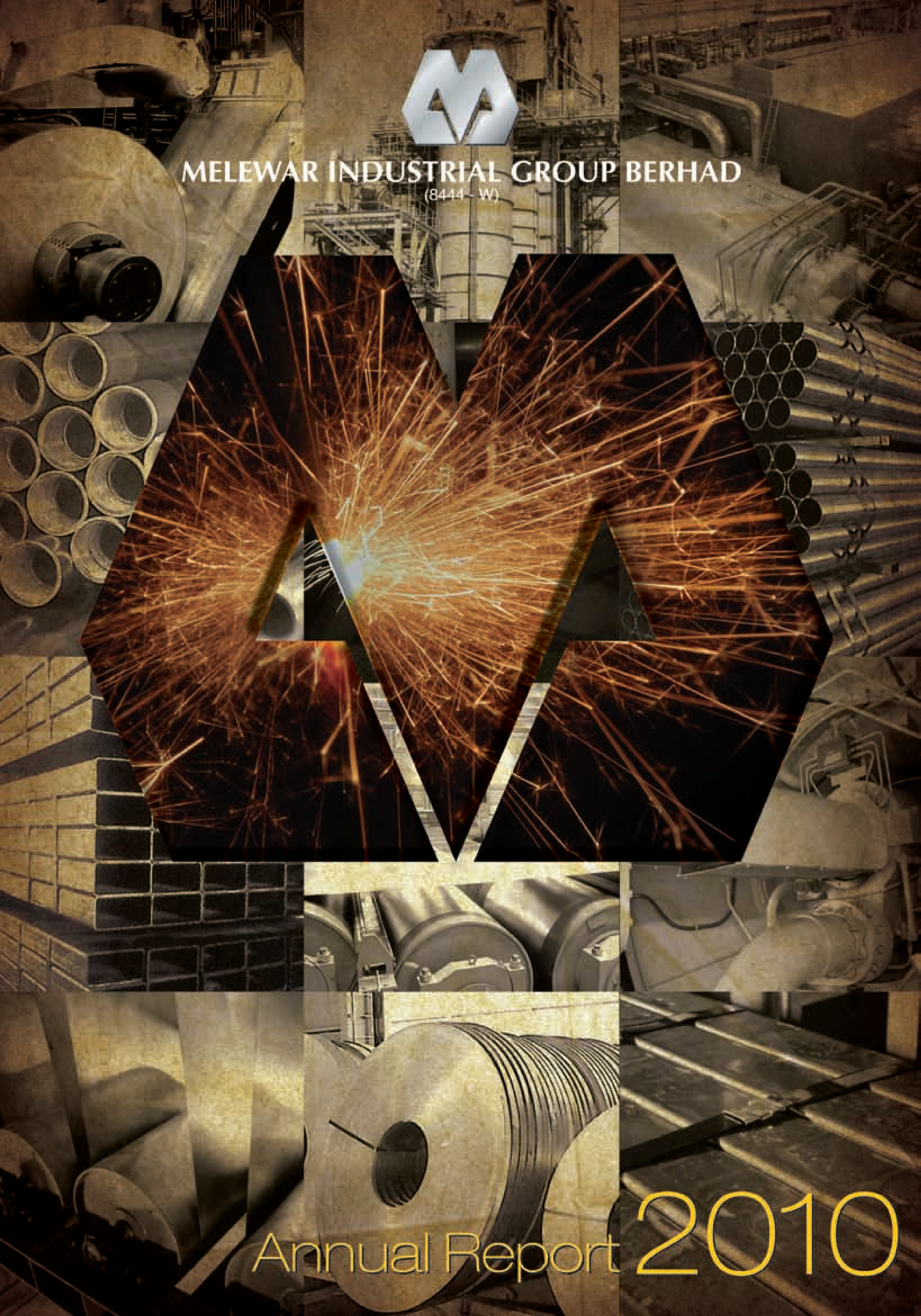


MELEWAR INDUSTRIAL GROUP BERHAD

(8444 - W)

Annual Report 2010

Contents

Notice of Forty-First Annual General Meeting

NOTICE IS HEREBY GIVEN that the Forty-First (41st) Annual General Meeting of the Company will be held at The Auditorium, Podium 1, Menara MAA, No. 12 Jalan Dewan Bahasa, 50460 Kuala Lumpur on Tuesday, 30 November 2010 at 12.00 noon for the following purposes:

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the year ended 30 June 2010 together with the Reports of the Directors and the Auditors thereon.

2. To approve the payment of a first and final dividend of 2 sen per share less 25% tax in respect of the financial year ended 30 June 2010. (Resolution 1)

3. To approve the increase in Directors' fees for Non-Executive Directors from RM216,000 to RM259,200 in respect of the financial year ending 30 June 2011 to be payable quarterly in arrears. (Resolution 2)

4. To re-elect Dato' Jaffar Indot who is over 70 years of age in accordance with Section 129(6) of the Companies' Act, 1965 and to hold office until the conclusion of the next Annual General Meeting. (Resolution 3)

5. To re-elect the following Directors of the Company who are retiring pursuant to Article 95 of the Company's Articles of Association, and who, being eligible, offer themselves for re-election:

   (i) Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah (Resolution 4)
   (ii) Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah (Resolution 5)

6. To re-elect the following Directors of the Company who are retiring pursuant to Article 100 of the Company's Articles of Association and who, being eligible, offer themselves for re-election:

   (i) Datin Ezurin Yusnita binti Abdul Malik (Resolution 6)
   (ii) En Suhaimi bin Kamaralzaman (Resolution 7)
   (iii) En Shazal Yusuf bin Mohamed Zain (Resolution 8)

7. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 9)

AS SPECIAL BUSINESS

8. To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:

(a) **Proposed Renewal of Authority for the Company to purchase its own shares** (Resolution 10)

"THAT subject to compliance with Section 67A of the Companies' Act, 1965, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by any relevant authority, the Company be and is hereby unconditionally and generally authorised to purchase and hold such number of ordinary shares of RM1 each in the Company ("Proposed Renewal of Share Buy-Back Authority") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that the aggregate number of shares to be purchased pursuant to this Resolution does not exceed ten percent (10%) of the issued and paid-up share capital of the Company and that an amount not exceeding the Company's total audited retained profits of RM116,204,429 and share premium account of RM241,447 as at 30 June 2010 would be allocated by the Company for the Proposed Renewal of Share Buy-Back Authority.

AND THAT such authority shall commence immediately upon passing of this ordinary resolution and will expire at the conclusion of the next Annual General Meeting of the Company unless earlier revoked or varied by ordinary resolution of shareholders of the Company in a general meeting or upon the expiration of the period within which the next Annual General Meeting is required by law to be held whichever is the earlier but not so as to prejudice the completion of purchase(s) made by the Company before the aforesaid expiry date.

AND THAT the Directors be and are hereby authorised to take all steps necessary to implement, finalise and to give full effect to the Proposed Renewal of Share Buy-Back Authority and further that authority be and is hereby given to the Directors to decide in their absolute discretion to either retain the shares so purchased as treasury shares or cancel them or both".

(b) **Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs")** (Resolution 11)

"THAT the mandate granted by the shareholders of the Company on 24 November 2009 pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Securities, authorising the Company and its subsidiaries ("the MIG Group") to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for the MIG Group's day-to-day operations as set out in Section 3.0 (A) and (B) of Part B of the Circular to Shareholders dated 8 November 2010 ("the Circular") with the related parties mentioned therein, be and is hereby renewed, provided that:

(a) the transactions are in the ordinary course of business and are on terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company;

(b) the transactions are made at arm's length and are on normal commercial terms; and

(c) disclosure will be made in the annual report providing the breakdown of the aggregate value of the transactions conducted pursuant to the mandate during the financial year, amongst others, based on the following information:

(i) the type of the RRPTs made; and
(ii) the names of the related parties involved in each type of the Recurrent Transactions made and their relationship with the Company.

AND THAT the authority conferred by such renewed and granted mandate shall continue to be in force (unless revoked or varied by the Company in a general meeting) until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the forthcoming AGM at which time it will lapse, unless by a resolution passed at that meeting or Extraordinary General Meeting whereby the authority is renewed; or

(ii) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Companies' Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(iii) revoked or varied by a resolution passed by the shareholders in general meeting;

whichever is earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution".

SPECIAL RESOLUTION 1

(c) **Proposed Amendments to the Articles of Association of the Company** (Resolution 12)

"THAT, the proposed new Articles of Association of the Company as set out in Section 1.0 of Part C of the Circular to Shareholders dated 8 November 2010, be and are hereby approved and adopted as the new Articles of Association of the Company AND THAT the Directors of the Company and Company Secretary be and are hereby authorised to take all such steps and carry out all the necessary formalities to give full effect to the proposed adoption of the Company's new Articles of Association."

NOTICE OF CLOSURE OF BOOKS

NOTICE IS ALSO HEREBY GIVEN that the Register of Members will be closed at 5.00 p.m. on 8 December 2010 for the purpose of determining shareholders' entitlement to the first and final dividend of 2 sen per share less 25% tax in respect of the financial year ended 30 June 2010.

The dividend, if approved, will be paid on 30 December 2010 to shareholders whose names appear in the Register of Members of the Company at the close of business on 8 December 2010.

A depositor shall qualify for entitlement only in respect of:
(a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 8 December 2010 in respect of ordinary transfers; and
(b) shares bought on the Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

LILY YIN KAM MAY (MAICSA 0878038)
SOON LEH HONG (MIA 4704)
Company Secretaries

Kuala Lumpur
8 November 2010

NOTES:

1. A member entitled to attend and vote at a meeting of the Company is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.

2. A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 may appoint one (1) proxy in respect of each securities account.

3. The instrument appointing a proxy, shall be in writing under the hand of the appointer or his attorney duly authorised in writing, and in the case of a corporation, either under seal or under hand of an officer or attorney duly authorised.

4. The instrument appointing a proxy must be deposited at the Company's Registered Office, Suite 20.03, 20th Floor, Menara MAA, No.12, Jalan Dewan Bahasa, 50460 Kuala Lumpur, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

5. Any alteration in the form of proxy must be initialed.

6. Explanatory notes to Special Business of Agenda 8:

   (a) Proposed Renewal of authority for the Company to purchase its own shares
   The Proposed Resolution 10, if passed, would empower the Directors to exercise the power of the Company to purchase its own shares ("the Proposal") by utilising its financial resources not immediately required. The Proposal may have a positive impact on the market price of the Company's shares. The details of the Proposed Resolution 10 are given under Part A of the Circular to Shareholders dated 8 November 2010 which is dispatched together with the Company's 2010 Annual Report.

   (b) Proposed Shareholders' Mandate for Recurrent Related Party Transactions
   The Proposed Resolution 11, if passed, will empower the Company to conduct recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, and will eliminate the need to convene separate general meetings from time to time to seek shareholders' approval. This will substantially reduce administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

   The detailed information on Recurrent Related Party Transactions is set out in Part B of the Circular to Shareholders of the Company dated 8 November 2010 which is dispatched together with the Company's 2010 Annual Report.

   (c) Proposed Amendments to Articles of Association of the Company
   The Proposed Resolution 12, if passed, will give authority for the Company to amend its Articles of Association in order to align with the amendments of the Main Market Listing Requirements pursuant to the directive from Bursa Securities on the implementation of payment of electronic cash dividend.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Securities, the details of the Directors who are seeking for re-election or re-appointment in Agenda 4, 5 and 6 of the Notice of the Forty-First (41st) Annual General Meeting of the Company are set out in the Directors' Profile on pages 19 to 23 of this Annual Report. Their securities holdings in the Company are set out in the Directors' Shareholdings which appears on page 28 of this Annual Report.

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Annual Report of Melewar Industrial Group Berhad and its group of companies ("the Group") for the financial year ended 30 June 2010.

Firstly, let me congratulate all shareholders, customers, suppliers, business partners and staff, in witnessing the Group's entry into its 40th anniversary of operation. From a small 12,000 tonne per year, single-line steel-tube factory, in Shah Alam, as its origin, the Group has grown from strength to strength, to become, an industrial based conglomerate, involved in flat-steel products, engineering, mining and power generation. Your support over the past 40 years has been invaluable, and has made the Group, the success that it is today.

2010 BACKGROUND

Although the major effects, of the global financial and economic crisis in 2008, have subsided, towards the beginning of the financial year under review, the aftershocks of the crisis continue to have an impact on the steel industry. In this regard, the steel industry faces two major concerns. Firstly, the unprecedented rise, in the price of iron ore, has had a serious knock-on effect, on the market for scrap, which posed serious problems, for the margins of steel companies and their customers. Secondly, the change from annual contracts for iron ore, to a three-month pricing mechanism, by the major mining companies, has increased the volatility, of iron ore and scrap prices.

Despite this volatility, the Group has managed to register, a satisfactory result, for the financial year under review, principally due to the Group's conservative management, of its inventories and sales.

FINANCIAL RESULTS

For the financial year under review, the Group recorded 17.9% higher total revenues at RM707.1 million (FY 2009: RM599.5 million).

Correspondingly, the Group's Profit After Tax for the year, has increased substantially to RM79.0 million (FY 2009: Loss After Tax RM172.7 million).

The Group's Net Assets have also increased to RM2.31 per share (FY 2009: RM2.02 per share) with earnings for the financial year growing to a healthy 30.0 sen per share.

PROPOSED DIVIDEND

The Board of Directors had, on 26 August 2010, recommended a first and final dividend of 2.0 sen per share, less 25% income tax, in respect of the financial year ended 30 June 2010. This is subject to the shareholders approval at the forthcoming Annual General Meeting to be held on 30 November 2010.

DIVISIONAL PERFORMANCE

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

1) Iron and Steel;
2) Energy; and
3) Engineering.

1.0 IRON & STEEL DIVISION

The Group's Iron and Steel Division is made up of its interest on the following companies:

- Melewar Steel Tube Sdn Bhd – Manufacturer of Steel Tubes
- Mycron Steel Berhad – Manufacturer of Cold Rolled Coil Steel Sheets
- Melewar Steel Mills Sdn Bhd – Manufacturer of Rebar, Billets & Trading
- Gindalbie Metals Ltd – Miner of Iron Ore in Australia

1.1 Industry Overview (Iron & Steel Division)

The steel industry has traditionally been highly cyclical, and is greatly affected, by global economic conditions. After a period of growth, between 2004 and 2008, the recent global economic and financial crisis, had again shown, the steel industry's vulnerability to volatility. The steel industry, began a gradual recovery, in the second half of the calendar year 2009, and has continued until the first half of 2010.

During this period, the price for international Hot Rolled Coil ("HRC"), the basic raw material for the manufacture of Steel Tubes and Cold Rolled Coil ("CRC"), fluctuated from a low of US$490 per tonne in July 2009, to a high of US$760 per tonne in June 2010. This sharp increase was mainly driven, by raw material cost increase (i.e. iron ore, coking coal and scrap), and also reflected improved demand, on the back of better economic activity, for consumer goods, appliances, automotive and other industrial segments. Unfortunately, during the second quarter of calendar year 2010, customer confidence was again shaken, due to market turmoil, in the wake of the Greek financial crisis.

Domestically, for the fourth quarter of 2009, Malaysia recorded a Gross Domestic Product ("GDP") growth of 4.5%. Thereafter, the Malaysian economy rebounded strongly, with first and second quarter growth for calendar year 2010 at 10.1% and 8.9% respectively.

1.2 Steel Tube Operations (Melewar Steel Tube Sdn Bhd)

The Group's Steel Tube manufacturing operations are conducted through its 100% owned subsidiary, Melewar Steel Tube Sdn Bhd.

Demand for Steel Tube is primarily driven by domestic construction activities, which has remained quiet, during the period under review, despite the various project announcements under the Government's stimulus package. This is reflected in the domestic construction GDP growth, falling from 8.7% in the first quarter, to 4.1% in the second quarter, of 2010.

During the financial year, the industry saw a continuous price increase for HRC, which constitutes approximately three quarters of total Steel Tube manufacturing cost. Although the price increase created confidence in the market over the short term, the magnitude of the increases, has put pressure on the margins of Steel Tube products. After an overall increase of RM570 per tonne, over a period of one year, the domestic HRC price dropped by RM510 per tonne, within a period of one month, in the third quarter of the calendar year 2010.

Domestic demand for Steel Tubes although slightly improved from the previous year, is still generally considered weak, and is reflected in the division's low plant utilization rate of one-third capacity, with total sales for the financial year of 77,200 tonnes (FY 2009: 64,200 tonnes).

Nevertheless, for the financial year under review, the division recorded total revenues of RM249.3 million, compared to RM223.0 million in the previous financial year. For this financial year, the division reported a significant improvement in Profit Before Tax of RM21.2 million, compared to a Loss Before Tax of RM15.2 million in the previous financial year.

Taking into account the present volatility within the steel industry, the management will continue with its conservative approach to inventory management, as well as maintain its strong control over trade debtors. The Steel Tube division's trade debtor balance is generally considered very healthy, and currently stands at 52 days of sales, which is one of the lowest in the industry.

1.3 Cold Rolled Coil Operations (Mycron Steel Berhad)

The Group's Cold Rolled Coil ("CRC") steel sheet operations are conducted through its 54.8% subsidiary, Mycron Steel Berhad, which is listed on Bursa Malaysia.

For the financial year under review, the CRC Division achieved total revenues of RM429.3 million, which is a 23.4% increase, compared to the previous financial year of RM347.9 million, reflecting the higher production, which came on stream, with the completion of the new combined mill in 2008.

The division recorded a substantial Profit Before Tax of RM36.3 million, which is a major turnaround, as compared to the Loss Before Tax of RM45.1 million, in the previous financial year.

The gradual recovery in demand for CRC began, from the second half of calendar year 2009, as the impact from the Government's stimulus packages, resulted in improved sentiment and increased economic activity. By the first half of calendar year 2010, increase in demand for consumer products, such as air conditioners and LCD television sets, had also helped push the market for CRC higher.

The implementation of Ministry of International Trade and Industry's ("MITI") New Steel Policy on 1st August 2009, as well as the introduction of Mandatory Standards for steel products, has also helped to promote, the use of locally manufactured steel products.

During the year, the division has succeeded in expanding, its business to the automotive sector, even further, with increased commitments to purchase the division's CRC products, by Proton, for use by its suppliers and vendors. In this regard, the division was recently awarded, a contract to supply CRC to Proton's vendors, totaling 12,000 tonnes for one year. At current prices, this contract is worth more than RM30 million in sales.

Another positive development is Perodua's recently completed test and evaluation of the division's CRC, for use in 23 of its motor vehicle components. Should all go well, the division is targeting to commence the supply of CRC to Perodua, during the 2011 calendar year.

Apart from the automotive sector, the division has made significant penetration, in the supply of CRC to the steel-roof manufacturing sector. Demand for the division's high quality CRC, by this sector, has been growing steadily, and now represents a significant part of the division's core sales.

As a result of all the above, the division has experienced a substantial increase in deliveries of CRC, during the financial year, totaling 181,000 tonnes, compared to 124,500 tonnes, in the previous financial year.

Running at near full capacity, on a month by month basis, the division is evaluating the possibility of increasing output capacity further. With the ability to produce high quality CRC, increased plant capacity coupled with the expected strong long term demand for CRC, the division is poised to maintain its position, as the manufacturer of the highest quality CRC in Malaysia.

1.4 Steel Reinforcement Bar Operations (Melewar Steel Mills Sdn Bhd)

The Group's Steel Reinforcement Bar ("Rebar") manufacturing operations are conducted through its 100% subsidiary, Melewar Steel Mills Sdn Bhd.

For long steel products, such as Rebar, the volatility in the sales price of Rebar, and the cost of scrap, had necessitated constant scrutiny of the impact of such volatility, to the margins of the division. By the end of 2009, due to narrowing margins caused by price volatility, as well as a collapse in demand for Rebar, a decision was made to temporarily cease the Rebar operations, and focus the business direction of the division, to the trading of steel products and scrap.

With the temporary suspension of Rebar operations, the division registered lower revenues for the financial year under review of RM16.5 million (FY 2009: RM25.2 million). For the financial year, the division recorded a Loss Before Tax of RM10.6 million (FY 2009: Loss Before Tax RM10.6 million) principally caused by a provision for impairment of the division's plant, property and equipment, resulting from the temporary suspension.

The management will continue to monitor the market demand and prices for Rebar and scrap, and will recommence operations, as soon as operating conditions become favorable.

1.5 Iron Ore Mining Operations (Gindalbie Metals Ltd)

The Group's involvement in iron ore mining is held through its interest in Gindalbie Metals Ltd ("Gindalbie"), which is listed on the Australian Stock Exchange.

Gindalbie is an iron ore exploration and mining company based in Perth, Australia, which is promoting a portfolio of projects in the Western Australia's Mid West Region. Gindalbie's core asset is the Karara Iron Ore Project, which it is developing in Joint Venture with AnSteel, China's second largest steel and iron ore company. Karara will deliver a diversified product mix, including high grade magnetite concentrate, blast furnace quality pellets and Direct Shipping Ore ("DSO") hematite.

The project, with Phase 1 capital investment budget of approximately A$2 billion, targets an initial production of 2 million tonnes per year of hematite iron ore, in first half 2011, and 8 million tonnes per year of magnetite iron ore, beginning August 2011. The mine has the potential, to increase production output to 30 million tonnes per year, with a life of more than 30 years.

Gindalbie and AnSteel have completed an agreement, for the Karara Iron Ore Project, under which AnSteel will off-take 100% of Karara's production, to AnSteel's new Bayuquan steel mill, in China. The mill, located adjacent to the Bayuquan Port in Yingkou Region, had been specifically constructed to receive iron ore from Karara.

In last year's Annual Report, it was noted that part of the Group's shareholding in Gindalbie, which was pledged to Opes Prime Stockbroking Ltd ("Opes") for a A$11.2 million loan, were disposed by a creditor bank of Opes, when it went into receivership that year.

Pursuant to a scheme of settlement, proposed by the said bank, and accepted by more than 90% of Opes' creditors, and subsequently approved by the Australian Federal Court, the loan from Opes was deemed fully settled, and that 32.0 million Gindalbie shares, which was pledged and sold by the creditor bank, was deemed disposed by the Group, in August 2009, at an estimated price of A$16.3 million.

A balance of unsold pledged 3.1 million Gindalbie shares were returned to the Group in February 2010, whilst out of the A$5.1 million estimated balance settlement sum due to the Group, A$4.5 million was received during the year.

The Group's initial investment in Gindalbie was in 2004, via a direct subscription of shares, amounting to 12.4% of Gindalbie's share capital at that time. Following subsequent rights issues, the Group's interest increased to 27%, with an average cost of A$0.10 per share.

Subsequently, with several share placements to AnSteel, the Group's interest was reduced to 10.5%. After the resolution of the Opes saga, the Group's shareholding in Gindalbie had further dropped to 5.9%, or 42.1 million shares.

During the financial year under review, the Group disposed 3.1 million Gindalbie shares to raise RM11.5 million for working capital purposes. Subsequent to the financial year end, and up to 15 October 2010, the Group further disposed 25.8 million Gindalbie shares, for net proceeds of RM70.8 million, which have been utilised to reduce the Group's bank borrowings. With these disposals, the Group's interest in Gindalbie is now 1.6%.

2.0 ENERGY DIVISION

The Group's involvement in Energy is principally through its interest in the following companies:

- M3nergy Berhad – Owner and Operator of Off-Shore Floating Oil & Gas Processing and Storage Facilities
- Siam Power Generation Company Ltd – Owner of Electric Power Plants

2.1 Oil & Gas Operations (M3nergy Berhad)

The Group's Oil and Gas operations, was represented through its 22.3% interest in Bursa Malaysia listed company, M3nergy Berhad ("M3nergy"), of 28.2 million shares.

This interest was disposed subsequent to the financial year end, for a cash consideration of RM52.3 million.

The said disposal came about through a Voluntary General Offer for all the shares of M3nergy by Adamus Avenue Sdn Bhd, at a price of RM1.85 per share, which was accepted by 90.16% of the shareholders. M3nergy has now been de-listed from the stock exchange, with the remaining shares being acquired under the mandatory acquisition rule.

The proceeds from the M3nergy disposal were timely, and were used to reduce the borrowings of the Group, at a time when raw material inventory prices were high, and when banking facilities were limited and strained. This disposal also reflects the desire of the Group, to reduce the span of its corporate activity, that will allow it to focus its attention, and concentrate its resources, on the remaining operations of the Group.

2.2 Power Generation Operations (Siam Power Generation Company Ltd)

The Group via its wholly-owned subsidiary, Mperial Power Ltd ("Mperial"), has a 96.1% equity interest in Siam Power Generation Public Company Ltd ("SIPCO").

SIPCO has a "Concession to Produce" license, issued by the Thai Energy Regulatory Commission, to build, own and operate a power generation facility, with a total output of up to 450 MW of electrical power, on its 40 acres site, in the SPP Industrial Park, Rayong Province, Thailand.

Under its first phase, SIPCO is constructing a 160 MW combined cycle gas fired power plant under the Electricity Generation Authority of Thailand ("EGAT") Small Power Producer ("SPP") Programme. EGAT, which is the principal off-taker, has executed the Power Purchase Agreement ("PPA") for a 90 MW of power, for a period of 25 years. Another 70 MW is sold to G Steel, a major steel player located next to the plant, under an Energy Services Agreement.

A major proportion of steam, that will be generated, in the power generation process, is sold to a domestic cold refrigeration services operator, Siam Ice Company Limited, under a long term Steam Sales Agreement. With the successful execution of the Steam Sales Agreement, SIPCO is expected to receive additional payments for fuel savings, due to the re-use of steam generated from the power generation process.

Physical construction of the plant, has progressed according to schedule, and is now almost completed. The plant has undergone pre-commissioning tests, including First Fire and Steam Blow. The synchronisation to the grid was also completed in September 2010, and the plant is expected to commence generation, and supply of power to EGAT and G Steel, by December 2010.

In 2009, SIPCO was awarded with a second PPA, to supply 90 MW to EGAT, under its SPP 2 programme. In September this year, SIPCO submitted a bid, to supply a further 90 MW to EGAT, under its SPP 3 programme, with target commercial operation set for July 2016.

The power division is expected to commence contributing revenue and profits to the Group, beginning the end of this calendar year, with strong potential for expansion, to the Group's earnings base.

3.0 ENGINEERING DIVISION

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

3.1 Engineering (Melewar Integrated Engineering Sdn Bhd)

Melewar Integrated Engineering Sdn Bhd ("MIE") is the technical development engineer and project manager for the Group. MIE has successfully completed and commissioned various projects within the Group, including the upgrade and expansion of the CRC plant for Mycron.

MIE also undertakes third party works, and is actively bidding for project management and engineering works, within and outside the country.

For the financial year under review, MIE achieved total revenues of RM11.9 million (FY 2009: RM3.5 million) and Loss Before Tax of RM1.6 million (FY 2009: Loss Before Tax of RM2.8 million).

3.2 Steel Smelting Technology (Melewar MycroSmelt Technology Ltd.)

Melewar MycroSmelt Technology Ltd ("MMTL") was incorporated to market the Group's scrap-smelting technology for the production of steel billets. The Group's existing billet plant in Shah Alam is operated by Melewar Steel Mills Sdn Bhd.

