KPS Consortium Bhd

(143816-V)

06

Annual Report

KPS Consortium Bhd
(143816-V)

06
Annual Report

Content

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty First Annual General Meeting of the Company will be held at Klang Executive Club, Persiaran Bukit Raja 2, Bandar Baru Klang, 41150 Klang, Selangor Darul Ehsan on Friday, 29 June 2007 at 11.00 am for the following purposes:-

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2006 together with the Reports of the Directors and Auditors thereon. (Please refer to Note 1).

2. To re-elect the following Directors retiring in accordance with the Company's Articles of Association:-
   a) Mr. Lau Fook Meng - Article 80 **Resolution 1**
   b) Mr. Lee Whay Hoong - Article 87 **Resolution 2**

3. To approve the payment of Directors' fee for the year ended 31 December 2006. **Resolution 3**

4. To re-appoint Messrs Ernst & Young as Auditors of the Company and to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix the Auditors' remuneration. **Resolution 4**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions:-

5. **ORDINARY RESOLUTION**
   - AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

   "THAT pursuant to Section 132D of the Companies Act, 1965, and subject to the approval from other relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next annual general meeting of the Company." **Resolution 5**

6. **SPECIAL RESOLUTION**
   - PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

   "THAT approval be hereby given for the Articles of Association of the Company to be amended as per Appendix A in the Annual Report 2006 in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad." **Resolution 6**

7. To transact any other business which may properly be transacted at an Annual General Meeting for which due notice shall have been given.

By order of the Board

LIM SECK WAH (f) (MAICSA 0799845)
M. CHANDRASEGARAN A/L S.MURUGASU (MAICSA 0781031)
Company Secretaries

Selangor Darul Ehsan

Dated this: 7 June 2007

NOTES:-

1. *The Agenda No. 1 is meant for discussion only as the provision of S169(1) of the Companies Act, 1965 does not require a formal approval of shareholders and hence, is not put forward for voting.*

2. *A member shall be entitled to appoint more than one (1) proxy to attend and vote in his place. A proxy needs not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*

3. *Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*

4. *If the appointer is a corporation, the proxy form must be executed under its common seal or under the hand of its attorney.*

5. *The instrument appointing a proxy and the power of attorney, if any, under which it is signed or a certified copy thereof must be deposited at the Company's Registered Office, Lot 765, Jalan Haji Sirat Off Jalan Meru, 42100 Klang, Selangor Darul Ehsan not less than 48 hours before the time set for holding the Meeting or adjourned meeting as the case maybe.*

6. *Explanatory notes on the Special Business*

   6.1 *The proposed Resolution 5 is primarily to give flexibility to the Board of Directors to issue and allot shares at any time in their absolute discretion and for such purposes as they consider would be in the interest of the Company without convening a general meeting. This authority, unless revoked or varied at a general meeting, will expire at the next annual general meeting of the Company.*

   6.2 *The proposed Resolution 6 on the amendments of the Company's Articles of Association is in compliance with the recent enhancement in Listing Requirements of Bursa Malaysia Securities Berhad.*

APPENDIX A

KPS CONSORTIUM BERHAD

ALTERATION TO THE COMPANY'S ARTICLES OF ASSOCIATION

Proposed Amendments to the Company's Articles of Association

ARTICLE NO.	EXISTING PROVISIONS	AMENDED PROVISIONS
Article 2 (Definition)	**"Approved Market Place"** means a stock exchange which is specified to be an approved market place in the Securities Industry (Central Depositories) Exemption (No. 2) Order 1998.	Deleted.
Article 2 (Definition)	**"Central Depository"** The Malaysian Central Depository Sdn Bhd	**"Depository"** means the Bursa Malaysia Depository Sdn. Bhd. and that the words "Central Depository" appear throughout the Articles be substituted with "Depository".
Article 2 (Definition)	**"Deposited Security"** A security standing to the credit of a securities account and includes securities in a securities account that is in suspense.	**"Deposited Security"** shall have the meaning given in Section 2 of the Securities Industry (Central Depositories) Act, 1991.
Article 2 (Definition)	New definition to be inserted.	**"Exchange"** means Bursa Malaysia Securities Berhad and that the words "KLSE" appear throughout the Articles be substituted with "Bursa Malaysia Securities Berhad".
Article 2 (Definition)	**"Rules"** The rules of the Central Depository.	**"Rules / Rules of the Depository"** shall have the meaning given in Section 2 of the Securities Industry (Central Depositories) Act, 1991.
Article 2 (Definition)	**"Securities"** means debenture, note, stock, and share in the Company or bond of the Company, and includes any right or option in respect thereof, any interest as defined in section 84 of the Companies Act, 1965 and any interest in a unit trust scheme.	**"Security / Securities"** shall have the meaning given in Section 2 of the Securities Commission Act, 1993.
Article 2 (Definition)	**"Market Days"** Any day between Monday and Friday which is not a market holiday of the Kuala Lumpur Stock Exchange or Public Holiday.	**"Market Days"** means a day on which the stock market of the Exchange is open for trading in securities.
Article 2 (Definition)	New definition	**Home exchange** shall have the meaning given in the Commission's Policies and Guidelines on the Issue/Offer of Securities.

APPENDIX A

KPS CONSORTIUM BERHAD

ALTERATION TO THE COMPANY'S ARTICLES OF ASSOCIATION

Proposed Amendments to the Company's Articles of Association

ARTICLE NO.	EXISTING PROVISIONS	AMENDED PROVISIONS
Article 2 (Definition)	New definition	**Predominantly foreign-based** operations shall have the meaning given in the Commission's Policies and Guidelines on the Issue/Offer of Securities. **Predominantly Malaysian-based** operations shall have the meaning given in the Commission's Policies and Guidelines on the Issue/Offer of Securities. **Primary listing on the Exchange** means a listing of a company seeking a primary listing and approved for listing as such by the Commission pursuant to the Commission's Policies and Guidelines on the Issue/Offer of Securities. **Secondary listing on the Exchange** means a listing by the Exchange of a company which is not a primary listing on the Exchange.
Article 5(v)	every issue of shares or options to employees and/or Directors of the Company shall be approved by the members in general meeting and no Director shall participate in such issues of shares or options unless:- (a) the members in general meeting have approved of the specific allotment to be made to such Directors; and (b) he holds office in the Company in an executive capacity. Provided always that a non-executive director may so participate in an issue of shares pursuant to a public issue or public offer.	every issue of shares or options to employees and/or Directors of the Company shall be approved by the members in general meeting and no Director shall participate in such issues of shares or options unless the members in general meeting have approved of the specific allotment to be made to such Directors.

APPENDIX A

KPS CONSORTIUM BERHAD

ALTERATION TO THE COMPANY'S ARTICLES OF ASSOCIATION

Proposed Amendments to the Company's Articles of Association

ARTICLE NO.	EXISTING PROVISIONS	AMENDED PROVISIONS
Article 6	Subject to the Act, any preference shares may with the sanction of an Ordinary Resolution, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed but the total nominal value of the issued preference shares shall not exceed the total nominal value of the issued ordinary shares at any time and the Company shall not issue preference shares ranking in priority over preference shares already issued, but may issue preference shares ranking equally therewith.	Subject to the Act, any preference shares may with the sanction of an Ordinary Resolution, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed and the Company shall not issue preference shares ranking in priority over preference shares already issued, but may issue preference shares ranking equally therewith.
Article 6A	The Company shall have power to issue preference shares carrying a right to redemption out of profits or liable to be redeemed at the option of the Company and the Directors may, subject to the provisions of the Act, redeem such shares on such terms and in such manner and either at par or at a premium as they may think fit, provided that the total nominal value of issued preference shares shall not exceed the total nominal value of the issued ordinary shares at any time.	The Company shall have power to issue preference shares carrying a right to redemption out of profits or liable to be redeemed at the option of the Company and the Directors may, subject to the provisions of the Act, redeem such shares on such terms and in such manner and either at par or at a premium as they may think fit.
Article 6C	**Rights of preference shareholders** The holder of preference share must be entitled to a return of capital in preference to holders of ordinary shares when the Company is wound up.	Deleted.

APPENDIX A

KPS CONSORTIUM BERHAD

ALTERATION TO THE COMPANY'S ARTICLES OF ASSOCIATION

Proposed Amendments to the Company's Articles of Association

ARTICLE NO.	EXISTING PROVISIONS	AMENDED PROVISIONS
Article 36A	**Transmission of securities from Foreign Register** 1) Where:- a) the securities of a company are listed on an Approved Market Place; and b) such company is exempted from compliance with section 14 of the Securities Industry (Central Depositories) Act 1991 or section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the rules of the Central Depository in respect of such securities, such companies shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the company in the jurisdiction of the Approved Market Place (hereinafter referred to as "the Foreign Register), to the register of holders maintained by the registrar of the company in Malaysia (hereinafter referred to as "the Malaysian Register") provided that there shall be no change in the ownership of such securities. 2) For the avoidance of doubt, no company which fulfils the requirements of subparagraphs (1)(a) and (b) above shall allow any transmission of securities from the Malaysian Register into the Foreign Register.	**Transmission of securities from Foreign Register** 1) Where:- a) the securities of a company are listed on another stock exchange; and b) such company is exempted from compliance with section 14 of the Securities Industry (Central Depositories) Act 1991 or section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the rules of the Central Depository in respect of such securities, such companies shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the company in the jurisdiction of the other stock exchange, to the register of holders maintained by the registrar of the company in Malaysia and vice versa provided that there shall be no change in the ownership of such securities. Deleted.

APPENDIX A

KPS CONSORTIUM BERHAD

ALTERATION TO THE COMPANY'S ARTICLES OF ASSOCIATION

Proposed Amendments to the Company's Articles of Association

ARTICLE NO.	EXISTING PROVISIONS	AMENDED PROVISIONS
Article 57	**Notices of meetings** The notices convening meetings shall specify the place, day and hour of the meeting, and shall be given to all shareholders at least 14 days before the meeting or at least 21 days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least 14 days' notice or 21 days' notice in the case where any special resolution is proposed or where it is the annual general meeting, of every such meeting shall be given by advertisement in the daily press and in writing to each stock exchange upon which the company is listed.	**Notices of meetings** The notices convening meetings shall specify the place, day and hour of the meeting, and shall be given to all shareholders at least 14 days before the meeting or at least 21 days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least 14 days' notice or 21 days' notice in the case where any special resolution is proposed or where it is the annual general meeting, of every such meeting shall be given by advertisement at least 1 nationally circulated Bahasa Malaysia or English daily newspaper and in writing to each stock exchange upon which the company is listed.
Article 57(ii)	**Record of Depositors** The company shall also request the Central Depository in accordance with the Rules of the Central Depository, to issue a Record of Depositors, as at a date not less than 3 market days before the general meeting (hereinafter referred to as "the General Meeting Record of Depositors").	**Record of Depositors** The company shall also request the Depository in accordance with the Rules of the Depository, to issue a Record of Depositors, as at the latest date which is reasonably practicable which shall in any event be not less than 3 market days before the general meeting (hereinafter referred to as "the General Meeting Record of Depositors").

APPENDIX A

KPS CONSORTIUM BERHAD

ALTERATION TO THE COMPANY'S ARTICLES OF ASSOCIATION

Proposed Amendments to the Company's Articles of Association

ARTICLE NO.	EXISTING PROVISIONS	AMENDED PROVISIONS
Article 68	Subject to any rights or restrictions for the time being attached to any classes of shares, at meetings of members or classes of members each member entitled to vote may vote in person or by proxy or by attorney and on a show of hands every person who is a member or representative or proxy of a member shall have one (1) vote, and on a poll every Member present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each share he holds.	Subject to any rights or restrictions for the time being attached to any classes of shares, at meetings of members or classes of members each member entitled to vote may vote in person or by proxy or by attorney and on a show of hands every person who is a member or representative or proxy of a member shall have one (1) vote, and on a poll every Member present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each share he holds. A proxy shall be entitled to vote on a show of hands on any question at any general meeting and the provision of Section 149(1)(a) of the Act shall not apply to the Company.
Article 72	No member shall be entitled to be present or to vote on any question either personally or otherwise as a proxy or attorney at any general meeting or appoint a poll or be reckoned in the quorum in respect of any shares which are unpaid or partly paid.	A member of the Company shall be entitled to be present and to vote at any general meeting in respect of any share or shares upon which all calls due to the Company have been paid.
Article 79	All the Directors of the Company shall be natural persons and until otherwise determined by general meeting the number of Directors (disregarding alternate directors) shall not be less than two (2) nor more than eleven (11) but in the event of any casual vacancy occurring and reducing the number of Directors below the aforesaid minimum the continuing Director or Directors may, except in an emergency, act only for the purpose of increasing the number of Directors to such minimum number or to summon a general meeting of the Company.	Unless otherwise determined by general meeting the number of Directors (disregarding alternate directors) shall not be less than two (2) nor more than eleven (11) but in the event of any casual vacancy occurring and reducing the number of Directors below the aforesaid minimum the continuing Director or Directors may, except in an emergency, act only for the purpose of increasing the number of Directors to such minimum number or to summon a general meeting of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. NAMES OF INDIVIDUAL WHO IS STANDING FOR RE-ELECTION:

a) Mr Lau Fook Meng
b) Mr Lee Whay Hoong

The above named Directors are retiring pursuant to Article 80 and 87 of the Company's Articles of Association respectively.

2. DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS:

Four (4) Board of Directors' Meetings were held during the financial year ended 31 December 2006 and the details of attendance by each of the Directors are noted in the Corporate Governance Statement in this 2006 Annual Report.

3. THE PLACE, DATE AND HOUR OF THE GENERAL MEETING:

The annual general meeting will be held as follows:

Place : Klang Executive Club,
Persiaran Bukit Raja 2,
Bandar Baru Klang,
41150 Klang

Date : 29 June 2007

Time : 11.00 am

4. Details of Directors standing for re-election:

a) Mr Lau Fook Meng
b) Mr Lee Whay Hoong

Details of the above named Directors are set out in the Profile of the Board of Directors in this Annual Report.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman/ Group Managing Director
Koh Poh Seng

Directors
Lau Fook Meng
Executive Director

Dr Kow Cheong Wei, *PhD, SIS, PJK*
Independent and Non-Executive Director

Dr Wu Chin Foong *(Resigned 16.02.2007)*
Independent and Non-Executive Director

Mr Lee Whay Hoong *(Appointed 05.02.2007)*
Independent and Non-Executive Director

COMPANY SECRETARIES

Lim Seck Wah (f) *(MAICSA 0799845)*
M. Chandrasegaran a/l S.Murugasu
(MAICSA 0781031)

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad, Second Board

AUDIT COMMITTEE

Chairman
Dr Kow Cheong Wei, *PhD, SIS, PJK*

Member
Lau Fook Meng
Dr Wu Chin Foong *(Resigned 16.02.2007)*
Mr Lee Whay Hoong *(Appointed 05.02.2007)*

NOMINATION COMMITTEE

Chairman
Dr Kow Cheong Wei, *PhD, SIS, PJK*

Member
Dr Wu Chin Foong *(Resigned 16.02.2007)*
Mr Lee Whay Hoong *(Appointed 05.02.2007)*

REMUNERATION COMMITTEE

Chairman
Dr Kow Cheong Wei, *PhD, SIS, PJK*

Member
Koh Poh Seng
Dr Wu Chin Foong *(Resigned 16.02.2007)*
Mr Lee Whay Hoong *(Appointed 05.02.2007)*

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Lot 765, Jalan Haji Sirat Off Jalan Meru,
42100 Klang, Selangor
Tel : (603) 3291 5566
Fax : (603) 3291 4489

REGISTRAR

Insurban Corporate Services Sdn Bhd
149-B, Jalan Aminuddin Baki
Taman Tun Dr Ismail
60000 Kuala Lumpur
Tel : (603) 7729 5529
Fax : (603) 7728 5948
E-mail : leou@pc.jaring.my

AUDITORS

Ernst & Young
(A Member of Ernst & Young Global)
Chartered Accountants
Level 23A, Menara Milenium, Jalan Damanlela
Pusat Bandar Damansara, 50490 Kuala Lumpur
Tel : (603) 7495 8000
Fax : (603) 2095 9076/ 2095 9078
Website : http://www.ey.com.my

PRINCIPAL BANKERS

United Overseas Bank (M) Berhad
HSBC Bank (M) Berhad
AmBank Berhad
OCBC Bank Berhad
Malayan Banking Berhad

SOLICITORS

Cheang & Ariff
39 Court, 39 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel : (603) 2161 0803
Fax : (603) 2161 4475/2162 1533/2163 0622
E-mail : yms@cheangariff.com

Messrs Soo Thien Ming & Nashrah
10th Floor, South Block, Wisma Selangor Dredging
142-A, Jalan Ampang, 50450 Kuala Lumpur
Tel : (603) 2161 2588
Fax : (603) 2161 8297
E-mail : stmn@putra.net.my
stmnk1@po.jaring.my

WEBSITE

http://www.haiming.com

E-MAIL ADDRESS

enquiry@haiming.com

PROFILE OF THE BOARD OF DIRECTORS

The Board of Directors of KPS Consortium Berhad ("KPSCB " or the "Company") comprises of a Chairman/ Group Managing Director, one (1) Executive Director and two (2) Independent Non-Executive Directors.

