



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

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

BOARD OF DIRECTORS

a) Board Responsibilities

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

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

The Company was listed on 21 June 2004 and has held four (4) Board Meetings for the financial year ended 31 January 2006.

The Board has delegated specific responsibilities to four (4) sub-committees namely Audit, Nomination, Remuneration and Risk Management Committees. These Committees have the authority to examine particular issues and will report to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, rests with the entire Board.

b) Board Balance and Composition

The Board currently has 9 members comprising of the following:-

- 1 Non-Executive Non-Independent Chairman
- 2 Executive Directors
- 3 Non-Executive Non-Independent Directors
- 3 Non-Executive Independent Directors

Premised on the above Board balance, the Board has complied with Paragraph 15.02 of the Listing Requirements to have at least one-third (1/3) of the Board comprising Independent Directors. The composition of the Board reflects a balance of Executive, Non-Executive and Independent Directors from diverse professional backgrounds with vast experience of a mixture of technical, entrepreneurial and financial skills. All Board members participate and deliberate on the issues and matters affecting the Group. The profiles of the Directors which are set out on Page 14 to 18 illustrate an impressive spectrum of experiences vital to the direction and management of the Company.

There is a clear division of responsibilities between the Chairman and the Chief Executive Officer to ensure that there is a balance of power and authority. The Chairman is primarily responsible for the working of the Board, its membership and participation of the members at Board meetings. The Chief Executive Officer is responsible for the making and execution of strategic goals, effective operation within the Group, to explain, clarify and inform the Board on matters pertaining to the Group.

The Executive Directors are responsible for implementing the policies and decisions of the Board, overseeing the daily operations and business development of the Group. The Non-Executive Directors are independent of management and are free from any business relationship which could materially interfere with the exercise of their independent judgment. Together with the Independent Non-Executive Directors, they provide the support to complement the skills and experience of the Executive Directors. The Independent Non-Executive Directors also offer the unbiased independent view, advice and judgment in the best interest, not only for the Group but also of shareholders, employees and communities in which the Group conducts its business.



c) Board Meetings

The Board is to meet at least four (4) times a year, with additional meetings convened as necessary, to review Management Reports on the progress of business operations and minutes of meetings of the various Board Committees and to consider and if deem fit approve proposals that require the sanction of the Board.

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 31 January 2006, four (4) meetings were held. The following is the record of attendance of the Directors:-

Executive Directors	Total
1. Encik Azlan bin Abdullah	4/4
2. Mr Chan Sang Whye	4/4
Non-Independent Non-Executive Directors	Total
1. Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah (Chairman)	4/4
2. Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	3/4
3. Dato' Zulkifly @ Sofi bin Haji Mustapha (Resigned w.e.f. 7.10.2005 and re-appointed w.e.f. 13.12.2005)	3/3
4. Mr Lim Kim Chuan	4/4
Independent Non-Executive Directors	Total
1. Dato' Abu Talib bin Mohamed	3/4
2. Dato' Narendrakumar Jasani a/l Chunilal Rugnath	3/4
3. Mr Paul Chan Wan Siew	4/4

d) Supply of Information

The Board Members are given board papers with appropriate support documentation in a timely fashion prior to each Board Meeting to enable them to function effectively and allow Directors to discharge their responsibilities accordingly. These include a periodic financial and operational report, proposals for capital expenditure and proposals for investment.

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

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e) Appointments to the Board

The Board had set up 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 of the following members:-

- i) Dato' Abu Talib bin Mohamed (Chairman) ;
- ii) Mr Paul Chan Wan Siew ; and
- iii) Dato' Zulkifly @ Sofi bin Haji Mustapha

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

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

The Nomination Committee has also recommended the appointment of Dato' Narendrakumar Jasani a/l Chunilal Rugnath as the Senior Independent Director to whom all concerns may be conveyed and which was endorsed by the Board.

f) Re-election

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

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

g) Directors' Training

All Directors who are required to accumulate Continuing Education Programmes ("CEP") points had fulfilled the CEP requirements within the extended time frame of 31 December 2005.

In line with the amendment on Practice Note 15/2003 by Bursa Securities which was with effect from 1 January 2005, the Board of Directors shall be responsible to determine their continuous training needs to keep themselves updated on the relevant regulatory and corporate governance development as well as keeping abreast with global and local economic developments.