MMTL is seeking to license the use of this technology outside the country. It has recently completed a feasibility study for building a similar facility in Bahrain, and is presently in discussions with interested parties there.

3.3 Building Systems (Ausgard Quick Assembly Systems Sdn Bhd)

Ausgard Quick Assembly Systems Sdn Bhd ("AQAS") was incorporated to develop, manufacture and supply an alternative building system, using steel structures. AQAS has developed a quick assembly construction system, utilising pre-fabricated components, which are principally assembled from steel tubes. Under this building system, a typical home can be assembled in as short a time as one month.

AQAS has recently commenced marketing the building system, and is hopeful of securing contracts in the near future.

BUSINESS OUTLOOK

With the global financial crisis largely over, and with the Malaysian economy recording strong growth, in the first half of the calendar year 2010, the prospects for the domestic economy appears positive. However, concerns over a moderation in growth, particularly in advanced economies, that will impact the domestic economy, has warranted the forecast of some form of fiscal consolidation, in the near future. As governments in several advanced economies plan to cut spending, in order to trim their budget deficits, there is concern, that the pace of economic recovery, may be adversely affected.

For the steel industry, it is generally accepted, that real demand for steel products, remains below the levels prevailing before the 2007/8 economic crisis. This, coupled with the price volatility for steel products and raw materials, remains the main concerns, facing the steel sector, globally.

Domestically, the Government has announced various measures, to increase Malaysia's competitive edge, with an aim of turning Malaysia, into a high-income nation. The most recent announcement was the Economic Transformation Programme ("ETP"), which outlined, in great detail, the Government's planned investments, for various sectors of the country, until 2020. If successfully implemented, the domestic steel industry, is expected to benefit from the various planned projects.

For the calendar year 2010, the Malaysian economy is forecasted to remain strong, with GDP growth for the year, expected to exceed 6% (Source: Bank Negara Malaysia). However, for the year 2011, this growth is expected to slow, down to 5.2% (Source: Malaysian Institute for Economic Research).

PROSPECTS FOR THE NEW FINANCIAL YEAR

The Group's Steel Tube Division, which is dependent on the construction sector, is expected to continue to face a challenging time, for financial year 2011. However, should the various measures, to turn Malaysia into a high-income nation, are expediently implemented, the division is expected to benefit positively, through an uptake in demand for Steel Tubes.

Although the CRC Division is not affected by the construction sector, the pace of global economic recovery and consumer confidence, are among the critical factors, which can sustain and increase the demand for CRC. The division has recently made significant inroads, in the supply of high grade CRC to the automotive and the steel-roof sector. Operating at near full capacity, and barring any unforeseen factors, the division expects to maintain, if not surpass, its good performance, for the new financial year.

The Power Division is expected to commence contributing to the Group's revenue and profits in the forthcoming financial year. As the division's main revenue is derived from long term power off-take agreements, the division's performance is expected to be stable, and unaffected, by any short-term economic turmoil.

As the Engineering Division sources for works outside of the Group, the division's performance is highly dependent, on the success of the division's bids for projects. Like the Steel Tube Division, the Engineering Division is expected to benefit, should the implementation of the various measures, to turn Malaysia into a high-income nation, be successfully implemented.

Apart from issues specific to the steel sector, there is a general optimism in the country, for continued economic growth, and consumer confidence, especially following the latest ETP announcement. The Group is therefore looking forward, to the expected increase in economic activity, being translated, into a good performance for the Group, in the forthcoming financial year.

ACKNOWLEDGEMENT

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

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

Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah
Executive Chairman

Corporate Social Responsibility

The Group recognises its social obligation to society and continues to pursue a sustainable business strategy in the face of market demands and challenges. In this regard, the Group conducts its business with a conscience - caring for the well being of the work place, the environment, the community and the market place.

WORKPLACE

The Group implements a structured training and development programe to help develop technical, health and safety as well as soft skills of employees. During the financial year, employees attended various seminars and training programmes which were either conducted in-house or externally. The training programmes conducted during the year included awareness in areas such as environmental quality, energy saving, safety and health, firefighting and cleanliness.

Recognising the importance of safety at the workplace, a "Safety and Health Awareness Campaign" is carried out yearly in order to cultivate a "Safety First" culture at the workplace. The campaign is not only about having a new slogan each year, but more importantly, this campaign monitors the incidents of accidents and near misses through an "Accident Frequency Rate" benchmark indicator. A benchmark for improvement is set every year, and incentives are provided to the group of employees that achieves the benchmark.

ENVIRONMENT

As part of our commitment to society and our employees, the Group practices environmental preservation and maintain high standards of Occupational Safety and Health Management Practices. In our Quality Management System, documented procedures are in place to ensure that scheduled wastes are properly handled and transported for proper disposal by licensed contractors. The performance of our water treatment plant system is monitored monthly to ensure the quality of discharged effluent. To improve air quality in the production line, an air filter system has been added during the current financial year. Noise exposure monitoring has also been carried out in our factories to ensure a safe working environment.

Since 2004, we have converted our diesel burners in the galvanising plant into natural gas burners. Natural gas is known for its clean fuel. In the last financial year, we have also implemented an improvement project to minimise the usage of natural gas where we managed to recycle the heat and use it within the process. With this improvement project, we managed to reduce 20% of our natural gas fuel consumption.

COMMUNITY

The Group conducts most of its philanthropic activities through The Budimas Charitable Foundation, a charitable foundation that was set up to care, nurture and educate homeless children. The Group's commitment to the foundation is not only through monetary donations but also participation in its fund-raising exercises such as promoting the sale of its Annual Charity Raffle tickets and participating in its Charity Bazaar.

The Group recognises the need to improve the standard of living for those who are less fortunate by making charitable contributions to selected orphanages during Ramadan as well as assisting in the organisation of charity sales, with profits channeled to the Budimas Charitable Foundation.

MARKET PLACE

To ensure the Group continuously meets the Standards of excellence for all its products, industry best practices are in place throughout the Group. The Group is accredited with MS ISO 9001: 2008 by SIRIM for cold rolled, hot rolled and aluminised pipes and tubes. With this accreditation, the Group is committed to continuously take steps to comply with product requirements and improve the effectiveness of its Quality Management System.

The Group also has in place an excellent customer feedback and complaints system to ensure that the Group's product meets and/or exceeds the customers' requirements. Furthermore, in the current financial year, the Group implemented a Whistleblowing policy to ensure the highest standards of corporate governance are adhered throughout the Group.

Corporate Information

Domicile	:	Malaysia
Legal Form & Place of Incorporation	:	A public listed company incorporated in Malaysia under the Companies' Act, 1965 and limited by shares
Directors	:	Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah • Executive Chairman En Suhaimi bin Kamaralzaman • Managing Director/Chief Executive Officer Datuk Lim Kim Chuan • Executive Director En Azlan bin Abdullah • Executive Director Dato' Jaffar Indot • Independent Non-Executive Director Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah • Non-Independent Non-Executive Director Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah • Independent Non-Executive Director Mr Onn Kien Hoe • Independent Non-Executive Director En Shazal Yusuf bin Mohamed Zain • Independent Non-Executive Director Datin Ezurin Yusnita binti Abdul Malik • Non-Independent Non-Executive Director
Secretaries	:	Ms Lily Yin Kam May Ms Soon Leh Hong
Audit Committee	:	Mr Onn Kien Hoe • Chairman Dato' Jaffar Indot • Member En Shazal Yusuf bin Mohamed Zain • Member
Registrar & Transfer Office	:	Trace Management Services Sdn Bhd Suite 20.03, 20th Floor, Menara MAA No. 12 Jalan Dewan Bahasa 50460 Kuala Lumpur Telephone No: 03 - 2141 3060 Telefax No: 03 - 2141 3061
Registered Office	:	Suite 20.03, 20th Floor, Menara MAA No. 12 Jalan Dewan Bahasa 50460 Kuala Lumpur Telephone No: 03 - 2141 3060 Telefax No: 03 - 2141 3061

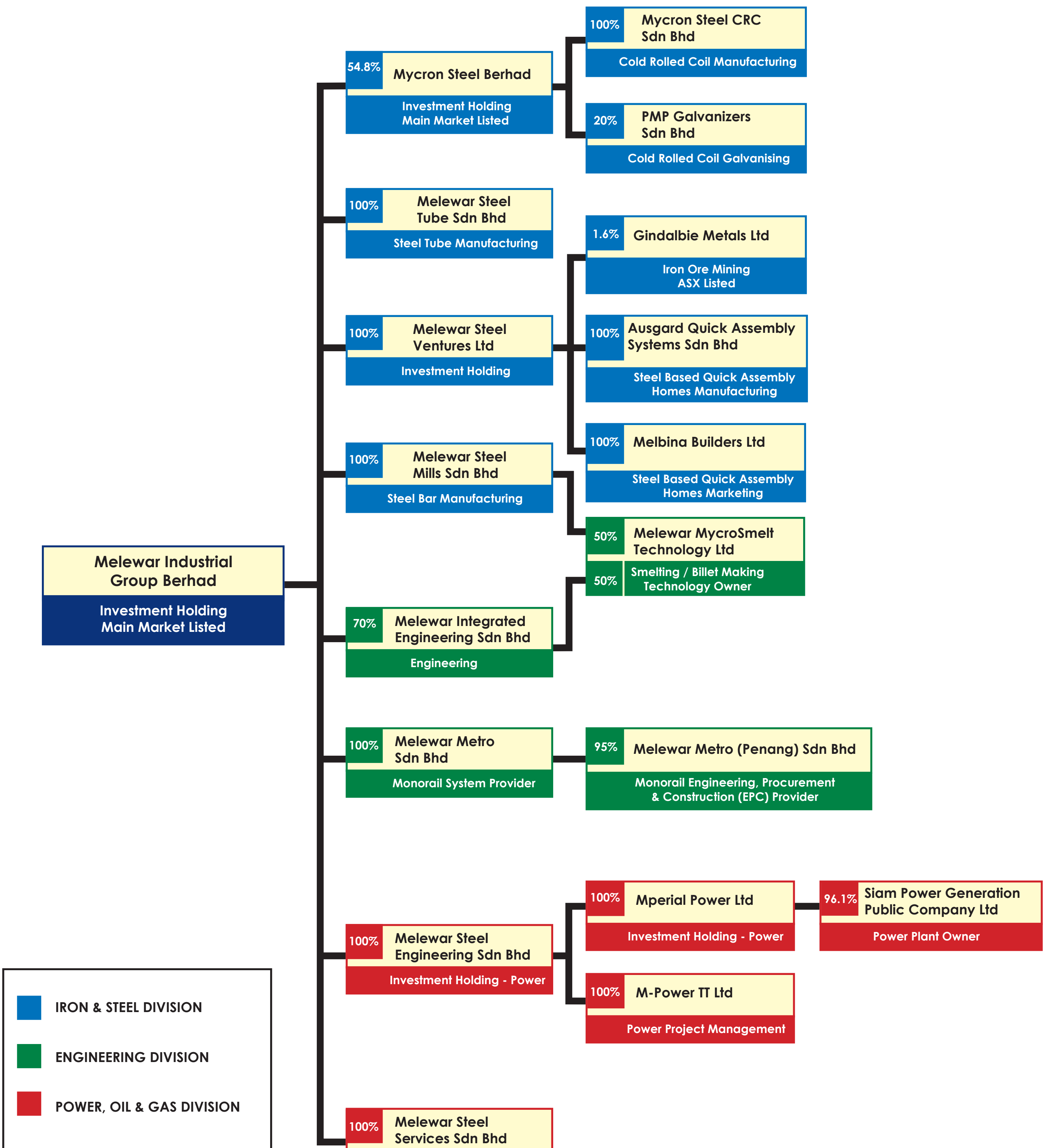
Corporate Information

(continued)

Principal Place of Business	:	Lot 53 Persiaran Selangor 40200 Shah Alam Selangor Darul Ehsan Telephone No: 03 - 5519 2455 Telefax No: 03 - 5519 2033
Solicitors	:	Cheang & Ariff 39 Court @ Loke Mansion 273A Jalan Medan Tunku 50300 Kuala Lumpur Telephone No: 03 - 2691 0803 Telefax No: 03 - 2693 4475
		Othman Hashim & Co Suite 18.04, 18th Floor Menara MAA No. 12 Jalan Dewan Bahasa 50460 Kuala Lumpur Telephone No: 03 - 2142 3399 Telefax No: 03 - 2141 4685
Auditors	:	Messrs PricewaterhouseCoopers (AF 1146) Level 8-15, 1 Sentral Jalan Travers Kuala Lumpur Sentral 50470 Kuala Lumpur Telephone No: 03 - 2173 1188 Telefax No: 03 - 2173 1288
Principal Bankers (In alphabetical order)	:	• Ambank (M) Berhad • CIMB Bank Berhad • DBS Bank Ltd • Malayan Banking Berhad • OCBC Bank (Malaysia) Berhad • Standard Chartered Bank Malaysia Berhad
Stock Exchange Listing	:	Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") Stock Number 3778
Website e-mail	:	http://www.melewar-mig.com enquiry@melewar-mig.com

(continued)

CORPORATE GROUP STRUCTURE
(AS AT 15 OCTOBER 2010)



ASX - Australian Securities Exchange

Iron and Steel Division

Operations











SAFETY CELEBRATION

Quality Recognition

QUALITY MANAGEMENT SYSTEM (QMS)

MIG strives to improve its operations and has always endeavoured to meet its customers' expectations. In 1997 MIG achieved its ISO 9001 certification. Over the years, the effectiveness of the quality management system itself has been improved in order to adapt to the latest global challenges. In 2010, MIG upgraded its Quality Management System to ISO 9001: 2008 and this was accredited by SIRIM with IQNet certification.

CERTIFICATE

SIRIM QAS International Sdn. Bhd. hereby certifies tha

MELEWAR INDUSTRIAL GROUP BERHA
(INCLUDING MELEWAR STEEL TUBE SDN. BHD.)
LOT 53, PERSIARAN SELANGOR
40000 SHAH ALAM
SELANGOR DARUL EHSAN
MALAYSIA

has implemented a Quality Management Systems com

ISO 9001 : 2008

Quality Management Systems - Requirements

Scope of Certification

MANUFACTURE OF COLD-ROLLED, HOT-ROLLED
PIPES, SQUARE AND RECTANGULAR HOLLOW SI

Issue Date : 12 March 2010
Validity period : 27 February 2009 – 26
Certification No. : AR 0994

Khalidah Mustafa
Managing Director
SIRIM QAS International Sdn. Bhd.

SIRIM ISO

THE INTERNATIONAL CERTIFICATION NETWORK

CERTIFICATE

IQNet and SIRIM QAS International Sdn. Bhd.
hereby certify that

MELEWAR INDUSTRIAL GROUP BERHAD
(INCLUDING MELEWAR STEEL TUBE SDN. BHD.)
LOT 53, PERSIARAN SELANGOR
40000 SHAH ALAM
SELANGOR DARUL EHSAN
MALAYSIA

has implemented and maintains a

QUALITY MANAGEMENT SYSTEM

which fulfils the requirements of the following standard

ISO 9001:2008

for the following field of activities

MANUFACTURE OF COLD-ROLLED, HOT-ROLLED AND ALUMINISED
PIPES, SQUARE AND RECTANGULAR HOLLOW SECTIONS.

Issued on : 12 March 2010
Validity date : 26 February 2012
Certification Number : MY-AR 0994

René Wasmer
President of IQNet

Khalidah Mustafa
Managing Director
SIRIM QAS International Sdn. Bhd.

IQ Net ISO

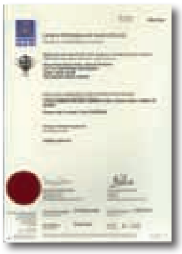
Quality Recognition

(continued)

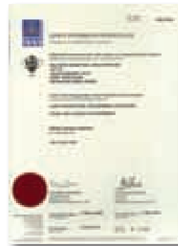
PRODUCT CERTIFICATION

Our quality products meet with the requirements of many international standards. Among them are as follows:

American Standard
- ASTM A500-01A for Cold Formed Welded Carbon Steel Structural Tubing

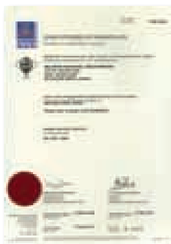


Japanese Standard
- JIS G3350: 1987 for Light Gauge Steel For General Structural Class SSC 400.



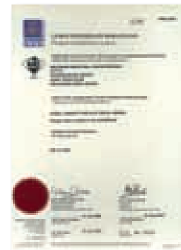
Japanese Standard
- JIS G3445: 1988 for Carbon Steel Tube for Machine Structural Purposes Grade STKM 11A

British Standard
- BS 1387: 1985 for Welded Steel Pipes (Black & Galvaniszed)

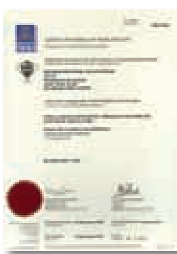


British Standard
- BS 1139: Sec1.1 : 1990 for Steel Tube For Metal Scaffolding (Black & Galvanizsed)

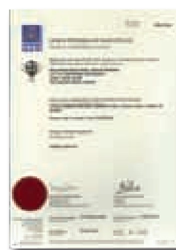
British Standard
- BS 31: 1940 for Steel Conduits for Electrical Wiring



British Standard
- BS4568 Part 1: 1970 for Steel Conduits with Metric Threads of ISO Form for Electrical Installation

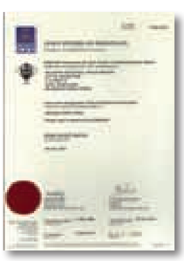


European Commission EC
- EN 10219-1: 2006 for Cold Formed Welded Structural Hollow Sections of Non-Alloy Steels.

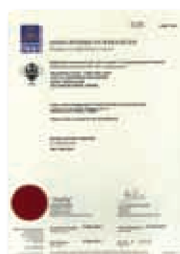


To meet local demands, many of our quality products are certified under Malaysian Standards as follows.

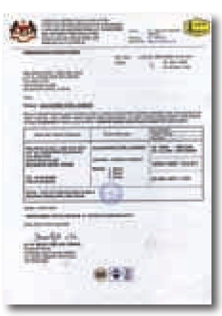
MS 863: 1983 for Welded Steel Pipes (Black & Galvaniszed)

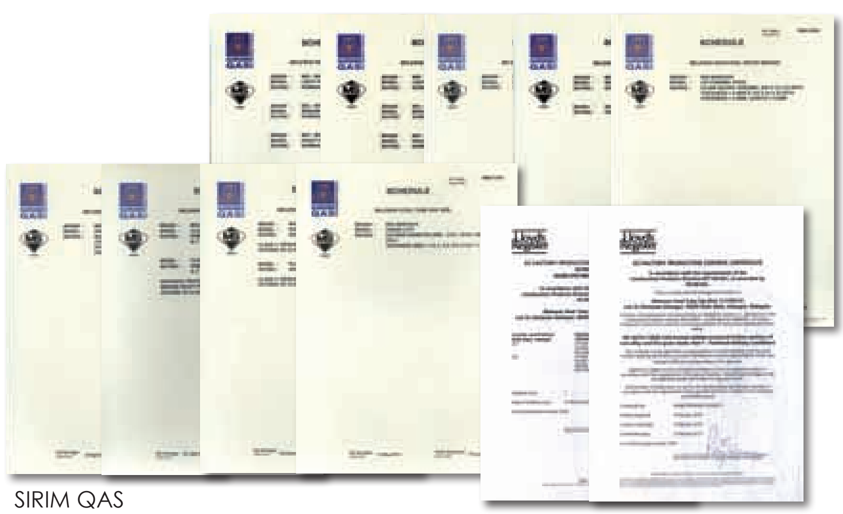


MS 1968: 2007 for Non-Alloy Steel Tubes



MIG is also one of the few manufacturers registered by JKR as an approved manufacturer for BS 4568 Part 1: 1970 standard.





SIRIM QAS

Lloyds Register

Profile of Directors

Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah

Aged 50, Malaysian
Executive Chairman

Member of the Executive Committee

Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah is the Non-Independent Executive Chairman of the Company and was appointed to the Board of Directors of the Company on 7 October 2002. He was the Group Managing Director/Chief Executive Officer of the Company since 11 October 2002 before being redesignated as the Executive Chairman on 26 August 2008. He sits on the Boards of Khyra Legacy Berhad, Mycron Steel Berhad, MAA Holdings Berhad, MAAKL Mutual Berhad, Melewar Group Berhad, Gindalbie Metals Ltd (listed on the Australian Stock Exchange), Maveric Ltd (listed on the Singapore Exchange Ltd), Ithmaar Bank (listed on the Bahrain Stock Exchange) and several other private limited companies.

Tunku Dato' Ya'acob graduated with a Bachelor of Science (Hons) Degree in Economics and Accounting from City University, London. An accountant by training, he is a Fellow of the Institute of Chartered Accountants in England & Wales and a member of the Malaysian Institute of Accountants. He started his career as an Auditor with Price Waterhouse, London from 1982 to 1985 and subsequently joined Price Waterhouse Kuala Lumpur from 1986 to 1987. He joined Malaysian Assurance Alliance Berhad in 1987 and retired as its Chief Executive Officer in 1999. He currently holds the position of Non-Executive Chairman of Mycron Steel Berhad and Executive Chairman of MAA Holdings Bhd.

Tunku Dato' Ya'acob sits on the executive board of several trade associations, specifically, the Federation of Public Listed Companies (FPLC) as Vice President and the Federation of Malaysia Investment Managers (FIMM) as President.

He is also the Chairman of the Board of Trustees for MAA Medicare Kidney Charity Fund and The Budimas Charitable Foundation.

Tunku Dato' Ya'acob is the brother to Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah and the husband to Datin Ezurin Yusnita binti Abdul Malik. Tunku Dato' Ya'acob is deemed to be interested in the Company by virtue of him being the ultimate beneficial owner of Melewar Equities (BVI) Ltd, the substantial shareholder of the Company. His shareholding in the Company is disclosed on page 28 of the Annual Report.

Tunku Dato' Ya'acob does not have any personal interest in any business arrangements involving the Company.

Tunku Dato' Ya'acob does not have any conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years.

En Suhaimi bin Kamaralzaman

Aged 42, Malaysian
Managing Director/Chief Executive Officer

Chairman of the Executive Committee,
Member of the Risk Management Committee

En Suhaimi was appointed to the Board of Directors of the Company on 1 March 2010 as the Managing Director/Chief Executive Officer. Prior to this, he was the Deputy Chief Executive Officer of the Company. He also sits on the Board of Mycron Steel Berhad as a Non-Independent Non-Executive Director.

En Suhaimi holds a Bachelor of Arts in Accounting and Management Science, University of Kent at Canterbury, United Kingdom. He is also a member of the Malaysian Institute of Accountants and Institute of Chartered Accountants in England & Wales (ICAEW).

Prior to this appointment, En Suhaimi was the Chief Executive Officer of Pengurusan Aset Air Berhad (PAAB) from 1 January 2007 to 30 June 2009. Under his tenure, En Suhaimi successfully signed the acquisition of the water assets for Melaka, Negeri Sembilan and Johor. Prior to PAAB, En Suhaimi was the CEO of Indah Water Konsortium Sdn Bhd for more than six (6) years from August 2000 to December 2006. In 2005, Malaysian Water Association awarded Indah Water the Malaysian Water Award for Management for excellence in total water management and operational efficiencies. In 1998, En Suhaimi was attached as an Accountant to the high-powered National Economic Action Council (NEAC). Before joining the NEAC, En Suhaimi served with chartered accounting firms in Malaysia and the United Kingdom. He also briefly served with Malaysia's national oil corporation, PETRONAS, between 1994 and 1996.

En Suhaimi has no family ties with any of the directors and/or major shareholders of the Company.

En Suhaimi does not have any personal interest in any business arrangements involving the Company.

En Suhaimi does not have any conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years.

(continued)

Datuk Lim Kim Chuan

Aged 51, Malaysian
Executive Director

Member of the Executive Committee

Datuk Lim Kim Chuan was appointed to the Board of Directors of the Company on 1 October 2003 as the Chief Operating Officer of the Company. He was redesignated to Chief Executive Officer of the Company on 26 August 2008. On 1 March 2010, he stepped down as the Chief Executive Officer but remained as an Executive Director in charge of the Group Investments. He currently sits on the Board of Mycron Steel Berhad and also serves as an Alternate Director to Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah on the Board of Gindalbie Metals Ltd (listed on the Australian Stock Exchange). He also sits on the Boards of the Group's subsidiaries and several other private limited companies.

Datuk Lim has over thirty one (31) years of experience in the finance and manufacturing industries. He started his career with OCBC Finance Berhad in 1979. He left in 1983 to join MUI Finance Berhad. He joined the Melewar Group in 1985 and was appointed as the General Manager and director of its equipment leasing division. In 1991, he started a new credit and leasing company under the Group and was its Chief Executive Officer until 2003. He is currently the Chief Principal Officer of Khyra Legacy Berhad which is the ultimate holding company of the Company.

Datuk Lim has no family ties with any of the directors and/or major shareholders of the Company. His shareholding in the Company is disclosed on page 28 of the Annual Report.

Datuk Lim does not have any personal interest in any business arrangements involving the Company.

Datuk Lim does not have any conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years.

Azlan bin Abdullah

Aged 52, Malaysian
Executive Director

Member of the Executive Committee

En Azlan bin Abdullah was appointed to the Board of Directors of the Company on 23 September 2002 as an Independent Non-Executive Director of the Company. Subsequently, he was appointed Executive Director of the Company on 10 June 2003.

En Azlan is presently an Executive Director/Chief Executive Officer for both Mycron Steel Berhad and Mycron Steel CRC Sdn Bhd. He sits on the Board of the Company's subsidiaries and several other private limited companies. Besides the Company, he also sits on the Board of Bandar Raya Developments Berhad, HSBC Amanah Malaysia Berhad and several other private limited companies.

En Azlan holds a Bachelor of Science Degree in Business Administration from Trinity University, San Antonio, Texas, USA and a Masters Degree in Business Administration from Morehead State University, Kentucky, USA.

He started his career in 1983 with Citibank N A and in 1987, he joined United Asian Bank ("UAB") where he started and headed the Treasury Marketing Unit. After UAB merged with Bank of Commerce, he was subsequently promoted to Head of Priority Banking Division and Branch Manager of the KL Main Branch in 1992. In 1994, he rejoined Citibank Berhad as Vice President and Head of Public Sector Division.

En Azlan has no family ties with any of the directors and/or major shareholders of the Company. His shareholding in the Company is disclosed on page 28 of the Annual Report.

En Azlan does not have any personal interest in any business arrangements involving the Company.

En Azlan does not have any conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years.

(continued)

Dato' Jaffar Indot

Aged 76, Malaysian
Independant Non-Executive Director

Chairman of the Risk Management Committee, Member of the Audit Committee, Member of the Nomination Committee, Member of the Remuneration Committee

Dato' Jaffar Indot was appointed to the Board of Directors of the Company on 1 October 2003 as an Independent Non-Executive Director. He currently sits on the Boards of Guinness Anchor Berhad, SYCAL Ventures Berhad, F3 Strategies Berhad and Malaysian Alliance of Corporate Directors Berhad.