The Board meets quarterly and additional Board Meetings are held as and when required. The Board met four (4) times during the financial year ended 31 December 2006.

Particulars of the Directors are as follows:

KOH POH SENG

Koh Poh Seng, age 51, is the founder and Managing Director of KPS Plywood Sdn Bhd ("KPSP") and was appointed as the Chairman and Group Managing Director of KPS Consortium Berhad ("KPSCB") on 18 September 2002. He has more than twenty years of experience in trading of plywood and wood related products. In 1990, KPSP was set up by Mr Koh to undertake the business of trading in plywood. KPSP ventured into the trading of cement and steel bars since 1998.

Presently, Mr Koh is also a director of various other private companies, whereby their principal activities are that of construction and timber.

He is a member of the Remuneration Committee.

LAU FOOK MENG

Lau Fook Meng, age 55, was appointed Executive Director of KPSCB on 19 September 2002. He is a chartered accountant who has obtained his Fellowship from the Institute of Chartered Accountant of England & Wales. Upon graduation, he joined Asiatic Development Bhd in 1981 as an Accountant until 1983. In 1984, he joined Unico Holdings Bhd as the Group Accountant and left in 1992. From 1993 to 2002, he was the General Manager of Nichmurni Sdn Bhd.

He is a member of the Audit Committee.

DR KOW CHEONG WEI

Dr Kow Cheong Wei, PhD, SIS, PJK age 41 was appointed as an Independent Non-Executive Director of KPSCB on 15 April 2005. He is a holder of Bc.Sains (Biotechnology), Universiti Pertanian Malaysia and Msc. (Special Promoted). He has also obtained a PhD in Biotechnology. Between 1997 and 1999, he was a Special Assistant to Serdang Parliamentary Member Dato' Yap Pian Hon and from 1999 to 2003 he was the Speaker in Higher Education Institution (Local & Overseas).

Currently, he is the Selangor State Assemblyman for Kinrara, Puchong and Municipal Councilor to Majlis Perbandaran Subang Jaya.

He is a Chairman of the Audit Committee, Nomination Committee and Remuneration Committee.

MR LEE WHAY HOONG

Mr Lee Whay Hoong, age 51 was appointed as an Independent Non-Executive Director of KPSCB on 05 February 2007. He holds Master of Business Administration majoring in Banking & Finance from North Texas State University. He obtains Bachelor of Science (Honours) majoring in Chemistry and Diploma in Education both from University Malaya.

Mr Lee Whay Hoong started his career from 1980 as a Chemist in Jabatan Kimia Malaysia, Ipoh performing chemical analysis in the Forensic Laboratory. He was the Head of Water Laboratory before he left to pursue a MBA degree. He joined United Malayan Banking Corporation Berhad in November 1985. He left the Bank under Voluntary Separation Scheme to join Business Focus Sdn Bhd as Assistant General Manager in Finance from June 1999 to October 1999.

He was a General Manager with UP Multimedia Production Sdn Bhd between October 1999 and April 2001. He left the Company to join Alliance Bank Malaysia Berhad in May 2001 until June 2006. He resigned from the Bank in June 2006.

From July 2006 and presently, he is a Senior General Manager with Malton Berhad in charge of Banking and Finance for the Group. Other achievement throughout the years of his careers was co-authorised a paper on management practices of multinational companies in developing countries that was presented in the Southern Management Conference in New Orleans, Lousiana, United States of America in 1985. He is also an Associate Member of the Institut Kimia Malaysia.

He is currently a member of Audit Committee, Remuneration Committee and Nomination Committee of the Company.

All the above directors are Malaysian. They have not been convicted of any offence in the past 10 years (other than ordinary traffic offence). All the directors are not related to each other.

None of the Directors have any conflict of interest in the Company.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors fully acknowledges the importance of good corporate governance and is taking steps to evaluate the status of the corporate governance practices adopted by the Group as tabulated below and its compliance with the code of best practices as set out in Part 1 and Part 2 of the Malaysian Code on Corporate Governance pursuant to Paragraph 15.26 of the Listing Requirements of the Bursa Malaysia Securities Berhad ("BMSB") throughout the financial year from 1 January 2006 to 31 December 2006. The Board will continually evaluate the status of the Group's corporate governance practices and procedures to ensure conformance and enhance performance in pursuit of its commitment to the highest standards of corporate governance.

1.0 Board of Directors

1.1 Board Composition and Balance

The Board currently has four (4) members, comprising the Chairman/ Group Managing Director, one (1) Executive Director and two (2) Independent Non-Executive Directors. The Company is in compliance with Paragraph 15.02 of the BMSB Listing Requirements whereby one-third of its Board members are independent directors. The profile of each Director is presented separately in the Annual Report.

All Board members participate fully in decisions making on the key issues involving the Group. The Chairman/ Group Managing Director has primary responsibilities for managing the Group's day-to-day operations and together with the Executive Director and Non-Executive Directors to ensure that the strategies proposed by the management are fully discussed and examined, and take into account the long term interests of the various stakeholders including shareholders, employees, clients, suppliers and the various communities in which the Group conducts its business.

The Board is assured of a balanced and independent view at all Board deliberations largely due to the presence of its Non-Executive Directors who are independent from Management and major shareholders of the Company. The Independent Directors are also free from any business or other relationships that could materially interfere with the exercise of their independent judgement. Together with the Chairman/ Group Managing Director and Executive Director who have intimate knowledge of the Company's and Group's business, the Board is constituted of individuals who are committed to business integrity and professionalism in all its activities.

As part of its commitment, the Board supports the highest standards of corporate governance and the development of the best practices for the Group.

In addition to the role of guidance by the Non-Executive Directors, each Director brings independent judgement to bear on issues of strategy, performance, resources and standard of conduct.

1.2 Duties and Responsibilities of the Board

The Board retains full and effective control of the Company and the Group. This includes responsibility for determining the Group's overall strategic direction as well as development and control of the Group. The Group Managing Director too undertakes the role of the Chairman. Despite that the roles are combined, there is a strong independent element on the Board as there are adequate number of independent directors who are particularly important as they provide unbiased and independent views, advice and judgement.

1.3 Board Meetings and Supply of Information

Four (4) Board of Directors' Meetings were held during the financial year ended 31 December 2006 and the details of attendance of each director are set out below:

Name of Directors	Total Number of Meetings Attended
Mr Koh Poh Seng	4/4
Mr Lau Fook Meng	4/4
Dr Kow Cheong Wei, PhD, SIS, PJK	3/4
Dr Wu Chin Foong *(Resigned on 16 February 2007)*	3/4
Mr Lee Whay Hoong *(Appointed on 05 February 2007)*	N/A

The Board of Directors' Meetings were held at No.3, Jalan BK 1/10, Bandar Kinrara Industrial Centre, Puchong, Selangor.

The date and time of the meetings held were as follows:

Date	Time
28 February 2006	11.00 am
31 May 2006	11.00 am
28 August 2006	12.30 pm
30 November 2006	2.00 pm

All Directors have complied with the minimum attendance at Board meetings as stipulated in the Listing Requirements of the BMSB during the financial period.

The agenda and Board papers for each item as well as minutes of previous meetings are circulated prior to the Board meetings to give Directors time to deliberate on the issues to be raised at the Board meetings.

In arriving at any decision on recommendations by the Management, thorough deliberation and discussion by the Board is a pre-requisite. All proceedings of the Board Meetings are minuted and signed by the Chairman of the meeting in accordance with the provision of Section 156 of the Companies Act, 1965.

The Board is kept updated on the Company and Group's activities and its operations on a regular basis. The directors also have access to reports on the Group's activities, both financial and operational.

All directors have access to the advice and services of the Company Secretary who is responsible for ensuring that board procedures are followed and the Board may also take independence advice, at the Company's expense, in the furtherance of their duties if so required. The Board also has unlimited access to all information with regard to the activities of the Company.

1.4 Directors' Training

The Board as a whole ensures that it recruits only individuals of sufficient caliber, knowledge and experience to fulfill the duties of a Director appropriately. All Directors have completed the Mandatory Accreditation Programme (MAP). The Board of Directors is aware of the importance of continuously pursuing for the relevant seminars/training programmes to equip themselves to discharge their duties diligently pursuant to PN 15/2003.

Training programmes and seminars attended by the Directors are as follows:

Mr Koh Poh Seng

- Managing Strategic Corporate Planning attended on 16 April 2007.

Mr Lau Fook Meng

- Preparation and Presentation of Quarterly Interim Financial Reporting under the New FRS Regime (Group B) attended on 31 March 2006.
- FRS – Impact on Taxation attended on 24 April 2006.

Dr Kow Cheong Wei, *PhD, SIS, PJK*

- Managing Strategic Corporate Planning attended on 16 April 2007.

Mr Lee Whay Hoong

- Mandatory Accreditation Programme (MAP) attended on 13 March 2007 and 14 March 2007.

1.5 Appointments to the Board

The appointment of any additional Director is made as and when it is deemed necessary by the existing Board with due consideration given to the mix of expertise and experience required for an effective Board.

The Nomination Committee is empowered by the Board and its terms of reference to consider and evaluate the appointment of new Directors and Directors to Board Committees of the Company. The Nomination Committee will then recommend the candidates to the Board for the appointment. The Nomination Committee also keeps under review the Board structure, size and composition and the mix of skills and core competencies required for the Board to discharge its duties effectively. In addition, the Nomination Committee will deliberate on Board succession plan as and when appropriate. The Nomination Committee will also assess the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director on at least an annual basis.

The member of the Nomination Committee is as follows:

a. Dr Kow Cheong Wei, PhD, SIS, PJK (Chairman)
b. Mr Lee Whay Hoong

1.6 Retirement and Re-election

In accordance with the Articles of Association of the Company, at least one-third of the Directors shall retire by rotation at each Annual General Meeting and can offer themselves for re-election at the Annual General Meeting ("AGM"). Directors who are appointed by the Board to fill casual vacancies or as additional directors during the financial year are subject to re-election by shareholders at the next AGM following their appointment. All Directors shall retire from office at least once in three years, but shall be eligible for re-election.

1.7 Relationship of the Board to Management

- **Quality of Information**

  Information plays a key role in the Board's decision-making and in setting up the policies and strategies of the Company. The Board has unrestricted access to timely and accurate information, which is not only confined to qualitative and quantitative information, but also to other information deemed suitable such as customer satisfaction, products and services quality, market share and market reaction and macro economic performance.

- **Access to information**

  Prior to the board meetings, all Directors receive an agenda and Board Papers containing information relevant to the business of the meeting including information on major financial, operational and corporate matters relating to the activities and performance of the Group. This is issued in sufficient time to enable Directors to obtain further explanation, where necessary, in order to be properly informed before the meeting.

- **Use of Board Committees**

  As appropriate, the Board has delegated certain responsibilities to Board Committees that operate within clearly defined terms of reference. The Committees are as follows:

  a. Audit Committee
  b. Remuneration Committee
  c. Nomination Committee

  All the above Committees have written terms of reference and operating procedures.

1.8 The relationship between the Board and the shareholders

The principal forum for dialogue with shareholders is the AGM, during which shareholders are encouraged to participate and pose questions to the Board regarding operational and financial information. The AGM also allows shareholders an opportunity to interact directly with the Board and seek first-hand information on the above matters. Extraordinary General Meetings are held as and when shareholders' approvals are required on specific matters and shareholders are notified of such meetings requirements.

2.0 Directors' Remuneration

2.1 The Level and Make- Up of Remuneration

The remuneration of the Directors of the Company and for the financial year ended 31 December 2006 is set out below:

(i) Aggregate remuneration of Directors with categorisation into appropriate components:

	Executive Directors (RM) *a	Non-Executive Directors (RM)	Total (RM)
Fees	-	6,000	6,000
Salary & other emoluments	290,787	-	290,787
Total	290,787	6,000	296,787

***a** *The remuneration of the Executive Directors was paid by a subsidiary Company.*

(ii) Number of Directors whose remuneration falls into the following bands:

Range of Remuneration	Executive Directors	Non-Executive Directors	Total
Below RM50,000	-	-	-
RM100,001 to RM150,000	1	-	1
RM150,001 to RM200,000	1	-	1

There is no contract of service between any Directors and the Company or its subsidiary Companies.

2.2 Procedure

In compliance with the Listing Requirements of the BMSB, the Board has established a Remuneration Committee comprising Independent Non-Executive Directors and the Chairman/ Group Managing Director. The Committee's primary responsibility is to recommend to the Board, the remuneration of Directors. However, the final decision on remuneration for Directors is a matter for the Board as a whole and individual directors are required to abstain from discussion of their own remuneration. The members of the Remuneration Committee are as follows:

a. Dr Kow Cheong Wei, *PhD, SIS, PJK (Chairman)*
b. Dr Wu Chin Foong *(Resigned 16 February 2007)*
c. Mr Koh Poh Seng
d. Mr Lee Whay Hoong *(Appointed 05 February 2007)*

3.0 Shareholders

3.1 Dialogue between the Company and Investors

The Group values dialogue with investors as a mean of effective communication that enables the Board to convey information about the Group's performance, corporate strategy and other matters affecting shareholders' interests.

The AGM is the principal forum for dialogue with individual shareholders. It is a crucial mechanism in shareholder communication for the Company. At the Company's AGM, shareholders have direct access to the Board and are given the opportunity to ask questions during the open questions and answers session prior to moving for approval of the Company's Audited Financial Statements and Directors' Report for the financial year and other businesses (if applicable). The shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general.

The Chairman/ Group Managing Director also addresses the shareholders on the review of the Group's operations for the financial year and outlines the prospects of the Group for the new financial year.

The Board is also committed to ensure that shareholders are well informed of major developments of the Company and the Group and the information is also communicated to them through the following channels:-

a. the Annual Report;

b. various disclosures and announcements made to the BMSB including the quarterly results and annual results; and

c. the Company's website www.haiming.com through which shareholders and the public in general can gain access to the latest corporate and product information of the Group.

Shareholders and prospective investors who wish to contact the Company on any matters relating to the Group can channel their queries via the Group's website or contact the following personnel:

Name	Contact No.	E-mail Address
Mr Koh Poh Seng *(Chairman/Group Managing Director)*	03-32915566	pskoh@haiming.com

3.2 Annual General Meeting ("AGM")

Notice of AGM and annual reports are sent out to shareholders at least 21 days before the date of the meeting.

At the AGM, the Board also provides opportunities for shareholders to raise questions pertaining to the business activities of the Group. Directors and senior management staff are available to provide responses to shareholders' questions during these meetings.

3.2 Annual General Meeting ("AGM") (Cont'd)

For the re-election of Directors, the Board will ensure that full information is disclosed through the notice of meeting regarding Directors who are retiring and who are willing to serve if re-elected.

Each item of special business included in the notice of meeting will be accompanied by an explanatory statement for the proposed resolution to facilitate full understanding and evaluation of issues involved.

4.0 Accountability And Audit

4.1 Financial Reporting

The Board is aware of its responsibilities to shareholders and the requirement to present a balanced and comprehensive assessment of the Group's financial position, by means of the annual and quarterly reports and other published information. In this regard, the Board is primarily responsible for the preparation of a financial statement to present a fair and balanced report of the financial state of affairs of the Group.

Before releasing to the Bursa Malaysia Securities Berhad, the quarterly financial results are reviewed by the Audit Committee and approved by the Board of Directors. The details of the Company and the Group's financial positions are included in the Financial Statements section of the Annual Report.

4.2 Internal Control

The Directors acknowledge their responsibilities for the internal control system in the Company and the Group, covering not only financial controls but also controls relating to operational, compliance and risk management. The system of internal controls 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 recognises 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 being carried out to ensure that the effectiveness, adequacy and integrity of the system of internal controls in safeguarding the Company's assets.