Details of the seminars and training programmes attended by the Board members are as follows :-

- Managing Corporate Turnaround and Change Management
- National Sales Congress
- Board Agenda Briefing : Business Impact of New Financial Reporting Standarts
- How to prepare a Business Plan
- National Accountants Conference 2005



h) Directors' Remuneration

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

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

The members of the Remuneration Committee comprises of the following members:-

- i) Dato' Abu Talib bin Mohamed (Chairman) ;
- ii) Mr Paul Chan Wan Siew ; and
- iii) Dato' Zulkifly @ Sofi bin Haji Mustapha

Non-Executive Directors are paid attendance allowance for each Board Meeting. Directors' fees are also paid to the Non-Executive Directors which will be presented to shareholders for approval at the Annual General Meeting.

The Company recognises the need to have a competitive remuneration package to attract and retain the Directors of the calibre needed to lead the Group successfully. In the case of the Executive Directors, their remuneration 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.

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

	Executive Directors RM'000	Non-Executive Directors RM'000
Salaries	492	-
Allowances	-	-
Bonuses	162	-
Fees	-	260
Benefits-In-Kind	26	27
Other Emoluments	152	26
TOTAL	832	313

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
Less than RM50,000	-	6
RM50,001 to RM100,000	-	-
RM100,001 to RM150,000	-	1
RM250,001 to RM300,000	-	-
RM300,001 to RM350,000	-	-
RM350,001 to RM400,000	-	-
RM400,001 to RM450,000	2	-

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

RELATIONS WITH SHAREHOLDERS AND INVESTORS

The Board recognises the need to communicate with shareholders and investors on all material business matters of the Group. The results of the Company and the Group are published quarterly via the Bursa Malaysia website. In addition to various announcements made during the year, information on the Group is available on the Group's website at www.mycronsteel.com. Any general enquiries and comments can be addressed to enquiry@mycronsteel.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.



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ACCOUNTABILITY AND AUDIT

a) Audit Committee

The Company has in place an Audit Committee which comprises two (2) Independent Directors and one (1) Non-Executive Non-Independent Director. The Audit Committee holds quarterly meetings to review matters including the Group's financial reporting, the audit plans for the year as well as to deliberate the findings of the internal and external auditors.

With a majority of the members being independent, the composition of the Audit Committee is fully compliant with the Code and the Listing Requirements of Bursa Securities, which require the majority of directors on the Audit Committee to be independent and that one member who is a MIA member.

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 judgments and estimates.

c) Internal Control

The Board recognizes 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 34 to 35 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 recognizes the costing aspect, whereby the cost of control procedures is not to exceed the expected benefits.

The Board further recognizes that risks cannot be fully eliminated. As such, the systems, processes and procedures being put in place are aimed at minimizing 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 three (3) members, the majority of whom shall be Independent Directors.

The members of the RMC are as follows:-

- i) Mr Paul Chan Wan Siew (Chairman) ;
- ii) Dato' Narendrakumar Jasani a/l Chunilal Rugnath; and
- iii) Mr Lim Kim Chuan

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



d) Relationship with the External Auditors

The Board through the Audit Committee has established a transparent and appropriate relationship with the Group's External Auditors, Messrs PricewaterhouseCoopers ("PwC"). PwC will report to members of the Group 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 External Auditors twice during the financial year.

The relationship between the Board and the External Auditors is also formalized through the Audit Committee's terms of reference.

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF FINANCIAL STATEMENT

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

The Directors considered the following in preparing the financial statements:-

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

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

ADDITIONAL COMPLIANCE INFORMATION

a) Non-audit fees paid by the Group to the External Auditors during the financial year amounted to RM22,735.00.

b) Further, during the financial year ended 31 January 2006 :-

- (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 Group has not sponsored any ADR or GDR programme ;
- (iii) There were no sanctions and/or penalties imposed on the Group, directors or management by the relevant regulatory bodies ;
- (iv) There were no profit guarantees given by the Group ;
- (v) There were no profit estimates, forecasts, projections or unaudited results made or announced for the financial year ended 31 January 2006 which differed by 10 per cent or more from the audited results ;
- (vi) There were no loans between the Company and its subsidiaries that involve directors' or major shareholders' interests ;
- (vii) There was no Share Buyback done by the Company ;
- (viii) There are no options, warrants or convertible securities issued by the Company ;
- (ix) There were no corporate exercises implemented by the Company for raising of funds ;
- (vi) The Group revalues its properties comprising land and buildings as well as asset held as plant, machinery and electrical installation, at least once in every five years. Additions of land and buildings, plant, machinery and electrical installation are stated at cost in the intervening years.

c) Recurrent Related Party Transactions ("RRPTs")

On 30 June 2005, the Company sought approval for a shareholders' mandate for Mycron Group to enter into Recurrent Transactions (as defined in the Circular to Shareholders dated 8 June 2005) in their ordinary course of business with related parties ("Shareholders' Mandate") as defined in Chapter 10 of the Listing Requirements of Bursa Securities.