Dato' Jaffar attended the Harvard Business School International Senior Managers' Programme, Vevey, Switzerland in 1983. After serving three (3) years with the Rural Industrial Development Authority, he joined Shell in 1956 and retired in 1989 after thirty three (33) years of service. During this time, he worked for Shell in Japan and London, where he served in various capacities in international oil trading, business development and public affairs. In 1980, he returned to Malaysia as the Executive Director and Director of Public Affairs for Shell Malaysia and in 1983 was appointed Managing Director of Shell Malaysia Trading Sdn Bhd and Shell Timur Sdn Bhd. He was the Chairman of Shell Timur Sdn Bhd from August 1989 to December 1997. He continued to serve Shell in Malaysia as an Independant Non-Executive Director in Shell Refining Company (FoM) Berhad for 21 years until his retirement from the Board in May 2010.

Dato' Jaffar has no family ties with any of the directors and/or major shareholders of the Company nor any shareholding in the Company.

Dato' Jaffar does not have any personal interest in any business arrangements involving the Company.

Dato' Jaffar does not have any conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years.

Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah

Aged 49, Malaysian
Non-Independent Non-Executive Director

Member of the Executive Committee

Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah was appointed to the Board of Directors of the Company on 18 December 2003 as a Non-Independent Non-Executive Director. He currently sits on the Boards of Mithril Berhad, MAA Holdings Berhad, Khyra Legacy Berhad, Melewar Group Berhad, The Melewar Corporation Berhad and other several private limited companies.

Tunku Yahaya graduated in 1983 with a Bachelor of Science (Hons) Degree in Economics and Accountancy from City University, London. That year in London, he joined Peat Marwick Mitchell & Co. In 1986, he obtained his Masters of Science in Economics from Birkbeck College, University of London.

Upon returning to Malaysia in 1986, he joined the advertising company, MZC-Saatchi & Saatchi. In 1988, he joined the management of the refurbished Central Market (KL) as Executive Director. In 1994, he was appointed to put into operation and manage the television station, Metro Vision as Managing Director. In 1997, he started the music recording label, Melewar Parallax Sdn Bhd.

Tunku Yahaya is the brother to Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah, the Executive Chairman of the Company. He is therefore deemed to be interested in the Company by virtue of his relationship with Tunku Dato' Ya'acob who is the ultimate beneficial owner of Melewar Equities (BVI) Ltd, the substantial shareholder of the Company. His shareholding in the Company is disclosed on page 28 of the Annual Report.

Tunku Yahaya does not have any personal interest in any business arrangements involving the Company.

Tunku Yahaya does not have any conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years.

Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah

Aged 55, Malaysian
Independent Non-Executive Director

Chairman of the Nomination Committee, Chairman of the Remuneration Committee

Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah was appointed to the Board of Directors of the Company on 3 May 2005 as an Independent Non-Executive Director. He currently sits on the Boards of Equine Capital Berhad, Sumatec Resources Berhad, Wawasan TKH Holdings Berhad and DutaLand Berhad.

Tengku Datuk Seri Ahmad Shah completed his Diploma in Business Administration from Universiti Teknologi MARA in 1974. He started his career in Charles Bradburne (1930) Sdn Bhd as a stock broker from 1974 to 1981. He was a Director of TTDI Development Sdn Bhd from 1978 to 2000 and a Director of Sime UEP Berhad from 1983 to 1987.

In 1987, he was appointed as the Chairman of Sime Darby Medical Centre Subang Jaya Sdn Bhd, a position which he is still holding till today. He currently sits on the Board of Directors of several private limited companies involved in property development.

Tengku Datuk Seri Ahmad Shah has no family ties with any of the directors and/or major shareholders of the Company nor any shareholding in the Company.

Tengku Datuk Seri Ahmad Shah does not have any personal interest in any business arrangements involving the Company.

Tengku Datuk Seri Ahmad Shah does not have any conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years.

Onn Kien Hoe

Aged 45, Malaysian
Independent Non-Executive Director

Chairman of the Audit Committee, Member of the Risk Management Committee

Mr Onn Kien Hoe was appointed as an Independent Non-Executive Director and a member of the Audit Committee of the Company on 1 November 2007. Subsequently he was redesignated to Chairman of the Audit Committee on 29 February 2008. He currently sits on the Boards of Mithril Berhad, Nova MSC Berhad, Kian Joo Can Factory Berhad and several other private limited companies.

Mr Onn completed his professional qualification with the Chartered Association of Certified Accountants in 1988 and has been in the accounting profession since then. He is also a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants.

Mr Onn joined Crowe Horwath (Kuala Lumpur Office), an international accounting firm, in 1994. He is currently the partner in charge of Crowe Horwath's corporate advisory department. Mr Onn has served as an examiner for the Malaysian Institute of Certified Public Accountants and as a member of the Interpretation Committee of the Malaysian Accounting Standards Board.

Mr Onn has no family ties with any of the directors and/or major shareholders of the Company nor any shareholding in the Company.

Mr Onn does not have any personal interest in any business arrangements involving the Company.

Mr Onn does not have any conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years.

(continued)

En Shazal Yusuf bin Mohamed Zain

Aged 39, Malaysian
Independent Non-Executive Director

Member of the Audit Committee, Member of the Risk Management Committee, Member of the Nomination Committee, Member of the Remuneration Committee

En Shazal was appointed to the Board of Directors of the Company on 31 May 2010 as an Independent Non-Executive Director.

En Shazal holds a Master of Science in Shipping, Trade and Finance from City University Business School, United Kingdom. He also holds a Bachelor of Arts in Economics from Nottingham University, United Kingdom.

En Shazal has over fifteen (15) years of working experience, with five (5) years in corporate finance and investment banking where his last position was Senior Strategist, Treasury & Risk Management in Commerce International Merchant Bankers Berhad prior to leaving in 1999 to manage various business interests. He is currentry the Managing Director of Confoil (Malaysia) Sdn Bhd and Shaz DeSter.ACS Sdn Bhd.

En Shazal has no family ties with any of the directors and/or major shareholders of the Company nor any shareholding in the Company.

En Shazal does not have any personal interest in any business arrangements involving the Company.

En Shazal does not have any conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years.

Datin Ezurin Yusnita binti Abdul Malik

Aged 38, Malaysian
Non-Independent Non-Executive Director

Datin Ezurin Yusnita binti Abdul Malik was appointed to the Board of Directors of the Company on 13 December 2005 as a Non-Independent Non-Executive Director. She vacated her position on 9 September 2009 and subsequently was re-appointed to the Board on 11 January 2010. She has been a member of the Board of Trustees of The Budimas Charitable Foundation since 30 October 2001. She is actively involved in the said Foundation and has played a major role in the success of the Foundation. She also sits on the Board of Khyra Legacy Berhad.

Datin Ezurin is the wife of Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah, the Executive Chairman of the Company. She is therefore deemed to be interested in the Company by virtue of her relationship with Tunku Dato' Ya'acob who is the ultimate beneficial owner of Melewar Equities (BVI) Ltd, the substantial shareholder of the Company. Her shareholding in the Company is disclosed on page 28 of the Annual Report.

Datin Ezurin does not have any personal interest in any business arrangements involving the Company.

Datin Ezurin does not have any conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years.

Group Financial Highlights

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
1. Result of Operations										
Revenue (RM mil)	378.3	352.3	390.8	462.3	598.7	566.9	810.2	703.3	599.5	707.1
Profit/(Loss) Before Tax (RM mil)	67.9	42.8	77.5	80.6	72.7	35.7	189.1	56.2	(246.7)	91.6
Profit/(Loss) After Tax (RM mil)	59.5	53.9	56.6	64.4	46.5*	46.9*	104.8*	45.5*	(156.0)*	67.6*
2. Balance Sheet										
Share Capital (RM mil)	79.0	79.0	158.1	158.3	161.0	169.9	226.2	226.7	226.7	226.8
Bonus Shares (RM mil)	0	0	79.0	0	0	0	56.3	0	0	0
Shareholders' Fund (RM mil)	584.4	623.6	630.3	359.1	351.4	475.5	581.1	616.4	454.9	521.2
Total Assets (RM mil)	597.2	658.0	685.5	484.8	621.2	828.1	1,181.9	1,582.6	1,279.5	1,755.3
3. Financial Ratio										
Return on Equity (%)	10.2	8.7	9.0	17.9	13.3	9.9	18.0	7.4	(34.3)	13.0
Total Liabilities***/Equity (Times)	0.01	0.05	0.05	0.29	0.38	0.41	0.67	1.16	1.50	2.09
Current Assets/Current Liabilities (Times)	37.34	12.00	12.56	2.20	2.41	2.24	2.20	1.36	1.07	1.33
Pre-Tax Profit/(Loss)/Average Shareholders' Fund (%)	13.3	7.1	12.4	16.3	20.5	8.6	35.8	9.4	(46.1)	18.8
Pre-Tax Profit/(Loss)/Revenue (%)	18.0	12.2	19.8	17.4	12.1	6.3	23.3	8.0	(41.1)	13.0
4. Per Share										
Gross Earnings/(Loss) per share (sen)****	32.2	20.3	36.8	38.2	34.0	16.3	59.2**	24.9	(109.4)	40.6
Net Earnings/(Loss) per share (sen)****	28.2	25.6	26.7	30.6	21.8	21.4	32.9**	20.2	(69.1)	30.0
Net Assets per share (RM)	7.39	7.89	3.99	2.27	2.19	2.79	2.56	2.71	2.02	2.31
5. Dividends										
Tax Exempt Dividend (sen)	10.0	20.0	10.0	80.0	-	3.0	6.0	-	-	-
Ordinary Dividend (sen)	12.0	-	-	180.0	13.0	-	-	4.0	-	2.0

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

* Profit/(Loss) After Tax and After Minority Interests

** Annualised

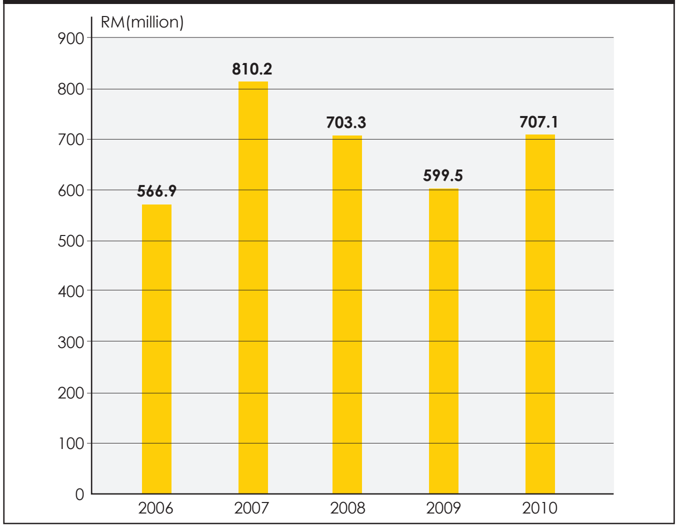
*** Total Liabilities exclude Deferred Tax Liabilities

**** After Adjusting for Bonus Issues

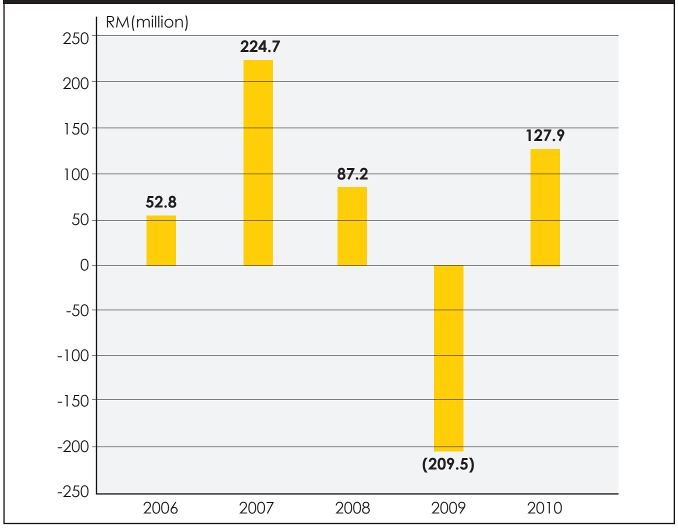
Group Financial Highlights

(continued)

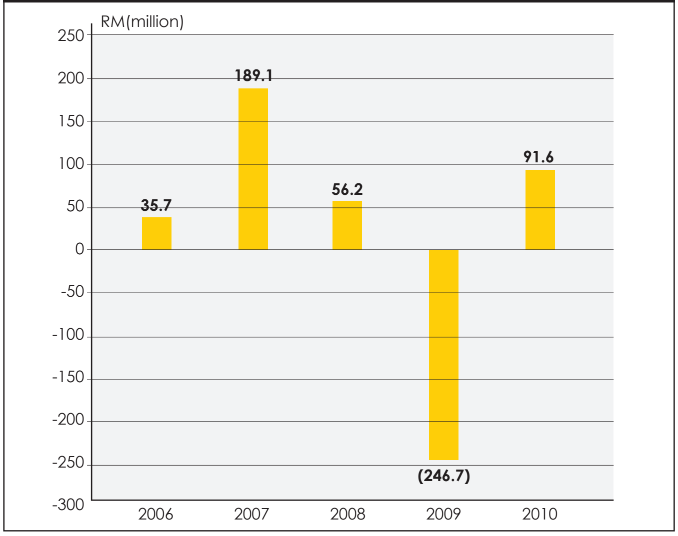
REVENUE



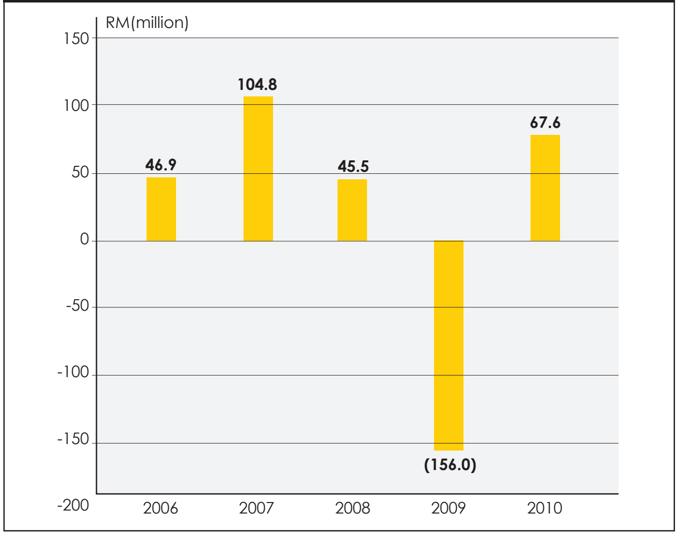
EBITDA/(LBITDA)



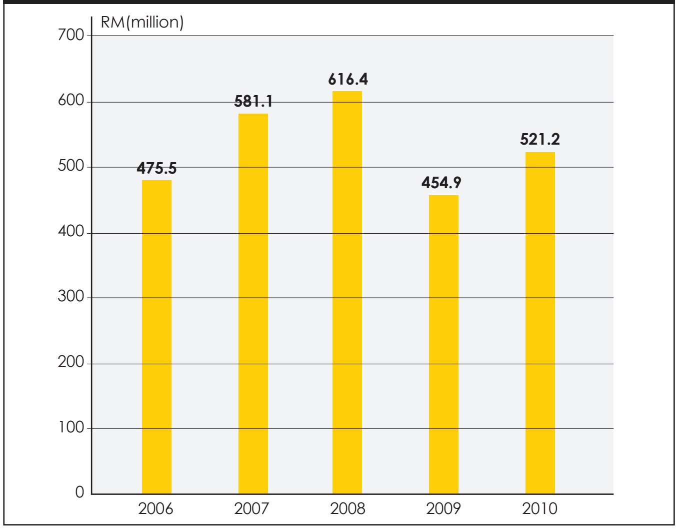
PROFIT/(LOSS) BEFORE TAX



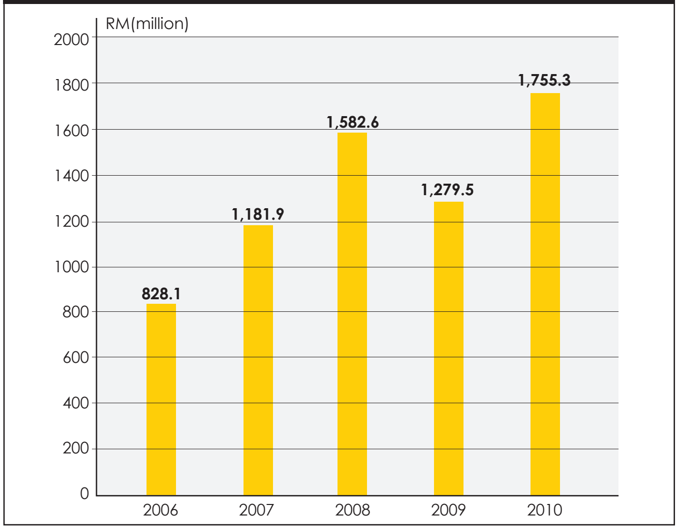
PROFIT/(LOSS) AFTER TAX



SHAREHOLDERS' FUNDS



TOTAL ASSETS



Analysis of Shareholdings

As at 15 October 2010

Authorised Share Capital	-	RM500,000,000
Issued and Paid-up Capital	-	RM226,755,408
Class of Shares	-	Ordinary Shares of RM1 each
Voting Rights	-	1 Vote Per Ordinary Share
No. of Shareholders	-	9,634

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Capital
Less than 100	432	4.48	18,968	0.01
100 – 1,000	888	9.22	720,905	0.32
1,001 – 10,000	6,161	63.95	26,822,179	11.83
10,001 to 100,000	1,969	20.44	54,495,241	24.03
100,001 and below 5% of issued shares	183	1.90	84,318,382	37.18
5% and above of issued shares	1	0.01	60,379,733	26.63
TOTAL	9,634	100.00	226,755,408	100.00

THIRTY LARGEST SHAREHOLDERS AS AT 15 OCTOBER 2010

	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)	6,299,066	2.79
5.	Malaysian Assurance Alliance Berhad	5,725,900	2.54
6.	Mayban Nominees (Tempatan) Sdn Bhd (Beneficiary : Pledged securities account for Lim Gim Leong)	3,280,500	1.45
7.	A. A. Anthony Nominees (Asing) Sdn Bhd (Beneficiary : UOB Kay Hian Pte Ltd for Bradford Securities Ltd)	3,000,000	1.33
8.	Yeoh Kean Hua	2,800,000	1.24
9.	Araneum Sdn Bhd	1,894,566	0.84
10.	Mayban Nominees (Tempatan) Sdn Bhd (Beneficiary : Pledged securities account for Wong Ai Nong)	1,140,000	0.50
11.	Mayban Nominees (Tempatan) Sdn Bhd (Beneficiary : Pledged securities account for Siaw Teck Siong)	1,135,300	0.50
12.	Lim Seng Qwee	1,133,500	0.50
13.	Er Hock Lai	900,000	0.39
14.	HLB Nominees (Tempatan) Sdn Bhd (Beneficiary : Pledged securities account for Ng Kim Huat)	881,000	0.39
15.	Yeo Whee Kiak	841,500	0.37
16.	Chuang Show Chuan	824,400	0.36

(continued)

THIRTY LARGEST SHAREHOLDERS AS AT 15 OCTOBER 2010 (continued)

	Name	Ordinary Shares of RM1 each	[1]% of Issued Capital
17.	HLG Nominee (Tempatan) Sdn Bhd (Beneficiary : Pledged securities account for Na Chaing Ching)	748,900	0.33
18.	Mayban Nominees (Tempatan) Sdn Bhd (Beneficiary : Pledged securities account for Li Cheng Thong @ Lee Chen Thung)	738,000	0.32
19.	Palaniyappan Subramanian Yogeswari	733,333	0.32
20.	Public Nominees (Tempatan) Sdn Bhd (Beneficiary : Pledged securities account for Zet Enterprise Sdn Bhd)	673,333	0.29
21.	Tan Poh Hock	645,000	0.28
22.	HLB Nominees (Tempatan) Sdn Bhd (Beneficiary : Pledged securities account for Goh Sin Bong)	615,300	0.27
23.	Citigroup Nominees (Asing) Sdn Bhd (Beneficiary : Exempt an for OCBC Securities Private Limited)	589,332	0.26
24.	Inter-Pacific Equity Nominees (Asing) Sdn Bhd (Beneficiary : Kim Eng Securities Pte Ltd for Hexacon Construction Pte Ltd)	587,733	0.26
25.	Daiman bin Jamaluddin	560,000	0.24
26.	M & A Nominee (Tempatan) Sdn Bhd (Beneficiary : Titan Express Sdn Bhd)	544,000	0.24
27.	RHB Capital Nominees (Tempatan) Sdn Bhd (Beneficiary : Pledged securities account for Chew Pat Chai)	530,000	0.23
28.	Sui Pooi Ngan	521,100	0.23
29.	TA Nominees (Tempatan) Sdn Bhd (Beneficiary : Pledged securities account for Chuang Nee Wang Kim Lien)	517,600	0.22
30.	Citigroup Nominees (Asing) Sdn Bhd (Beneficiary : UBS AG Hong Kong for RIMC Investments Limited)	510,000	0.22
	TOTAL	114,451,529	50.74

Note :

[1] The percentages of the Thirty Largest Shareholders are 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.

(continued)

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 15 OCTOBER 2010

Name	Number of Shares Held			
	Direct	%(1)	Indirect	%(1)
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	-	-	88,107,132	39.06[a]
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	-	-	88,107,132	39.06[b]
Datin Ezurin Yusnita binti Abdul Malik	-	-	88,107,132	39.06[b]
Khyra Legacy Berhad	-	-	88,107,132	39.06[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 15 OCTOBER 2010

Name	Number of Shares Held			
	Direct	%(1)	Indirect	%(1)
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	-	-	88,107,132	39.06[a]
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	-	-	88,107,132	39.06[b]
Datin Ezurin Yusnita binti Abdul Malik	-	-	88,107,132	39.06[b]
Datuk Lim Kim Chuan	188,666	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 Khyra Sdn Bhd, Melewar Equities Sdn Bhd and Malaysian Assurance Alliance Berhad.

(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 Khyra Sdn Bhd, Melewar Equities Sdn Bhd and Malaysian Assurance Alliance Berhad. Melewar Equities (BVI) Ltd, Melewar Khyra Sdn Bhd, Melewar Equities Sdn Bhd and Malaysian Assurance Alliance Berhad holds 26.77%, 6.38%, 3.37% and 2.54% 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 Sdn Bhd 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.

The Board of Directors ("the Board") of Melewar Industrial Group Berhad fully appreciates the importance of adopting high standards of corporate governance within the Group. The Board recognises that its primary responsibility is to safeguard and promote the interests of the shareholders and to enhance the long-term value of the Company. The Board continuously strives and is fully committed to maintaining high standards of corporate governance throughout the organisation. 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 is pleased to provide the following statement, which outlines the main corporate governance practices that were in place throughout the financial year under review unless otherwise stated.

BOARD OF DIRECTORS

(a) Board Responsibilities

The Group acknowledges the pivotal role played by the Board in the stewardship of its direction and operations, and ultimately the enhancement of long-term shareholder value. The Board is generally entrusted with the responsibility to exercise reasonable and proper care of the Company's resources for the best interests of its shareholders and safeguard the Company's assets.

The Board is accountable under the law for the Company's activities, strategies and financial performance. The Board supervises the management of the business and affairs and discharges its duties and obligations by reviewing the adequacy and the integrity of the Company's internal control systems, including systems for compliance with applicable laws, regulations, rules, directives and statutory requirements.

While the Board is responsible for the framework and policies within which the Group should be operating, the Management is accountable for the execution of the expressed policies and the attainment of the Group's expressed corporate objectives. This demarcation reinforces the supervisory role of the Board.

To facilitate effective discharge of responsibilities, dedicated Board Committees were established guided by clear terms of reference with Directors who have committed time and effort as members. The Board Committees are chaired by Non-Executive Directors who exercise skillful leadership with in-depth knowledge of the relevant industry. Standing committees of the Board include the Audit, Risk Management, Nomination and Remuneration 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 ten (10) members comprising of the following:

- One (1) Executive Chairman;
- One (1) Managing Director/Chief Executive Officer;
- Two (2) Executive Directors;
- Two (2) Non-Independent Non-Executive Directors; and
- Four (4) Independent Non-Executive Directors.

Premised on the above Board balance, the Board has complied with Paragraph 15.02 of the Main Market Listing Requirements of 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 cognizant 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 Malaysian Code on Corporate Governance ("the Code"). The profiles of the Directors which are set out on pages 19 to 23 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 Managing Director/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 Managing Director/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 Managing Director/Chief Executive Officer sets the Board agenda for approval of the Executive Chairman.

The Managing Director/Chief Executive Officer is assisted in the management of specific businesses by the Executive Directors.

(b) Board Balance and Composition (continued)

The Non-Executive Directors support the skills and experience of the Executive Directors, contributing to the formulation of policy and decision making through their knowledge and experience of other business sectors and 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 are independent of management and free from any business relationship which could materially interfere with the exercise of their independent judgement. Together, they play an important role in ensuring that the strategies proposed by the Management are fully deliberated and examined, taking into account the long term interest of the shareholders, employees, customers, suppliers and the many 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 2010, four (4) meetings were held. The following is the record of attendance of the Directors:

Executive Director	**No. of Attendance**	**%**
1. Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah (Chairman)	4/4	100
2. En Suhaimi bin Kamaralzaman(1)	1/1	100
3. Datuk Lim Kim Chuan	4/4	100
4. En Azlan bin Abdullah	4/4	100
Non-Independent Non-Executive Directors	**No.of Attendance**	**%**
1. Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	4/4	100
2. Datin Ezurin Yusnita binti Abdul Malik(2)	3/3	100
Independent Non-Executive Directors	**No.of Attendance**	**%**
1. Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah	4/4	100
2. Dato' Jaffar Indot	4/4	100
3. Mr Lee Ching Kion(3)	2/3	67
4. Mr Onn Kien Hoe	3/4	75
5. En Shazal Yusuf bin Mohamed Zain(4)	Not applicable	Not applicable

Note:
(1) Appointed on 1 March 2010.
(2) 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. She was re-appointed to the Board on 11 January 2010.
(3) Resigned on 31 March 2010.
(4) Appointed on 31 May 2010.

(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, quantitative information and other related performance factors which will enable the Directors to have a good assessment of the subject in hand prior to arriving to the decision.

The Managing Director/Chief Executive Officer will lead the presentation of board papers and provide comprehensive explanation of pertinent issues. All directors are entitled to call for additional clarification and information to assist them in matters that require their decision.

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) 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 (resigned on 31 May 2010); and
(iv) En Shazal Yusuf bin Mohamed Zain (appointed on 31 May 2010).