4.3 Audit Committee

The Audit Committee meets periodically with senior financial management staff 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.

The terms of reference of the Audit Committee have recently been revised to conform to the Listing Requirements of the BMSB. The terms of reference and activities of the Audit Committee during the financial year ended 31 December 2006 are provided separately in this Annual Report.

4.4 Relationship with Auditors

The Company's external auditors, Ernst & Young 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. In doing so, the Company has established a transparent arrangement with the auditors to meet their professional requirements. From time to time, the auditors highlight to the Audit Committee and Board of Directors on matters that require the Board's attention.

5.0 Statement On The Extent Of Compliance With The Best Practices In Corporate Governance Set Out In Part 2 Of The Malaysian Code On Corporate Governance

Save as disclosed below, the Group has substantially complied with the Best Practices of the Code throughout the financial year:

a) The Board does not have a formal schedule of matters specifically reserved to it for decision. However, it has been the practice for the Board to deliberate on matters that involve overall Group strategy and direction, acquisition and divestment policy, approval of major capital expenditure, consideration of significant financial matters and the review of the financial and operating performance of the Group.

b) The Board has not developed position descriptions for the Board and the Group Chief Executive Officer. This is mainly due to the current set-up of the Board and the various Board Committees that are in place to facilitate the smooth functioning of the Group. Nevertheless, in order to enhance the existing corporate governance practice of the Company, the Board will consider adopting a Board Charter which delineates the role and function of the Board as well as the differing roles of Executive Directors and Non-Executive Directors.

c) The Board, through various management committees, has been able to identify business risks and ensure the implementation of appropriate measures to manage these risks. Nevertheless, the Board is of the view that a more structured risk management process would need to be established to better identify, monitor and manage the business risks affecting the Group.

d) Senior management staffs are co-opted to assist the Audit Committee in the discharge of its duties and responsibilities. The Board and the Audit Committee feel that although the current arrangement is not the best practice advocated, it provides sufficient assurance in obtaining regular review and / or appraisal of the effectiveness of the system of internal controls within the Group.

e) Currently, the composition of the Company's Audit Committee complies with BMSB Listing Requirements.

6.0 Directors' Responsibility Statement On Annual Audited Accounts

The Board of Directors is required under Paragraph 15.27(a) of the Listing Requirements of the BMSB to issue a statement explaining their responsibility in the preparation of the annual financial statements.

6.0 Directors' Responsibility Statement On Annual Audited Accounts (Cont'd)

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the profit and loss of the Company and of the Group for the financial year.

In preparing those financial statements, the Directors are required to:-

a) use appropriate accounting policies and consistently apply them;
b) make judgements and estimates that are reasonable and prudent; and
c) state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records, which disclose, with reasonable accuracy at any time, the financial position of the Company and of the Group and to enable them to ensure that the accounts comply with the Companies Act, 1965. The Directors had also ensured that proper internal controls had been implemented.

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 31 December 2006, the Group has used the appropriate accounting policies and applied them consistently and prudently. The Directors are of the opinion that all relevant approved accounting standards have been followed and confirm that the financial statements have been prepared on a going concern basis.

The above Statement has been signed in accordance with a resolution of the Directors.

OTHER INFORMATION REQUIRED PURSUANT TO PART A, APPENDIX 9C OF THE BMSB LISTING REQUIREMENTS

In conformance with the Bursa Malaysia Securities Berhad Listing Requirements, the following information is provided:

- **Utilisation of Proceeds**
  No proceeds were raised from any corporate proposal during the financial year.

- **Share Buybacks**
  During the financial year, there were no share buybacks by the Company.

- **Option, Warrants and Convertible Securities**
  The Company has not issued any options, warrants or convertible securities during the financial year.

- **American Depository Receipt ("ADR") / Global Depository Receipt ("GDR')**
  During the financial year, the Company did not sponsor any ADR or GDR programme.

- **Sanctions and / or Penalties**
  There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management staff by the relevant regulatory bodies during the financial year.

- **Non-Audit Fee**
  There was no non-audit fee payable to the external auditors by the Company and its subsidiaries for the financial year ended 31 December 2006.

- **Variance from Profit Forecast or Unaudited Results Previously Made**
  There were no variances exceeding 10% from the unaudited results previously released by the Company.

- **Profit Guarantee**
  During the financial year, there were no profit guarantees given by the Company.

- **Material Contracts**
  There were no material contracts (not being contracts entered into in the ordinary course of business) subsisting as at or entered into since the end of the previous financial year, by the Company or its subsidiaries, which involved the interests of the Directors and major shareholders.

- **Revaluation of Landed Properties**
  The Group does not have a revaluation policy for its landed properties.

- **Recurrent Related Party Transactions of a Revenue Nature**
  There were no material recurrent related party transactions of a revenue nature during the year.

AUDIT COMMITTEE

Members

The current members of the Committee and their respective designations are as follows:

- Dr Kow Cheong Wei, *PhD, SIS, PJK*
  Chairman/ Independent and Non-Executive Director
- Mr Lau Fook Meng
  Member / Executive Director
- Dr Wu Chin Foong *(Resigned 16 February 2007)*
  Member/ Independent and Non-Executive Director
- Mr Lee Whay Hoong *(Appointed 05 February 2007)*
  Member/ Independent and Non-Executive Director

Terms of Reference

The terms of reference of the Audit Committee had been revised to conform to the Listing Requirements of the BMSB.

Composition

The Audit Committee shall be appointed from among their members and should consist of no fewer than three (3) members, a majority of whom shall be independent directors.

At least one (1) member of the Committee:-

i) must be a member of the Malaysian Institute of Accountants ("MIA"); or

ii) if he is not a member of the MIA, he must have at least 3 years' working experience and:-

   - he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1968; or
   - 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

The Chairman of the Committee shall be an Independent Non-Executive Director appointed by the Board.

In the event of any vacancy in the Audit Committee resulting in the number of members being reduced to below three, the Company must fill the vacancy within three (3) months.

Authority

The Audit Committee shall be granted the authority to investigate any activity of the Company and its subsidiaries within its terms of reference and all employees shall be directed to co-operate as and when required by the Audit Committee. The Committee shall also be empowered to consult independent experts, where necessary, to assist in executing its duties and shall have direct communication channels with the external and internal auditors.

AUDIT COMMITTEE (CONT'D)

Meetings

The Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide in order to fulfill its duties. In addition, the Chairman may call a meeting of the Audit Committee if a request is made by any committee member, any Executive Director, or the external auditors.

In order to form a quorum, the majority of members present must be independent directors.

Responsibilities and Duties of the Committee

The duties and responsibilities of the Committee shall include:-

1. To review:-

    a) With the external auditors, the audit report, the audit plan and their evaluation of the system of internal controls of the Group and audit findings;

    b) The adequacy of the scope, functions and resources on the internal audit functions and that it has the necessary authority to carry out its work;

    c) The internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function (when formed);

    d) The quarterly results and year end financial statements of the Company, prior to approval by the Board of Directors, focusing particularly on:-

        i) changes in or implementation of major accounting policy changes;

        ii) significant and unusual events; and

        iii) compliance with accounting standards and other legal requirements.

    e) Any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.

2. To recommend the appointment of the external auditors and in relation thereto, to discuss their audit fees and any questions of resignation or dismissal.

3. To monitor organisational compliance with statutory and BMSB's requirements.

4. To perform any other functions as may be mutually agreed by the Committee and the Board of Directors.

AUDIT COMMITTEE (CONT'D)

AUDIT COMMITTEE REPORT

During the financial year ended 31 December 2006, the Audit Committee comprising the following members held a total of three (3) meetings. The details of attendance of the Committee members are as follows:

Name of Committee Member	No. of meetings attended/ held during member's tenure
Mr Lau Fook Meng	3/3
Dr Kow Cheong Wei, PhD, SIS, PJK	3/3
Dr Wu Chin Foong *(Resigned on 16 February 2007)*	3/3
Mr Lee Whay Hoong *(Appointed on 05 February 2007)*	Nil

In line with the terms of reference of the Audit Committee, the Audit Committee carried out the following activities during the financial year ended 31 December 2006 in the discharge of its functions and duties:

a) Reviewed the external auditors' scope of work and audit plans for the period. Prior to the audit, representatives from the external auditors, presented their audit strategy and plan.

b) Reviewed with the external auditors the results of the audit, the audit report and the management letter, including management's response.

c) Consideration and recommendation to the Board for approval of the audit fees payable to the external auditors.

d) Reviewed the quarterly unaudited financial results announcements before recommending them for the Board's approval.

e) Reviewed the audited Financial Statements of the Group and the Company prior to submission to the Board for their consideration and approval. The review was to ensure that the audited Financial Statements were drawn up in accordance with the provisions of the Companies Act 1965 and the applicable accounting standards approved by the Malaysian Accounting Standard Board ("MASB").

f) Reviewed the Company's compliance in particular the quarterly and year end financial statements with the Listing Requirements of the BMSB, MASB and other legal and regulatory requirements.

g) Reviewed any related party transactions entered into by the Group.

h) Reviewed the extent of the Group's compliance with the provisions set out under the Malaysian Code on Corporate Governance for the purpose of preparing the Corporate Governance Statement pursuant to the BMSB Listing Requirements.

Internal Audit Functions

Senior management staffs are co-opted to assist the Audit Committee in the discharge of its duties and responsibilities. The Board and the Audit Committee feel that although the current arrangement is not the best practice advocated, it provides sufficient assurance in obtaining regular review and / or appraisal of the effectiveness of the system of internal controls within the Group.

STATEMENT ON INTERNAL CONTROL

It is a requirement of the Malaysian Code of Corporate Governance that the Board of Directors should maintain a sound system of internal controls to safeguard shareholders' investments and the Group's assets.

Pursuant to paragraph 15.27(b) of the Bursa Malaysia Securities Berhad ("Bursa Malaysia") Listing Requirements and Statement on Internal Control: Guidance for Directors of Public-Listed Companies, the Board of Directors are pleased to present the Statement on Internal Control of the Group comprising KPS Consortium Berhad and its subsidiaries for the financial year ended 31 December 2006.

Board Responsibility

The Board of Directors affirms its responsibility in maintaining a sound system of internal control and risk management procedures within the Group and for reviewing its adequacy and integrity. However, the Board recognises that reviewing of the Group's system of internal controls is a concerted and continuing process, designed to manage rather than eliminate the risk of failure to achieve business objectives. In pursuing this objective, internal control can only provide reasonable and not absolute assurance against material misstatement or loss. In striving for continuous improvement, the Board will put in place appropriate action plans, when necessary, to further enhance the Group's system of internal controls.

Internal Control

The internal controls system is established after considering the overall control environment of the Group. The system is designed to achieve proper balance between risks undertaken and the potential returns to shareholders. The key elements of the Group's system of internal controls are as described below:

- Key responsibilities and lines of accountability within the Group are defined, with clear reporting lines up to the Senior Management of the Group and to the Board of Directors. The Group's delegation of authority sets out the decisions that need to be taken and the appropriate authority levels of Management including matters that require Board approval.

- The Group's management teams carry out quarterly monitoring and review of financial results and forecasts for all businesses within the Group, including monitoring and reporting thereon, of performance. The Group's management teams communicate regularly to monitor operational and financial performance as well as formulate action plans to address any areas of concern.

- Operating Procedures Manuals that set out certain policies and procedures are maintained by certain companies in the Group, to ensure accountabilities and standard control procedures are in place. The manuals are regularly reviewed to ensure the alignment, standardisation and comprehensiveness of the procedures. Greater communication is ensured on key internal control procedures, including those relating to authorisation, accountability, monitoring and reconciliation processes.

STATEMENT ON INTERNAL CONTROL (CONT'D)

Internal Audit

The Group had engaged an independent professional services firm to carry out the Internal Audit function within the Group. Internal audits are carried out by to review the adequacy and integrity of the internal control systems of certain business units.

Risk Management

The Group hopes to establish a process for identifying, evaluating, monitoring and managing significant risks affecting the achievement of its business objectives. The risk management practice ensures that significant risks are continuously identified and that instituted controls are appropriate and effectively applied by the Management.

Conclusion

The Board of Directors is of the view that there is no significant breakdown or weaknesses in the system of internal control of the Group that may result in material losses incurred by the Group for the financial year ended 31 December 2006. The Group continues to take the necessary measures to ensure that the system of internal control is in place and functioning effectively.

CHAIRMAN / GROUP MANAGING DIRECTOR'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Accounts of the Group and of the Company for the financial year ended 31 December 2006.

Overview of Group Results

Operating Results

For the financial year ended 31 Dec 2006 Group's turnover was RM245.9 million (2005: RM227.80 million). We recorded a pre-tax profit of RM6.02 million as compared to a pre-tax loss of RM7.07 million in the previous year. The higher profits are explained under the various activity reports below.

At Company level, no turnover in term of dividend income from subsidiaries was recorded.

Review of Operations

Division	Turnover		Profit/ (Loss) Before Tax	
	12-mth Dec 2006 (RM'm)	12-mth Dec 2005 (RM'm)	12-mth Dec 2006 (RM'm)	12-mth Dec 2005 (RM'm)
Paper Milling	11.9	11.1	1.43	1.98
Paper Converting	31.0	24.4	0.64	(0.34)
Plywood	178.3	168.2	6.41	1.75
Timber Manufacturing	2.7	4.4	(0.42)	(8.34)
Others –				
Trading of paper products & general household products	22.0	19.7	0.03	0.25
Interest Income	-	-	0.44	0.44
Investment & Management	-	-	(0.32)	0.61
Total Turnover	245.9	227.8	8.21	(3.65)
Profit/(Loss) from Operations			8.21	(3.65)
Finance Cost			(2.19)	(3.42)
Profit/(Loss) Before Taxation			6.02	(7.07)

Paper Milling

The Group's tissue mill registered a higher turnover RM11.9 million compared with previous period of RM11.1 million. This division registered lower operating profit before tax and finance cost of RM1.43 million as compared to profit of RM1.98 million in 2005. The lower profit margin was due to increase in raw material costs, operating costs and transport costs.

Capital investments have been initiated during the year to set up a de-inking plant and water treatment plant. On commencement of the de-inking plant expected for the final quarter of 2007, usage of raw materials costs in production will be lowered.

Paper Converting and Trading of Woodfree Paper

I am glad to report that this division recorded higher turnover of RM31.4 million as compared to RM24.4 million previously. This division managed to show a profit before tax and finance cost of RM0.64 million as compared to a loss of RM0.34 million in the previous year 2005.

Plywood and Building Materials Trading, and Timber Manufacturing
The Plywood and Building Materials Division performed better results with a higher turnover of RM178.3 million and operating profit before tax and finance cost of RM6.41 million. Timber manufacturing recorded lower turnover of RM2.7 million and operating loss before tax and finance cost of RM0.42 million compared with 2005 turnover of RM4.4 million and loss of RM8.34 million.

The timber manufacturing division's factory was destroyed by a fire on 2 January 2005. As a result fixed assets, plant and machineries and inventories amounting to RM16.58 million were written off and insurance claims received RM10.8 million. Timber manufacturing operations for 2006 are still on a reduced scale.

Others – trading of paper products and general household products
Turnover for this division was RM22.0 million compared with RM19.7 million for the previous year due to the increase in turnover for paper products. This division made a profit before taxation of RM0.03 million.

Dividend

The Board is unable to propose any dividend.

Outlook and Prospects

The future outlook for trading of woodfree paper and trading of household products are expected to improve in terms of revenue and profit. Revenue and production of paper milling division are expected to remain as in previous year as it is already at maximum production capacity and projected increase in profits due to lower raw material costs as a result of capital expenditures on a de-inking plant expected to commence operations at the last quarter of 2006.

Trading in building materials division for the next year will depend on the performance of the construction and furniture industry which is still experiencing slowdown and higher material costs. Timber manufacturing division continues to be affected by lower production and slowdown in construction industry.

Acknowledgement

The last few years have proven the resilience of the Company and I would like to thank the shareholders for their unwavering support so far.

The Board would like to thank Dr Wu Chin Foong who resigned on 16 February 2007 respectively for his past contribution to the Group. We wish him every success in his future endeavours.

We owe a similar gratitude to our customers and business associates for their unwavered support throughout the difficult times of the last few years. I would also like to express our appreciation to all Government agencies and regulatory authorities for their assistance and guidance.

Finally and above all, on behalf of the Board, I wish to offer our heartfelt thanks to all our staff for their dedication and loyalty over the past year and their steadfastness and resilience in facing the new challenges.

Koh Poh Seng
Chairman/ Group Managing Director

Financial Statement

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiary companies are disclosed in Note 13 to the financial statements.