The aggregate value of transactions conducted during the financial year ended 31 January 2006 in accordance with the Shareholders' Mandate obtained in the last Annual General Meeting were as follows :-



(continued)

(I) RRPTs with MAA Holdings Berhad Group of Companies

No.	Related Party	Nature of Transaction	Names of Interested Director(s)/Major Shareholder(s) / Person(s) Connected in Mycron Group	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 Mycron Group	<p>Interested Directors</p> <p>(i) Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah ("TY")</p> <p>(ii) Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah ("TI")</p> <p>(iii) Dato' Zulkifly @ Sofi bin Haji Mustapha ("DZ")</p> <p>Interested Major Shareholders</p> <p>(i) Malaysian Assurance Alliance Berhad ("MAAB");</p> <p>(ii) Melewar Equities (BVI) Ltd ("MEBVI");</p> <p>(iii) Melewar Equities Sdn Bhd ("MESB");</p> <p>(iv) Khyra Sdn Bhd ("Khyra")</p>	<p>TY is deemed interested in WSS by virtue of his 99% direct shareholding in Khyra who is the ultimate substantial shareholder of MAAH.</p> <p>TI and DZ are therefore deemed interested by virtue of their relationship to TY based on Section 122A(1)(d) of the Act.</p>	<p>WSS is a wholly-owned subsidiary of MAA Corporation Sdn Bhd ("MAA Corp") who in turn is a wholly-owned subsidiary of MAA Holdings Berhad ("MAAH") whose ultimate substantial shareholder is Khyra.</p>	124,767
2.	Malaysian Assurance Alliance Berhad ("MAAB")	Provision of insurance business to Mycron Group by MAAB	<p>Interested Directors</p> <p>(i) TY</p> <p>(ii) TI</p> <p>(iii) DZ</p> <p>Interested Major Shareholders</p> <p>(i) MAAB ;</p> <p>(ii) MEBVI;</p> <p>(iii) MESB;</p> <p>(iv) Khyra</p>	<p>TY is deemed interested in MAAB by virtue of his 99% direct shareholding in Khyra who is the ultimate substantial shareholder of MAAB.</p> <p>TI and DZ are therefore deemed interested in MAAB by virtue of their relationship to TY based on Section 122A(1)(d) of the Act.</p>	<p>MAAB is a wholly-owned subsidiary of MAAH whose ultimate substantial shareholder is Khyra.</p>	759,480

(II) RRPTs with Melewar Group of Companies

No.	Related Party	Nature of Transaction	Names of Interested Director(s)/Major Shareholder(s) / Person(s) Connected in Mycron Group	Manner of relationship with the Related Party		Value of Transaction (RM)
				Director	Major Shareholder	
1.	Trace Management Services Sdn Bhd ("Trace")	Provision of corporate secretarial services to Mycron Group by Trace	<p>Interested Directors</p> <p>(i) TY</p> <p>(ii) TI</p> <p>(iii) DZ</p>	<p>TY and TI are deemed interested in Trace by virtue of their major shareholdings in The Melewar Corporation Berhad, the substantial shareholder of Trace.</p> <p>DZ is therefore deemed interested in Trace by virtue of his relationship to TI and TY based on Section 122A(1)(d) of the Act.</p>	<p>Nil</p>	118,850

(continued)

(II) RRPTs with Melewar Group of Companies (continued)

No.	Related Party	Nature of Transaction	Names of Interested Director(s)/Major Shareholder(s) / Person(s)Connected in Mycron Group	Manner of relationship with the Related Party		Value of Transaction (RM)
				Director	Major Shareholder	
2.	Mitra Malaysia Sdn Bhd ("Mitra")	Purchase of air tickets/travel package by Mycron Group from Mitra	Interested Directors (i) TY (ii) TI (iii) DZ	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 and DZ are therefore deemed interested by virtue of their relationship with TI based on Section 122A(1)(d) of the Act.	Nil	45,695