The principal duties and functions of the Nomination Committee based on the Terms of Reference approved by the Board, are to recommend technically competent persons of integrity with a strong sense of professionalism, assisting the Board in assessing its overall effectiveness as well as to review the performance of members of the Board, the Managing Director/Chief Executive Officer and members of Board Committees as a whole and the contribution of each individual Director. The Nomination Committee has established procedures and processes towards an annual assessment of the effectiveness of the Board as a whole, the committees of the Board and for assessing the contribution of each 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

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.

During the financial year, the members of the Board have attended relevant development and training programmes, either attended by the Directors according to their individual needs or as arranged by the Company Secretary to enhance their ability in discharging their duties and responsibilities more effectively.

Details of the seminars and training programmes attended by the Board members during the financial year ended 30 June 2010 are as follows:

Members of the Board	**Seminars/Training Programmes**
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	• Market and Economic Review and Outlook Presentation to Directors
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	• Leadership Solution for Turbulent Times • Market and Economic Review and Outlook Presentation to Directors
Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah	• 2010 Board Challenges
Dato' Jaffar Indot	• Directors' Continuing Education Programme
Datin Ezurin Yusnita binti Abdul Malik	• Nil*
En Suhaimi bin Kamaralzaman	• Mandatory Accreditation Programme • Market and Economic Review and Outlook Presentation to Directors
Datuk Lim Kim Chuan	• Leadership Solution for Turbulent Times • Market and Economic Review and Outlook Presentation to Directors
En Azlan bin Abdullah	• Leadership Solution for Turbulent Times • Market and Economic Review and Outlook Presentation to Directors
Mr Onn Kien Hoe	• National Tax Conference 2009 • 2010 Budget Talk • The Audit Oversight Board & Ethical Dimensions – Credibility of Accountants • Market and Economic Review and Outlook Presentation to Directors
En Shazal Yusuf bin Mohamed	• Mandatory Accreditation Programme • Market and Economic Review and Outlook Presentation to Directors
Mr Lee Ching Kion (Resigned on 31 March 2010)	• Nil*

* Note: The Directors have not managed to attend directors' trainings in compliance with Paragraph 15.08 of the Main Market Listing Requirements of Bursa Securities due to their 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, Managing Director/Chief Executive Officer and other senior management members of the staff.

The members of the Remuneration Committee comprises the following members:

i) Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah (Chairman);
ii) Dato' Jaffar Indot;
iii) Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah (resigned on 31 May 2010); and
iv) En Shazal Yusuf bin Mohamed Zain (appointed on 31 May 2010).

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 Director RM'000	*Non-Executive Directors RM'000
Salaries	2,049	-
Allowances	-	-
Bonuses	341	-
Fees	-	165
Benefits-In-Kind	97	-
Other Emoluments	437	59
TOTAL	2,924	224

Range of Remuneration	Number of Directors	
	Executive	*Non-Executive
Less than RM50,000	-	6
RM50,001 to RM100,000	-	1
RM200,001 to RM250,000	1	-
RM550,001 to RM600,000	1	-
RM900,001 to RM950,000	1	-
RM1,150,001 to RM1,200,000	1	-

* Note: Including a Non-Executive Director who resigned on 31 March 2010.

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 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 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 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 41 to 43 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 Group'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.

(c) Internal Control (continued)

The members of the RMC are as follows:

i) Dato' Jaffar Indot (Chairman);
ii) En Shazal Yusuf bin Mohamed Zain (Appointed on 31 May 2010);
iii) Mr Onn Kien Hoe (Appointed on 31 May 2010);
iv) En Suhaimi bin Kamaralzaman (Appointed on 31 May 2010);
v) Mr Lee Ching Kion (Resigned on 31 March 2010); and
vi) Datuk Lim Kim Chuan (Resigned on 31 May 2010).

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 without the presence of any Executive Director of the Board nor any Management of the Company.

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

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF FINANCIAL STATEMENTS

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

The Directors considered the following in preparing the financial statements:

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

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

OTHER BURSA SECURITIES COMPLIANCE INFORMATION

(a) Options, Warrants of Convertible Securities

During the financial year under review, a total of 10,397 warrants had been converted to 10,397 ordinary shares of RM1.00 each.

(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 2010:

(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 2010 which differed by ten per cent (10%) or more from the audited results; and
(vi) There were no loans between the Company and its subsidiaries that involved 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. The last revaluation of its properties was carried out in January 2006.

(e) Share Buybacks

There was no share buyback during the financial year ended 30 June 2010. As such, as at 30 June 2010, 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.

(f) Recurrent Related Party Transactions ("RRPTs")

On 24 November 2009, the Company sought approval for a shareholders' mandate for MIG Group to enter into Recurrent Transactions (as defined in the Circular to Shareholders dated 2 November 2009) 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.

The aggregate value of transactions conducted during the financial year ended 30 June 2010 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 ("TYY") 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, TYY and Datin Ezurin are deemed interested in Mitra by virtue of their family relationship with TI. TI is the brother to TY and TYY. Datin Ezurin is the wife of TY.	Nil	314,257
2.	Trace Management Services Sdn Bhd ("Trace")	Corporate secretarial services by Trace to MIG Group	**Interested Directors** TY, TYY and Datin Ezurin	TY and TYY 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	359,034

RRPTs with MAA Holdings Berhad 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	**Interested Directors** TY, TYY and Datin Ezurin **Interested Major Shareholder** Khyra Legacy Berhad ("KLB")	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. 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.	WSS is a wholly owned subsidiary of MAA Corporation Sdn Bhd ("MAA Corp") who in turn is a wholly owned subsidiary of MAAH. KLB is the ultimate major shareholder of MAAH.	281,412

RRPTs with MAA Holdings Berhad Group of Companies (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.	Malaysian Assurance Alliance Berhad ("MAAB")	Provision of insurance business by MAAB to MIG Group	**Interested Directors** TY, TYY and Datin Ezurin **Interested Major Shareholder** KLB	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. 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.	MAAB is a wholly owned subsidiary of MAAH. KLB is the ultimate major shareholder of MAAH.	1,898,675
3.	MAAB	Office rental, deposits and utilities charged by MAAB to MIG Group	**Interested Directors** TY, TYY and Datin Ezurin **Interested Major Shareholder** KLB	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. 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.	MAAB is a wholly owned subsidiary of MAAH. KLB is the ultimate major shareholder of MAAH.	860,248
4.	MAA Corporate Advisory Sdn Bhd ("MAACA")	Provision of corporate consultancy services by MAACA to MIG Group	**Interested Directors** TY, TYY and Datin Ezurin **Interested Major Shareholder** KLB	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. 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.	MAACA is a wholly owned subsidiary of MAA Corp who in turn is a wholly owned subsidiary of MAAH. KLB is the ultimate major shareholder of MAAH.	Nil
5.	Chelsea Parking Services Sdn Bhd ("Chelsea")	Car park rental charged by Chelsea to MIG Group	**Interested Directors** TY, TYY and Datin Ezurin **Interested Major Shareholder** KLB	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. 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.	Chelsea is a wholly owned subsidiary of MAA Corp who in turn is a wholly owned subsidiary of MAAH. KLB is the ultimate major shareholder of MAAH.	29,871
6.	Maybach Logistics Sdn Bhd ("Maybach")	Provision of transportation services by Maybach to MIG Group	**Interested Directors** TY, TYY and Datin Ezurin **Interested Major Shareholder** KLB	TY is deemed interested in Maybach by virtue of his deemed substantial interest in MAAH, MIG and Mycron Steel Berhad ("MSB"), who are the shareholders of Maybach. 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.	KLB is the ultimate major shareholder of MAAH, MIG and MSB.	38,369

(continued)

RRPTs with Mycron Steel Berhad ("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 39% 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 39% 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.	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 39% 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.	126,000
4.	MSCRC	Purchase of cold rolled coils by MST from MSCRC	**Interested Directors** TY, TYY and Datin Ezurin	TY is deemed interested in MSB by virtue of his 39% 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.	30,861,518
5.	MSCRC	Sale of pipes by MIG to MSCRC	**Interested Directors** TY, TYY and Datin Ezurin	TY is deemed interested in MSB by virtue of his 39% 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.	55,240
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 39% 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

(continued)

RRPTs with MSB Group of Companies (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.	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 39% 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.	5,246,247
8.	MSCRC	Provision of technical and consultancy services by Melewar Integrated Engineering Sdn Bhd ("MIE") to MSCRC for the 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 39% 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.	98,700

RRPTs with Melewar Integrated Engineering Sdn Bhd ("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 39% 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
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 39% 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 the Related Party 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 39% 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 39% 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% 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	17,622,697

COMPLIANCE STATEMENT

The Board is satisfied that the Company has, in all material aspects, complied with the best practices of the Code for the financial year ended 30 June 2010.

This statement was approved by the Board of Directors on 5 October 2010.

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 have established an appropriate control environment and framework to assist, review and manage the risk issues identified 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 internal control framework covers inter alia, financial organisational, operational, compliance controls and risk management procedures. However, the review of system of internal control excludes associated companies.

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 2010 and up to the date of approval of the annual report and its financial statement.

The roles of the Board of Directors, RMC, 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 the RMC to review the entire risk management processes and procedures and the RMC is to provide feedback to the Board of Directors on a regular basis.

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.

As the economic, industrial, regulatory and operating conditions continue to change, the mechanisms needed to indentify and deal with the changing risks also need to be of a dynamic nature. Accordingly, risk management at the Company is a pro-active process which seeks to meet the challenges arising from such changes.

(continued)

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 principal duty and responsibility of BTMH is to examine and evaluate all major phases of operations of the Group and to assist the Board in the effective discharge of the Board's responsibilities. The costs incurred by the internal audit function in respect of the financial year ended 30 June 2010 was RM71,247. The internal audit function adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group based on their risk profile.

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.

k. Documentation of internal policies and procedures are as set out through standard operating policies and procedures manuals. These systems/manuals, such as those relating to safety, environment and insurance are the subject of regular annual review and improvement audits which helped identify gaps arising as well as ensuring updates and compliance with regulatory requirements and standards.

l. Plant visits by members of the Board on a regular basis.

m. A monthly Executive Committee meeting attended by the respective Business Unit Heads and chaired by the Managing Director/Chief Executive Officer to review operational performance and progress of tasks undertaken.

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 controls environment and during the current financial year, 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.

5. **Controls Weaknesses** (continued)

During the financial year under review, the internal auditors carried out reviews on the following core areas to assess the adequacy and effectiveness of internal controls, compliance with regulations and the Group's policies and procedures by the subsidiaries:

a. Production operations for Factory 4 located at Lot 16, Jalan Pengapit 15/19, Shah Alam, assets maintenance, and property plant and equipment management, operating under the name of Melewar Steel Tube Sdn Bhd ("MST"), a wholly owned subsidiary of the Company.

b. Production operations for Factory 1 and Factory 3 of MST.

c. Human resource, payroll function, finance management and general accounting for the Company and MST.

d. Sales and deliveries and collection and credit control function of the Company.

Based on the internal auditors' report, there is a reasonable assurance that the Group's systems of internal control are generally adequate and appear to be working satisfactorily.

6. **Review of Effectiveness**

The Board is of the opinion that the Group's present system of internal control is satisfactory and sufficient to support all types of business and operations within the MIG Group of Companies.

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 2010. 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 subsidiaries. In addition, the Audit Committee shall:

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

The Committee comprises the following directors, all of whom are Independent Non-Executive Directors:

1. Mr Onn Kien Hoe - Independent Non-Executive Director (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. En Shazal Yusuf bin Mohamed Zain - Independent Non-Executive Director
4. Mr Lee Ching Kion (Resigned on 31 March 2010) - 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 23 in the Annual Report.

The Audit Committee shall meet at least twice a year with the external auditors without the presence of any Executive Director of the Board nor any Management of the Company. Further, 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 2010

During the financial year ended 30 June 2010, 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 (Resigned on 31 March 2010)	4	3	75%
En Shazal Yusuf bin Mohamed Zain (Appointed on 31 May 2010)	Not applicable	Not applicable	Not applicable

During the financial year ended 30 June 2010, 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 control and other relevant documents for publication in the Company's Annual Report; and

ix. Followed up on corrective actions taken by Management on the audit issues raised by the external auditors and internal auditors;

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 of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or

(c) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa 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.

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 presence 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(s) if necessary;
(e) be able to convene meetings with the External Auditors, Internal Auditors or both, excluding the attendance of other Directors and employees, whenever deemed necessary;
(f) have direct communication channels with the External Auditors and Internal Auditors; and
(g) be able to make prompt reports to Bursa 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 Auditors, the audit fee and any question of resignation or dismissal;
  ii. To discuss with the External Auditors before the audit commences, the nature and scope of audit, and ensure co-ordination where more than one audit firm is involved;
  iii. To monitor provision of non-audit services by External Auditors;
  iv. To review the External Auditors' management letter and management's response; and
  v. To discuss problems and reservations arising from the interim and final audits, and any matter the External Auditors 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 cognizance of resignations of staff members and provide the resigning staff members an opportunity to submit their reasons for resigning.

(d) Related Party Transactions
  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.

Directors' Report

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and Company for the financial year ended 30 June 2010.

PRINCIPAL ACTIVITIES

The principal activities of the Company are trading of steel pipes and tubes, investment property holdings and investment holdings. The principal activities of the subsidiaries consist of manufacturing of steel pipes and tubes, trading of scrap metal, manufacturing and trading of cold rolled steel sheets in coils as well as steel and iron products, provision of engineering and management services, investment holdings, provision of engineering and technical consultancy services and supplying power and steam.

There were no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM	Company RM
Profit for the financial year	79,015,736	5,567,510

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

The Directors now recommend the payment of final gross dividend of 2 sen per share, less income tax 25%, amounting to RM3,382,842 for the financial year ended 30 June 2010, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting on 30 November 2010. The dividend amount payable is computed based on the Company's issued and paid up capital as at 30 June 2010, excluding treasury shares held by the Company.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are shown in the financial statements.

ISSUE OF SHARES

During the financial year, the Company issued 10,397 new ordinary shares of RM1 each for cash by virtue of the exercise of warrants at an exercise price of RM1.125 per share.

The newly issued shares rank pari passu in all respects with the existing ordinary shares of the Company.

WARRANTS

The warrants expired on 14 June 2010 and a total of 30,901,131 warrants were unexercised and lapsed.

Details of the warrants are set out in Note 30 to the financial statements.

DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows:

Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah
Datuk Lim Kim Chuan
Azlan bin Abdullah
Dato' Jaffar Indot
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah
Tengku Datuk Seri Ahmad Shah ibni Almarhum
Sultan Salahuddin Abdul Aziz Shah
Onn Kien Hoe

DIRECTORS (continued)

The Directors who have held office during the period since the date of the last report are as follows: (continued)

Datin Ezurin Yusnita binti Abdul Malik	(Appointed on 11 January 2010)
Suhaimi bin Kamaralzaman	(Appointed on 01 March 2010)
Shazal Yusuf bin Mohamed Zain	(Appointed on 31 May 2010)
Lee Ching Kion	(Resigned on 31 March 2010)

In accordance with Section 129(6) of the Companies Act, 1965, Dato' Jaffar Indot retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Article 95 of the Company's Articles of Association, Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah and Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah retire by rotation from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with Article 100 of the Company's Articles of Association, Datin Ezurin Yusnita binti Abdul Malik, Suhaimi bin Kamaralzaman and Shazal Yusuf bin Mohamed Zain who were appointed to the Board subsequent to the date of the last Annual General Meeting, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, particulars of interests of the Directors who held office at the end of the financial year, in shares and warrants over ordinary shares in the Company and its related corporation are as follows:

Melewar Industrial Group Berhad (Company)	**Number of ordinary shares of RM1 each**			
	At 01.07.2009	**Bought**	**Sold**	**At 30.06.2010**
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah				
- indirect interest	87,787,132	320,000	-	88,107,132
- direct interest	320,000	-	(320,000)	-
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah				
- indirect interest	88,107,132	-	-	88,107,132
Datin Ezurin Yusnita binti Abdul Malik				
- indirect interest	88,107,132	-	-	88,107,132
Datuk Lim Kim Chuan				
- direct interest	186,666	-	-	186,666
Azlan bin Abdullah				
- direct interest	133,333	-	-	133,333

	Number of warrants over ordinary shares of RM1 each			
	At 01.07.2009	**Bought**	**Lapsed***	**At 30.06.2010**
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah				
- indirect interest	800,026	-	(800,026)	-
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah				
- indirect interest	800,026	-	(800,026)	-
Datin Ezurin Yusnita binti Abdul Malik				
- indirect interest	800,026	-	(800,026)	-
Datuk Lim Kim Chuan				
- direct interest	37,333	-	(37,333)	-

* The warrants have expired on 14 June 2010.

DIRECTORS' INTERESTS (continued)

Mycron Steel Berhad (Related corporation)	**Number of ordinary shares of RM1 each** At 01.07.2009	Bought	Sold	At 30.06.2010
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah				
- indirect interest	110,825,866	550,000	(815,100)	110,560,766
- direct interest	550,000	-	(550,000)	-
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah				
- indirect interest	111,375,866	550,000	(1,365,100)	110,560,766
Datin Ezurin Yusnita binti Abdul Malik				
- indirect interest	111,375,866	550,000	(1,365,100)	110,560,766
Datuk Lim Kim Chuan				
- direct interest	385,000	-	-	385,000
Azlan bin Abdullah				
- direct interest	25,000	-	-	25,000

By virtue of the above mentioned Directors' indirect interests in shares of the Company, they are deemed to have an interest in the shares of all the subsidiaries to the extent the Company has an interest.

None of the other Directors holding office at the end of the financial year held any interest in shares and warrants over ordinary shares in the Company and/or its related corporations during the financial year.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than Directors' remuneration disclosed in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he or she is a member, or with a company in which he or she has a substantial financial interest, except as disclosed in Note 32 to the financial statements.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (continued)

No contingent or other liability has become enforceable or is likely to become enforceable within the period of 12 months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or Company to meet their obligations when they fall due.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group or Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group or Company which has arisen since the end of the financial year other than those disclosed in Note 35 to the financial statements.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors,

(a) the results of the operations of the Group and Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the notes to the financial statements; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or Company for the financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

Significant events during the financial year and subsequent events after the financial year are disclosed in Note 36 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance to their resolution dated 5 October 2010.

TUNKU DATO' YA'ACOB BIN TUNKU TAN SRI ABDULLAH
EXECUTIVE CHAIRMAN

SUHAIMI BIN KAMARALZAMAN
MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER

Statement By Directors

Pursuant To Section 169(15) Of The Companies Act, 1965

We, Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah and Suhaimi bin Kamaralzaman, two of the Directors of Melewar Industrial Group Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 53 to 114 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 30 June 2010 and of the results and cash flows of the Group and Company for the financial year ended on that date in accordance with the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance to their resolution dated 5 October 2010.

TUNKU DATO' YA'ACOB BIN TUNKU TAN SRI ABDULLAH
EXECUTIVE CHAIRMAN

SUHAIMI BIN KAMARALZAMAN
MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER

Statutory Declaration

Pursuant To Section 169(16) Of The Companies Act, 1965

I, Suhaimi bin Kamaralzaman, the Director primarily responsible for the financial management of Melewar Industrial Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 53 to 114 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

SUHAIMI BIN KAMARALZAMAN

Subscribed and solemnly declared by the abovenamed Suhaimi bin Kamaralzaman, at Kuala Lumpur in Malaysia on 5 October 2010, before me.

COMMISSIONER FOR OATHS

Independent Auditors' Report

To The Members Of Melewar Industrial Group Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Melewar Industrial Group Berhad, which comprise the balance sheets as at 30 June 2010 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 53 to 114.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2010 and of their financial performance and cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act;

(b) we have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 15 to the financial statements;

(c) we are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes; and

(d) the audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

ERIC OOI LIP AUN
(No. 1517/06/12 (J))
Chartered Accountant

Kuala Lumpur
5 October 2010

Income Statements

For The Financial Year Ended 30 June 2010

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Revenue	5	707,147,466	599,545,093	240,959,596	216,635,990
Cost of sales		(618,127,461)	(621,204,198)	(217,260,479)	(204,748,978)
Gross profit/(loss)		89,020,005	(21,659,105)	23,699,117	11,887,012
Other operating income	6	20,789,121	39,007,664	14,985,937	12,474,024
Fair value gain/(loss) on financial asset at fair value through profit or loss	23	30,463,955	(172,519,380)	-	-
Selling and distribution costs		(6,585,325)	(5,355,911)	(3,222,921)	(2,855,727)
Administrative and general expenses		(25,343,313)	(63,740,115)	(22,026,338)	(11,192,046)
Profit/(loss) from operations	7	108,344,443	(224,266,847)	13,435,795	10,313,263
Finance cost	8	(18,670,014)	(19,549,401)	(1,438,738)	(1,430,393)
Share of results of associates		1,947,799	(2,881,731)	-	-
Profit/(loss) before tax		91,622,228	(246,697,979)	11,997,057	8,882,870
Tax (expense)/credit - Company and subsidiaries	10	(12,606,492)	73,991,224	(6,429,547)	(869,754)
Profit/(loss) for the financial year		79,015,736	(172,706,755)	5,567,510	8,013,116
Attributable to:					
Equity holders of the Company		67,629,062	(155,974,601)	5,567,510	8,013,116
Minority interests		11,386,674	(16,732,154)	-	-
Profit/(loss) for the financial year		79,015,736	(172,706,755)	5,567,510	8,013,116
Earnings/(loss) per share attributable to ordinary equity holders of the Company:	11				
- basic (sen)		29.99	(69.14)		
- diluted (sen)		-	-		

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
NON-CURRENT ASSETS					
Property, plant and equipment	12	1,037,713,363	611,292,134	3,495,626	3,548,165
Investment properties	13	-	2,630,489	64,650,000	61,242,224
Prepaid lease rental	14	33,986,819	34,489,837	-	-
Subsidiaries	15	-	-	120,844,284	133,531,281
Associates	16	9,147,117	70,156,968	-	-
Interest in jointly controlled entity	17	4	4	-	-
Intangible assets	18	82,768,949	76,202,451	-	-
Deferred tax assets	19	367,032	5,189,770	-	-
Available-for-sale financial assets	20	635,223	1,869,077	317,604	934,531
		1,164,618,507	801,830,730	189,307,514	199,256,201
CURRENT ASSETS					
Inventories	21	191,799,997	70,077,289	-	-
Trade and other receivables	22	140,133,737	118,228,599	33,875,319	26,220,937
Financial asset at fair value through profit or loss	23	110,438,640	159,674,544	-	-
Amounts owing by subsidiaries	24	-	-	308,375,656	278,835,578
Amount owing by an associate		-	248,301	-	-
Tax recoverable		1,112,191	516,107	-	-
Deposits with licensed financial institutions	25	250,000	22,886,299	-	2,340,000
Cash and bank balances	25	96,549,074	106,068,396	5,154,642	2,987,921
		540,283,639	477,699,535	347,405,617	310,384,436
Non-current asset held for sale	26	50,419,026	-	-	-
		590,702,665	477,699,535	347,405,617	310,384,436

(continued)

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
LESS: CURRENT LIABILITIES					
Trade and other payables	27	136,449,032	149,688,648	13,953,172	5,609,513
Derivative liability	28	-	7,069,955	-	4,874
Amounts owing to subsidiaries	24	-	-	58,779,531	44,766,082
Tax payable		13,716,982	265,239	2,586,545	184,898
Borrowings	29	292,768,125	291,011,794	106,384,492	111,019,493
		442,934,139	448,035,636	181,703,740	161,584,860
NET CURRENT ASSETS		147,768,526	29,663,899	165,701,877	148,799,576
LESS: NON-CURRENT LIABILITIES					
Deferred tax liabilities	19	22,043,231	31,371,915	13,746,656	12,767,039
Borrowings	29	646,780,356	234,118,535	103,644	342,136
		668,823,587	265,490,450	13,850,300	13,109,175
		643,563,446	566,004,179	341,159,091	334,946,602
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
Share capital	30	226,755,408	226,745,011	226,755,408	226,745,011
Treasury shares		(2,042,193)	(2,042,193)	(2,042,193)	(2,042,193)
Retained earnings		213,090,140	141,697,257	116,204,429	105,683,552
Share premium		241,447	238,280	241,447	238,280
Warrants reserve		-	4,164,662	-	4,164,662
Asset revaluation reserve		75,820,655	75,900,210	-	157,290
Foreign currency translation reserve		7,331,110	8,179,928	-	-
		521,196,567	454,883,155	341,159,091	334,946,602
Minority interests		122,366,879	111,121,024	-	-
TOTAL EQUITY		643,563,446	566,004,179	341,159,091	334,946,602

Consolidated Statements of Changes in Equity

For The Financial Year Ended 30 June 2010

	Note	Share capital RM	Treasury shares RM	Share premium RM	Warrants reserve RM	Foreign currency translation reserve RM	Asset revaluation reserve RM	Retained earnings RM	Total RM	Minority interests RM	Total RM
		← Attributable to equity holders of the Company							→		
At 1 July 2009		226,745,011	(2,042,193)	238,280	4,164,662	8,179,928	75,900,210	141,697,257	454,883,155	111,121,024	566,004,179
Realisation of asset revaluation surplus on disposal of property, plant and equipment		-	-	-	-	-	(344,820)	344,820	-	-	-
Reversal of deferred tax liabilities on disposal of property, plant and equipment and investment property		-	-	-	-	-	-	747,436	747,436	-	747,436
Revaluation surplus on property, plant and equipment		-	-	-	-	-	262,735	-	262,735	-	262,735
Revaluation surplus on prepaid lease rental		-	-	-	-	-	2,530	-	2,530	-	2,530
Foreign currency translation differences		-	-	-	-	(848,818)	-	-	(848,818)	(44,392)	(893,210)
Share of reserves in associates		-	-	-	-	-	-	(1,535,212)	(1,535,212)	-	(1,535,212)
Income and expense recognised directly in equity		-	-	-	-	(848,818)	(79,555)	(442,956)	(1,371,329)	(44,392)	(1,415,721)
Profit for the financial year		-	-	-	-	-	-	67,629,062	67,629,062	11,386,674	79,015,736
Total recognised income and expense for the financial year		-	-	-	-	(848,818)	(79,555)	67,186,106	66,257,733	11,342,282	77,600,015
Warrants converted to shares	30	10,397	-	3,167	(1,868)	-	-	-	11,696	-	11,696
Issuance of shares by a subsidiary		-	-	-	-	-	-	-	-	(444)	(444)
Realisation of warrants reserve upon expiry of unexercised warrants		-	-	-	(4,162,794)	-	-	4,162,794	-	-	-
Shares repurchased		-	-	-	-	-	-	43,983	43,983	(95,983)	(52,000)
At 30 June 2010		226,755,408	(2,042,193)	241,447	-	7,331,110	75,820,655	213,090,140	521,196,567	122,366,879	643,563,446