There have been no significant changes in the nature of the activities of the Company and its subsidiary companies during the financial year.

RESULTS

	Group RM	Company RM
Profit/ (Loss) for the year	**4,111,714**	**(2,893,056)**
Attributable to:		
Equity holders of the Company	**4,120,016**	**(2,893,056)**
Minority interests	**(8,302)**	**-**
	4,111,714	**(2,893,056)**

There were no material transfers to or from reserves or provisions during the financial year, other than as disclosed in the statement of changed in equity.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than the effects arising from the changes in accounting policies due to the adoption of the new and revised FRSs which has resulted in an increase in the Group's profit for the year by RM1,886,292 as disclosed in Note 2.3(e)(ii) to the financial statements

DIVIDENDS

There were no dividends paid or declared since the end of the previous financial year. The directors do not recommend the payment of any dividends for the current financial year.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Koh Poh Seng *(Group Managing Director and Chairman)*
Lau Fook Meng *(Executive Director)*
Dr. Kow Cheong Wei *(Independent Non-Executive Director)*
Lee Whay Hoong *(Independent Non-Executive; appointed on 5 February 2007)*
Dr. Wu Chin Foong *(Independent Non-Executive Director; resigned on 16 February 2007)*

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of 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 as disclosed in Notes 6 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

	Ordinary Shares of RM1 Each			
	At 1 January 2006	**Bought**	**Sold**	**At 31 December 2006**
Direct interest				
Koh Poh Seng	56,655,625	1,539,400	-	58,195,025

By virtue of Mr. Koh Poh Seng's interest in the Company, he is also deemed to have interest in the shares of all the subsidiary companies to the extent that the Company has an interest under Section 6A of the Companies Act, 1965.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

(a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

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

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

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

DIRECTORS' REPORT (CONT'D)

OTHER STATUTORY INFORMATION (CONT'D)

(ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

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

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The significant event during the financial year is disclosed in Note 31 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 April 2007

Koh Poh Seng **Lau Fook Meng**

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, **Koh Poh Seng** and **Lau Fook Meng**, being two of the directors of KPS Consortium Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 37 to 94 are drawn up in accordance with applicable 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 at 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 April 2007

Koh Poh Seng **Lau Fook Meng**

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **Lau Fook Meng**, being the director primarily responsible for the financial management of KPS Consortium Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 37 to 94 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 Declaration Act, 1960.

Subscribed and solemnly declared by)
the abovenamed Lau Fook Meng at)
Kuala Lumpur in the Federal Territory)
on 27 April 2007) **Lau Fook Meng**

Before me,

PESURUHJAYA SUMPAH
No. W 315
Name: SOH AH KAU
MALAYSIA

SOH AH KAU, AMN
Persuruhjaya Sumpah
26, Jalan Beremi
50200 Kuala Lumpur W.P.
Tel: 03-2141 2878

REPORT OF THE AUDITORS
TO THE MEMBERS OF KPS CONSORTIUM BERHAD
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 37 to 94. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

(a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of:

  (i) the financial position of the Group and of the Company as at 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year then ended; and

  (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

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

We have considered the financial statements and the auditors' report of the subsidiary company of which we have not acted as auditors, as indicated in Note 13 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification material to the consolidated financial statements and did not include any comment made under Section 174(3) of the Act.

Ernst & Young
AF: 0039
Chartered Accountants

Teoh Soo Hock
No. 2477/10/07(J)
Partner

Kuala Lumpur, Malaysia
27 April 2007

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Revenue	3	**245,953,959**	227,864,488	**-**	-
Cost of sales		**(224,359,026)**	(211,415,577)	**-**	-
Gross profit		**21,594,933**	16,448,911	**-**	-
Other operating income		**4,235,807**	16,368,012	**-**	15,324,422
Distribution costs		**(5,712,377)**	(4,889,002)	**-**	-
Administrative expenses		**(7,979,345)**	(11,199,199)	**(162,555)**	(375,198)
Other operating expenses		**(3,927,862)**	(20,375,231)	**(2,730,501)**	(1,484,803)
Operating profit/(loss)	4	**8,211,156**	(3,646,509)	**(2,893,056)**	13,464,421
Finance costs	7	**(2,192,302)**	(3,423,898)	**-**	(145,077)
Profit/(loss) before taxation		**6,018,854**	(7,070,407)	**(2,893,056)**	13,319,344
Income tax expense	8	**(1,907,140)**	(91,496)	**-**	-
Profit/(loss) for the year		**4,111,714**	(7,161,903)	**(2,893,056)**	13,319,344
Attributable to:					
Equity holders of the Company		**4,120,016**	(7,145,721)	**(2,893,056)**	13,319,344
Minority interests		**(8,302)**	(16,182)	**-**	-
		4,111,714	(7,161,903)	**(2,893,056)**	13,319,344
Earnings/(loss) per share (sen)					
Basic	9	**2.93**	(5.09)		

The accompanying notes form an integral part of these financial statements

BALANCE SHEETS

AS AT 31 DECEMBER 2006

	Note	Group 2006 RM	Group 2005 RM Restated	Company 2006 RM	Company 2005 RM
ASSETS					
Non-current assets					
Property, plant and equipment	10	**35,742,086**	37,523,681	**-**	-
Prepaid land lease payments	11	**2,349,731**	2,411,371	**-**	-
Investment properties	12	**4,224,068**	4,531,655	**-**	-
Investment in subsidiary companies	13	**-**	-	**117,204,492**	112,342,853
Other investment	14	**12,024**	12,024	**-**	-
Goodwill	15	**43,151,039**	32,840,685	**-**	-
Deferred tax asset	16	**126,782**	-	**-**	-
		85,605,730	77,319,416	**117,204,492**	112,342,853
Current assets					
Inventories	17	**33,743,018**	27,841,349	**-**	-
Trade receivables	18	**67,932,879**	66,647,732	**-**	-
Other receivables	19	**2,582,520**	4,735,411	**-**	-
Amounts due from subsidiary companies	20	**-**	-	**15,453,959**	24,150,359
Tax recoverable		**106,904**	1,052,827	**-**	-
Deposits with licensed banks	21	**13,670,611**	12,359,245	**-**	-
Cash and bank balances		**4,161,544**	6,645,496	**52,830**	31,757
		122,197,476	119,282,060	**15,506,789**	24,182,116
TOTAL ASSETS		**207,803,206**	196,601,476	**132,711,281**	136,524,969

BALANCE SHEETS (CONT'D)

AS AT 31 DECEMBER 2006

	Note	Group 2006 RM	Group 2005 RM Restated	Company 2006 RM	Company 2005 RM
EQUITY AND LIABILITES					
Equity attributable to equity holders of the Company					
Share capital	22	**140,252,636**	140,252,636	**140,252,636**	140,252,636
Irredeemable Convertible Secured Loan Stock ("ICULS")	23	**11,892,000**	11,892,000	**11,892,000**	11,892,000
Share premium		**1,083,364**	1,083,364	**1,083,364**	1,083,364
Exchange fluctuation reserve		**-**	115,176	**-**	-
Accumulated losses		**(19,662,093)**	(33,645,675)	**(31,310,164)**	(27,855,144)
		133,565,907	119,697,501	**121,917,836**	125,372,856
Minority interests		**43,037**	51,339	**-**	-
Total equity		**133,608,944**	119,748,840	**121,917,836**	125,372,856
Non-current liabilities					
Borrowings	24	**228,364**	1,727,106	**-**	-
Deferred taxation	16	**46,349**	116,826	**-**	-
		274,713	1,843,932	**-**	-
Current liabilities					
Trade payables	26	**12,066,896**	13,640,414	**-**	-
Other payables	27	**1,861,572**	2,293,194	**198,554**	213,679
Amounts due to subsidiary companies	28	**-**	-	**10,594,891**	10,938,434
Borrowings	24	**59,981,919**	57,840,664	**-**	-
Tax payable		**9,162**	1,234,432	**-**	-
		73,919,549	75,008,704	**10,793,445**	11,152,113
Total liabilities		**74,194,262**	76,852,636	**10,793,445**	11,152,113
TOTAL EQUITY AND LIABILITIES		**207,803,206**	196,601,476	**132,711,281**	136,524,969

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006

	Attributable to Equity Holders of the Company							
		Non Distributable						
	Share capital RM	ICULS RM	Share premium RM	Exchange fluctuation reserve RM	Accumulated losses RM	Total RM	Minority Interests RM	Total Equity RM
Group								
At 1 January 2005	140,252,636	11,892,000	1,083,364	113,780	(25,966,934)	127,374,846	67,522	127,442,368
Distribution to holders of ICULS	-	-	-	-	(533,020)	(533,020)	-	(533,020)
Currency translation differences representing income recognised directly in equity	-	-	-	1,396	-	1,396	-	1,396
Loss for the year	-	-	-	-	(7,145,721)	(7,145,721)	(16,182)	(7,161,903)
Total recognised income and expense for the year	-	-	-	1,396	(7,145,721)	(7,144,325)	(16,182)	(7,160,507)
At 31 December 2005	140,252,636	11,892,000	1,083,364	115,176	(33,645,675)	119,697,501	51,339	119,748,840
At 1 January 2006	**140,252,636**	**11,892,000**	**1,083,364**	**115,176**	**(33,645,675)**	**119,697,501**	**51,339**	**119,748,840**
Effects of adopting FRS 3	**-**	**-**	**-**	**-**	**10,310,354**	**10,310,354**	**-**	**10,310,354**
	140,252,636	**11,892,000**	**1,083,364**	**115,176**	**(23,335,321)**	**130,007,855**	**51,339**	**130,059,194**
Distribution to holders of ICULS	**-**	**-**	**-**	**-**	**(561,964)**	**(561,964)**	**-**	**(561,964)**
Effect of a subsidiary's liquidation representing income recognised directly in equity	**-**	**-**	**-**	**(115,176)**	**115,176**	**-**	**-**	**-**
Profit for the year	**-**	**-**	**-**	**-**	**4,120,016**	**4,120,016**	**(8,302)**	**4,111,714**
Total recognised income and expense for the year	**-**	**-**	**-**	**(115,176)**	**4,235,192**	**4,120,016**	**(8,302)**	**4,111,714**
At 31 December 2006	**140,252,636**	**11,892,000**	**1,083,364**	**-**	**(19,662,093)**	**133,565,907**	**43,037**	**133,608,944**

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006

	Non-Distributable				
	Share capital RM	**ICULS RM**	**Share premium RM**	**Accumulated losses RM**	**Total RM**
Company					
At 1 January 2005	140,252,636	11,892,000	1,083,364	(41,019,112)	112,208,888
Profit for the year representing total recognised income and expense for the year	-	-	-	13,319,344	13,319,344
Distribution to holders of ICULS	-	-	-	(155,376)	(155,376)
At 31 December 2005	140,252,636	11,892,000	1,083,364	(27,855,144)	125,372,856
At 1 January 2006					
Loss for the year representing total recognised income and expense for the year	**-**	**-**	**-**	**(2,893,056)**	**(2,893,056)**
Distribution to holders of ICULS	**-**	**-**	**-**	**(561,964)**	**(561,964)**
At 31 December 2006	**140,252,636**	**11,892,000**	**1,083,364**	**(31,310,164)**	**121,917,836**

The accompanying notes form an integral part of the financial statements.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before taxation	**6,018,854**	(7,070,407)	**(2,893,056)**	13,319,344
Adjustments for:				
Amortisation of goodwill	**-**	1,960,632	**-**	-
Depreciation of property, plant and equipment	**2,501,532**	2,508,821	**-**	-
Depreciation of investment properties	**84,859**	21,323	**-**	-
Amortisation of prepaid land lease payment	**61,640**	178,816	**-**	-
Bad debts written off	**172,380**	125,883	**-**	-
Property, plant and equipment written off	**195,938**	6,146,090	**-**	-
Loss on disposal of property, plant and equipment	**835**	1,376,896	**-**	-
Loss on disposal of investment properties	**713**	-	**-**	-
Interest expenses	**2,192,302**	3,423,898	**-**	145,077
Inventories written down	**-**	1,014,574	**-**	-
Inventories written off	**492,020**	10,417,623	**-**	-
Impairment loss on				
- investment properties	**838,014**	-	**-**	-
- investment in subsidiaries	**-**	-	**1,838,361**	1,371,869
Allowance for doubtful debts				
- current year	**2,349,037**	1,527,250	**892,140**	-
- no longer required	**(43,246)**	(7,440)	**-**	(11,138,366)
Allowance for slow moving inventories no longer required	**(37,965)**	(21,960)	**-**	-
Gain from debt waiver from a subsidiary company	**-**	-	**-**	(1,202,541)
Gain on disposal of property, plant and equipment	**(39,205)**	(724,460)	**-**	-
Interest income	**(436,165)**	(455,624)	**-**	-
Operating profit/(loss) before working capital changes	**14,351,543**	20,421,915	**(162,555)**	2,495,383
Changes in working capital:				
Inventories	**(6,355,724)**	(8,206,779)	**-**	-
Receivables	**(1,610,427)**	5,599,815	**-**	882,589
Payables	**(2,031,963)**	1,019,157	**(15,125)**	86,990
Subsidiary companies	**-**	-	**7,460,717**	16,320,787
Cash generated from operations	**4,353,429**	18,834,108	**7,283,037**	19,785,749
Interest paid	**(2,165,479)**	(4,153,852)	**(561,964)**	(497,387)
Interest received	**436,165**	455,624	**-**	-
Taxes paid	**(2,383,746)**	(1,944,836)	**-**	-
Net cash generated from operating activities	**240,369**	13,191,044	**6,721,073**	19,288,362

CASH FLOW STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2006

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of additional shares issued in a subsidiary company	**-**	-	**(6,700,000)**	-
Purchase of property, plant and equipment (Note A)	**(930,884)**	(2,591,753)	**-**	-
Purchase of investment property	**(751,000)**	(3,717,000)	**-**	-
Proceeds from disposal of property, plant and equipment	**138,879**	7,979,979	**-**	-
Proceeds from disposal of investment properties	**135,001**	-	**-**	-
Net cash (used in)/generated from investing activities	**(1,408,004)**	1,671,226	**(6,700,000)**	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of term loan	**(1,483,712)**	(4,646,824)	**-**	-
Repayment of finance creditors	**(94,005)**	(169,587)	**-**	-
Drawdown/(repayment) of bankers acceptances and trust receipts	**2,133,908**	(10,619,772)	**-**	-
Distribution to ICULS holders	**(561,964)**	-	**-**	-
Redemption of RCSLS	**-**	(19,332,000)	**-**	(19,332,000)
Net cash used in financing activities	**(5,773)**	(34,768,183)	**-**	(19,332,000)

CASH FLOW STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2006

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(1,173,408)**	(19,905,913)	**21,073**	(43,638)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**19,004,741**	38,910,654	**31,757**	75,395
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE B)	**17,831,333**	19,004,741	**52,830**	31,757

NOTES TO THE CASH FLOW STATEMENTS

A. PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM1,016,384 (2005: RM2,591,753) of which RM85,500 (2005: RM Nil) was acquired by means of hire purchase. Cash payments of RM930,884 (2005: RM2,591,753) were made by the Group to purchase the property, plant and equipment.

B. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the Cash Flow Statements comprise the following balance sheets amounts:

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Cash and bank balances	**4,161,544**	6,645,496	**52,830**	31,757
Deposits with licensed banks	**13,670,611**	12,359,245	**-**	-
Bank overdrafts	**(822)**	-	**-**	-
	17,831,333	19,004,741	**52,830**	31,757

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2006

1. CORPORATION INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiary companies are disclosed in Note 13.

There have been no significant changes in the nature of the activities of the Company and its subsidiary companies during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Second Board of Bursa Malaysia Securities Berhad. The registered office and the principal place of business of the Company is located at Lot 765, Jalan Haji Sirat, off Jalan Meru, 42100 Klang, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 April 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities. At the beginning of the current financial year, the Company had adopted new and revised Financial Reporting Standards ("FRSs") which are mandatory for financial periods beginning on or after 1 January 2006 as described fully in Note 2.3 to the financial statements.

The financial statements of the Group and of the Company have also been prepared on a historical basis, except for freehold land and buildings included within property, plant and equipment and investment properties that have been measured at their respective fair values.

The financial statements is presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest RM except when otherwise indicated.

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Subsidiaries and Basis of Consolidation

(ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the financial year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.The assets and liabilities of the subsidiaries are measured at their fair values at the date of acquisition. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill arising on consolidation.