(III) RRPTs with Melewar Industrial Group Berhad ("MIG") Group of Companies

No.	Related Party	Nature of Transaction	Names of Interested Director(s)/Major Shareholder(s) / Person(s)Connected in Mycron Group	Manner of relationship with the Related Party		Value of Transaction (RM)
				Director	Major Shareholder	
1.	Melewar Integrated Engineering Sdn Bhd ("MIE")	Provision of technical consultancy services by MIE to Mycron Steel CRC Sdn Bhd ("MSCRC"), a wholly-owned subsidiary of Mycron	Interested Directors (i) TY (ii) TI (iii) DZ Major Shareholder (i) MIG	TY is deemed interested in MIE by virtue of his indirect substantial interest in MIG vide the shareholdings of MEBVI, MESB and MAAB. TI and DZ are deemed interested by virtue of their relationship to TY based on Section 122A(1)(d) of the Act.	MIE is a 70%-owned subsidiary of MIG.	3,136,766
2.	MIG	Provision of payroll and information technology services by MIG to Mycron Group	Interested Directors (i) TY (ii) TI (iii) DZ Interested Major Shareholder (i) MIG	TY is deemed interested in MIG by virtue of his indirect substantial interest in MEBVI, MESB and MAAB, who collectively are the substantial shareholders of MIG. TI and DZ are therefore deemed interested by virtue of their relationship to TY based on Section 122A(1)(d) of the Companies Act, 1965.	MIG is the substantial shareholder of the Company by virtue of its 54.4% shareholding in the Company.	48,000
3.	Melewar Steel Mills Sdn Bhd ("MSM")	Rental and deposits charged by Mycron to MSM for using premises belonging to Mycron.	Interested Directors (i) TY (ii) TI (iii) DZ Major Shareholders (i) MIG	TY is deemed interested in MSM by virtue of his indirect substantial interest in MEBVI, MESB and MAAB, who collectively are the substantial shareholders of MIG. TI and DZ are therefore deemed interested by virtue of their relationship to TY based on Section 122A(1)(d) of the Act.	MSM is a wholly-owned subsidiary of MIG. MIG is the substantial shareholder of the Company by virtue of its 54.4% shareholding in the Company.	108,000



(III) RRPTs with Melewar Industrial Group Berhad (“MIG”) Group of Companies (continued)

No.	Related Party	Nature of Transaction	Names of Interested Director(s)/Major Shareholder(s) / Person(s) Connected in Mycron Group	Manner of relationship with the Related Party		Value of Transaction (RM)
				Director	Major Shareholder	
4.	MIG	Sales of cold rolled coils by MSCRC, a wholly-owned subsidiary of Mycron, to MIG	Interested Directors (i) TY (ii) TI (iii) DZ Interested Major Shareholder (i) MIG	TY is deemed interested in MSCRC and MIG by virtue of his indirect substantial interest in MEBVI, MESB and MAAB, who collectively are the substantial shareholders of MIG. TI and DZ are therefore deemed interested in by virtue of their relationship to TY based on Section 122A(1)(d) of the Act.	MIG is the substantial shareholder of the Company by virtue of its 54.4% shareholding in the Company.	56,743,360
5.	MSM	Supply of scrap by MSCRC, a wholly-owned subsidiary of Mycron, to MSM	Interested Directors (i) TY (ii) TI (iii) DZ Major Shareholder (i) MIG	TY is deemed interested in MSCRC and MSM by virtue of his indirect substantial interest in MEBVI, MESB and MAAB, who collectively are the substantial shareholders of MIG. TI and DZ are therefore deemed interested by virtue of their relationship to TY based on Section 122A(1)(d) of the Act.	MSM is a company wholly-owned by MIG. MIG is the substantial shareholder of Mycron by virtue of its 54.4% shareholding in Mycron.	609,318
6.	MIG	Provision of slitting service and sales of pipes by MIG to MSCRC, a wholly-owned subsidiary of Mycron.	Interested Directors (i) TY (ii) TI (iii) DZ Interested Major Shareholder (i) MIG	TY is deemed interested in MIG and MSCRC by virtue of his indirect substantial interest in MEBVI, MESB and MAAB, who collectively are the substantial shareholders of MIG. TI and DZ are therefore deemed interested by virtue of their relationship to TY based on Section 122A(1)(d) of the Act.	MIG is the substantial shareholder of Mycron by virtue of its 54.4% shareholding in Mycron.	29,339

COMPLIANCE STATEMENT

The Board is satisfied that the Company has, in all material aspects, complied with the best practiced of the Code as at 31 January 2006.

This statement was approved by the Board of Directors on 28 March 2006.