	Note	Share capital RM	Treasury shares RM	Share premium RM	Warrants reserve RM	Foreign currency translation reserve RM	Asset revaluation reserve RM	Retained earnings RM	Total RM	Minority interests RM	Total RM
		← Attributable to equity holders of the Company							→		
At 1 July 2008		226,745,011	(1,953,900)	238,280	4,164,662	(763,820)	77,928,176	310,071,655	616,430,064	157,436,209	773,866,273
Realisation of asset revaluation surplus on reclassification of property, plant and equipment to investment property		-	-	-	-	-	(2,027,966)	2,027,966	--	--	--
Foreign currency translation differences		-	-	-	-	8,943,748	-	-	8,943,748	468,324	9,412,072
Share of reserves in associates		-	-	-	-	-	-	607,246	607,246	8,638	615,884
Income and expense recognised directly in equity		-	-	-	-	8,943,748	(2,027,966)	2,635,212	9,550,994	476,962	10,027,956
Loss for the financial year		-	-	-	-	-	-	(155,974,601)	(155,974,601)	(16,732,154)	(172,706,755)
Total recognised income and expense for the financial year		-	-	-	-	8,943,748	(2,027,966)	(153,339,389)	(146,423,607)	(16,255,192)	(162,678,799)
Acquisition of additional interests in a subsidiary from minority shareholders		-	-	-	-	-	-	(8,830,148)	(8,830,148)	(27,329,852)	(36,160,000)
Issuance of shares by a subsidiary		-	-	-	-	-	-	-	-	270,000	270,000
Shares repurchased		-	(88,293)	-	-	-	-	560,511	472,218	(891,196)	(418,978)
Dividends paid	31	-	-	-	-	-	-	(6,765,372)	(6,765,372)	(2,108,945)	(8,874,317)
At 30 June 2009		226,745,011	(2,042,193)	238,280	4,164,662	8,179,928	75,900,210	141,697,257	454,883,155	111,121,024	566,004,179

Company Statements of Changes in Equity

For The Financial Year Ended 30 June 2010

	Note	Share capital RM	Treasury shares RM	Share premium RM	Warrants reserve RM	Asset revaluation reserve RM	Retained earnings RM	Total RM
		Non-distributable					Distributable	
At 1 July 2009		226,745,011	(2,042,193)	238,280	4,164,662	157,290	105,683,552	334,946,602
Realisation of asset revaluation surplus on disposal of property, plant and equipment		-	-	-	-	(157,290)	157,290	-
Reversal of deferred tax liabilities on disposal of property, plant and equipment and investment property		-	-	-	-	-	633,283	633,283
Income and expense recognised directly in equity		-	-	-	-	(157,290)	790,573	633,283
Profit for the financial year		-	-	-	-	-	5,567,510	5,567,510
Total recognised income and expense for the financial year		-	-	-	-	(157,290)	6,358,083	6,200,793
Warrants converted to shares	30	10,397	-	3,167	(1,868)	-	-	11,696
Realisation of warrants reserve upon expiry of unexercised warrants		-	-	-	(4,162,794)	-	4,162,794	-
At 30 June 2010		226,755,408	(2,042,193)	241,447	-	-	116,204,429	341,159,091

	Note	Share capital RM	Treasury shares RM	Share premium RM	Warrants reserve RM	Asset revaluation reserve RM	Retained earnings RM	Total RM
		Non-distributable					Distributable	
At 1 July 2008		226,745,011	(1,953,900)	238,280	4,164,662	2,185,256	102,407,842	333,787,151
Realisation of asset revaluation surplus on reclassification from property, plant and equipment to investment property		-	-	-	-	(2,027,966)	2,027,966	-
Income and expense recognised directly in equity		-	-	-	-	(2,027,966)	2,027,966	-
Profit for the financial year		-	-	-	-	-	8,013,116	8,013,116
Total recognised income and expense for the financial year		-	-	-	-	(2,027,966)	10,041,082	8,013,116
Dividends paid	31	-	-	-	-	-	(6,765,372)	(6,765,372)
Share repurchased		-	(88,293)	-	-	-	-	(88,293)
At 30 June 2009		226,745,011	(2,042,193)	238,280	4,164,662	157,290	105,683,552	334,946,602

For The Financial Year Ended 30 June 2010

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before tax	91,622,228	(246,697,979)	11,997,057	8,882,870
Adjustments for:				
Amortisation of prepaid lease rental	506,391	513,325	-	6,935
Property, plant and equipment:				
- depreciation	17,112,011	17,131,126	446,930	439,850
- net gain on disposal	(269,145)	(19,903)	(238,690)	(20,303)
- impairment loss	10,584,367	-	-	-
- write-offs	126,628	223,119	-	-
Investment properties:				
- fair value gain	-	-	(6,038,265)	-
- gain on disposal	(1,738,368)	-	(1,738,368)	-
Financial asset at fair value through profit or loss:				
- gain on disposal	(798,932)	-	-	-
- fair value (gain)/loss	(30,463,955)	172,519,380	-	-
Write back of provision for litigation	-	(41,391,669)	-	-
Write back of provision for onerous contracts	(403,406)	-	-	-
Write down of inventories	-	60,673,027	-	-
Gain on disposal of non-current asset held for sale	-	(1,564,813)	-	(1,564,813)
Impairment loss:				
- subsidiary	-	-	12,687,000	-
- associates	3,940,993	43,130,000	-	-
- amount owing from an associate	248,301	-	-	-
- available-for-sale financial assets	1,233,854	-	616,927	-
- trade receivables	-	7,123	-	-
- other receivables	585,024	548,753	-	21,411
Inventories written off	2,387	-	-	-
Net unrealised (gain)/loss on foreign exchange	(6,404,763)	5,576,286	64,250	(39,914)
Fair value loss on foreign currency forward contracts	-	6,889,309	-	4,926
Dividend income	-	-	-	(3,884,267)
Interest income	(344,195)	(710,248)	(98,134)	(121,693)
Interest expense	18,670,014	19,549,401	1,438,738	1,430,393
Share of results of associates	(1,947,799)	2,881,731	-	-
	102,261,635	39,257,968	19,137,445	5,155,395

(continued)

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Changes in working capital:				
- inventories	(121,725,095)	52,031,234	-	-
- trade and other receivables	(21,051,493)	93,687,212	(7,796,610)	54,437,963
- trade and other payables	(2,062,303)	(47,002,198)	8,323,826	(2,608,600)
Cash (used in)/generated from operations	(42,577,256)	137,974,216	19,664,661	56,984,758
Interest paid	(18,966,471)	(19,294,672)	(1,343,039)	(1,582,650)
Interest received	348,639	721,632	95,372	131,394
Tax (paid)/refund	(3,664,614)	3,288,616	(2,415,000)	(228,816)
Net cash (used in)/generated from operating activities	(64,859,702)	122,689,792	16,001,994	55,304,686
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(458,420,319)	(109,710,936)	(495,241)	(202,270)
Purchase of intangible assets	(6,566,498)	(2,238,938)	-	-
Proceeds from disposal of:				
- property, plant and equipment	658,938	32,600	339,540	31,600
- investment property	4,368,857	-	4,368,857	-
- non-current asset held for sale	-	5,849,313	-	5,849,313
- financial asset at fair value through profit or loss	11,531,431	-	-	-
Proceeds from deemed disposal of financial asset at fair value through profit or loss	48,441,572	-	-	-
Proceeds from issuance of shares	50	-	-	-
Dividends received	-	-	-	3,185,612
Dividends received from associate	7,062,419	564,994	-	-
Advances to subsidiaries	-	-	(15,526,629)	(45,850,876)
Repayment from an associate	-	239,659	-	-
Acquisition of additional interests in a subsidiary from minority shareholders	-	(11,387,255)	-	-
Acquisition of interest in jointly controlled entity	-	(4)	-	-
Purchase of shares issued by a subsidiary	-	-	(3)	(630,000)
Net cash used in investing activities	(392,923,550)	(116,650,567)	(11,313,476)	(37,616,621)

(continued)

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from warrants converted to shares	11,696	-	11,696	-
Repurchase of own shares	(52,000)	(418,978)	-	(88,293)
Net proceeds from/(repayment of) borrowings	432,577,887	53,750,146	(4,474,000)	(15,870,000)
Payment of financing service fee	-	(15,993,004)	-	-
Repayment of hire purchase	(408,224)	(414,420)	(399,493)	(414,420)
Deposits with licensed financial institutions pledged as security	19,358,177	(86,610,373)	-	-
Dividends paid - shareholders	-	(6,765,372)	-	(6,765,372)
Dividends paid - minority interests	-	(2,108,945)	-	-
Proceeds from issuance of shares by a subsidiary to minority interest	-	270,000	-	-
Net cash generated from/(used in) financing activities	451,487,536	(58,290,946)	(4,861,797)	(23,138,085)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,295,716)	(52,251,721)	(173,279)	(5,450,020)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	36,845,265	83,985,939	5,327,921	10,777,941
CURRENCY TRANSLATION DIFFERENCES	(6,501,728)	5,111,047	-	-
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR (Note 25)	24,047,821	36,845,265	5,154,642	5,327,921

1 GENERAL INFORMATION

The principal activities of the Company are trading of steel pipes and tubes, investment property holdings and investment holdings. The principal activities of the subsidiaries consist of manufacturing of steel pipes and tubes, trading of scrap metal, manufacturing and trading of cold rolled steel sheets in coils as well as steel and iron products, provision of engineering and management services, investment holdings, provision of engineering and technical consultancy services and supplying power and steam. There was no significant change in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of the Bursa Malaysia Securities Berhad.

The registered office of the Company is:

Suite 20.03, 20th Floor
Menara MAA
No. 12 Jalan Dewan Bahasa
50460 Kuala Lumpur

The principal place of business of the Company is:

Lot 53, Persiaran Selangor
40200 Shah Alam
Selangor Darul Ehsan

As at 30 June 2010, all monetary assets and liabilities of the Group and Company are denominated in Ringgit Malaysia, unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements. These policies have been consistently applied to the financial years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of the Group and Company have been prepared in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards ("FRS"), the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities. The financial statements have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

The preparation of financial statements in conformity with the provisions of the Companies Act, 1965 and FRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. It also requires the Directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgements are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(i) Standard that is effective and is applicable to the Group

The new accounting standard effective to the Group for the financial year beginning on or after 1 July 2009 is as follows:

- FRS 8 "Operating Segments" replaces FRS 114 $_{2004}$ "Segment Reporting"

All changes in accounting policies have been made in accordance with the transition provisions in the standard.

The adoption of FRS 8 did not have a material impact on the financial statements of the Group and Company. Disclosure requirements under the standard have been adopted retrospectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(ii) Standard early adopted by the Group

- FRS 139 "Financial Instruments: Recognition and Measurement" (effective 1 January 2010)

The standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group has applied this standard since the financial year ended 31 January 2006.

The accounting policies relating to the measurement of the financial assets are described in Note 2(l) to the financial statements.

(iii) Standards, amendments to published standards and interpretations to existing standards that are not yet effective but are applicable to the Group and have not been early adopted

The new accounting standards, amendments to published standards and interpretations to existing standards that are effective for annual period beginning on or after 1 January 2010 are as follows:

- FRS 7 "Financial Instruments: Disclosures" and the improvement to FRS 7
- FRS 123 "Borrowing Costs" which replaces FRS 123_{2004} and the improvement to FRS 123
- The revised FRS 101 "Presentation of Financial Statements"
- The amendment to FRS 1 "First-time Adoption of Financial Reporting Standards" and FRS 127 "Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"
- The amendment to FRS 5 "Non-current Assets Held for Sale and Discontinued Operations"
- The amendment to FRS 107 "Statement of Cash Flows"
- The amendment to FRS 110 "Events After the Balance Sheet Date"
- The amendment to FRS 116 "Property, Plant and Equipment" (consequential amendment to FRS 107 "Statement of Cash Flows")
- The amendment to FRS 117 "Leases"
- The amendment to FRS 118 "Revenue"
- The amendment to FRS 119 "Employee Benefits"
- The amendment to FRS 127 "Consolidated and Separate Financial Statements"
- The amendment to FRS 128 "Investments in Associates"
- The amendment to FRS 128 "Investments in Associates" and FRS 131 "Interests in Joint Ventures" (consequential amendments to FRS 132 "Financial Instruments: Presentation" and FRS 7 "Financial Instruments: Disclosures")
- The amendment to FRS 132 "Financial Instruments: Presentation" and FRS 101(revised) "Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation"
- The amendment to FRS 132 "Financial Instruments: Presentation"
- The amendment to FRS 134 "Interim Financial Reporting"
- The amendment to FRS 136 "Impairment of Assets"
- The amendment to FRS 138 "Intangible Assets"
- The amendment to FRS 139 "Eligible Hedged Items"
- The amendment to FRS 139 "Reclassification of Financial Assets"
- The amendment to FRS 139 and IC Interpretation 9 "Reassessment of Embedded Derivatives"
- The amendment to FRS 140 "Investment Property"
- IC Interpretation 10 "Interim Financial Reporting and Impairment"
- IC Interpretation 11 "FRS 2 Group and Treasury Share Transactions"

The amendment to published standard that is effective for annual period beginning on or after 1 March 2010 is as follows:

- The amendment to FRS 132 "Financial Instruments: Presentation"

The amendments to published standards that are effective for annual period beginning on or after 1 July 2010 are as follows:

- The revised FRS 3 "Business Combinations"
- The amendment to FRS 5 "Non-current Assets Held for Sale and Discontinued Operations"
- The revised FRS 127 "Consolidated and Separate Financial Statements"

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(iii) Standards, amendments to published standards and interpretations to existing standards that are not yet effective but are applicable to the Group and have not been early adopted (continued)

The amendment to published standard that is effective for annual period beginning on or after 1 January 2011 is as follows:

- The amendment to FRS 7 "Financial Instruments: Disclosures" and amendment to FRS 1 "First-time Adoption of Financial Reporting Standards"

With the exception of FRS 7, the above standards, amendments to published standards and interpretations to existing standards are not anticipated to have any significant impact on the financial position of the Group and Company in the year of initial application. As allowed under the transitional provision of FRS 7, the Group and Company are exempted from having to disclose the possible impact of the application of the standards on the financial statements of the Group and Company in the year of initial application.

(iv) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and are not applicable to the Group

The new accounting standards, amendments to published standards and interpretations to existing standards that are effective for annual period beginning on or after 1 January 2010 are as follows:

- FRS 4 "Insurance Contracts"
- The amendment to FRS 2 "Share-based Payment: Vesting Conditions and Cancellations"
- The amendment to FRS 120 "Accounting for Government Grants"
- The amendment to FRS 129 "Financial Reporting in Hyperinflationary Economies"
- IC Interpretation 13 "Customer Loyalty Programmes"
- IC Interpretation 14 "FRS 119 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

The interpretations to existing standards that are effective for annual period beginning on or after 1 July 2010 are as follows:

- IC Interpretation 12 "Service Concession Arrangements"
- IC Interpretation 15 "Agreements for the Construction of Real Estate"
- IC Interpretation 16 "Hedges of a Net Investment in a Foreign Operation"
- IC Interpretation 17 "Distributions of Non-cash Assets to Owners"

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those corporations, partnerships or other entities (including special purpose entities) in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The cost of an acquisition is measured at fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill (see the accounting policy Note 2 (c) on goodwill). If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

(i) Subsidiaries (continued)

Minority interests represent that portion of the profit or loss and assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since that date.

Where more than one exchange transaction is involved, any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group is accounted for as a revaluation.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as at the date of disposal, including the cumulative amount of any exchange differences that relate to the subsidiary, and is recognised in the consolidated income statement.

(ii) Associates

Associates are those corporations, partnerships or other entities in which the Group exercises significant influence, but which it does not control, generally accompanied by a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over those policies.

Investment in associates is accounted for using the equity method of accounting and is initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (see Note 2 (c)).

Dilution gains and losses in associates are recognised in equity.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

For incremental interest in an associate, the date of acquisition is the purchase date at each stage and goodwill is calculated at each purchase date based on the fair value of assets and liabilities identified. There is no "step up to fair value" of the net assets for the previously acquired stake and the share of profits and equity movements for the previously acquired stake is recorded directly through equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

(iii) Jointly controlled entity

Jointly controlled entities are corporations, partnerships, or other entities over which there is contractually agreed sharing of control by the Group with one or more parties where the strategic financial and operating decisions relating to the entities require unanimous consent of the parties sharing control.

The Group's interest in jointly controlled entities is accounted for in the consolidated financial statements using the equity method of accounting. Equity accounting involves recognising the Group's share of the post-acquisition results of jointly controlled entities in the income statement and its share of post-acquisition movements of reserves in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment and include goodwill on acquisition (net of accumulated impairment).

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the assets transferred.

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment.

Where necessary, adjustments are made to the financial statements of jointly controlled entities to ensure consistency of accounting policies with the Group.

(c) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries and associates over the fair value of the Group's share of the identifiable net assets at the date of acquisition. Goodwill on acquisitions of subsidiaries is included separately in the balance sheet. Goodwill on acquisitions of associates is included in investment in associates. Such goodwill is tested for impairment as part of the overall balance.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose (see accounting policy Note 2 (j) on impairment of non-financial assets).

(d) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is deducted from equity. Gains or losses on disposals to minority interests are also recorded in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity.

(e) Property, plant and equipment

(i) Measurement basis

Property, plant and equipment are initially stated at cost. Land and buildings, plant and machinery and electrical installation are subsequently shown at fair value, based on periodic valuation by external valuers, at least once in every 5 years or when the fair value of the revalued assets differ materially from its carrying value. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment, except for capital work-in-progress which is stated at cost, are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment (continued)

(i) Measurement basis (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Surpluses arising on revaluation are dealt with through the asset revaluation reserve account. Any deficit arising is set-off against the asset revaluation reserve to the extent of a previous increase for the same asset. In all other cases, a decrease in carrying amount will be charged immediately to the income statement.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the profit/(loss) from operations. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2(j) on impairment of non-financial assets.

(ii) Depreciation

Freehold land is not depreciated as it has infinite life. All other property, plant and equipment, except for capital work-in-progress which is not depreciated, are depreciated on a straight-line basis to write off the cost of the assets or their revalued amounts, to their residual values, over their estimated useful lives as follows:

Buildings	50 years
Plant, machinery and electrical installation	10 – 40 years
Motor vehicles, furniture, fittings and equipment	5 – 10 years

Depreciation on assets under construction commences when the assets are ready for their intended use.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date.

(f) Investment properties

Investment properties are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group. Investment properties are measured initially at its cost, including related transaction costs. After initial recognition, investment properties are carried at fair value.

Fair value is based on valuation performed taking into account the property growth and market in the surrounding area. The fair value of the investment properties reflects the market conditions at the balance sheet date. Changes in fair values are recorded in the income statement as part of other income.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised. The difference between the net disposal proceeds and the carrying amount is recognised in the income statement in the period of the retirement or disposal.

Transfer to or from investment property will be made when there is a change in use evidenced by the commencement of owner-occupation for a transfer of investment property to self-occupied property or end of owner-occupation for a transfer from self-occupied property to investment property.

If a self-occupied property becomes an investment property that will be carried at fair value, the revaluation surplus of the self-occupied property, included in revaluation reserves, may be transferred to retained earnings. For a transfer from investment property carried at fair value to self-occupied property, the property's deemed cost for subsequent accounting shall be its fair value at the date of change in use.

For the transfer of investment property to prepaid lease payments, the Group uses the transitional provision of Para 67A (FRS 117) which allows the Group to retain the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Non-current assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amounts are recovered principally through a sale transaction rather than through a continuing use.

(h) Leases – Accounting by lessee

(i) Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance lease is depreciated over the shorter of the estimated useful life of the asset and the lease term.

(ii) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the lease period.

(i) Prepaid lease rental

Payment for rights to use land over a predetermined period is classified as prepaid lease rental and is stated at cost less amount amortised and accumulated impairment losses.

The prepaid lease rental is amortised on a straight-line basis over the lease period, which is similar to the depreciation policy when they were classified as property, plant and equipment.

(j) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment loss on goodwill is not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case, it is taken to revaluation surplus.

(k) Intangible assets

Intangible assets of the Group comprise the right on Concession Agreement, the right to use power transmission line under the power purchase agreement and the right to use gas interconnecting pipeline under the gas supply agreement. These rights are stated at cost less any accumulated amortisation and any accumulated impairment losses and are subject to an annual impairment test. These rights will be amortised over the concession period once the power plant is commissioned.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this at every reporting date except for financial assets at fair value through profit or loss.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets that are designated or held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are unquoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognised on trade date i.e. the date on which the Group and Company commit to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs that are directly attributable to their acquisitions, for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement in the financial year in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other operating income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in the income statement; translation differences on non-monetary securities are recognised in equity.

(i) Valuation principles

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes the fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, and discounted cash flow analysis.

The carrying values of financial assets and liabilities with a maturity period of less than one year are assumed to approximate their fair values.

(ii) Impairment of financial instruments

The Group and Company assess at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

(m) Derivative financial instruments

Derivatives are initially recognised in the balance sheet at fair value on the dates on which derivative contracts are entered into and are subsequently remeasured at their fair values at each balance sheet date.

Derivative financial instruments that do not qualify for hedge accounting are accounted for as financial assets at fair value through profit or loss. Changes in the fair value of these derivative financial instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis. Finished goods and work-in-progress comprise cost of materials, direct labour, other direct charges and an appropriate proportion of factory overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

(o) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 3 months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(p) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within selling and distribution costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling and distribution costs in the income statement.

(q) Trade payables

Trade payables are recognised initially at invoiced values which are the fair values of the consideration to be paid in the future for goods and services received. They are subsequently measured at amortised cost using the effective interest method.

(r) Assets acquired under hire purchase arrangements

The cost of property, plant and equipment acquired under hire purchase arrangements which transfer substantially all the risks and rewards of ownership to the Group are capitalised. The depreciation policy on these property, plant and equipment is similar to that of the Group. Outstanding obligations due under hire purchase arrangements after deducting finance expenses are included as liabilities in the financial statements. Finance charges on hire purchase arrangements are allocated to income statements over the period of the respective agreements, so as to produce a constant rate of interest on the remaining balance of the liability.

(s) Borrowings

Borrowings are recognised initially at fair value, net of transaction cost incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction cost) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

When it is certain that the property, plant and equipment will be completed and is expected to bring future economic benefit to the Group and Company, borrowing costs incurred to finance the construction of property, plant and equipment are capitalised as part of the cost of the assets during the period of time that is required to complete and prepare the assets for its intended use.

Borrowings are classified as current liabilities unless the Group and Company have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

(t) Provisions

Provisions are recognised when the Group and Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

(u) Share capital

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost incurred directly attributable to the issuance of the shares is accounted for as a deduction from equity.

Interim dividends are recognised as liabilities when declared before the balance sheet date. Final dividends are accounted for when it had been approved by the Company's shareholders.

Where the Company or its subsidiaries purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental external costs, net of tax, is deducted from total shareholders' equity as treasury shares until they are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental external costs and the related tax effects, is included in shareholders' equity.

(v) Warrants reserve

Proceeds from the issuance of warrants, net of issue costs, are credited to warrants reserve which is non-distributable. Warrants reserve will be transferred to the share premium account upon the exercise of warrants and the warrants reserve in relation to the unexercised warrants at the expiry of the warrants period will be transferred to retained earnings.

(w) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sale of goods

Sale of goods is recognised when significant risks and rewards of ownership have been transferred to the customers.

(ii) Processing and engineering service income

Processing and engineering service income is recognised on an accrual basis when services are rendered.

(iii) Dividend income

Dividend income is recognised when the shareholders' right to receive payment is established.

(iv) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

(v) Rental income

Rental income is recognised on a time proportion basis over the lease term.

(vi) Consultancy and project service income

Consultancy and project service income is recognised based on percentage of completion basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Employees' benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, and bonuses are accrued in the financial year in which the associated services are rendered by the employees of the Group.

(ii) Defined contribution plan

The Group contributes to the Employee Provident Fund, which is a defined contribution plan, regulated and managed by the government. The contributions are charged to the income statement in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

The Group may from time to time at its sole discretion make cash contribution into a fund established under the MIGKER Scheme, a defined contribution plan, for the benefit of eligible employees. The amount of cash contributed depends on the performance of the individual employees and the profitability of the Group. The contributions are charged to the income statement in the financial year to which they relate.

(y) Income tax

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based upon the taxable profits.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

(z) Foreign currencies

(i) Functional and presentation currency

The management has determined that the currency of the primary economic environment in which the Group operates, i.e. functional currency, to be Ringgit Malaysia. Sales price and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in Ringgit Malaysia. The financial statements are presented in Ringgit Malaysia, which is the Group's functional and presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are translated to Ringgit Malaysia at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the closing rates. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies are translated to Ringgit Malaysia at rates of exchange prevailing at the date of transactions.

Translation differences on non-monetary financial assets and liabilities, such as financial assets at fair value through profit or loss are reported as part of the fair value gain or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Foreign currencies (continued)

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing on the transaction dates); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(aa) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The CODM is responsible for allocating resources and assessing performance of the operating segments and the Executive Committee of the Company has been identified as the CODM.

(ab) Contingent liabilities and contingent assets

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, the contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The Group recognises separately the contingent liabilities of the acquirees as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions and the information about the contingent liabilities acquired will be disclosed in the financial statements.

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of FRS 137_{2004} and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with FRS 118_{2004}.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ac) Financial guarantee contracts

Financial guarantee contracts are recognised as financial liabilities at the date the guarantee is issued. Liabilities arising from financial guarantee contracts, including company guarantees of subsidiaries through deeds of cross guarantee, are initially recognised at fair value and subsequently at the higher of the amount determined in accordance with the measurement requirements of a provision (Note 2(t)) and the amount initially recognised less cumulative amortisation.

The fair value of the financial guarantee is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument, and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligation.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in the financial statements of the Company.

(ad) Investments

Investments in subsidiaries, associates and joint ventures are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 2(j) on impairment of non-financial assets.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged/credited to the income statement.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Estimation of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar property in the same location and condition and subject to similar leases and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different leases or other contracts), adjusted to reflect those differences; and

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

(b) Valuation of property, plant and equipment

The fair value of property, plant and equipment is individually determined periodically, at least once every 5 years or when the fair value of the revalued assets differ materially from its carrying value, by independent valuers based on market value assessment. The valuers have relied on the discounted cash flow analysis and the depreciated replacement cost method. These methodologies are based upon estimates of future results and a set of assumptions specific to each property to reflect its income and cash flow profile.

(c) Useful lives and residual values of property, plant and equipment

The Group charges depreciation on its depreciable property, plant and equipment based on the useful lives and residual values of the assets. Estimating the useful lives and residual values of property, plant and equipment involves significant judgement, selection of variety of methods and assumptions that are normally based on market conditions existing at the balance sheet date. The actual useful lives and residual values of the assets however, may be different from expected.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(d) Recoverability of debtors

The expected timing and recovery of doubtful debts are on a best endeavour basis. It is also subject to prevailing market and economic conditions.

(e) Income taxes

Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and Company recognise liabilities for tax based on estimates of assessment of the tax liability due. When the final tax outcome is different from the amounts that were initially recorded, such differences will result in changes to the income tax and deferred tax provisions, where applicable, in the financial year in which such determination is made.

(f) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. This involves judgement regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised.