All intercompany transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill on acquisition and exchange differences.

Minority interests in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

(b) Intangible Asset - Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(c) Property, Plant and Equipment, and Depreciation

All items of plant and equipment are initially recorded at cost. 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 Company 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 period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(c) Property, Plant and Equipment, and Depreciation (Contd.)

Subsequent to recognition, property, plant and equipment except freehold land, are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2 (l).

Certain freehold land and buildings of the Group were revalued in year 1992 and year 1993 by the directors based on the valuation done by independent professional valuers on an open market value basis and have not been revalued ever since. The Company does not adopt a policy of regular revaluation as required by FRS 116, property, plant and equipment and is applying the transitional provision for assets revalued before the coming into force of the accounting standard as permitted by International Accounting Standards 16: Property, Plant and Equipment. These assets are stated at their respective valuation in year 1992 and year 1993.

Freehold land has an unlimited useful life and therefore, not depreciated.

Leasehold lands are depreciated over the term of the respective lease, which range from 58 to 99 years. Depreciation on other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Buildings	2% - 5%
Furniture, fittings and office equipment	10% - 33.3%
Plant and machineries	6% -10%
Motor vehicles	10% - 20%

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the income statement.

(d) Investment Properties

Investment properties consist of investments in land and buildings that are not substantially occupied for use by, or in the operations of the Group, and held either to earn rental income or for capital appreciation or both.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(d) Investment Properties (Contd.)

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of depreciation and impairment losses is in accordance with Notes 2.2 (c) and 2.2 (l) respectively.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year in which they arise.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost of raw materials is determined using weighted average method. Cost of finished goods and work-in-progress comprise costs of direct materials, labour and an appropriate proportion of manufacturing overheads based on normal operating capacity.

(f) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Company all the risks and rewards incidental to ownership. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(f) Leases (Contd.)

(ii) Finance Leases- the Company as Lessee

Assets acquired by way of hire purchase of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value for the assets acquired, are recognised in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2 (c).

(iii) Operating Leases - the Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the up-front payments made represent prepaid lease payments and are amortised on a straight-line basis over the lease term

(g) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(h) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

(i) Employee Benefits

(i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plan

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the income statement as incurred. As required by law, the Company make such contributions to the Employees Provident Fund ("EPF").

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(j) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Sale of Goods

Revenue from sale of goods is recognised net of sales taxes and discounts upon the transfer of risks and rewards.

(ii) Dividend Income

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

(iii) Rental Income

Rental income from investment property is recognised on a straight-line basis over the term of the lease.

(iv) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

(k) Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. All exchange rate differences are taken to the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(k) Foreign Currencies (Contd.)

(ii) Foreign Currency Transactions

The principal exchange rates used for each respective unit of foreign currency ruling at the balance sheet date are as follows:

	2006 RM	2005 RM
United States Dollar	**3.53**	3.76
Singapore Dollar	**2.30**	2.30

(l) Impairment of Non Financial Assets

The carrying amounts of assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether when there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in the income statement in the period in which it arises.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(l) Impairment of Non Financial Assets (Contd.)

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the income statement.

(m) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, bank balances, demand deposits and highly liquid investments which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(ii) Other Non-current Investments

Non-current investments other than investments in subsidiaries and investment properties are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

(iii) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the financial year end.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(m) Financial Instruments (Contd.)

(iv) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(v) Interest Bearing Borrowings

Interest-bearing borrowing is recorded at the amount of proceeds received, net of transaction costs.

All borrowings costs are recognised as an expense in the income statement in the period in which they are incurred.

(vi) Convertible Loan Stocks

As permitted under the transitional provision of FRS 132: Financial Instruments: Disclosure and Presentation, the convertible loan stocks, which were issued before 1 January 2004 are classified in accordance to the predominant nature of the convertible loan stock of either equity or liability.

(vii) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(n) Segmental Results

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all operating assets used by a segment and consist principally of cash, receivables, inventories, intangible assets and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. Segment assets and liabilities do not include tax recoverable and deferred income taxes.

Segment revenues, expenses and result include transfers between segments. These transfers are eliminated on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies, Effects and Changes in Comparatives Arising from Adoption of New and Revised FRSs

On 1 January 2006, the Group adopted the following FRSs mandatory for financial periods beginning on or after 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

In addition, the Group has early adopted FRS 117 - Leases for the financial period beginning 1 January 2006.

The Group has not early adopted FRS 124 - Related Party Disclosures (mandatory for financial periods beginning on or after 1 October 2006), the deferred FRS 139 - Financial Instruments: Recognition and Measurement and the following FRSs and amendment that are mandatory for financial periods beginning on or after 1 January 2007.

(i) FRS 6: Exploration for and Evaluation of Mineral Resources

FRS 6 is not relevant to the Group's operations.

(ii) Amendment to FRS 1192004: Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures

This amendment introduces the option of an alternative recognition approach for actuarial gains and losses arising from post-employment defined benefit plans, and is not relevant as the Group does not have any retirement benefit obligation, as such, there will be no effects arising from the adoption of this amendment.

The adoption of new and revised FRS 2, 5, 102, 108, 110, 116, 121, 127, 128, 131, 132 and 133 did not result in significant changes in accounting policies of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies, Effects and Changes in Comparatives Arising from Adoption of New and Revised FRSs (Contd.)

The principal changes in accounting policies and their effects resulting from the adoption of the other new and revised FRSs are discussed below:

(a) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets

The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138. In accordance with the transitional provisions, FRS 3 has been applied for business combinations for which the agreement date is on or after 1 January 2006.

(i) Goodwill

Prior to 1 January 2006, goodwill was amortised on a straight-line basis over its estimated useful life of 20 years and at each balance sheet date, the Group assessed if there was any indication of impairment of the cash-generating unit in which the goodwill is attached to. The adoption of FRS 3 and the revised FRS 136 has resulted in the Group ceasing annual goodwill amortisation. Goodwill is now carried at cost less accumulated impairment losses and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

In accordance with the transitional provisions of FRS 3, the Group has applied the revised accounting policy for goodwill prospectively from 1 January 2006. The transitional provisions of FRS 3 also required the Group to eliminate the carrying amount of the accumulated amortisation at 1 January 2006 amounting to RM8,639,698 against the carrying amount of goodwill. The net carrying amount of goodwill as at 1 January 2006 of RM42,151,039 ceased to be amortised thereafter.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2005 or prior periods. The effects on the consolidated balance sheet as at 31 December 2006 and consolidated income statement for the year ended 31 December 2006 are set out in Note 2.3(e)(i) and Note 2.3(e)(ii) respectively. This change has no impact on the Company's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies, Effects and Changes in Comparatives Arising from Adoption of New and Revised FRSs (Contd.)

(a) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets

(ii) Excess of Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as negative goodwill)

Prior to 1 January 2006, negative goodwill was amortised over the weighted average useful life of the non-monetary assets acquired, except to the extent it relates to identified expected future losses as at the date of acquisition. In such cases, it was recognised in profit or loss as those expected losses were incurred. Under FRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisitions, after reassessment, is now recognised immediately in the income statement. In accordance with transitional provisions of FRS 3, the negative goodwill as at 1 January 2006 of RM10,310,354 was derecognised with a corresponding decrease in accumulated losses.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2005 or prior periods. The effects on the consolidated balance sheet as at 31 December 2006 and consolidated income statement for the year ended 31 December 2006 are set out in Note 2.3(e)(i) and Note 2.3(e)(ii) respectively. This change has no impact on the Company's financial statements.

(b) FRS 101 : Presentation of Financial Statements

Prior to 1 January 2006, minority interests at the balance sheet date were presented on the consolidated balance sheet separately from liabilities and equity. Upon the adoption of the revised FRS 101, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the statement of changes in equity. The revised FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the year, showing separately the amounts attributable to equity holders of the Company and to minority interests.

These changes in presentation have no material impact to the consolidated income statement for the year ended 31 December 2006. These changes in presentation has no impact on the Company's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies, Effects and Changes in Comparatives Arising from Adoption of New and Revised FRSs (Contd.)

(c) FRS 117 : Leases

Prior to 1 January 2006, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land and buildings. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land held for own use is now classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provision of FRS 117. As 1 January 2006, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and as disclosed in Note 2.3(f), certain comparatives have been restated. There were no effects on the Group's financial statements for the year ended 31 December 2006.

(d) FRS 140 : Investment Property

Prior to 1 January 2006, investment properties were carried at cost less accumulated impairment losses. Upon the adoption of FRS 140, investment properties are now stated at cost less accumulated depreciation and impairment losses.

The change in accounting policy has had no impact on amounts reported in the consolidated income statement for 2005 or prior periods. The effects on the consolidated balance sheet as at 31 December 2006 and consolidated income statement for the year ended 31 December 2006 are set out in Note 2.3(e)(i) and Note 2.3(e)(ii) respectively. These changes in presentation has no impact on the Company's financial statements.

(e) Summary of effects of adopting new and revised FRSs on the current year's financial statements

The following tables provide estimates of the extent to which each of the line items in the balance sheets and income statements for the year ended 31 December 2006 is higher or lower than it would have been had the previous policies been applied in the current year.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies, Effects and Changes in Comparatives Arising from Adoption of New and Revised FRSs (Contd.)

(e) Summary of effects of adopting new and revised FRSs on the current year's financial statements (Contd.)

(i) Effects on balance sheets as at 31 December 2006

	Increase/(Decrease)			
Description of Change	**FRS 3 Note 2.3(a)(i) RM**	**FRS 3 Note 2.3(a)(ii) RM**	**FRS 117 Note 2.3(c) RM**	**FRS 140 Note 2.3(d) RM**
Group				
Property, plant and equipment	-	-	(2,349,731)	(1,566,941)
Investment properties	-	-	-	1,482,082
Prepaid land lease payments	-	-	2,349,731	-
Goodwill	1,960,632	10,310,354	-	-
Accumulated losses	(1,960,632)	(10,310,354)	-	84,859

(ii) Effects on the income statement for the financial year ended 31 December 2006

	Increase/(Decrease)	
Description of Change	**FRS 3 Note 2.3(a)(i) and (ii) RM**	**FRS 140 Note 2.3(d) RM**
Group		
Other operating expenses	(1,960,632)	84,859
Operating profit/(loss)	1,960,632	(84,859)
Profit before taxation	1,960,632	(84,859)
Profit for the year	1,960,632	(84,859)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies, Effects and Changes in Comparatives Arising from Adoption of New and Revised FRSs (Contd.)

(f) Restatement of Comparatives

The following comparative amounts have been restated as a result of adopting the new and revised FRSs:

Description of Change	Previously stated RM	Increase/(Decrease) FRS 117 RM	FRS 140 RM	Restated RM
At 1 January 2005				
Group				
Property, plant and equipment	55,645,419	(2,578,284)	(835,978)	52,231,157
Investment properties	-	-	835,978	835,978
Prepaid land lease payments	-	2,578,284	-	2,578,284
At 31 December 2005				
Group				
Property, plant and equipment	40,749,707	(2,411,371)	(814,655)	37,523,681
Investment properties	3,717,000	-	814,655	4,531,655
Prepaid land lease payments	-	2,411,371	-	2,411,371

2.4 Changes in Estimates

The revised FRS 116: Property, Plant and Equipment requires the review of the residual value and remaining useful life of an item of property, plant and equipment at least at each financial year end. The Group revised the residual values of certain motor vehicles and plant and machineries with effect from 1 January 2006. The revisions were accounted for prospectively as a change in accounting estimates and as a result, the depreciation charges of the Group for the current financial year have been reduced by RM54,387.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Significant Accounting Estimates and Judgements (Contd.)

(a) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Deferred tax assets

Deferred tax assets are recognised for all unabsorbed tax losses and unutilised capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of recognised tax losses and capital allowances of the Group was RM28,584,365 (2005: RM25,859,216) and the unrecognised tax losses and capital allowances of the Group was RM34,809,565 (2005: RM 44,955,912).

(ii) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash generating units ("CGU") to which goodwill is allocated. Details to this are disclosed in Note 15.

(iv) Depreciation of plant and machinery

The cost of plant and machinery is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be 10 to 17 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

3. REVENUE

Revenue for the Group represents sales of goods outside the Group net of discounts, returns and sales tax.

4. OPERATING PROFIT/(LOSS)

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
The following amounts have been included in arriving at operating profit/(loss):				
Auditors' remuneration				
- statutory audits	**153,000**	128,638	**22,000**	18,000
- Underprovision in prior years	**20,058**	25,790	**7,000**	-
- others	**9,300**	23,400	**8,980**	23,400
Allowance for doubtfu debts	**2,349,037**	1,527,250	**892,140**	-
Amortisation of goodwill	**-**	1,960,632	**-**	-
Bad debts written off	**172,380**	125,883	**-**	-
Depreciation of property, plant and equipment	**2,501,532**	2,508,821	**-**	-
Depreciation of investment properties	**84,859**	21,323	**-**	-
Amortisation of prepaid land lease payment	**61,640**	178,816	**-**	-
Impairment loss on investment properties	**838,014**	-	**-**	-
Inventories written down	**-**	1,014,574	**-**	-
Inventories written off				
- destroyed by fire (Note 31(a))	**-**	10,417,623	**-**	-
- others	**492,020**	19,966	**-**	-
Loss on disposal of property, plant and equipment	**835**	1,376,896	**-**	-
Loss on disposal of investment properties	**713**	-	**-**	-
Realised loss on foreign exchange	**379**	1,785	**-**	112,934
Property, plant and equipment written off				
- destroyed by fire (Note 31(a))	**-**	6,144,048	**-**	-
- others	**195,938**	2,042	**-**	-
Provision for impairment losses on investment in subsidiaries	**-**	-	**1,838,361**	1,371,869

4. OPERATING PROFIT/(LOSS) (CONTD.)

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
The following amounts have been included in arriving at operating profit/(loss):				
Rental expenses				
- equipment	**52,300**	-	**-**	-
- warehouse	**153,600**	206,400	**-**	-
Staff costs (Note 5)	**6,569,900**	7,384,999	**-**	-
And crediting as follows:				
Allowance for doubtful debts no longer required				
- trade	**(43,246)**	(7,440)	**-**	-
- subsidiaries	**-**	-	**-**	(11,138,366)
Allowance for slow moving inventories no longer required	**(37,965)**	(21,960)	**-**	-
Bad debts recovered	**(282,097)**	(53,465)	**-**	-
Discount gain on redemption of RCSLS	-	-	**-**	(2,983,515)
Gain on disposal of property, plant and equipment	**(39,205)**	(724,460)	**-**	-
Interest income				
- fixed deposits	**(396,987)**	(403,504)	**-**	-
- short term deposits	**-**	(28,767)	**-**	-
- others	**(39,178)**	(23,353)	**-**	-
Proceeds received on insurance claims on inventories and property, plant and equipment destroyed by fire (Note 31(a))	**(2,500,000)**	(10,800,000)	**-**	-
Rental income	**(952,799)**	(1,206,472)	**-**	-
Waiver of debt from a subsidiary company	**-**	-	**-**	(1,202,541)

5. STAFF COSTS

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Wages and salaries	**5,577,232**	6,468,161	**-**	-
Defined contribution plans	**657,677**	717,039	**-**	-
Other staff related expenses	**334,991**	199,799	**-**	-
	6,569,900	7,384,999	**-**	-

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM420,685 (2005: RM790,106) and RM Nil (2005: RM Nil) respectively as further disclosed in Note 6.