(g) Impairment of assets

Value-in-use ("VIU") calculations for the purposes of impairment tests, where assumptions and estimates have been used, are based on future events which Directors expect to take place and actions which management expects to take. While information may be available to support the assumptions on which the VIU calculations have been prepared, such information is generally future oriented and therefore uncertain and subject to changes. Accordingly, actual results may differ from the budgets.

(i) Impairment of investment in a subsidiary

The impairment test on the investment in Melewar Steel Mills Sdn Bhd ("MSM") was performed at the end of the financial year and the sensitivity of the VIU to the discount rate and expected timing of the assumed disposal of its property, plant and equipment ("PPE") is as follows:

- If the discount rate increases by 1% (10.26% per annum instead of 9.26% per annum), the investment in MSM will be further impaired by RM3.7 million.
- If the assumed disposal of PPE is within 3 years instead of 2 years based on the market value of PPE as at 30 June 2010, the investment in MSM will be further impaired by RM1.0 million.

(ii) Impairment of PPE in a subsidiary

The recoverable amount of PPE in MSM is determined by discounting the market value of PPE as at 30 June 2010 over the expected timing of the assumed disposal of PPE.

The impairment test on the PPE was performed at the end of the financial year and the sensitivity of the recoverable amount to the discount rate and the expected timing of the assumed disposal of PPE is as follows:

- If the discount rate increases by 1% (10.26% per annum instead of 9.26% per annum), the PPE will be further impaired by RM0.2 million.
- If the assumed disposal of PPE is within 3 years instead of 2 years, the PPE will be further impaired by RM1.0 million.

(iii) Impairment of investment in an associate

The Group carries out impairment assessment on associates when there is an indication of impairment, in accordance with the accounting policy stated in Note 2(j). The recoverable amount is based on VIU.

The impairment test on the investment in PMP Galvanizers Sdn Bhd ("PMP") was performed at the end of the financial year and the sensitivity of the VIU to the discount rate and the expected timing of receipt of the amount to be recovered pursuant to a legal proceeding is as follows:

- If the discount rate increases by 1% (11.97% per annum instead of 10.97% per annum), the investment in PMP will be further impaired by RM0.5 million.
- If the estimated recoverable amount is received a year later (8 years instead of 7 years), the investment in PMP will be further impaired by RM0.9 million.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(g) Impairment of assets (continued)

(iv) Impairment of intangible assets and power plant under construction

The recoverable amounts of intangible assets and power plant under construction are based on VIU.

During the financial year, one of the two customers of a subsidiary, Siam Power Generation Public Company Ltd ("SIPCO"), with commitment to purchase 44% of SIPCO's power output, has an issue to continue as a going concern and decided to undertake a debt restructuring exercise.

The impairment test of the intangible assets and power plant under construction was performed at the end of the financial year and the sensitivity of the VIU to the discount rate, and the deferment of cash receipt from and energy sales to the aforesaid customer is as follows:

- If the discount rate increases by 1% (10.30% per annum instead of 9.30% per annum), the intangible assets will be impaired by RM38.5 million and there is no impairment on the power plant under construction.
- If the cash receipt is deferred for 2 years instead of 1 year, there is no impairment on the intangible assets and power plant under construction.
- If the energy sales reduce by 5% (80% instead of 85% of contracted capacity), there is no impairment on the intangible assets and power plant under construction.

(v) Impairment of an available-for-sale financial asset

The recoverable amount of an investment in available-for-sale financial asset is determined by adjusting the net assets of the available-for-sale financial asset as at 30 June 2010, with full allowance on a trade receivable and the fair value less cost to sell of an aircraft.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's overall financial risk management objectives are to ensure that the Group creates value and maximises returns to its shareholders.

Financial risk management is carried out through risk reviews, internal control systems, benchmarking the industry's best practices and adherence to the Group's financial risk management policies.

The main risks arising from the financial instruments of the Group are credit risk, interest rate risk, market risk, foreign currency exchange risk, and liquidity and cash flow risk. The management of the Group monitors the financial position closely with an objective to minimise potential adverse effects on the financial performance of the Group. The Directors review and approve policies for managing each of these risks which are summarised below. These policies have remained unchanged during the financial year.

(a) Credit risk

Credit risk arises when sales are made and services are rendered on deferred credit terms and when surplus cash is invested.

The Group has credit policies in place to manage credit risk exposure. The risk is managed through the application of the Group's extensive credit management procedures which includes credit evaluation, credit approvals and adherence to credit limits, credit periods, regular monitoring and follow up procedures.

With regards to surplus cash, the Group invests its cash assets safely and profitably by depositing them with licensed financial institutions.

(b) Interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group is exposed to interest rate risk in respect of its time deposits placed with financial institutions and borrowings at variable interest rates.

The Group monitors the interest rates closely to ensure that the borrowings and time deposits placed with financial institutions are maintained at favourable rates.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Market risk

The Group's exposure to market risk arises mainly from changes in the prices of steel raw materials and finished goods and the market price of its quoted investments. The management of the Group monitors the sale of finished goods and procurement of its raw materials closely to minimise the impact of market risk to the Group.

The management of the Group also monitors the equity price risks of quoted investments and its overseas operation in order to minimise the impact of market risk.

(d) Foreign currency exchange risk

The Group is exposed to foreign currency exchange risk as a result of transactions denominated in foreign currencies entered into by the Group.

In the previous financial year, the Group entered into forward foreign currency exchange contracts to limit its exposure on cash flows generated from anticipated borrowing draw down transactions, trade receivables and future capital expenditure payments denominated in foreign currencies.

The Group is also exposed to foreign currency exchange risk due to the fair value change in its financial asset denominated in Australian Dollar ("AUD") and part of its borrowings which are denominated in United States Dollar, Thai Baht, Euro and AUD, as disclosed in Note 29 to the financial statements.

The Group does not practice hedge accounting.

(e) Liquidity and cash flow risk

The Group has prudent liquidity risk management of maintaining sufficient cash flow and does not face significant exposure from this risk.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available from time to time.

(f) Financial asset designated as fair value through profit or loss

The financial asset of the Group comprising equity securities quoted outside Malaysia, is designated as fair value through profit or loss upon initial recognition as the financial asset is both managed and its performance evaluated on a fair value basis by the Directors, with the intention to dispose at a profit in the short term.

5 REVENUE

	Group		Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Sale of goods	689,896,330	592,887,686	239,724,029	215,954,191
Processing service income	5,303,609	3,142,918	1,235,567	681,799
Consultancy and project services	11,947,527	3,514,489	-	-
	707,147,466	599,545,093	240,959,596	216,635,990

(continued)

6 OTHER OPERATING INCOME

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Interest on deposits with financial institutions	344,195	708,196	98,134	119,641
Interest receivable from debtors	-	2,052	-	2,052
Net gain on disposal of property, plant and equipment	269,145	19,903	238,690	20,303
Net gain on disposal of investment property	1,738,368	-	1,738,368	-
Net gain on disposal of non-current asset held for sale	-	1,564,813	-	1,564,813
Net gain on disposal of financial asset at fair value through profit or loss	798,932	-	-	-
Write back of provision for litigation	-	41,391,669	-	-
Loss on disposal of other asset	-	(115,000)	-	(115,000)
Rental income	105,000	269,000	4,009,000	4,173,000
Dividend income	-	-	-	3,884,267
Net realised foreign exchange gain/(loss)	9,859,607	(56,223)	89,349	356,994
Net unrealised foreign exchange gain/(loss)	6,404,763	(5,576,286)	(64,250)	39,914
Management fees	-	-	600,000	600,000
Marketing fees	-	-	2,203,380	1,820,640
Fair value gain on investment properties (Note 13)	-	-	6,038,265	-
Others	1,269,111	799,540	35,001	7,400
	20,789,121	39,007,664	14,985,937	12,474,024

7 PROFIT/(LOSS) FROM OPERATIONS

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Profit/(loss) from operations is stated after charging:				
Auditors' remuneration:				
- current financial year	445,450	231,850	85,280	51,100
- under accrual of prior financial year	17,388	-	1,100	-
Property, plant and equipment:				
- depreciation	17,112,011	17,131,126	446,930	439,850
- loss on disposal	77,732	400	-	-
- write-offs	126,628	223,119	-	-
- impairment loss (Note 12)	10,584,367	-	-	-
Amortisation of prepaid lease rental	506,391	513,325	-	6,935
Staff costs	23,019,855	26,434,681	2,337,851	2,698,118
Rental of building	670,576	697,525	289,632	235,460
Unrealised foreign exchange loss	7,580,087	8,310,055	64,250	-
Realised foreign exchange loss	144,742	790,010	-	-
Impairment loss:				
- subsidiary (Note 15)	-	-	12,687,000	-
- associates (Note 16)	3,940,993	43,130,000	-	-
- available-for-sale financial assets (Note 20)	1,233,854	-	616,927	-
- trade receivables	-	7,123	-	-
- other receivables	585,024	548,753	-	21,411
- amount owing from an associate	248,301	-	-	-
Write down of inventories (Note 21)	-	60,673,027	-	-
Inventories written off	2,387	-	-	-
Loss on disposal of other asset	-	115,000	-	115,000
Fair value loss on foreign currency forward contracts	-	6,889,309	-	4,926
and crediting:				
Gain on disposal of:				
- property, plant and equipment	(346,877)	(20,303)	(238,690)	(20,303)
- investment property	(1,738,368)	-	(1,738,368)	-
- non-current asset held for sale	-	(1,564,813)	-	(1,564,813)
- financial asset at fair value through profit or loss	(798,932)	-	-	-
Interest income:				
- deposits with licensed financial institutions	(261,539)	(401,730)	(98,134)	(119,641)
- bank balances	(82,656)	(306,466)	-	-
- debtors	-	(2,052)	-	(2,052)
Rental income:				
- investment properties	(75,000)	(225,000)	(3,999,000)	(4,149,000)
- others	(30,000)	(44,000)	(10,000)	(24,000)

7 **PROFIT/(LOSS) FROM OPERATIONS** (continued)

	Group		Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Profit/(loss) from operations is stated after crediting: (continued)				
Realised foreign exchange gain	(10,004,349)	(733,787)	(89,349)	(356,994)
Unrealised foreign exchange gain	(13,984,850)	(2,733,769)	-	(39,914)
Write back of provision for legal fees	(5,005,514)	(5,709,023)	-	-
Fair value gain on investment properties (Note 13)	-	-	(6,038,265)	-
Write back of provision for litigation	-	(41,391,669)	-	-
Gross dividend income:				
- subsidiaries	-	-	-	(1,446,648)
- investment quoted in Malaysia	-	-	-	(2,437,619)

Staff costs of the Group and Company include contributions to Employee Provident Fund of RM2,313,294 (2009: RM2,528,080) and RM274,355 (2009: RM336,965) respectively.

Direct operating expenses arising from investment properties that generate rental income are RM9,927 (2009:RM34,506) for the Group and RM614,255 (2009: RM641,711) for the Company.

8 **FINANCE COST**

	Group		Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Interest on borrowings	35,207,664	23,604,519	1,407,686	1,392,209
Interest on hire purchase	33,683	38,184	31,052	38,184
Interest on others	47,707	290,964	-	-
	35,289,054	23,933,667	1,438,738	1,430,393
Less: Interest capitalised into property, plant and equipment (Note 12)	(16,619,040)	(4,384,266)	-	-
	18,670,014	19,549,401	1,438,738	1,430,393

9 **DIRECTORS' REMUNERATION**

The aggregate amounts of emoluments received/receivable by Directors of the Group and Company are as follows:

	Group		Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Non-executive Directors:				
- fees	628,672	668,921	165,024	221,129
- allowances	92,516	93,500	58,516	60,000
- estimated monetary value of benefits-in-kind	-	37,133	-	5,367
Executive Directors:				
- salaries and bonuses	3,828,349	3,904,060	1,958,944	1,648,477
- estimated monetary value of benefits-in-kind	120,855	108,018	80,494	56,514
- defined contribution plan	504,010	473,640	289,045	247,275
	5,174,402	5,285,272	2,552,023	2,238,762

(continued)

10 TAX EXPENSE/(CREDIT)

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Current tax:				
- Malaysian tax	5,057,915	964,513	4,714,293	794,043
- foreign tax	11,006,687	(9,075,961)	-	-
- under accrual in prior financial year	388,821	19,659	102,354	-
Deferred tax (Note 19)	(3,846,931)	(65,899,435)	1,612,900	75,711
Tax expense/(credit)	12,606,492	(73,991,224)	6,429,547	869,754

The explanation of the relationship between tax expense/(credit) and profit/(loss) before tax is as follows:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Numerical reconciliation between tax expense/(credit) and the product of accounting profit/(loss) multiplied by the Malaysian tax rate				
Profit/(loss) before tax	91,622,228	(246,697,979)	11,997,057	8,882,870
Tax calculated at the Malaysian tax rate of 25% (2009: 25%)	22,905,557	(61,674,495)	2,999,264	2,220,718
Tax effects of:				
- share of results of associates	(486,950)	720,433	-	-
- different tax rate in other countries	-	(8,625,969)	-	-
- expenses not deductible for tax purposes	10,529,916	18,210,475	3,822,194	1,047,415
- income not subject to tax	(20,502,839)	(25,953,191)	(494,265)	(673,594)
- tax incentive obtained for double deduction	(63,550)	(82,972)	-	-
- reinvestment allowance tax credit	(218,729)	808,333	-	-
- current financial year losses not recognised	43,250	2,319,473	-	-
- deferred tax assets not recognised	11,016	267,030	-	-
- tax loss surrendered by a subsidiary under group relief provisions	-	-	-	(1,724,785)
Under accrual in prior financial year	388,821	19,659	102,354	-
Tax expense/(credit)	12,606,492	(73,991,224)	6,429,547	869,754

Under the single-tier tax system which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

Companies with Section 108 credits as at 31 December 2007 may continue to pay franked dividends until the Section 108 credits are exhausted or 31 December 2013, whichever is earlier unless they opt to disregard the Section 108 credits to pay single-tier dividends under the special transitional provisions of the Finance Act, 2007. As at 30 June 2010, subject to agreement with the tax authorities, the Company has Section 108 credits and tax exempt income of RM39,180,351 and RM22,721,413 respectively. Hence, the Company has sufficient Section 108 credits and tax exempt income to pay in full all of its retained earnings as franked and exempt dividends respectively.

11 EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

	Group 2010 RM	Group 2009 RM
Profit/(loss) attributable to equity holders of the Company	67,629,062	(155,974,601)
Number of ordinary shares in issue at beginning of financial year after deducting treasury shares	225,512,411	225,673,411
Effect of exercise of warrants	933	-
Effect of share repurchase	-	(93,917)
Weighted average number of ordinary shares	225,513,344	225,579,494
Basic earnings/(loss) per share (sen)	29.99	(69.14)

There is no dilution on the earnings per share as at 30 June 2010 as the warrants have expired on 14 June 2010. The warrants have anti-dilutive effects as at 30 June 2009 as the exercise price was higher than the average fair value.

(continued)

12 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Buildings RM	Plant, machinery and electrical installation RM	Motor vehicles, furniture, fittings and equipment RM	Capital work-in-progress RM	Total RM
2010						
Cost/valuation						
At 1 July 2009	54,495,962	110,420,198	301,237,326	12,771,342	217,507,403	696,432,231
Additions	-	-	4,243,675	1,181,957	450,353,776	455,779,408
Currency translation differences	(155,093)	(12,759)	-	(5,884)	(1,191,816)	(1,365,552)
Revaluation	-	149,320	200,993	-	-	350,313
Disposals	-	-	(1,801,654)	(2,259,794)	-	(4,061,448)
Reclassification of assets under work-in-progress, now completed	-	-	284,237	-	(284,237)	-
Write-offs	-	-	(43,754)	(31,860)	(88,774)	(164,388)
	54,340,869	110,556,759	304,120,823	11,655,761	666,296,352	1,146,970,564
At 30 June 2010						
Cost	-	-	25,120,594	11,655,761	666,296,352	703,072,707
Valuation	54,340,869	110,556,759	279,000,229	-	-	443,897,857
	54,340,869	110,556,759	304,120,823	11,655,761	666,296,352	1,146,970,564

(continued)

12 **PROPERTY, PLANT AND EQUIPMENT** (continued)

Group	Freehold land RM	Buildings RM	Plant, machinery and electrical installation RM	Motor vehicles, furniture, fittings and equipment RM	Capital work-in-progress RM	Total RM
2010						
Accumulated depreciation						
At 1 July 2009	-	10,696,152	42,059,258	7,898,457	-	60,653,867
Charge for the financial year	-	3,555,267	12,632,885	923,859	-	17,112,011
Currency translation differences	-	(4,160)	-	(5,698)	-	(9,858)
Disposals	-	-	(1,667,411)	(1,864,245)	-	(3,531,656)
Write-offs	-	-	(31,920)	(5,840)	-	(37,760)
At 30 June 2010	-	14,247,259	52,992,812	6,946,533	-	74,186,604
Accumulated impairment loss						
At 1 July 2009	8,355,663	-	-	-	16,130,567	24,486,230
Charge for the financial year (Note 7)	-	-	10,577,517	6,850	-	10,584,367
At 30 June 2010	8,355,663	-	10,577,517	6,850	16,130,567	35,070,597
Net book value at 30 June 2010						
Cost	-	-	11,511,730	4,702,378	650,165,785	666,379,893
Valuation	45,985,206	96,309,500	229,038,764	-	-	371,333,470
	45,985,206	96,309,500	240,550,494	4,702,378	650,165,785	1,037,713,363

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold land RM	Buildings RM	Plant, machinery and electrical installation RM	Motor vehicles, furniture, fittings and equipment RM	Capital work-in-progress RM	Total RM
2009						
Cost/valuation						
At 1 July 2008	52,830,762	111,439,581	299,460,590	11,261,516	122,173,334	597,165,783
Additions	-	123,622	6,664,254	1,554,495	107,941,747	116,284,118
Currency translation differences	1,665,200	136,995	-	63,122	6,693,708	8,559,025
Disposals	-	-	-	(106,683)	-	(106,683)
Reclassification of assets under work - in-progress, now completed	-	-	810,805	-	(810,805)	-
Reclassification to intangible assets (Note 18)	-	-	-	-	(18,490,581)	(18,490,581)
Rebate from supplier due to delay in delivery	-	-	(5,388,886)	-	-	(5,388,886)
Reclassification to investment properties (Note 13)	-	(1,280,000)	-	-	-	(1,280,000)
Write-offs	-	-	(309,437)	(1,108)	-	(310,545)
	54,495,962	110,420,198	301,237,326	12,771,342	217,507,403	696,432,231
At 30 June 2009						
Cost	-	-	-	12,771,342	217,507,403	230,278,745
Valuation	54,495,962	110,420,198	301,237,326	-	-	466,153,486
	54,495,962	110,420,198	301,237,326	12,771,342	217,507,403	696,432,231

(continued)

12 **PROPERTY, PLANT AND EQUIPMENT** (continued)

Group	Freehold land RM	Buildings RM	Plant, machinery and electrical installation RM	Motor vehicles, furniture, fittings and equipment RM	Capital work-in-progress RM	Total RM
2009						
Accumulated depreciation						
At 1 July 2008	-	7,401,315	29,465,533	7,023,402	-	43,890,250
Charge for the financial year	-	3,542,473	12,680,043	908,610	-	17,131,126
Currency translation differences	-	47,894	-	61,539	-	109,433
Disposals	-	-	-	(93,986)	-	(93,986)
Reclassification to investment properties (Note 13)	-	(295,530)	-	-	-	(295,530)
Write-offs	-	-	(86,318)	(1,108)	-	(87,426)
At 30 June 2009	-	10,696,152	42,059,258	7,898,457	-	60,653,867
Accumulated impairment loss						
At 1 July 2008/30 June 2009	8,355,663	-	-	-	16,130,567	24,486,230
Net book value at 30 June 2009						
Cost	-	-	-	4,872,885	201,376,836	206,249,721
Valuation	46,140,299	99,724,046	259,178,068	-	-	405,042,413
	46,140,299	99,724,046	259,178,068	4,872,885	201,376,836	611,292,134

12 **PROPERTY, PLANT AND EQUIPMENT** (continued)

Company	**Freehold land RM**	**Buildings RM**	**Plant, machinery and electrical installation RM**	**Motor vehicles, furniture, fittings and equipment RM**	**Total RM**
2010					
Cost/valuation					
At 1 July 2009	111,322	-	1,534,506	5,691,675	7,337,503
Additions	-	-	-	267,141	267,141
Transfer of asset from a subsidiary	-	-	-	228,100	228,100
Disposals	-	-	(71,486)	(1,539,952)	(1,611,438)
	111,322	-	1,463,020	4,646,964	6,221,306
At 30 June 2010					
Cost	111,322	-	-	4,646,964	4,758,286
Valuation	-	-	1,463,020	-	1,463,020
	111,322	-	1,463,020	4,646,964	6,221,306
Accumulated depreciation					
At 1 July 2009	-	-	245,490	3,543,848	3,789,338
Charge for the financial year	-	-	66,984	379,946	446,930
Disposals	-	-	(21,347)	(1,489,241)	(1,510,588)
At 30 June 2010	-	-	291,127	2,434,553	2,725,680
Net book value at 30 June 2010					
Cost	111,322	-	-	2,212,411	2,323,733
Valuation	-	-	1,171,893	-	1,171,893
	111,322	-	1,171,893	2,212,411	3,495,626

(continued)

12 **PROPERTY, PLANT AND EQUIPMENT** (continued)

Company	Freehold land RM	Buildings RM	Plant, machinery and electrical installation RM	Motor vehicles, furniture, fittings and equipment RM	Total RM
2009					
Cost/valuation					
At 1 July 2008	111,322	1,280,000	1,534,506	4,903,688	7,829,516
Additions	-	-	-	892,270	892,270
Reclassification to investment properties (Note 13)	-	(1,280,000)	-	-	(1,280,000)
Disposals	-	-	-	(104,283)	(104,283)
	111,322	-	1,534,506	5,691,675	7,337,503
At 30 June 2009					
Cost	-	-	-	5,691,675	5,691,675
Valuation	111,322	-	1,534,506	-	1,645,828
	111,322	-	1,534,506	5,691,675	7,337,503
Accumulated depreciation					
At 1 July 2008	-	267,824	173,542	3,296,638	3,738,004
Charge for the financial year	-	27,706	71,948	340,196	439,850
Reclassification to investment properties (Note 13)	-	(295,530)	-	-	(295,530)
Disposals	-	-	-	(92,986)	(92,986)
At 30 June 2009	-	-	245,490	3,543,848	3,789,338
Net book value at 30 June 2009					
Cost	-	-	-	2,147,827	2,147,827
Valuation	111,322	-	1,289,016	-	1,400,338
	111,322	-	1,289,016	2,147,827	3,548,165

12 PROPERTY, PLANT AND EQUIPMENT (continued)

In June 2010, an independent firm of professional valuers, Azmi & Co, revalued the buildings, plant and machinery, of a subsidiary, based on open market value. An impairment loss of RM10,584,367 was recognised because its recoverable amount was lower than its carrying amount. The recoverable amount was determined by discounting the market value of the buildings, plant and machinery at a pre-tax discount rate of 9.26% per annum over 2 years, which is the expected timing of its assumed disposal. The discount rate was derived based on weighted average cost of capital of companies with similar operations in Malaysia.

Certain land and buildings, plant, machinery and electrical installation were revalued in January 2006 by another independent firm of professional valuers, C H Williams Talhar & Wong Sdn Bhd, based on open market value, and there were no significant changes in their fair values during the financial year.

During the financial year, there was an acquisition of property, plant and equipment by the Group and Company amounting to RM247,567, of which RM200,000 was acquired by means of hire purchase. As at 30 June 2010, the net book value of the property, plant and equipment under hire purchase arrangements in the Group and Company is RM936,601 (2009: RM1,492,632) and RM697,286 (2009: RM1,492,632) respectively.

Included in the capital work-in-progress incurred during the financial year was interest capitalised of RM16,619,040 (2009: RM4,384,266) (Note 8).

Land, buildings, plant, machinery, electrical installation and power plant under construction of subsidiaries with a net book value of RM980,796,654 (2009: RM535,016,778) are pledged as security for certain banking facilities granted to the Group as disclosed in Note 29 to the financial statements.

The net book value of the revalued property, plant and equipment that would have been included in the financial statements had these properties been carried at cost less accumulated depreciation is as follows:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Freehold land	14,189,742	14,189,742	-	-
Buildings	47,814,101	49,339,656	-	-
Plant, machinery and electrical installation	58,280,056	61,812,469	158,813	218,676
	120,283,899	125,341,867	158,813	218,676

12 PROPERTY, PLANT AND EQUIPMENT (continued)

As at 30 June 2010, the recoverable amount of the capital work-in-progress, which comprises a power plant under construction, including the land on which the power plant is built, was determined by the value-in-use ("VIU") calculation. The VIU was determined by discounting the future cash flows, at a pre-tax discount rate of 9.30% (2009: 8.55%) per annum, to be generated from the continuing use of the power plant, after taking into account the power plant construction cost, based on management's cash flow projections on its sale of electricity and steam for 25 years from 2011 to 2035. The cash flow projections took into consideration the current Gross Domestic Product and inflation growth rates for the industry in Thailand. Management believes that a period greater than 5 years used for the cash flow projections is justified as the income derived during the extended period can be supported by its Power Purchase Agreements and Steam Sales Agreement, which each has a useful life of 25 years. Further details of the assumptions used by management are in Note 18 (c).

The VIU was higher than the carrying amount of the land and power plant under construction of RM671,022,582 and thus, no impairment loss was recognised.

13 INVESTMENT PROPERTIES

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
At 1 July	2,630,489	-	61,242,224	58,611,735
Reclassification from property, plant and equipment (Note 12)	-	984,470	-	984,470
Reclassification from prepaid lease rental (Note 14)	-	1,646,019	-	1,646,019
Fair value gain during the financial year (Note 6 and Note 7)	-	-	6,038,265	-
Disposal	(2,630,489)	-	(2,630,489)	-
At 30 June	-	2,630,489	64,650,000	61,242,224

In June 2010, the investment properties of the Company were revalued by an independent external valuer, C H Williams Talhar & Wong Sdn Bhd, based on open market value.

14 PREPAID LEASE RENTAL

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
At 1 July	34,489,837	36,649,181	-	1,652,954
Reclassification to investment properties (Note 13)	-	(1,646,019)	-	(1,646,019)
	34,489,837	35,003,162	-	6,935
Revaluation	3,373	-	-	-
Amortisation	(506,391)	(513,325)	-	(6,935)
At 30 June	33,986,819	34,489,837	-	-

In June 2010, an independent firm of professional valuers, Azmi & Co, revalued the leasehold land of a subsidiary, based on open market value. A revaluation surplus of RM3,373 was recognised because the recoverable amount of the leasehold land was higher than its carrying amount. The recoverable amount was determined by discounting the market value of the leasehold land at a pre-tax discount rate of 9.26% per annum over 2 years, which is the expected timing of its assumed disposal. The discount rate was derived based on weighted average cost of capital of companies with similar operations in Malaysia.

15 SUBSIDIARIES

	Company 2010 RM	Company 2009 RM
Cost		
Quoted shares	47,058,463	47,058,463
Unquoted shares	73,785,821	86,472,818
	120,844,284	133,531,281
Market value of quoted shares	49,239,907	48,752,383

The movements of investments in subsidiaries are as follows:

	Company 2010 RM	Company 2009 RM
At 1 July	133,531,281	132,901,281
Add: Acquisition during the financial year	3	630,000
	133,531,284	133,531,281
Less: Impairment loss	(12,687,000)	-
At 30 June	120,844,284	133,531,281

During the financial year, Melewar Steel Mills Sdn Bhd ("MSM"), a subsidiary company, has temporarily ceased its production of billets and reinforcement bars due to the escalating raw material price and the depressed price of finished products. As a result, the principal activity of MSM is temporarily changed to scrap metal trading. The Company has recognised an impairment loss of RM12,687,000 on the investment in MSM. The value-in-use calculation by the Directors has incorporated the following assumptions:

(a) Cash flow is primarily generated from trading of scrap metal.

(b) Average growth rate of 2.66% p.a. on turnover for the first 5 years from year 2011 to year 2015.

(c) Perpetual annuity cash flow with no growth from year 2016 onwards.

(d) Pre-tax discount rate of 9.26% per annum. The discount rate was derived based on weighted average cost of capital of companies with similar operations in Malaysia.

(e) Assumed disposal of property, plant and equipment within 2 years using its market value as at 30 June 2010.

(continued)

15 SUBSIDIARIES (continued)

The details of the subsidiaries are as follows:

Name	Principal activities	Group's effective interest 2010 %	Group's effective interest 2009 %
Mycron Steel Berhad #	Investment holding and provision of management services to subsidiaries	54.8*	54.8*
Mycron Steel CRC Sdn Bhd	Manufacturing and trading of cold rolled steel sheets in coils	54.8*	54.8*
Silver Victory Sdn Bhd	Dormant	54.8*	54.8*
Melewar Steel Services Sdn Bhd	Investment holding	100.0	100.0
Melewar Steel Assets Sdn Bhd	Property investment	100.0	100.0
Melewar Steel Tube Sdn Bhd	Manufacturing of steel pipes and tubes, and provision of engineering services	100.0	100.0
Melewar Steel Mills Sdn Bhd	Manufacturing, distributing and trading of steel and iron products	100.0	100.0
Melewar Integrated Engineering Sdn Bhd	Provision of engineering and technical consultancy services	70.0	70.0
Melewar Steel Ventures Ltd ("MSV")	Investment holding	100.0	100.0
Melewar Steel Engineering Sdn Bhd	Investment holding	100.0	100.0
M-Power TT Ltd	Project management	100.0	100.0
Mperial Power Ltd #	Investment holding	100.0	100.0
Siam Power Generation Public Company Ltd ("SIPCO") ß @	Power generation and steam sales	95.0	95.0
Melewar MycroSmelt Technology Ltd	Dormant	85.0	85.0
Melewar Metro Sdn Bhd	Dormant	100.0	100.0
Melewar Metro (Penang) Sdn Bhd	Dormant	95.0	100.0
Ausgard Quick Assembly Systems Sdn Bhd ("AQAS") Ω @	Manufacturing and supplying of quick assembly homes	100.0	-
Melbina Builders Ltd ("MBL") Ω @	Marketing of quick assembly homes in overseas market	100.0	-

All subsidiaries are incorporated in Malaysia except for Melewar MycroSmelt Technology Ltd and SIPCO, which are incorporated in the British Virgin Islands and Thailand respectively.

All subsidiaries are audited by PricewaterhouseCoopers, Malaysia except for SIPCO which is audited by a member firm of PricewaterhouseCoopers International Limited.

* The percentage is calculated based on the total issued and paid-up capital of Mycron Steel Berhad ("MSB"), excluding a total of 1,040,300 (2009: 940,300) MSB's shares bought back by MSB and retained as treasury shares.

\# Shares of the investment in subsidiaries amounting to nil (2009: RM26,544,881) are pledged as collateral for borrowings of subsidiaries (Note 29).

ß Shares of the investment in the subsidiary amounting to RM119,664,525 (2009: RM119,664,525) are pledged pursuant to the requirement of a Sponsor Support Agreement entered between the Group and a consortium of lenders in Thailand.

Ω AQAS is incorporated on 5 May 2010 and MBL is incorporated on 29 April 2010 (MSV's cost of investment is the paid-up capital value of the subsidiaries) and no auditors have been appointed yet.

@ Have not commenced operations as at 30 June 2010.

(continued)

16 ASSOCIATES

	Group 2010 RM	Group 2009 RM
Share of net assets of associates	9,147,117	70,156,968
Quoted shares at cost	54,629,401	54,629,401
Unquoted shares at cost	17,000,000	17,000,000
	71,629,401	71,629,401
Share of post-acquisition results and reserves	35,007,735	41,657,567
	106,637,136	113,286,968
Less: Accumulated impairment losses	(47,070,993)	(43,130,000)
	59,566,143	70,156,968
Less: Reclassification to non-current asset held for sale (Note 26)	(50,419,026)	-
	9,147,117	70,156,968
Market value of quoted shares	-	43,787,001

The Group's share of revenue, profit/(loss), assets and liabilities of associates are as follows:

	Group 2010 RM	Group 2009 RM
Revenue	59,683,585	63,953,986
Profit/(loss) after tax	1,947,799	(2,881,731)
Non-current assets	9,509,558	98,040,661
Current assets	1,696,371	71,815,853
Current liabilities	(1,348,749)	(32,983,948)
Non-current liabilities	(710,063)	(66,715,598)
Net assets	9,147,117	70,156,968

The details of associates are as follows:

Name	Principal activities	Group's effective interest 2010 %	Group's effective interest 2009 %
M3nergy Berhad ("M3nergy") #	Investment holding and provision of management services to its subsidiaries	-	22.69
PMP Galvanizers Sdn Bhd ("PMP")*	Manufacturing and trading of galvanised metal	10.95	10.95

Shares of an investment in associate amounting to nil (2009: RM56,971,223) are pledged as collateral for borrowings of subsidiaries (Note 29).

* PMP is an associate of Mycron Steel Berhad, a 54.80% owned subsidiary of Melewar Industrial Group Berhad ("MIGB"), and correspondingly is an associate of MIGB.

16 ASSOCIATES (continued)

During the financial year, pursuant to the acceptance of a conditional take-over offer to dispose the Group's entire investment in M3nergy (Note 36 (d)), the Group's interest in M3nergy was reclassified to non-current asset held for sale in accordance to FRS 5 Non-Current Asset Held for Sale. In the previous financial year, the Group has recognised an impairment loss of RM39,175,000 on the Group's interest in M3nergy as its recoverable amount was lower than its carrying amount. The recoverable amount of the Group's interest in M3nergy was determined by discounting the future cash flows of M3nergy, at a pre-tax discount rate of 13.30% per annum, to be generated from its operations. The cash flow projections, approved by the Directors, took into consideration M3nergy's past performances, projected outlook and growth rates in the oil and gas industry.

In the previous financial year, the Group has commenced legal action to recoup the cost of investment in PMP, as a result of non-compliance of certain conditions by the vendor pursuant to a shareholders' agreement entered in 2005. During the financial year, the vendor has filed for a change in jurisdiction for the case to be heard. The changes in the key assumptions used in the value-in-use computation compared to the previous financial year are as follows:

(a) The cost of investment is expected to be recovered within 7 years instead of 5 years from the commencement of legal proceedings as the vendor has filed for a change in jurisdiction for the case to be heard.

(b) A pre-tax discount rate of 10.97% (2009: 6.85%) per annum was applied over the period of the expected recovery of the cost of investment, in determining its recoverable amount. The discount rate was derived based on the weighted average cost of capital of companies in the cold rolled coil industry.

As at 30 June 2010, the Group has recognised an impairment loss of RM3,940,993 (2009: RM3,955,000) on the Group's interest in PMP as its recoverable amount was lower than its carrying amount.

17 INTEREST IN JOINTLY CONTROLLED ENTITY

	Group	
	2010	**2009**
	RM	**RM**
Unquoted shares at cost	4	4

MSL Enterprise Inc ("MSL"), a company incorporated in the British Virgin Islands on 6 May 2009, is a 50%:50% joint venture between Melewar Steel Ventures Ltd, a subsidiary of the Company and Ferum Ltd. MSL is in the business of trading of granite, minerals, iron ore, iron and steel products. MSL has not commenced operations since its incorporation.

18 INTANGIBLE ASSETS

Group	Rights on Concession Agreement RM	Rights to use power transmission line and gas interconnecting pipeline RM	Total RM
2010			
Cost			
At 1 July 2009	59,638,932	20,729,519	80,368,451
Additions	-	6,566,498	6,566,498
At 30 June 2010	59,638,932	27,296,017	86,934,949
Accumulated impairment losses			
At 1 July 2009/30 June 2010	(4,166,000)	-	(4,166,000)
Net book value at 30 June 2010	55,472,932	27,296,017	82,768,949
2009			
Cost			
At 1 July 2008	59,638,932	-	59,638,932
Additions	-	2,238,938	2,238,938
Reclassification from property, plant and equipment (Note 12)	-	18,490,581	18,490,581
At 30 June 2009	59,638,932	20,729,519	80,368,451
Accumulated impairment losses			
At 1 July 2008/30 June 2009	(4,166,000)	-	(4,166,000)
Net book value at 30 June 2009	55,472,932	20,729,519	76,202,451

18 INTANGIBLE ASSETS (continued)

(a) Rights on Concession Agreement

The future revenue of Siam Power Generation Public Company Ltd ("SIPCO"), will be substantially derived from the generation and sale of electricity energy and generating capacity, which is governed by the Concession Agreement and Power Purchase Agreements ("PPA").

The Group identified the cash flow generated from the Concession Agreement and PPA as an intangible asset. The Group notes that the Concession Agreement and PPA are recognised as a single asset, in view that both are required for the generation and sale of electricity energy and generating capacity.

This PPA is the key document that governs the underlying strength of the Group's cash flow from the generation and sale of electricity energy and generating capacity, which provide for, inter alia, the electricity tariff, supply, operations and maintenance and all other terms to be met by the Group. The PPA is tied to the specific power plant, where its fair value has been separately accounted for.

(b) Rights to use power transmission line and gas interconnecting pipeline

In the previous financial year, there was a reclassification of RM18,490,581 from property, plant and equipment relating to the right to use a power transmission line under the PPA, and the right to use a gas interconnecting pipeline and metering station under the Gas Supply Agreement ("GSA"). The said rights arising from the PPA and GSA complied with the recognition criterion of an intangible asset.

(c) Recoverable amounts of intangible assets

The intangible assets are not amortised as the power plant is still under construction.

The recoverable amounts of the intangible assets with identifiable assets and liabilities relating to the power generating business ("cash-generating unit" or "CGU") are determined by value-in-use ("VIU") calculations. The VIU was determined by discounting the future cash flows to be generated from the continuing use of the power plant, after taking into account the power plant construction cost, based on management's cash flow projections on its sale of electricity and steam for 25 years from 2011 to 2035. The cash flow projections took into consideration the current Gross Domestic Product and inflation growth rates for the industry in Thailand. Management believes that a period greater than 5 years used for the cash flow projections is justified as the income derived during the extended period can be supported by its PPA and Steam Sales Agreement ("SSA"), which each has a useful life of 25 years.

During the financial year, one of the two customers of SIPCO (the "Customer"), has an issue to continue as a going concern and decided to undertake a debt restructuring exercise in March 2010. The Customer has commitment to purchase 44% of SIPCO's power output via a power purchase agreement. The Customer has on 14 July 2010 signed a letter of consent permitting SIPCO access to its property to implement, construct and maintain a power supply interconnecting facility. The letter of consent further indicates that the Customer will continue with the original power purchase agreement.

Management applied the following key assumptions in deriving the present value of the cash flows attributable to the intangible assets:

	2010	**2009**
Useful life of PPA and SSA	25 years	25 years
Contracted capacity (per month)	160MW	160MW
Average load factor	90%	90%
Capacity rate (RM/kW/month)*	36	36
Energy generation (per month)	97,382MWh	97,382MWh
Energy price (RM/kW hour)*	0.17	0.17
Steam sales (ton/hour)	20	20
Steam price (RM/ton)*	50	50
Additional capacity arising from steam not sold	5MW	5MW
Energy price for additional capacity (RM/kW hour)*	0.09	0.09

* denominated in Thai Baht and translated using the closing rate as at 30 June 2010/2009.

(continued)

18 INTANGIBLE ASSETS (continued)

(c) Recoverable amounts of intangible assets (continued)

Management's judgement is involved in estimating the future cash flow of the CGU. The VIU is sensitive to, amongst others, the following key assumptions:

(i) A pre-tax discount rate of 9.30% (2009: 8.55%) per annum was applied over the period of the cash flow projections in determining the recoverable amount of the intangible assets. The discount rate was derived based on the weighted average cost of capital of companies with similar operations in Thailand.

(ii) One year deferment on cash receipt from the Customer due to its debt restructuring exercise.

(iii) Energy sales to the Customer is at the minimum level of 85% of the contracted capacity of 70MW.

As at 30 June 2010, the VIU was higher than the carrying amount of the CGU, therefore no impairment loss was recorded during the financial year.

19 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group		Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Deferred tax assets	367,032	5,189,770	-	-
Deferred tax liabilities:				
- subject to Malaysian income tax	(22,043,231)	(20,365,228)	(13,746,656)	(12,767,039)
- subject to foreign income tax	-	(11,006,687)	-	-
	(22,043,231)	(31,371,915)	(13,746,656)	(12,767,039)
	(21,676,199)	(26,182,145)	(13,746,656)	(12,767,039)
At 1 July	(26,182,145)	(92,081,580)	(12,767,039)	(12,691,328)
Credited/(charged) to income statement (Note 10):				
- property, plant and equipment	(4,220,821)	(1,772,650)	(8,887)	228,617
- prepaid lease rental	112,750	462,780	-	410,218
- investment properties	-	(622,184)	(1,604,013)	(714,546)
- unutilised reinvestment allowance	552,691	(1,203,029)	-	-
- unutilised tax losses	(1,848,825)	9,267,680	-	-
- unabsorbed capital allowances	(1,855,753)	9,287,156	-	-
- financial asset at fair value through profit or loss	11,006,687	50,294,022	-	-
- others	100,202	185,660	-	-
	3,846,931	65,899,435	(1,612,900)	(75,711)
Debited to asset revaluation reserve:				
- property, plant and equipment	(87,578)	-	-	-
- prepaid lease rental	(843)	-	-	-
	(88,421)	-	-	-
Credited to retained earnings:				
- property, plant and equipment	125,252	-	11,099	-
- investment property	622,184	-	622,184	-
	747,436	-	633,283	-
	4,505,946	65,899,435	(979,617)	(75,711)
At 30 June	(21,676,199)	(26,182,145)	(13,746,656)	(12,767,039)

19 DEFERRED TAX (continued)

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Subject to income tax:				
Deferred tax assets (before offsetting):				
- property, plant and equipment	6,961	4,134	-	-
- unutilised reinvestment allowance	19,830,511	19,277,820	-	-
- unutilised tax losses	7,418,855	9,267,680	-	-
- unabsorbed capital allowances	14,697,553	16,553,306	-	-
- other payables and accruals	72,047	118,100	-	-
- impairment loss	405,113	258,858	-	-
	42,431,040	45,479,898	-	-
Offsetting	(42,064,008)	(40,290,128)	-	-
Deferred tax assets (after offsetting)	367,032	5,189,770	-	-
Deferred tax liabilities (before offsetting):				
- property, plant and equipment	(56,148,896)	(51,962,922)	(285,870)	(288,082)
- prepaid lease rental	(7,958,343)	(8,070,250)	-	-
- investment properties	-	(622,184)	(13,460,786)	(12,478,957)
- financial asset at fair value through profit or loss	-	(11,006,687)	-	-
	(64,107,239)	(71,662,043)	(13,746,656)	(12,767,039)
Offsetting	42,064,008	40,290,128	-	-
Deferred tax liabilities (after offsetting)	(22,043,231)	(31,371,915)	(13,746,656)	(12,767,039)

The amount of unutilised tax losses, unutilised reinvestment allowance and unabsorbed capital allowances (all of which have no expiry dates) for which no deferred tax asset is recognised in the balance sheet are as follows:

	Group	
	2010	**2009**
	RM	**RM**
Tax losses	19,119,100	19,116,441
Reinvestment allowance	1,897,344	1,897,344
Capital allowances	14,921,339	14,915,342

(continued)

20 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets include the following:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Equity securities:				
- unquoted in Malaysia	635,223	1,869,077	317,604	934,531

The movements of available-for-sale financial assets are as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
At 1 July	1,869,077	1,869,077	934,531	934,531
Less: Impairment loss (Note 7)	(1,233,854)	-	(616,927)	-
At 30 June	635,223	1,869,077	317,604	934,531

During the financial year, the Group and Company have recognised an impairment loss of RM1,233,854 and RM616,927 respectively on an investment in available-for-sale financial asset, as the recoverable amount of the investment was lower than its carrying value. The recoverable amount of the investment was determined by adjusting the net assets of the available-for-sale financial asset as at 30 June 2010, with full allowance on a trade receivable and the fair value less cost to sell of an aircraft.

21 INVENTORIES

	Group	
	2010	**2009**
	RM	**RM**
Raw materials	113,482,111	27,573,550
Work-in-progress	11,552,475	8,813,921
Finished goods	54,603,463	30,626,015
Spare parts and supplies	9,465,782	-
Consumables	2,696,166	3,063,803
	191,799,997	70,077,289

Inventories are stated at lower of cost and net realisable value (net of selling cost). In the previous financial year, the Group has written down the carrying value of inventories amounting to RM60,673,027 (Note 7) to its net realisable value.

22 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Trade receivables	92,778,012	63,199,927	33,897,523	26,114,363
Less: Accumulated impairment loss	(446,584)	(446,584)	(429,483)	(429,483)
	92,331,428	62,753,343	33,468,040	25,684,880
Other receivables	26,935,198	21,352,238	61,727	334,043
Advances to third parties for power plant under construction	5,102,472	33,212,185	-	-
Less: Accumulated impairment loss	(1,620,454)	(4,279,952)	-	(223,250)
	30,417,216	50,284,471	61,727	110,793
Deposits	430,079	1,388,694	152,359	143,389
Prepayments	16,955,014	3,802,091	193,193	281,875
	140,133,737	118,228,599	33,875,319	26,220,937
The currency exposure profile of trade and other receivables is as follows:				
- Ringgit Malaysia	113,542,417	76,591,921	32,240,100	24,251,448
- Singapore Dollar	1,635,219	2,377,049	1,635,219	1,910,078
- Australian Dollar	1,537,607	139,950	-	-
- US Dollar	18,122,891	24,019,170	-	59,411
- Thai Baht	4,596,324	7,743,609	-	-
- Euro	179,193	58,277	-	-
- Japanese Yen	520,086	7,298,623	-	-
	140,133,737	118,228,599	33,875,319	26,220,937

At 30 June 2010, 29% (2009: 41%) of other receivables relates to accrued billings to a particular customer in Malaysia and 66% (2009: 85%) of advances to third parties relates to a down payment made to a contractor for expected delivery of goods and services.

Other than the above, the concentration of credit risk with respect to trade and other receivables is limited due to the Group's and the Company's large number of customers, which cover a broad spectrum of manufacturing and a variety of end markets in which they sell. The Group's and the Company's historical experience in collection of receivables falls within the recorded allowances. Due to these factors, the Directors believe that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's and the Company's trade receivables.

Included in other receivables, there is a construction financing amount of RM5,073,984 (2009: Nil), made to a company with a common director appointed by the Group, which is repayable over 25 years. Interest will be levied upon completion of the company's cold room facility.

Included in prepayments are advances made for purchases of raw materials amounting to RM12,459,521 (2009: Nil).

23 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial asset at fair value through profit or loss comprises the following:

	Group	
	2010	**2009**
	RM	**RM**
Equity securities:		
- quoted outside Malaysia	110,438,640	159,674,544

The table below illustrates the movements of financial asset at fair value through profit or loss.

	Group	
	2010	**2009**
	RM	**RM**
At 1 July	159,674,544	332,193,924
Fair value gain/(loss) during the financial year	30,463,955	(172,519,380)
	190,138,499	159,674,544
Disposals	(79,699,859)	-
At 30 June	110,438,640	159,674,544

The change in fair value of the financial asset at fair value through profit or loss is recorded in the income statement. The financial asset is classified as a current asset in the balance sheet as it is expected to be realised in or is intended for sale in the short term.

The financial asset at fair value through profit or loss is denominated in Australian Dollar and it comprises shares held in Gindalbie Metals Ltd ("Gindalbie"), a company listed on the Australian Stock Exchange.

During the financial year, 35,087,009 Gindalbie shares amounting to RM79,699,859 were disposed, the details of which are disclosed in Note 36(a) and Note 36(b) to the financial statements. As at 30 June 2010, the Group's shareholding in Gindalbie decreased from 74,087,009 shares to 39,000,000 shares.

Gindalbie shares amounting to RM110,438,640 (2009: RM159,674,544) are pledged as security for borrowings granted to the Group (Note 29).

24 AMOUNT OWING BY/(TO) SUBSIDIARIES

The amount owing by/(to) subsidiaries are unsecured and interest free. There are no fixed terms of repayment for inter-company advances whereas inter-company trade transactions are subject to credit terms between 30 to 90 days (2009: 30 to 90 days).

	Company	
	2010	**2009**
	RM	**RM**
Amounts owing by subsidiaries:		
Trade	17,007	5,236
Non trade	308,358,649	278,830,342
	308,375,656	278,835,578
Amounts owing to subsidiaries:		
Trade	57,971,092	44,220,085
Non trade	808,439	545,997
	58,779,531	44,766,082

25 CASH AND CASH EQUIVALENTS

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Deposits with licensed financial institutions	250,000	22,886,299	-	2,340,000
Cash and bank balances	96,549,074	106,068,396	5,154,642	2,987,921
	96,799,074	128,954,695	5,154,642	5,327,921
Less: Restricted cash	(72,751,253)	(92,109,430)	-	-
	24,047,821	36,845,265	5,154,642	5,327,921

The restricted cash comprises of:

- deposit with a financial institution that is pledged as security for the bank guarantee facilities in respect of the application and proposal to sell electricity to Electricity Government Authority of Thailand; and
- placement with a lender pursuant to the requirement of a Sponsor Support Agreement entered into between the Group and a consortium of lenders in Thailand.

The weighted average interest rates that were effective at the balance sheet date are as follows:

	Group		Company	
	2010 % per annum	2009 % per annum	2010 % per annum	2009 % per annum
Deposits with licensed financial institutions	1.70	1.33	-	1.30
Cash at bank balances	0.05	0.09	-	-

Deposits with licensed financial institutions have an average maturity period of 33 days (2009: 7 days).

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
The currency exposure profile of cash and bank balances is as follows:				
- Ringgit Malaysia	10,450,656	11,029,781	5,154,642	2,987,921
- Australian Dollar	110,838	137,858	-	-
- US Dollar	76,427,480	92,143,086	-	-
- Thai Baht	9,560,100	2,757,671	-	-
	96,549,074	106,068,396	5,154,642	2,987,921

26 NON-CURRENT ASSET HELD FOR SALE

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
At 1 July	-	4,284,500	-	4,284,500
Add: Reclassification from associates (Note 16)	50,419,026	-	-	-
Disposal	-	(4,284,500)	-	(4,284,500)
At 30 June	50,419,026	-	-	-

As at 30 June 2010, the non-current asset held for sale is held as collateral for certain borrowings granted to the Group as disclosed in Note 29 to the financial statements.

27 TRADE AND OTHER PAYABLES

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Trade payables	80,807,023	17,600,004	9,781,012	2,138,196
Other payables	38,406,366	74,310,793	2,850,500	2,134,337
Accruals	14,624,934	33,036,646	504,160	518,480
Provision for legal fees	-	5,437,943	-	-
Deposits received	2,610,709	315,081	817,500	818,500
Provision for litigation	-	18,988,181	-	-
	136,449,032	149,688,648	13,953,172	5,609,513

28 DERIVATIVE LIABILITY

The notional principal amounts of the outstanding foreign currency forward contracts as at 30 June 2010 amounted to nil (2009: RM167,903,718).

The foreign currency forward contracts entered into during the previous financial year were for hedging future capital expenditure payments denominated in Euro and Japanese Yen, and trade receivables denominated in US Dollars. As the Group has not adopted hedge accounting, the changes in fair value of the foreign currency forward contracts were recognised immediately in the income statement.