6. DIRECTORS' REMUNERATION

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Directors of the Company				
Executive:				
Salaries and other emoluments	**277,200**	669,180	**-**	-
Fees	**6,000**	-	**-**	-
Defined contribution plans	**13,587**	10,416	**-**	-
	296,787	679,596	**-**	-
Directors of Subsidiaries				
Executive:				
Salaries and other emoluments	**71,950**	56,181	**-**	-
Fees	**49,400**	47,532	**-**	-
Pension costs - Defined contribution plan	**2,548**	6,797	**-**	-
	123,898	110,510	**-**	-
Total	**420,685**	790,106	**-**	-

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors	
	2006	2005
Executive:		
RM100,001 - RM150,000	**1**	1
RM550,001 - RM600,000	**1**	1

7. FINANCE COSTS

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Interest expense on:				
- bank overdraft	**3,250**	94,006	**-**	-
- term loans	**257,026**	824,350	**-**	-
- hire purchase	**12,744**	19,817	**-**	-
- bankers acceptance and trust receipts	**1,919,282**	2,321,126	**-**	-
- redeemable convertible secured loan stocks ("RCSLS")	**-**	164,599	**-**	145,077
	2,192,302	3,423,898	**-**	145,077

8. TAXATION

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Income tax:				
Current year provision	**1,501,688**	465,039	**-**	-
Underprovision in prior years	**602,711**	7,831	**-**	-
	2,104,399	472,870	**-**	-
Deferred taxation (Note 16):				
Relating to origination and reversal of temporary differences	**(221,629)**	(9,797)	**-**	-
Relating to reduction in Malaysian income tax rate	**(5,454)**	-	**-**	-
Overprovision in prior year	**29,824**	(371,577)	**-**	-
	(197,259)	(381,374)	**-**	-
	1,907,140	91,496	**-**	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2005: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 27% from the current year's rate of 28%, effective year of assessment 2007 and to 26% effective year of assessment 2008. The computation of deferred tax as at 31 December 2006 has reflected these changes. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Corporate tax rate for certain subsidiary companies of the Group with paid-up capital of RM2.5 million and below at the beginning of the basis period for the Year of Assessment 2006 and 2005 are as follows:

Chargeable Income	**Rate**
First RM500,000	20%
Amount exceeding RM500,000	28%

8. TAXATION (CONTD.)

A reconciliation of income tax expenses applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expenses at the effective income tax rate of the Group and of the Company is as follows:

	2006 RM	2005 RM
Group		
Profit/(Loss) before taxation	**6,018,854**	(7,070,407)
Taxation at Malaysian statutory tax rate of 28% (2005: 28%)	**1,685,279**	(1,979,714)
Tax effect in respect of:		
Tax incentives of 20% for small-medium enterprise	**(61,042)**	(40,280)
Effect on opening deferred tax of reduction in Malaysia income tax rate	**(5,454)**	-
Effect on deferred tax recognised at different rates	**1,104**	-
Expenses not deductible for tax purposes	**581,799**	1,171,566
Effect of double deduction on marine insurance	**(13,494)**	-
Tax losses not allowed for future utilisation	**77,327**	4,167
Income not subject to tax	**(706,440)**	(835,384)
Deferred tax assets not recognised on unutilised tax losses and capital allowances	**484,351**	2,685,125
Utilisation of previously unrecognised tax losses and capital allowances	**(768,825)**	(550,238)
Underprovision of income tax in prior years	**602,711**	7,831
Overprovision of deferred taxation in prior year	**29,824**	(371,577)
Tax expense for the year	**1,907,140**	91,496
Company		
(Loss)/profit before taxation	**(2,893,056)**	13,319,344
Taxation at Malaysian statutory tax rate of 28% (2005: 28%)	**(810,056)**	3,729,416
Tax effect in respect of:		
Expenses not deductible for tax purposes	**810,056**	561,422
Income not subject to tax	**-**	(4,290,838)
Tax expense for the year	**-**	-

9. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the net profit or loss for the year by the weighted average number of ordinary shares in issue during the financial year held by the Company.

	2006	2005
Net profit/(loss) for the year (RM'000)	**4,112**	(7,162)
Weighted average number of ordinary shares in issue (RM'000)	**140,253**	140,253
Basic earnings/(loss) per share (sen)	**2.93**	(5.11)

(b) Diluted

For the purpose of calculating diluted earnings per share, the net profit or loss for the year and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares, i.e. irredeemable convertible unsecured loan stocks ("ICULS").

For the current financial year, there is an anti-dilutive effect in the ICULS to be exercised.

10. PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings RM	Plant and machineries RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Total RM
Cost or valuation					
At 1 January 2005					
- cost	34,573,371	31,533,673	3,851,240	2,749,852	72,708,136
- valuation	12,218,235	-	-	-	12,218,235
	46,791,606	31,533,673	3,851,240	2,749,852	84,926,371
Reclassification	(3,476,206)	-	-	-	(3,476,206)
Additions	-	1,849,958	420,563	321,232	2,591,753
Disposals	(5,627,979)	(549,861)	(321,166)	-	(6,499,006)
Written off	(4,604,505)	(8,705,338)	(110,000)	(280,198)	(13,700,041)
At 31 December 2005	33,082,916	24,128,432	3,840,637	2,790,886	63,842,871
Representing:					
- cost	**20,864,681**	**24,128,432**	**3,840,637**	**2,790,886**	**51,624,636**
- valuation	**12,218,235**	**-**	**-**	**-**	**12,218,235**
At 1 January 2006	**33,082,916**	**24,128,432**	**3,840,637**	**2,790,886**	**63,842,871**
Additions	**161,749**	**209,037**	**299,462**	**346,136**	**1,016,384**
Disposal	**-**	**-**	**(230,614)**	**(12,596)**	**(243,210)**
Written off	**-**	**(1,821,595)**	**-**	**(87,262)**	**(1,908,857)**
At 31 December 2006	**33,244,665**	**22,515,874**	**3,909,485**	**3,037,164**	**62,707,188**
Accumulated depreciation and impairment					
At 1 January 2005	7,239,002	20,046,924	3,330,641	2,078,647	32,695,214
Charge for the year	592,235	1,530,752	230,228	155,606	2,508,821
Reclassification	(142,181)	-	-	-	(142,181)
Disposals	(478,420)	(494,545)	(321,165)	-	(1,294,130)
Written off	(1,283,326)	(5,954,952)	(4,583)	(205,673)	(7,448,534)
At 31 December 2005	5,927,310	15,128,179	3,235,121	2,028,580	26,319,190
Charge for the year	**688,959**	**1,419,527**	**159,722**	**233,324**	**2,501,532**
Disposals	**-**	**-**	**(131,739)**	**(10,962)**	**(142,701)**
Written off	**-**	**(1,672,583)**	**-**	**(40,336)**	**(1,712,919)**
At 31 December 2006	**6,616,269**	**14,875,123**	**3,263,104**	**2,210,606**	**26,965,102**
Net Book Value					
At 31 December 2006	**26,628,396**	**7,640,751**	**646,381**	**826,558**	**35,742,086**
At 31 December 2005	27,155,606	9,000,253	605,516	762,306	37,523,681

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Analysis of Land and Buildings:

Group	Freehold Land RM	Buildings RM	Total RM
Cost of valuation			
At 1 January 2005			
- cost	5,071,785	29,501,586	34,573,371
- valuation	2,328,709	9,889,526	12,218,235
	7,400,494	39,391,112	46,791,606
Reclassification	(902,498)	(2,573,708)	(3,476,206)
Disposals	-	(5,627,979)	(5,627,979)
Written off	-	(4,604,505)	(4,604,505)
At 31 December 2005	6,497,996	26,584,920	33,082,916
Representing:			
- cost	**4,169,287**	**16,695,394**	**20,864,681**
- valuation	**2,328,709**	**9,889,526**	**12,218,235**
At 1 January 2006	**6,497,996**	**26,584,920**	**33,082,916**
Additions	**-**	**161,749**	**161,749**
At 31 December 2006	**6,497,996**	**26,746,669**	**33,244,665**
Accumulated depreciation and impairment losses			
At 1 January 2005	-	7,239,002	7,239,002
Charge for the year	-	592,235	592,235
Reclassification	-	(142,181)	(142,181)
Disposals	-	(478,420)	(478,420)
Written off	-	(1,283,326)	(1,283,326)
At 31 December 2005	-	5,927,310	5,927,310
Charge for the year	**-**	**688,959**	**688,959**
At 31 December 2006	**-**	**6,616,269**	**6,616,269**
Net Book Value			
At 31 December 2006	**6,497,996**	**20,130,400**	**26,628,396**
At 31 December 2005	6,497,996	20,657,610	27,155,606

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

(a) Had the land and buildings of the Group not been revalued in year 1992 and 1993, the net book value would be as follows:

	Group	
	2006	**2005**
	RM	**RM**
At cost	**11,868,075**	11,868,075
Less: accumulated depreciation	**(2,808,554)**	(2,613,209)
Net book value	**9,059,521**	9,254,866

(b) Land and buildings of the Group with net book value of RM14,953,000 (2005: RM17,766,000) have been pledged to banks for credit facilities granted to certain subsidiary companies and third party and term loans granted to certain subsidiary companies.

(c) Plant and machineries of the Group with net book value of RMNil (2005: RM199,000) have been pledged to licensed bank for banking facilities granted to a subsidiary company.

(d) The net book value of property, plant and equipment which are under hire purchase or finance lease arrangement is as follows:

	Group	
	2006	**2005**
	RM	**RM**
Motor vehicles	**180,038**	99,238

11. PREPAID LAND LEASE PAYMENTS

	Group Long term leasehold land RM	Short term leasehold land RM	Total RM
Cost or Valuation			
At 1 January 2005			
- Cost	1,556,876	450,192	2,007,068
- Valuation	-	1,549,000	1,549,000
	1,556,876	1,999,192	3,556,068
Reclassification	3,476,206	-	3,476,206
Disposals	(3,476,206)	-	(3,476,206)
At 31 December 2005/2006	1,556,876	1,999,192	3,556,068
Accumulated amortisation			
At 1 January 2005	285,475	692,309	977,784
Amortisation for the year	37,853	140,963	178,816
Reclassification	142,181	-	142,181
Disposals	(154,084)	-	(154,084)
At 31 December 2005	311,425	833,272	1,144,697
Amortisation for the year	**25,288**	**36,352**	**61,640**
At 31 December 2006	**336,713**	**869,624**	**1,206,337**
Net Carrying Value			
At 31 December 2006	**1,220,163**	**1,129,568**	**2,349,731**
At 31 December 2005	1,245,451	1,165,920	2,411,371

Leasehold lands are amortised over the term of the respective leases, which range from 58 to 99 years.

12. INVESTMENT PROPERTIES

	Group		
	Freehold Land RM	Building RM	Total RM
Cost			
At 1 January 2005	231,388	696,598	927,986
Additions	-	3,717,000	3,717,000
At 31 December 2005	231,388	4,413,598	4,644,986
Additions	**-**	**751,000**	**751,000**
Disposals	**-**	**(137,000)**	**(137,000)**
At 31 December 2006	**231,388**	**5,027,598**	**5,258,986**
Accumulated depreciation and impairment losses			
At 1 January 2005	-	92,008	92,008
Depreciation for the year	-	21,323	21,323
At 31 December 2005	-	113,331	113,331
Depreciation for the year	**-**	**84,859**	**84,859**
Disposal	**-**	**(1,286)**	**(1,286)**
Impairment loss	**-**	**838,014**	**838,014**
At 31 December 2006	**-**	**1,034,918**	**1,034,918**
Analysed as:			
Accumulated depreciation	-	196,904	196,904
Accumulated impairment loss	-	838,014	838,014
	-	1,034,918	1,034,918
Net book value			
At 31 December 2006	**231,388**	**3,992,680**	**4,224,068**
At 31 December 2005	231,388	4,300,267	4,531,655
Fair value at 31 December 2006	**231,388**	**3,992,680**	**4,224,068**

Investment properties comprise a number of apartments rented to third parties, and 50% share of a piece of freehold land in Temerloh, Pahang.

The RM838,014 impairment loss was due to the write down of the Group's properties to its market value.

13. INVESTMENT IN SUBSIDIARY COMPANIES

	Company 2006 RM	Company 2005 RM
At cost	**137,651,687**	130,951,687
Less: Provision for impairment losses	**(20,447,195)**	(18,608,834)
	117,204,492	112,342,853

The details of the subsidiary companies are as follows:

Name of Company	Place of incorporation	Group effective interest 2006 %	Group effective interest 2005 %	Principal activities
Hai Ming Capital Sdn. Bhd.	Malaysia	**100**	100	Investment holding
Hai Ming Development Sdn. Bhd.	Malaysia	**100**	100	Dormant
Hai Ming Enterprise Sdn. Bhd.	Malaysia	**100**	100	Dormant
Hai Ming Industries Sdn. Bhd. (Note 31)	Malaysia	**100**	100	Converting of paper into related products
Hai Ming Management Sdn. Bhd.	Malaysia	**100**	100	Providing management services
Hai Ming Paper Products Sdn. Bhd.	Malaysia	**100**	100	Dormant
Hai Ming Paper Mills Sdn. Bhd.	Malaysia	**100**	100	Manufacturing of tissue paper and tissue related products
Hai Ming Trading Co. Sdn. Bhd.	Malaysia	**100**	100	Trading in paper products, stationery and general household products
Hai Ming Impex (S) Pte. Ltd.	Singapore	**-**	100*	Struck off during the year
KPS Food Industries Sdn. Bhd.	Malaysia	**100**	100	Dormant

13. INVESTMENT IN SUBSIDIARY COMPANIES (CONTD.)

Name of Company	Place of incorporation	Group effective interest 2006 %	Group effective interest 2005 %	Principal activities
Paragon Paper Mill Sdn. Bhd.	Malaysia	**99.9**	99.9	Manufacturing of tissue paper and tissue related products
KPS Plywood Sdn. Bhd.	Malaysia	**100**	100	Trading of plywood and investment holding
Subsidiary company of Paragon Paper Mill Sdn. Bhd.:				
Paragon Marketing Sdn. Bhd.	Malaysia	**99.9**	99.9	Trading in tissue related products
Subsidiary companies of KPS Plywood Sdn. Bhd.:				
Akateak Sdn. Bhd.	Malaysia	**100**	100	Distributor and retailer of wooden doors, plywood and related building materials
Yap Swee Thiam & Sons Industries Sdn. Bhd.	Malaysia	**100**	100	Manufacturing and sale of timber doors, window frames and other timber related products
Vector Marketing Sdn. Bhd.	Malaysia	**60**	60	Trading in plywood and related products
Hai Ming Marketing Sdn. Bhd.	Malaysia	**100**	100	Trading in paper products

**Audited by a firm of auditors other than Ernst & Young, Malaysia.*

14. OTHER INVESTMENTS

	Group	
	2006	**2005**
	RM	**RM**
At cost:		
Quoted investment in Malaysia	**6,012**	6,012
Unquoted investment in Malaysia	**6,012**	6,012
	12,024	12,024
Market value:		
Quoted investment in Malaysia	902	812

15. GOODWILL

	Goodwill	Group Negative Goodwill	Total
	RM	**RM**	**RM**
At 1 January 2005	45,684,468	(10,883,151)	34,801,317
Amortisation during the year	(2,533,429)	572,797	(1,960,632)
At 31 December 2005	43,151,039	(10,310,354)	32,840,685
Effect of adopting FRS 3	-	10,310,354	10,310,354
At 1 January 2006 (as restated)/ 31 December 2006	**43,151,039**	**-**	**43,151,039**
Analysed as follows:			
At 31 December 2006			
Goodwill at acquisition	**43,151,039**	**-**	**43,151,039**
At 31 December 2005			
Goodwill at acquisition	51,074,740	(11,455,948)	39,618,792
Accumulated amortisation	(7,923,701)	1,145,594	(6,778,107)
	43,151,039	(10,310,354)	32,840,685

Impairment test for goodwill

Goodwill has been allocated to the Group's CGU, being Akateak Sdn. Bhd. and KPS Plywood Sdn. Bhd., both of which are in the plywood business segment.

15. GOODWILL (CONTD.)

Key assumptions used in value in use calculations
The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the growth rates stated below. The key assumptions used for value-in-use calculations are:

(i) Budgeted gross margin
The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year increased for expected efficiency improvements. The average gross margin applied was 6%.

(ii) Growth rate
The weighted average growth rates used are consistent with the long-term average growth rate anticipated for the entities based on its past performance and industry demand. The average growth rate applied was 2.9% per annum.

(iii) Discount rate
The discount rates used are pre-tax and reflect specific risks relating to the plywood segment. The discount rate applied was 11% per annum.

(iv) Inventory purchase price inflation
The basis used to determine the value assigned to the inventory purchase price inflation is the forecast price indices during the budget year for Malaysia.

Sensitivity to changes in assumptions
With regard to the assessment of value-in-use of the trading in plywood products, management believes there are possible changes in key assumptions which could cause the carrying value of the CGU to exceed its recoverable amount. The actual recoverable amount for the unit exceeds its carrying amount by RM9.2 million. The implications of the key assumptions on the recoverable amount are discussed below:

(i) Inventory purchase price inflation
Management has considered the possibility of greater than budgeted increases in raw material price inflation. This may occur if anticipated regulatory changes result in an increasing demand which cannot be met by suppliers. Budgeted price inflation lies within a range of 3.5% to 4.5%. Should the Group be unable to pass on or absorb through efficiency improvements additional cost increases of an average of 7.4%, the CGU's value-in-use would be reduced to its carrying value.