29 BORROWINGS

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Current				
Bankers' acceptance	158,400,000	115,931,000	59,410,000	65,620,000
Revolving credit	76,098,163	80,000,000	41,000,000	45,000,000
Hire purchase creditors	274,750	399,493	238,492	399,493
Margin financing loan	-	35,290,001	-	-
Term loans	52,259,212	59,391,300	-	-
Bank overdraft	5,736,000	-	5,736,000	-
	292,768,125	291,011,794	106,384,492	111,019,493
Non-current				
Hire purchase creditors	258,655	342,136	103,644	342,136
Term loans	646,521,701	233,776,399	-	-
	646,780,356	234,118,535	103,644	342,136
Total				
Bankers' acceptance	158,400,000	115,931,000	59,410,000	65,620,000
Revolving credit	76,098,163	80,000,000	41,000,000	45,000,000
Hire purchase creditors	533,405	741,629	342,136	741,629
Margin financing loan	-	35,290,001	-	-
Term loans	698,780,913	293,167,699	-	-
Bank overdraft	5,736,000	-	5,736,000	-
	939,548,481	525,130,329	106,488,136	111,361,629

(continued)

29 BORROWINGS (continued)

Contractual terms of borrowings

	Contractual interest rate at balance sheet date (per annum)	Functional currency/ currency exposure	Total carrying amount RM	Maturity profile < 1 year RM	1-2 years RM	2-3 years RM	3-4 years RM	4-5 years RM	> 5 years RM
Group									
At 30 June 2010									
Unsecured									
- Bankers' acceptance	3.71% - 5.66%	RM	70,900,000	70,900,000	-	-	-	-	-
- Revolving credit	4.85% - 4.99%	RM	41,000,000	41,000,000	-	-	-	-	-
- Revolving term loan	8.00%	RM	6,369,726	-	6,369,726	-	-	-	-
- Bank overdraft	7.05%	RM	5,736,000	5,736,000	-	-	-	-	-
Secured									
- Bankers' acceptance	3.60% - 3.95%	RM	87,500,000	87,500,000	-	-	-	-	-
- Revolving credit	2.62% - 3.30%	RM	35,098,163	35,098,163	-	-	-	-	-
- Hire purchase creditors	2.72% - 3.25%	RM	533,405	274,750	142,043	40,539	42,679	33,394	-
- Term loan (1)	12.00%; 5.28%	RM/USD	34,885,936	30,767,652	4,118,284	-	-	-	-
- Term loan (2)	BLR* + 2.00%; 4.81%; SIBOR** + 2.50%	RM; RM/EURO; RM/USD	83,943,146	21,491,560	33,063,106	15,872,617	7,868,402	5,082,479	564,982
- Term loan (3)	Thai - fixed rate + 3.00%	RM/THB	573,582,105	-	39,453,483	43,790,126	40,475,336	40,475,336	409,387,824
			939,548,481	292,768,125	83,146,642	59,703,282	48,386,417	45,591,209	409,952,806

29 **BORROWINGS** (continued)

Contractual terms of borrowings (continued)

	Contractual interest rate at balance sheet date (per annum)	Functional currency/ currency exposure	Total carrying amount RM	Maturity profile < 1 year RM	1-2 years RM	2-3 years RM	3-4 years RM	4-5 years RM	> 5 years RM
Group									
At 30 June 2009									
Unsecured									
- Bankers' acceptance	2.74% - 5.33%	RM	71,081,000	71,081,000	-	-	-	-	-
- Revolving credit	3.62% - 4.20%	RM	45,000,000	45,000,000	-	-	-	-	-
- Revolving term loan	8.00%	RM	3,276,126	-	3,276,126	-	-	-	-
Secured									
- Bankers' acceptance	3.60% - 3.95%	RM	44,850,000	44,850,000	-	-	-	-	-
- Revolving credit	2.62% - 3.30%	RM	35,000,000	35,000,000	-	-	-	-	-
- Hire purchase creditors	2.38% - 3.25%	RM	741,629	399,493	238,492	103,644	-	-	-
- Term loan (1)	12.00%; 6.12%	RM/USD	65,744,003	37,525,349	21,384,029	6,834,625	-	-	-
- Term loan (2)	BLR* + 2.00%; 4.81%; SIBOR** + 2.50%	RM; RM/EURO; RM/USD	114,464,836	21,865,951	23,716,090	23,845,711	33,875,536	8,468,012	2,693,536
- Term loan (3)	Thai - fixed rate + 3.00%	RM/THB	109,682,734	-	-	34,901,913	39,264,653	35,516,168	-
- Margin financing loan (4)	8.75% - 9.00%	RM/AUD	35,290,001	35,290,001	-	-	-	-	-
			525,130,329	291,011,794	48,614,737	65,685,893	73,140,189	43,984,180	2,693,536

(continued)

29 BORROWINGS (continued)

Contractual terms of borrowings (continued)

	2010		2009	
	Functional currency/ currency exposure	**Total carrying amount RM**	**Functional currency/ currency exposure**	**Total carrying amount RM**
Group				
Unsecured	RM	124,005,726	RM	119,357,126
Secured	RM	132,785,322	RM	91,656,574
	RM/AUD	-	RM/AUD	35,290,001
	RM/USD	82,309,378	RM/USD	133,187,751
	RM/EURO	26,865,950	RM/EURO	35,956,143
	RM/THB	573,582,105	RM/THB	109,682,734
		939,548,481		525,130,329

Term Loan (1) is secured against the investment in a subsidiary (Note 15), financial asset at fair value through profit or loss (Note 23) and/or investment in an associate (Note 16)/non-current asset held for sale (Note 26).

Term Loan (2) is secured by a fixed charge/debenture over the fixed charge on the plant and machinery financed by the bank (Note 12) and a debenture over the fixed and floating assets of the subsidiary.

Term Loan (3) is secured by assigning major project documents, land together with project plant and equipment to project lenders (Note 12).

Margin financing loan (4) was secured against the financial asset at fair value through profit or loss (Note 23) in previous financial year.

* BLR stands for Base Lending Rate

** SIBOR stands for Singapore Interbank Offered Rate

29 BORROWINGS (continued)

Contractual terms of borrowings (continued)

	Contractual interest rate at balance sheet date (per annum)	Functional currency/ currency exposure	Total carrying amount RM	Maturity profile < 1 year RM	1-2 years RM	2-3 years RM
Company						
At 30 June 2010						
Unsecured						
- Bankers' acceptance	3.71% - 5.66%	RM	59,410,000	59,410,000	-	-
- Revolving credit	4.29% - 4.85%	RM	41,000,000	41,000,000	-	-
- Bank overdraft	7.05%	RM	5,736,000	5,736,000	-	-
Secured						
- Hire purchase creditors	3.25%	RM	342,136	238,492	103,644	-
			106,488,136	106,384,492	103,644	-
At 30 June 2009						
Unsecured						
- Bankers' acceptance	2.74% - 5.33%	RM	65,620,000	65,620,000	-	-
- Revolving credit	3.62% - 4.20%	RM	45,000,000	45,000,000	-	-
Secured						
- Hire purchase creditors	2.38% - 3.25%	RM	741,629	399,493	238,492	103,644
			111,361,629	111,019,493	238,492	103,644

(continued)

29 BORROWINGS (continued)

Fair value

The carrying amounts of the borrowings due within 1 year and those with floating rates approximate their fair values at balance sheet date. The fair values of the borrowings due after 1 year that have fixed interest rates are as follows:

	Group			
	2010		2009	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Revolving term loan	6,369,726	7,323,983	3,276,126	3,666,488
Term loan (2)	20,677,482	19,713,061	35,956,142	36,532,639

The weighted average interest rates of borrowings as at the end of the financial year are as follows:

	Group		Company	
	2010 % per annum	2009 % per annum	2010 % per annum	2009 % per annum
Bankers' acceptance	4.77	4.18	5.00	4.36
Revolving credit	4.01	3.40	4.43	3.75
Hire purchase creditors	3.06	3.04	3.25	3.04
Term loans	3.77	4.62	-	-
Bank overdraft	7.05	-	7.05	-

The hire purchase creditors at the balance sheet date are due as follows:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Not later than 1 year	297,876	430,545	252,432	430,545
Later than 1 year and not later than 2 years	150,603	252,432	105,159	252,432
Later than 2 years	124,950	105,159	-	105,159
	573,429	788,136	357,591	788,136
Less: Future finance charge	(40,024)	(46,507)	(15,455)	(46,507)
Present value	533,405	741,629	342,136	741,629

(continued)

30 SHARE CAPITAL

	Group/Company			
	2010		2009	
	Number of shares	Nominal value RM	Number of shares	Nominal value RM
Authorised				
Ordinary shares of RM1 each				
At 1 July/30 June	500,000,000	500,000,000	500,000,000	500,000,000
Issued and fully paid				
Ordinary shares of RM1 each				
At 1 July	226,745,011	226,745,011	226,745,011	226,745,011
Exercise of warrants	10,397	10,397	-	-
At 30 June	226,755,408	226,755,408	226,745,011	226,745,011

Treasury shares

The shareholders of the Company, by an ordinary resolution passed in an Annual General Meeting held on 24 November 2009, approved to renew the authorisation to enable the Company to repurchase its own shares. The Directors of the Company are committed to enhance the value of the Company for the benefit of its shareholders and believe that the proposed share-buy back can be applied in the best interests of the Company and its shareholders.

At the balance sheet date, the number of outstanding shares in issue after setting off the treasury shares against equity is 225,522,808 (2009: 225,512,411).

Warrants

The shareholders of the Company, by an ordinary resolution passed in an Extraordinary General Meeting held on 24 March 2005, approved the renounceable rights issue of 32,136,420 warrants on the basis of 1 new warrant for every 5 existing ordinary shares of RM1 each held in the Company at an issue price of RM0.20 per warrant.

The warrants are constituted under the Deed Poll dated 12 April 2005.

Each warrant entitles the warrant holder to subscribe for 1 new ordinary share of the Company at a subscription price of RM1.125 per share.

The warrants may be exercised at any time before 5.00 pm by 14 June 2010, the expiry date of the exercise period. Warrants which are not exercised during the exercise period will thereafter cease to be valid for any purpose.

The new ordinary shares allotted and issued upon the exercise of the warrants shall be fully paid and rank pari passu in all respects with the then existing ordinary shares of the Company. The warrant holders will not have any voting rights in any general meeting of the Company unless the warrants are exercised into new ordinary shares and registered prior to the date of the general meeting of the Company.

The warrants are quoted on the Bursa Malaysia Securities Berhad.

During the financial year, pursuant to the exercise of warrants, the Company has issued 10,397 new ordinary shares of RM1 each at RM1.125 per share. The warrants expired on 14 June 2010 and a total of 30,901,131 warrants were unexercised and lapsed.

31 DIVIDENDS

The dividends paid or declared by the Company during the financial year are as set out below:

	2010 RM	2009 RM
In respect of the financial year ended 30 June 2008:		
- Final gross dividend of 4 sen per share less income tax of 25%, paid on 30 December 2008	-	6,765,372

The Directors now recommend the payment of final gross dividend of 2 sen per share, less income tax 25%, amounting to RM3,382,842 for the financial year ended 30 June 2010, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting on 30 November 2010. The dividend amount payable is computed based on the Company's issued and paid up capital as at 30 June 2010, excluding treasury shares held by the Company.

However, these financial statements do not reflect the dividend in respect of the financial year ended 30 June 2010, which will be accrued as a liability in the financial year ending 30 June 2011 as the dividend was declared after the balance sheet date.

32 SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions.

The Group has a controlling related party relationship with its subsidiaries.

The Directors of the Company, Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah, Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah and Datin Ezurin Yusnita binti Abdul Malik have or deemed to have financial interests in the following companies and thus they are deemed to be the related parties of the Group:

- Trace Management Services Sdn Bhd
- Mitra Malaysia Sdn Bhd
- Malaysian Assurance Alliance Berhad
- Wira Security Services Sdn Bhd
- Maybach Logistics Sdn Bhd

Siam Ice Company Limited is a related party of the Group by virtue of a common director, Datuk Lim Kim Chuan who was appointed by the Group to protect the Group's interest.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly and thus are considered related parties of the Company. The key management personnel of the Company include all the Directors of the Company.

(a) Transactions with related parties during the financial year are as follows:

Group

Entity	Type of transaction	2010 RM	2009 RM
Trace Management Services Sdn Bhd	Corporate secretarial services	359,034	350,939
Mitra Malaysia Sdn Bhd	Travel tickets	314,257	404,232
Malaysian Assurance Alliance Berhad	Insurance	1,898,675	1,965,645
	Rental and utilities	860,248	881,558
Wira Security Services Sdn Bhd	Security guard services	281,412	341,887
Maybach Logistics Sdn Bhd	Transportation charges	38,369	387,231
Siam Ice Company Limited	Project management services income	64,780	-
	Construction financing	5,073,984	-

32 **SIGNIFICANT RELATED PARTY TRANSACTIONS** (continued)

(a) Transactions with related parties during the financial year are as follows: (continued)

Company

Entity	**Type of transaction**	**2010 RM**	**2009 RM**
Melewar Steel Tube Sdn Bhd	Purchase of pipes	217,221,758	204,748,978
	Rental income	3,924,000	3,924,000
	Marketing fee income	2,203,380	1,820,640
	Management fee income	600,000	600,000
Mycron Steel Berhad	Dividend income	-	2,437,619
Mycron Steel CRC Sdn Bhd	Sale of pipes	55,240	203,938
Melewar Steel Mills Sdn Bhd	Sale of pipes	-	54,534
Melewar Integrated Engineering Sdn Bhd	Dividend income	-	1,446,648
Trace Management Services Sdn Bhd	Corporate secretarial services	180,628	185,588
Mitra Malaysia Sdn Bhd	Travel tickets	83,311	97,532
Malaysian Assurance Alliance Berhad	Insurance	323,677	317,025
	Rental and utilities	336,721	285,560
Wira Security Services Sdn Bhd	Security guard services	-	9,667
Maybach Logistics Sdn Bhd	Transportation charges	24,209	209,830

(b) Significant outstanding balances with related parties as at 30 June 2010, other than the balances disclosed in Note 24, are as follows:

Group

	2010 RM	**2009 RM**
Amount owing by:		
Siam Ice Company Limited	5,138,764	-

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business as agreed between the respective parties.

The key management compensation is disclosed in Note 9 to the financial statements.

(continued)

33 SEGMENTAL ANALYSIS

The Group has four reportable operating segments, which are the Group's strategic business units as follows:

(a) The steel tube manufacturing segment is in the business of manufacturing and trading of steel pipes and tubes, and provision of engineering services.

(b) The cold rolling segment is in the business of manufacturing and trading of cold rolled sheets in coils.

(c) The power generation segment is in the business of power generation and steam sales. As at 30 June 2010, this segment has yet to commence operations.

(d) The investment holding segment refers to companies with investments in subsidiaries and associates, and companies with investments in quoted and unquoted equity securities.

Others segment comprise companies providing engineering and technical consultancy services, manufacturing, distributing and trading steel and iron products, and dormant companies.

The strategic business units offer different products and services, and are managed separately. The chief operating decision maker ("CODM") monitors the operating results of the strategic business units as well as relying on the segment information as disclosed below for the purpose of making decisions about resource allocation and performance assessment.

The Directors and the CODM are of the opinion that all inter segment transactions are entered into in the normal course of business and are established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

	Steel tube manufacturing RM	Cold rolling RM	Power generation RM	Investment holding RM	Others RM	Total RM
2010						
Total revenue	250,571,831	464,563,788	-	64,780	30,245,372	745,445,771
Inter segment	(1,244,980)	(35,225,925)	-	-	(1,827,400)	(38,298,305)
External revenue	249,326,851	429,337,863	-	64,780	28,417,972	707,147,466
Segment results	21,221,161	36,293,462	18,938,972	25,561,796	(12,340,962)	89,674,429
Segment assets	201,902,423	468,838,597	788,200,311	252,293,685	33,459,812	1,744,694,828
2009						
Total revenue	224,888,900	383,282,702	-	-	34,353,578	642,525,180
Inter segment	(1,938,022)	(35,394,307)	-	-	(5,647,758)	(42,980,087)
External revenue	222,950,878	347,888,395	-	-	28,705,820	599,545,093
Segment results	(15,176,479)	(45,118,454)	4,364,314	(169,952,572)	(17,933,057)	(243,816,248)
Segment assets	164,839,386	386,129,894	344,113,376	262,322,848	46,261,912	1,203,667,416

33 SEGMENTAL ANALYSIS (continued)

A reconciliation of segment results to profit/(loss) before tax is as follows:

	2010 RM	2009 RM
Segment results	89,674,429	(243,816,248)
Share of results of associates	1,947,799	(2,881,731)
	91,622,228	(246,697,979)

A reconciliation of segment assets to total assets is as follows:

	2010 RM	2009 RM
Segment assets	1,744,694,828	1,203,667,416
Associates	9,147,117	70,156,968
Deferred tax assets	367,032	5,189,770
Tax recoverable	1,112,191	516,107
Interest in jointly controlled entity	4	4
	1,755,321,172	1,279,530,265

34 CAPITAL COMMITMENTS

Capital expenditure contracted for at the balance sheet date but not incurred are as follows:

	Group	
	2010 RM	2009 RM
Property, plant and equipment for power plant	384,486,915	820,264,910

35 COMMITMENT AND CONTINGENT LIABILITIES

(a) As at 30 June 2010, the Company extended guarantees to banks amounting to RM14,450,000 (2009: RM57,988,809) for banking facilities extended to its subsidiaries of which, RM9,653,754 (2009: RM11,462,180) has been drawn down.

The fair value of the financial guarantee contracts is immaterial to the financial statements.

(b) In 2006, SIPCO, a 95.03% owned subsidiary of the Group, entered into a contract with a gas supplier, PTT Power Company Ltd in Thailand ("PTT") where PTT will supply natural gas to SIPCO. This contract was subsequently amended on 30 September 2009, whereby SIPCO has agreed to:

(i) make a payment of THB90 million or approximately RM9.0 million to PTT. As at 30 June 2010, THB70 million has been paid and the remaining balance of THB20 million has been recognised as liability; and

(ii) take or pay the value of gas not less than THB15.8 billion or RM1.6 billion, from PTT within 10 years from the date SIPCO commences its commercial operations.

36 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

(a) Deemed disposal of 32,000,000 shares in Gindalbie Metals Ltd ("Gindalbie")

During the financial year, as a result of a settlement scheme voted in favour by the creditors of Opes Prime Stockbroking Ltd ("OPSL") and subsequently approved by the Federal Court in Australia, the 32,000,000 Gindalbie shares that were pledged by the Group for an equity finance facility granted by OPSL, were deemed disposed in August 2009.

The deemed disposal has resulted in a loss of RM19.0 million, which was determined by comparing the carrying value of the shares with the proceeds from deemed disposal, which comprises the outstanding loan owed to OPSL amounting to AUD11.2 million (approximately RM35.7 million) and the settlement sum of AUD5.1 million (approximately RM14.2 million). The loss on deemed disposal was set-off against a provision for litigation of RM19.0 million made in the previous financial year.

Out of the abovementioned settlement sum, the Group has received:

- a total interim payment of AUD4.5 million (approximately RM12.7 million) as at 30 June 2010;
- interim payment of AUD0.3 million (approximately RM0.8 million) in July 2010; and
- balance of AUD0.3 million (approximately RM0.7 million) in August 2010.

(b) Disposal of 3,087,009 shares in Gindalbie

During the financial year, the Group had disposed 3,087,009 Gindalbie shares, for a cash consideration of AUD3.9 million (approximately RM11.5 million) or at an average price of AUD1.26 per share, registering a gain on disposal of RM0.8 million.

(c) Disposal of 23,500,000 shares in Gindalbie

Subsequent to 30 June 2010, the Group had disposed 23,500,000 Gindalbie shares, for a total cash consideration of AUD22.6 million (approximately RM63.7 million) or at an average price of AUD0.96 per share, registering a loss on disposal of RM2.9 million. Following this disposal, the Group's shareholding in Gindalble was reduced from 39,000,000 shares to 15,500,000 shares.

The cash consideration was utilised for the repayment of certain borrowings granted to the Group.

(d) Disposal of 28,249,678 shares in M3nergy Berhad ("M3nergy")

On 17 May 2010, Adamus Avenue Sdn Bhd ("AASB") had through Kenanga Investment Bank Berhad served the Notice of Conditional Take-Over Offer on the Board of Directors of M3nergy notifying M3nergy of AASB's intention to undertake a conditional take-over offer to acquire all the existing shares not already owned or held by AASB and new shares to be allotted by M3nergy to eligible employees and directors pursuant to their ESOS Options ("the Offer").

The Board of Directors of the Company, having deliberated on the terms and conditions of the Offer, had on 15 June 2010, approved to dispose the Group's entire shareholding of 28,249,678 M3nergy shares, representing 22.30% equity interest in M3nergy, to AASB pursuant to the acceptance of the Offer, for a total consideration of RM52.3 million ("the Consideration"), or RM1.85 per share.

36 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR (continued)

(d) Disposal of 28,249,678 shares in M3nergy Berhad ("M3nergy") (continued)

On 3 August 2010, AASB announced that it has received valid acceptances under the Offer, which in aggregate is not less than 90% of the voting shares of M3nergy. Therefore, on this date, the Offer becomes unconditional as to the level of acceptances.

On 24 August 2010, the Group received the Consideration. The Consideration was utilised for the repayment of certain borrowings granted to the Group and for working capital.

(e) Subscription of additional equity interest in Siam Power Generation Public Company Ltd ("SIPCO")

On 23 September 2010, Mperial Power Ltd, a wholly-owed subsidiary of the Company, subscribed for an additional 1.07% equity interest in SIPCO for a cash consideration of THB297.1 million (approximately RM29.8 million), thereby increasing its total equity interest in SIPCO from 95.03% to 96.10%.

The subscription of the additional new shares, which are subsequently pledged, is pursuant to the requirement of a Sponsor Support Agreement entered between the Group and a consortium of lenders in Thailand.

37 AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors on 5 October 2010.

Properties Owned by Melewar Industrial Group Berhad & Its Subsidiaries

Address of Property	Lease expiry date	Brief description and existing use	Land/built-up area	Approximate age of buildings (years)	Net book value (RM)
Lot 53, Persiaran Selangor 40200 Shah Alam	22.5.2078	Factory cum office building	196,144 sq.ft. (4.50 acres)	20	16,162,000
Lot 49, Jalan Utas 40200 Shah Alam, Selangor	13.4.2072	Factory building	316,300 sq.ft. (7.26 acres)	36	19,895,000
Lot 10, Persiaran Selangor 40200 Shah Alam, Selangor	11.5.2085	Factory building	220,437 sq.ft. (5.06 acres)	30	15,582,000
Lot 16, Jalan Pengapit 15/19 40200 Shah Alam, Selangor	8.4.2078	Factory building	94,000 sq.ft. (2.16 acres)	32	6,129,000
Lot 717, Jalan Sungai Rasau Seksyen 16, 40200 Shah Alam Selangor	Freehold	Factory cum office building	781,423 sq.ft. (17.94 acres)	21	88,393,000
Lot 2953, Mukim Kelemak Daerah Alor Gajah, Melaka	27.9.2082	Factory cum office building	66,022 sq.ft. (1.52 acres)	24	1,122,000
Flat 28, Consort House, 26 Queensway, Paddington London W2 3RX	23.3.2066	Apartment for corporate use	Approximately 900 sq.ft.	40	2,590,000
Flat 10, 19-23 Palace Court London W2 4LP	30.9.2995	Apartment for corporate use	Approximately 1,456 sq.ft.	14	5,456,000
Land No. 170, 181, 213, 215, 219 Tambol Nong La Lok Amphoe Bankai Rayong Province Thailand	Freehold	Industrial land for power plant project	1,882,754 sq.ft.	-	16,197,000
555, SSP Tower 18th Floor, Sukhumvit 63 Road Klongton-nua Wattana Bangkok, Thailand	Freehold	4 office units in an office building tower	9,084 sq.ft.	16	4,756,000

Note: The above properties were revalued in 2006 except for properties in Thailand.

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MELEWAR INDUSTRIAL GROUP BERHAD
(8444 - W)

FORM OF PROXY
(please refer to the notes below)

No. of ordinary shares held

I/We____NRIC No./Co. No./CDS No.____________________
(Full Name in block letters)

of____

____

(Full address)

being a member/members of **MELEWAR INDUSTRIAL GROUP BERHAD** hereby appoint the following Person(s):

Name of proxy, NRIC No & Address **No. of shares to be represented by proxy**

1. ____ ____________________

2. ____ ____________________

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us and my/our behalf at the Forty-First (41st) Annual General Meeting of the Company to be held at the Auditorium, Podium 1, Menara MAA, No. 12 Jalan Dewan Bahasa, 50460 Kuala Lumpur on Tuesday, 30 November 2010 at 12.00 noon. My/our proxy is to vote as indicated below :

		FIRST PROXY		SECOND PROXY	
		For	Against	For	Against
RESOLUTION 1	TO APPROVE THE PAYMENT OF A FIRST AND FINAL DIVIDEND OF 2 SEN PER SHARE LESS 25% TAX IN RESPECT OF THE FINANCIAL YEAR ENDED 30 JUNE 2010.				
RESOLUTION 2	TO APPROVE THE INCREASE IN PAYMENT OF DIRECTORS' FEES IN RESPECT OF THE FINANCIAL YEAR ENDING 30 JUNE 2011 TO BE PAYABALE QUARTERLY IN ARREARS.				
RESOLUTION 3	TO RE-ELECT DATO' JAFFAR INDOT, WHO IS OVER 70 YEARS OF AGE, AS DIRECTOR TO HOLD OFFICE UNTIL THE NEXT ANNUAL GENERAL MEETING OF THE COMPANY.				
RESOLUTION 4	TO RE-ELECT TUNKU DATO' YA'ACOB BIN TUNKU TAN SRI ABDULLAH AS DIRECTOR RETIRING UNDER ARTICLE 95.				
RESOLUTION 5	TO RE-ELECT TUNKU YAHAYA @ YAHYA BIN TUNKU TAN SRI ABDULLAH AS DIRECTOR RETIRING UNDER ARTICLE 95.				
RESOLUTION 6	TO RE-ELECT DATIN EZURIN YUSNITA BINTI ABDUL MALIK AS DIRECTOR RETIRING UNDER ARTICLE 100.				
RESOLUTION 7	TO RE-ELECT EN SUHAIMI BIN KAMARALZAMAN AS DIRECTOR RETIRING UNDER ARTICLE 100.				
RESOLUTION 8	TO RE-ELECT EN SHAZAL YUSUF BIN MOHAMED ZAIN AS DIRECTOR RETIRING UNDER ARTICLE 100.				
RESOLUTION 9	TO RE-APPOINT MESSRS PRICEWATERHOUSECOOPERS AS AUDITORS OF THE COMPANY.				
RESOLUTION 10	TO AUTHORISE THE RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES.				
RESOLUTION 11	TO APPROVE THE SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS.				
RESOLUTION 12	TO APPROVE THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY.				

(Please indicate with a "√" or "X" in the space provided how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion).

Dated this ________________ day of ____________ 2010 ____________________

Signature/Common Seal

NOTES:

1. *A member entitled to attend and vote at a meeting of the Company is entitled toappoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.*
2. *A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 may appoint one proxy in respect of each securities account.*
3. *The instrument appointing a proxy, shall be in writing under the hand of the appointer or his attorney duly authorised in writing, and in the case of a corporation, either under seal or under hand of an officer or attorney duly authorised.*
4. *The instrument appointing a proxy must be deposited at the Company's Registered Office, Suite 20.03, 20th Floor, Menara MAA, No.12, Jalan Dewan Bahasa, 50460 Kuala Lumpur, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*
5. *Any alteration in the form of proxy must be initialed.*
6. *Explanatory notes to Special Business of Agenda 8:*

(a) ***Proposed Renewal of authority for the Company to purchase its own shares***
The Proposed Resolution 10, if passed, would empower the Directors to exercise the power of the Company to purchase its own shares ("the Proposal") by utilising its financial resources not immediately required. The Proposal may have a positive impact on the market price of the Company's shares. The details of the Proposed Resolution 10 are given under Part A of the Circular to Shareholders dated 8 November 2010 which is dispatched together with the Company's 2010 Annual Report.

(b) ***Proposed Shareholders' Mandate for Recurrent Related Party Transactions***
The Proposed Resolution 11, if passed, will empower the Company to conduct recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, and will eliminate the need to convene separate general meetings from time to time to seek shareholders' approval. This will substantially reduce administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.
The detailed information on Recurrent Related Party Transactions is set out in Part B of the Circular to Shareholders of the Company dated 8 November 2010 which is dispatched together with the Company's 2010 Annual Report.

(c) ***Proposed Amendments to Articles of Association of the Company***
The Proposed Resolution 12, if passed, will give authority for the Company to amend its Articles of Association in order to align with the amendments of the Main Market Listing Requirements pursuant to the directive from Bursa Securities on the implementation of payment of electronic cash dividend.

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The Secretary
MELEWAR INDUSTRIAL GROUP BERHAD
Suite 20.03, 20th Floor, Menara MAA
No. 12 Jalan Dewan Bahasa
50460 Kuala Lumpur

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NOTICE

There will be no distribution of door gifts.

MELEWAR INDUSTRIAL GROUP BERHAD
(8444 - W)

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Suite 17.05, 17th Floor, Menara MAA, 12, Jalan Dewan Bahasa,
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