(ii) Growth rate assumptions
Management recognises that the growth rate is highly dependent on the demand for plywood from the construction industry. The estimated long-term growth rate is 2.9%. A negative growth of 17.6% would give a value-in-use equal to the carrying value of the CGU.

16. DEFERRED TAXATION

	Group 2006 RM	Group 2005 RM
At 1 January	**116,826**	498,200
Recognised in income statement (Note 8)	**(197,259)**	(381,374)
At 31 December	**(80,433)**	116,826
Presented after appropriate offsetting as follows:		
Deferred tax assets	**(126,782)**	-
Deferred tax liabilities	**46,349**	116,826
	(80,433)	116,826

The components and movements of deferred tax assets and liabilities prior to offsetting are as follows:

Deferred tax assets

	Accelerated capital allowance RM	Other payables RM	Provision for doubtful debts RM	Total RM
At 1 January 2005	454,000	16,800	-	470,800
Recognised in income statement	1,874,450	97,075	48,857	2,020,382
At 31 December 2005/ 1 January 2006	**2,328,450**	**113,875**	**48,857**	**2,491,182**
Recognised in income statement	**(2,201,069)**	**(98,485)**	**187,143**	**(2,112,411)**
At 31 December 2006	**127,381**	**15,390**	**236,000**	**378,771**

Deferred tax liabilities

	Accelerated capital allowance RM	Total RM
At 1 January 2005	969,000	969,000
Recognised in income statement	1,639,008	1,639,008
At 31 December 2005/ 1 January 2006	**2,608,008**	**2,608,008**
Recognised in income statement	**(2,309,670)**	**(2,309,670)**
At 31 December 2006	**298,338**	**298,338**

16. DEFERRED TAXATION (CONTD.)

The temporary differences for which deferred taxation assets have not been accounted for are as follows:

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Unabsorbed business losses	**25,666,359**	24,414,868	**-**	-
Unutilised capital allowances	**7,878,702**	10,260,211	**-**	-
Allowance for doubtful debts and inventory obsolescence	**3,226,024**	2,840,985	**-**	-
	36,771,085	37,516,065	**-**	-

17. INVENTORIES

	Group	
	2006	2005
	RM	RM
At cost:		
Raw materials	**6,752,419**	7,415,291
Consumables	**106,297**	149,448
Work-in-progress	**181,911**	134,546
Finished goods	**20,616,277**	13,965,459
	27,656,904	21,664,744
At net realisable value:		
Finished goods	**6,086,114**	6,176,605
	33,743,018	27,841,349

The cost of inventories recognised as an expense during the financial year is RM222,646,963 (2005: RM209,463,518).

18. TRADE RECEIVABLES

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Trade receivables	**76,409,884**	73,411,580	**-**	-
Less: Specific allowance for doubtful debts	**(8,477,005)**	(6,763,848)	**-**	-
	67,932,879	66,647,732	**-**	-

18. TRADE RECEIVABLES (CONTD.)

The Group's normal trade credit term ranges from 30 days to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

19. OTHER RECEIVABLES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Non-trade receivables	**875,554**	3,874,436	**-**	-
Less: Allowance for doubtful debts	**(20,160)**	(155,784)	**-**	-
	855,394	3,718,652	**-**	-
Deposits	**685,482**	612,891	**-**	-
Prepayments	**1,001,304**	105,705	**-**	-
Others	**40,340**	298,163	**-**	-
	2,582,520	4,735,411	**-**	-

Included in non-trade receivables of the Group are amounts of RM Nil (2005: RM280,000) and RM35,000 (2005: RM56,659) due from Great Business Venture Sdn. Bhd. and Mastellium Sdn. Bhd., companies in which a substantial shareholder and director, Koh Poh Seng has interest.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

20. AMOUNT DUE FROM SUBSIDIARY COMPANIES

	Company	
	2006 RM	2005 RM
Amount due from subsidiary companies	**39,850,405**	47,654,665
Less: Allowance for doubtful debts	**(24,396,446)**	(23,504,306)
	15,453,959	24,150,359

The amount due from subsidiary companies is unsecured, interest free and has no fixed terms of repayment.

21. DEPOSITS WITH LICENSED BANKS

	Group 2006 RM	Group 2005 RM
Pledged to licensed banks for banking facilities	13,670,611	12,359,245

22. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each 2006	Number of Ordinary Shares of RM1 Each 2005	Amount 2006 RM	Amount 2005 RM
Authorised:				
At 1 January/ 31 December 2006	**200,000,000**	200,000,000	**200,000,000**	200,000,000
Issued and fully paid:				
At 1 January/ 31 December 2006	**140,252,636**	140,252,636	**140,252,636**	140,252,636

23. CONVERTIBLE LOAN STOCKS

	Group and Company 2006 RM	Group and Company 2005 RM
Equity instrument		
Irredeemable Convertible Secured Loan Stocks ("ICULS")		
At 1 January/ 31 December	**11,892,000**	11,892,000
Liability instrument		
Redeemable Convertible Secured Loan Stock ("RCSLS")		
At 1 January	**-**	19,332,000
Redemption	**-**	(19,332,000)
At 31 December	**-**	-

(a) The terms of the conversion and redemption of the ICULS and RCSLS are as follows:

(i) Conversion Price

The conversion price shall be set at RM1.57 for each share, subject to adjustment in accordance with the Trust Deed.

23. CONVERTIBLE LOAN STOCKS (CONTD.)

(ii) Conversion Rights

The registered holder of the ICULS and RCSLS shall have the rights at any time during the conversion period to convert the ICULS and RCSLS at the conversion price into new ordinary shares of RM1 each in the Company.

(iii) Conversion Period

The ICULS and RCSLS can be converted into new ordinary shares of RM1 each in the Company at anytime during the 5 years from the date of issue and maturing on 31 October 2007.

(iv) Redeemability

ICULS - It is not redeemable. All outstanding ICULS will be automatically converted by theCompany into new ordinary shares of RM1 each in the Company on the last day of the conversion period.

RCSLS - The RCSLS will be redeemed in cash at the times and in the manner as follows:

2nd anniversary of the Issued Date - 10% of the total RCSLS issued

3rd anniversary of the Issued Date - 20% of the total RCSLS issued

4th anniversary of the Issued Date - 30% of the total RCSLS issued

5th anniversary of the Issued Date - Balance of the outstanding RCSLS

(v) Interest

The ICULS and RCSLS bear interest at the rate of 4.5% per annum and are payable semi-annually in arrears.

(vi) Security

RCSLS was secured by charge on factories, office and residential buildings, warehouse owned by certain subsidiary companies of the Company. A debenture was created which consists of fixed and floating charges over the present and future assets of a subsidiary company.

(b) The ICULS was classified as equity in accordance with the provisions of FRS_{2004}132: Financial Instruments: Disclosure and Presentation. Accordingly, the distribution to the holders of the ICULS is disclosed as a distribution of equity.

24. BORROWINGS

	Group 2006 RM	Group 2005 RM
Short Term Borrowings		
Secured:		
Bankers' acceptances and trust receipts	**53,178,347**	45,154,948
Finance creditors (Note 25)	**67,750**	61,225
	53,246,097	45,216,173
Unsecured:		
Bank overdraft	**822**	-
Bankers' acceptances and trust receipts	**4,923,000**	10,812,491
Term loans	**1,812,000**	1,812,000
	6,735,822	12,624,491
	59,981,919	57,840,664
Long Term Borrowings		
Secured:		
Finance creditors (Note 25)	**23,760**	38,790
Term loans	**204,604**	1,688,316
	228,364	1,727,106
Total Borrowings		
Bank overdrafts	**822**	-
Bankers' acceptances and trust receipts	**58,101,347**	55,967,439
Finance creditors (Note 25)	**91,510**	100,015
Term loans	**2,016,604**	3,500,316
	60,210,283	59,567,770
Maturity of borrowings (excluding finance creditors):		
Within one year	**59,914,169**	57,779,439
More than 1 year and less than 2 years	**204,604**	1,688,316
	60,118,773	59,467,755

(a) The term loans are secured in the following manner:

(i) Charge and deeds of assignment over the land and buildings of certain subsidiary companies as disclosed in Note 10;

(ii) Registered charge over third party's properties;

(iii) Jointly and severally guarantee by certain directors and a third party; and

(iv) Corporate guarantee by the Company.

24. BORROWINGS (CONTD.)

(b) The unsecured term loans are obtained by way of:

(i) A lien holder caveat on the long leasehold land and buildings of a subsidiary company;

(ii) Corporate guarantee of RM8 million by the Company and a subsidiary company; and

(iii) Personal guarantee of RM8 million by a director of the Company.

Repayments of term loan are on monthly instalments basis.

(c) The bankers' acceptances and trust receipts are secured in the following manner:

(i) Charge and deeds of assignment over the land and properties of certain subsidiary companies;

(ii) Pledge of deposits with licensed banks of subsidiary companies

(iii) Jointly and severally guarantee by certain directors and a third party; and

(iv) Corporate guarantee by the Company.

(d) The unsecured bankers' acceptances and trust receipts are guaranteed by the Company and a personal guarantee of a director of the Company.

25. FINANCE CREDITORS

	Group	
	2006	**2005**
	RM	**RM**
Minimum lease payments:		
- within 1 year	**72,643**	77,207
- more than 1 year but not later than 2 years	**9,816**	13,717
- more than 2 years but not later than 5 years	**20,404**	29,448
- later than 5 years	**-**	772
	102,863	121,144
Interest-in-suspense	**(11,353)**	(21,129)
	91,510	100,015
Present value of lease liabilities:		
- within 1 year	**67,750**	61,225
- more than 1 year but not later than 2 years	**7,721**	11,458
- more than 2 years but not later than 5 years	**16,039**	26,564
- later than 5 years	**-**	768
	91,510	100,015
Analysed as:		
Due within 12 months	**67,750**	61,225
Due after 12 months	**23,760**	38,790
	91,510	100,015

26. TRADE PAYABLES

The normal trade credit term granted by suppliers of the Group ranges from 30 days to 90 days.

27. OTHER PAYABLES

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
Other payables	**823,668**	1,074,164	**26,694**	89,392
Accrual of expenses	**820,720**	1,033,672	**61,900**	41,150
Deposits	**107,224**	102,221	**-**	-
Interest payable on loan stocks	**109,960**	83,137	**109,960**	83,137
	1,861,572	2,293,194	**198,554**	213,679

The normal credit term granted by suppliers of the Group ranges from 30 days to 90 days.

28. AMOUNT DUE TO SUBSIDIARY COMPANIES

	Company	
	2006	**2005**
	RM	**RM**
Amount due to subsidiary companies	**10,594,891**	10,938,434

The amount due to subsidiary companies is unsecured, interest free and has no fixed terms of repayment.

29. CONTINGENT LIABILITIES

	Company	
	2006	**2005**
	RM	**RM**
Unsecured:		
Guarantee given to financial institutions for credit facilities granted to subsidiary companies	**60,209,461**	59,567,770

30. SIGNIFICANT RELATED PARTY TRANSACTIONS

There were no significant related party transactions during the financal year.

31. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 2 January 2005, a subsidiary company, Yap Swee Thiam & Sons Industries Sdn. Bhd. ("YST")'s factory located at Lot 46082, Jalan Sungai Tua, Batu 9, Batu Caves, Selangor Darul Ehsan, Malaysia was substantially destroyed by fire.

The net loss as a result of the fire is as follows:

	Group 2005 RM
Factory building	3,321,179
Plant and machinery	2,771,760
Office equipment	60,898
Furniture and fittings	11,585
	6,165,422
Inventories	10,417,623
Total loss	16,583,045
Insurance claims receivable (Note (a)(ii))	(10,800,000)
Net loss	5,783,045

Included in plant and machinery written off was RM21,376 which was previously included in other receivables.

The proceeds on the insurance claim for the assets destroyed by the fire amounting to RM10,800,000 was received during the previous financial year.

During the financial year, YST received a further RM2,500,000 claim on consequential loss which has been recognised in the consolidated income statement for the financial year ended 31 December 2006.

(b) During the financial year, the Company had subscribed for 6,700,000 ordinary shares of RM1.00 each in its wholly-owned subsidiary company, Hai Ming Industries Sdn. Bhd ("HMI") via the capitalisation of the amount owing by HMI to the Company of RM6,700,000, thereby, increasing the Company's investment in HMI from 8,000,000 ordinary shares of RM1.00 each to 14,700,000 ordinary shares of RM1.00 each. This transaction did not result in any material change in the Company's equity interest in HMI.

32. FINANCIAL INSTRUMENTS

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks. The Group operates within policies that are approved by the Board and the Group's policy is not to engage in speculative transactions.

32. FINANCIAL INSTRUMENTS (CONTD.)

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows:

(a) Foreign Currency Risk

The Group is exposed to foreign currency risk as a result of its normal operating activities, both external and intra-Group where the currency denomination differs from the local currency, Ringgit Malaysia (RM). The Group's policy is to minimise the exposure of overseas operating activities to transaction risk by matching local currency income against local currency costs.

(b) Credit Risk

The credit risk is controlled by the application of credit approvals, limits and monitoring procedures. An internal credit review is conducted if the credit risk is material.

The maximum credit risk associated with recognised financial assets is the carrying amount shown in the balance sheet.

The Group and the Company have no significant concentrations of credit risk with any single counterparty.

(c) Market Risk

For key product purchases, the Group establishes floating and fixed price levels that the Group considers acceptable and enters into physical supply agreements, where necessary, to achieve these levels. The Group does not face significant exposure from the risk from changes in price level.

(d) Liquidity and Cash Flow Risks

The Group seeks to achieve a balance between certainty of funding even in difficult times for the markets of the Group and a flexible, cost-effective borrowing structure. This is to ensure that at the minimum, all projected net borrowing needs are covered by committed facilities. Also, the objective for debt maturity is to ensure that the amount of debt maturing in any one period is not beyond the Group's means to repay and refinance.

(e) Interest Rate Risk

The Group's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set up to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

32. FINANCIAL INSTRUMENTS (CONTD.)

(e) Interest Rate Risk (Contd.)

The interest rate risk that financial instruments values will fluctuate as a result of changes in market interest rates and the range of interest rates on classes of financial assets and financial liabilities, are as follows:

	Less than 1 year RM	Between 1 to 2 years RM	Total RM	Range of interest rates during the financial year
Group				
2006				
Financial assets				
Deposits with licensed banks	**13,670,611**	**-**	**13,670,611**	**2.55% - 3.10%**
Financial liabilities				
Bankers' acceptances and trust receipts	**58,101,347**	**-**	**58,101,347**	**3.12% - 8.25%**
Term loan	**1,812,000**	**204,604**	**2,016,604**	**6.70%**
ICULS	**11,892,000**	**-**	**11,892,000**	**4.50%**
Finance creditors	**67,750**	**23,760**	**91,510**	**5.57% - 7.90%**
Bank overdraft	**822**	**-**	**822**	**8.25%**
Company				
2006				
Financial liabilities				
ICULS	**11,892,000**	**-**	**11,892,000**	**4.50%**
Group				
2005				
Financial assets				
Deposits with licensed banks	12,359,245	-	12,359,245	2.20% - 3.65%
Financial liabilities				
Bankers' acceptances and trust receipts	55,967,439	-	55,967,439	2.81% - 7.75%
Term loan	1,812,000	1,688,316	3,500,316	6.50% - 8.00%
ICULS	-	11,892,000	11,892,000	4.50%
Finance creditors	61,225	38,790	100,015	5.64% - 7.90%
Company				
2005				
Financial liabilities				
ICULS	-	11,892,000	11,892,000	4.50%

32. FINANCIAL INSTRUMENTS (CONTD.)

(f) Fair Values

The carrying amounts of financial assets and liabilities of the Group and of the Company at balance sheet date approximate their fair values except as set out below:

	Group		Company	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
2006				
Financial assets				
Unquoted shares in subsidiary companies	**-**	**-**	**117,204,492**	*****
Amounts due from subsidiary companies	**-**	**-**	**15,453,959**	******
Investments in Malaysia				
- Quoted	**6,012**	**902**	**-**	**-**
- Unquoted	**6,012**	*****	**-**	**-**
Financial liabilities				
Amounts due to subsidiary companies	**-**	**-**	**10,594,891**	*****
Finance creditors	**91,510**	**97,224**	**-**	**-**
2005				
Financial assets				
Unquoted shares in subsidiary companies	-	-	112,342,853	*
Amounts due from subsidiary companies	-	-	24,150,359	**
Investments in Malaysia				
- Quoted	6,012	812	-	-
- Unquoted	6,012	*	-	-
Financial liabilities				
Amounts due to subsidiary companies	-	-	10,938,434	*
Finance creditors	100,015	114,503	-	-

* It is not practicable within the constraints of timeliness and cost to estimate these fair values reliably. The Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would be eventually be received or settled.

32. FINANCIAL INSTRUMENTS (CONTD.)

(f) Fair Values (Contd.)

** It is also not practical to estimate the fair values of amounts due to and from subsidiary companies due principally to a lack of fixed repayment terms entered by the parties involved and cannot be estimated without incurring excessive costs. The Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would be eventually be received or settled.

33. SEGMENTAL REPORTING

(a) Primary segmental reporting - Business segment

The Group is organised based on six major business segments as follows:

Business segments	Business activities
Paper milling	Manufacture of various types of tissue paper and tissue related products.
Paper converting	Converting of paper into related products and trading in paper related products.
Plywood	Distributor and retailer of wooden doors, plywood and related building materials. This segment also deals with trading in tissue related products and plywood.
Timber related products	Manufacturing and sale of timber doors, window frames and other timber related products.
Investment and management	Providing management services, investment holding and dormant companies,
Others	Trading in paper, paper products, stationery, general household products and other unclassified companies of diversed activities.

33. SEGMENTAL REPORTING (CONTD.)

a) Primary segmental reporting - Business segment (Contd.)

2006	Paper milling RM	Paper converting RM	Plywood RM	Timber related products RM	Investment and management RM	Others RM	Eliminations RM	Consolidated RM
Revenue								
External revenue	11,922,680	30,973,811	178,351,680	2,717,955	-	21,987,833	-	245,953,959
Inter-segment revenue	13,863,033	931,652	21,881,016	1,147,491	-	888,874	(38,712,066)	-
Total revenue	25,785,713	31,905,463	200,232,696	3,865,446	-	22,876,707	(38,712,066)	245,953,959
Results								
Segment results	1,429,741	643,473	6,415,625	(421,459)	(2,759,499)	25,917	2,441,193	7,774,991
Interest income	-	39,178	391,833	5,154	-	-	-	436,165
Operating profit/ (loss)	1,429,741	682,651	6,807,458	(416,305)	(2,759,499)	25,917	2,441,193	8,211,156
Finance costs	(297,738)	-	(1,804,937)	(80,023)	-	(9,604)	-	(2,192,302)
Profit/(loss) before taxation	1,132,003	682,651	5,002,521	(496,328)	(2,759,499)	16,313	2,441,193	6,018,854
Taxation	-	(1,857)	(1,348,422)	(543,259)	-	(42,326)	(28,724)	(1,907,140)
Profit/(loss) for the year	1,132,003	680,794	3,654,099	(1,039,587)	(2,759,499)	(26,013)	2,412,469	4,111,714
Attributable to:								
Equity holders of the company								4,120,016
Minority interests								(8,302)
Profit for the year								4,111,714

33. SEGMENTAL REPORTING (CONTD.)

a) Primary segmental reporting - Business segment (Contd.)

	Paper milling RM	Paper converting RM	Plywood RM	Timber related products RM	Investment and management RM	Others RM	Consolidated RM
2006							
Assets							
Segment assets	23,191,498	28,444,198	90,792,997	11,283,125	75,068	10,631,595	164,418,481
Deferred tax assets	-	-	126,782	-	-	-	126,782
Tax recoverable	-	-	106,520	-	384	-	106,904
	23,191,498	28,444,198	91,026,299	11,283,125	75,452	10,631,595	164,652,167
Unallocated corporate assets							43,151,039
Consolidated total assets							207,803,206
Liabilities							
Segment liabilities	6,574,468	572,735	61,680,744	2,097,108	270,456	2,943,240	74,138,751
Tax payable	-	-	-	-	-	9,162	9,162
Deferred tax liabilities	-	622	25,727	-	-	20,000	46,349
Consolidated total liabilities	6,574,468	573,357	61,706,471	2,097,108	270,456	2,972,402	74,194,262
Other information							
Capital expenditure on property, plant and equipment	95,558	73,080	555,131	80,789	-	57,627	862,185
Depreciation and amortisation	1,387,150	357,509	440,207	356,657	5,683	100,825	2,648,031
Inventories written off	12,436	15,809	463,775	-	-	-	492,020
Property, plant and equipment written off	-	79	46,845	149,012	-	- -	195,936
Other non-cash expenses	-	322,553	1,853,383	-	-	346,316	2,522,252

33. SEGMENTAL REPORTING (CONTD.)

a) Primary segmental reporting - Business segment (Contd.)

2005	Paper milling RM	Paper converting RM	Plywood RM	Timber related products RM	Investment and management RM	Others RM	Eliminations RM	Consolidated RM
Revenue								
External revenue	11,100,178	24,398,984	168,244,850	4,427,802	-	19,692,674	-	227,864,488
Inter-segment revenue	8,608,302	215,011	31,780,633	26,795	-	889,157	(41,519,898)	-
Total revenue	19,708,480	24,613,995	200,025,483	4,454,597	-	20,581,831	(41,519,898)	227,864,488
Results								
Segment results	1,978,984	(338,368)	1,750,777	(8,338,899)	12,486,189	246,380	(9,911,627)	(2,126,564)
Interest income	31	8,385	380,704	33,770	14,937	2,860	-	440,687
Unallocated corporate expenses	-	-	-	-	(1,960,632)	-	-	- (1,960,632)
Operating profit/(loss)	1,979,015	(329,983)	2,131,481	(8,305,129)	10,540,494	249,240	(9,911,627)	(3,646,509)
Finance costs	(420,294)	(326,402)	(1,987,431)	(888,965)	(300,453)	(33,373)	533,020	(3,423,898)
Profit/(loss) before taxation	1,558,721	(656,385)	144,050	(9,194,094)	10,240,041	215,867	(9,378,607)	(7,070,407)
Taxation	(38)	-	(351,233)	265,611	-	(5,836)	-	(91,496)
Profit/(loss) for the year	1,558,683	(656,385)	(207,183)	(8,928,483)	10,240,041	210,031	(9,378,607)	(7,161,903)
Attributable to:								
Equity holders of the parent								(7,145,721)
Minority interests								(16,182)
Net profit for the year								(7,161,903)

33. SEGMENTAL REPORTING (CONTD.)

a) Primary segmental reporting - Business segment (Contd.)

2005	Paper milling RM	Paper converting RM	Plywood RM	Timber related products RM	Investment and management RM	Others RM	Consolidated RM
Assets							
Segment assets	24,045,343	25,079,707	91,739,222	11,672,775	66,415	10,104,502	162,707,964
Tax recoverable	-	4,013	1,048,430	-	384	-	1,052,827
	24,045,343	25,083,720	92,787,652	11,672,775	66,799	10,104,502	163,760,791
Unallocated corporate assets							32,840,685
Consolidated total assets							196,601,476
Liabilities							
Segment liabilities	8,968,815	742,697	60,242,277	3,519,446	295,270	1,732,873	75,501,378
Tax payable	-	-	17,212	1,217,220	-	-	1,234,432
Deferred taxation	-	-	57,990	-	-	58,836	116,826
Consolidated total liabilities	8,968,815	742,697	60,317,479	4,736,666	295,270	1,791,709	76,852,636
Other information							
Capital expenditure on property, plant and equipment	33,665	15,000	587,572	1,842,426	-	113,090	2,591,753
Depreciation and amortisation	1,471,487	294,220	2,365,243	400,965	4,077	133,600	4,669,592
Inventories written off	7,816	-	-	10,417,623	-	12,150	10,437,589
Property, plant and equipment written off	-	-	-	6,696,090	-	-	6,696,090
Other non-cash expenses	-	1,134,574	2,488,402	393,986	2,042	25,599	4,044,603

33. SEGMENTAL REPORTING (CONTD.)

(b) Secondary segmental reporting - Geographical segment

No geographical segments has been prepared as the Group operates solely in Malaysia.

LIST OF PROPERTIES
AS AT 31 DECEMBER 2006

	Location	Description	Tenure	Land Area (meter sq)	Approximate Age of Building (year)	Net Book Value (RM'000)	Year of Acquisition or Revaluation*
1.	Lot 67, SEDCO Industrial Estate, Phase 2 Kota Kinabalu, Sabah	Office/residential building,factory and warehouse	60-year lease to 31/12/2034	5,632	20	1,396	1993*
2.	Lot 292 & 294, Block 36, Muara Tuang Land District, Sarawak	Factory, office building and warehouse	58-year lease to 30/01/2030	22,784	27 & 9	5,568	1993* & 1992
3.	Lot 765, Mukim of Kapar, District of Klang, Selangor	Factory and office building	Freehold	17,705	14	8,040	1993*
4.	Lot PT129942, Kawasan Perusahaan Kanthan, Chemor, Perak	Factory and office building	60-year lease to 14/03/2055	53,174	8	5,959	1992
5.	Lot 2191, Industrial Land Mentakab, Temerloh, Pahang	Vacant Land	Freehold	105,645 sq ft	N/A	231	1997
6.	Lot 3144C Agriculture Land, Batu 6 1/2, Puchong, Selangor	Vacant Land	Freehold	15,700 sq ft	N/A	254	1995
7.	Lot 14374 Bandar Kinrara Industrial Centre, Selangor	3-storey office block & 2-storey open warehouse	Freehold	186,590 sq ft	10	8,513	1995
8.	Lot 68.2C, 1-2C, Jln PS6, Prima Selayang, Mukim Batu, Selangor	Shop/office apartment	99-year (Strata, title not ready)	975 sq ft	8	52	1994
9.	Unit No B2F-19, Mukim Petaling, B-2-1 Megan Phoenix, Jalan 2/142A, Off Jalan Cheras	Office premise	Freehold	1,606 sq ft	9	282	2002
10.	Mukim Bukit Baru, Daerah Melaka Tengah, Melaka	30 unit apartments	99-year lease to 2076	837 - 953 sq ft	3 to 4	2,691	2005
11.	Unit M-101, Vista Tasik Condominium, Bandar Sri Permaisuri, Cheras	Condo	Freehold	122 sq ft	4	218	2002

SHAREHOLDINGS STRUCTURE

AS AT 10 MAY 2007

Authorised Share Capital	:	200,000,000
Issued and Fully Paid-Up Share Capital	:	140,252,636
Class of Shares	:	Ordinary Shares of RM1.00 each fully paid
Voting Rights	:	One vote per ordinary share
No. of shareholders	:	4,647

Distribution of Shareholdings as at 10 May 2007

Size of Holdings	No.of Shareholders	Total Holdings	% of Paid-up Capital
Less than 100	5	120	0.00
100 -1000	1,003	982,807	0.70
1001-10,000	2,587	12,565,915	8.96
10,001-100,000	929	30,377,600	21.66
100,001 and below 5% of share capital	121	45,682,682	32.57
Above 5% of share capital	2	50,643,512	36.11
	4,647	140,252,636	100.00

Substantial Shareholder as at 10 May 2007

Shareholder	No. of Shares Held		Percentage
	Direct	Indirect	Holding
Koh Poh Seng	58,286,025	-	41.56

List of Thirty (30) Largest Shareholders as at 10 May 2007

No.	Name of Shareholders	No. of Shares	Percentage Holding
1	Koh Poh Seng	42,872,622	30.57
2	Alliance Group Nominees (Tempatan) Sdn Bhd - Koh Poh Seng	7,770,890	5.54
3	CitiGroup Nominees (Tempatan) Sdn Bhd - Koh Poh Seng	3,892,200	2.78
4	Alliance Group Nominees (Tempatan) Sdn Bhd - Koh Poh Seng	2,500,000	1.78
5	Lim Chai Beng	2,433,000	1.73
6	Yap Swee Thiam	1,893,310	1.35
7	Mayban Nominees (Tempatan) Sdn Bhd - Low Ngok Ming	1,868,700	1.33
8	Lau Yau Tong	1,725,300	1.23
9	Keng Poh Im	1,385,000	0.99

SHAREHOLDINGS STRUCTURE (CONTD.)
AS AT 10 MAY 2007

List of Thirty (30) Largest Shareholders as at 10 May 2007 (Contd.)

No.	Name of Shareholders	No. of Shares	Percentage Holding
10	HLB Nominees (Tempatan) Sdn Bhd - Lim Chai Beng	1,316,000	0.94
11	Public Nominees (Tempatan) Sdn Bhd - Koh Poh Seng	1,250,000	0.89
12	Lu Thian Tack	1,105,500	0.79
13	Teoh Teik Lin	900,000	0.64
14	Pacific Strike Sdn Bhd	866,600	0.62
15	AIBB Nominees (Tempatan) Sdn Bhd - Hee Yuen Sang	771,000	0.55
16	AIBB Nominees (Tempatan) Sdn Bhd - Phang Jyn Yenn	750,000	0.53
17	Lim Yen Yen	736,576	0.53
18	Chan Kim Kiok	702,100	0.50
19	HDM Nominees (Tempatan) Sdn Bhd - Lim Gim Leong	643,700	0.46
20	Chung Shan Kwang	614,000	0.44
21	Gan Ah Huat	560,000	0.40
22	Yong Hon Chong	554,000	0.40
23	Affin Nominees (Tempatan) Sdn Bhd - Chung Kin Chuan	548,000	0.39
24	Hon Ka Choon	541,200	0.39
25	CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB Bank for Lau Kou Seong	450,000	0.32
26	AMSEC Nominees (Tempatan) Sdn Bhd - Hee Yuen Sang	431,000	0.31
27	Goh Chin Ex	400,000	0.29
28.	RHB Capital Nominees (Tempatan) Sdn Bhd - Sin Huan Kwang	400,000	0.29
29.	CIMSEC Nominees (Tempatan) Sdn Bhd - Tan Kwang Kui	369,800	0.26
30	Chai Kim Hua	352,286	0.25
		80,602,784	**57.49**

SHAREHOLDINGS STRUCTURE (CONTD.)
AS AT 10 MAY 2007

Directors' Shareholdings and Interest in Shares as at 10 May 2007

No.	Name of Directors	No. of Shares	Percentage Holding
1	Koh Poh Seng	58,286,025*	41.56
2	Lau Fook Meng	Nil	Nil
3	Dr Kow Cheong Wei, PhD,SIS, PJK	Nil	Nil
4	Mr Lee Whay Hoong	Nil	Nil

Save as disclosed, none of the other Directors in office have any interests in the shares of related corporations and subsidiary companies of the Company as at 10 May 2007.

* - *Held directly and through nominee companies.*

KPS CONSORTIUM BERHAD
(Company No. 143816 V)
Incorporated in Malaysia

No. of ordinary shares held

PROXY FORM
(Before completing this form please refer to the notes below)

I/We…………………………………………......NRIC No./Passport No./ Company No. ……...................……………………….
(Full name in block letters) CDS. A/C No……......................………………………

of ....
(Full address)
being a member/members of **KPS CONSORTIUM 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/proxies to attend and vote for *me/us on my/our behalf at the Twenty First Annual General Meeting of the Company to be held at **Klang Executive Club, Persiaran Bukit Raja 2, Bandar Baru Klang, 41150 Klang, Selangor Darul Ehsan on Friday, 29th June 2007 at 11:00 a.m.** and at any adjournment thereof to vote as indicated below:-

	FOR	AGAINST
Resolution 1		
Resolution 2		
Resolution 3		
Resolution 4		
Resolution 5		
Resolution 6		

(Please indicate with an "x" in the space provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion).

In case of a vote taken by a show of hands, the First-named Proxy shall vote on *my/our behalf.

Dated this………………..day of……………………………2007

……………………………………………………
Signature/Common Seal of shareholder

*** Strike out whichever is not desired.**

Notes:
1. *A member shall be entitled to appoint more than one (1) proxy to attend and vote in his place. A proxy needs not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*

2. *Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*

3. *If the appointer is a corporation, the proxy form must be executed under its common seal or under the hand of its attorney.*

4. *The instrument appointing a proxy and the power of attorney, if any, under which it is signed or a certified copy thereof must be deposited at the Company's Registered Office, Lot 765, Jalan Haji Sirat, Off Jalan Meru, 42100 Klang, Selangor Darul Ehsan not less than 48 hours before the time set for holding the Meeting or adjourned meeting as the case maybe.*

PLEASE FOLD HERE

AFFIX STAMP

KPS CONSORTIUM BERHAD (143816-V)
Lot 765, Jalan Haji Sirat Off Jalan Meru
42100 Klang, Selangor Darul Ehsan
Malaysia

PLEASE FOLD HERE