2007
Annual Report

KPS Consortium Bhd (143816-V)

CONTENTS

NOTICE OF ANNUAL GENERAL MEETING ▸▸

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

NOTICE IS HEREBY GIVEN THAT the Twenty Second 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 Monday, 30 June 2008 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 2007 together with the Reports of the Directors and Auditors thereon. (Please refer to Note 1).

2. To re-elect the following Director retiring in accordance with the Company's Articles of Association:-
   a) Dr Kow Cheong Wei - Article 80 **Resolution 1**

3. To approve the payment of Directors' fee for the financial year ended 31 December 2007. **Resolution 2**

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 3**

As Special Business

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

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 4**

6. 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 (MAICSA 0799845)
M. CHANDRASEGARAN A/L S.MURUGASU (MAICSA 0781031)
Company Secretaries

Selangor Darul Ehsan

Dated this: 6th day of June 2008

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. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the company standing to the credit of the said securities account.

5. If the appointer is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.

6. 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.

7. Explanatory notes on the Special Business

   7.1 The proposed Resolution 4 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.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING ▸▸

1. Name of Individual Who is Standing for Re-election:

a) Dr Kow Cheong Wei

The particular of the above-named Director who is standing for re-election, has been disclosed in the Profile of the Board of Directors' Profile in this Annual Report.

2. Details of Attendance of Directors at Board Meetings:

Four (4) Board of Directors' Meetings were held during the financial year ended 31 December 2007 and the details of attendance by each of the Directors are noted in the Corporate Governance Statement in this 2007 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 Selangor Darul Ehsan
Date:	30 June 2008
Time:	11.00 am

4. Details of Director Standing for Re-election:

a) Dr Kow Cheong Wei

Details of the above named Director 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 Lee Whay Hoong Independent and Non-Executive Director
COMPANY SECRETARIES	Lim Seck Wah (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 Lee Whay Hoong
NOMINATION COMMITTEE	
Chairman	Dr Kow Cheong Wei, PhD, SIS, PJK
Member	Lee Whay Hoong
REMUNERATION COMMITTEE	
Chairman	Dr Kow Cheong Wei, PhD, SIS, PJK
Member	Koh Poh Seng Lee Whay Hoong
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

CORPORATE INFORMATION (cont'd.) ▸▸

REGISTRAR	Mega Corporate Services Sdn Bhd Level 15-2, Faber Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur Tel: (603) 2692 4271 Fax: (603) 2732 5388
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
PRINCIPAL BANKERS	AmBank Berhad OCBC Bank Berhad Malayan Banking Berhad
SOLICITOR	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
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") comprising the 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 2007.

Particulars of the Directors are as follows:

▸▸ KOH POH SENG

Koh Poh Seng, Malaysian, age 52, 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, Malaysian, age 56, 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, Malaysian, age 42 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).

He was the former Selangor State Assemblyman for Kinrara, Puchong and Municipal Councilor to Majlis Perbandaran Subang Jaya.

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

PROFILE OF THE BOARD OF DIRECTORS (cont'd.) ▸▸

▸▸ LEE WHAY HOONG

Lee Whay Hoong, Malaysian, age 52 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.

Note:

All the above-named Directors of the Company have no family relationship with the other directors or substantial shareholders of the Company; and have not been convicted of any criminal offences (other than ordinary traffic offences, if any) and do not have any conflict of interest of the Company.

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 2007 to 31 December 2007. 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 judgment. 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 judgment 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 also 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.

CORPORATE GOVERNANCE STATEMENT (cont'd.) ▸▸

1.3 Board Meetings and Supply of Information

Four (4) Board Meetings were held during the financial year ended 31 December 2007 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	4/4
Mr Lee Whay Hoong	4/4

The Board 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
18 February 2007	11.30 am
26 May 2007	11.00 am
25 August 2007	11.00 am
29 November 2007	11.00 am

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.

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

Mr Koh Poh Seng

- Adopting Corporate Social Responsibility Initiatives.

Mr Lau Fook Meng

- FRS – Impact on Taxation.
- Adopting Corporate Social Responsibility Initiatives.

Dr Kow Cheong Wei

- Adopting Corporate Social Responsibility Initiatives.

Mr Lee Whay Hoong

- Adopting Corporate Social Responsibility Initiatives.

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 Nomination Committee comprises the following:-

a. Dr Kow Cheong Wei (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 every 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 2007 is set out below:

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

	Executive Director (RM)	Non-Executive Directors (RM)	**Total RM**
Fees	60,000	-	**60,000**
Salary & other emoluments	90,550	-	**90,550**
Total	150,550	-	**150,550**

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

Range of Remuneration	**Executive Director**	**Non-Executive Directors**	**Total**
RM50,001 to RM100,000	2	-	2
RM100,001 to RM150,000	-	-	-

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 (Chairman)
b. Mr Koh Poh Seng
c. Mr Lee Whay Hoong

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.

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.

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 2007 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) 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.

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 2007, 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.

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 or 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 2007.

- **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 recurrent related party transactions of a revenue nature during the year.

- **Corporate Social Responsibility**
  The Company recognizes the importance of being a responsible corporate citizen. In addition to improving workplace environment and committed to staff training, the Company will be planning and organising more CSR activities for the next financial year.

AUDIT COMMITTEE ▸▸

1. Members

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

- Dr Kow Cheong Wei
  Chairman/ Independent and Non-Executive Director

- Mr Lau Fook Meng
  Member / Executive Director

- Mr Lee Whay Hoong
  Member/ Independent and Non-Executive Director

The Company would like to disclose that it has yet to fulfill the requirement of Audit Committees to be comprised solely non-executives directors and will endeavor to comply with the Code in future.

2. 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 and must be all Non-Executive Directors of whom the majority must 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
- fulfils such other requirements as prescribed or approved by the Exchange.

No alternate director shall be appointed as a member of the Committee.

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.

3. Audit Committee Meetings Attendance

The Audit Committee had conducted four (4) meetings for the financial year ended 31 December 2007. Details of attendance of the Audit Committee members during this financial period are set out as below:

Name of Committee Member	No. of meetings attended/ held during member's tenure
Dr Kow Cheong Wei	4/4
Mr Lau Fook Meng	4/4
Mr Lee Whay Hoong	4/4

4. Activities Of The Audit Committee

The principal activities undertaken by the Audit Committee during the financial period were summarized as follows:

(a) Reviewed the quarterly financial results and announcements for the financial quarters prior to the Board of Directors for consideration and approval;

(b) Reviewed the audited financial statements for the financial year ended 31 December 2007;

(c) Reviewed the external auditors' reports for the financial year ended 31 December 2007 in relation to audit and accounting issues arising from the audit;

(d) Reviewed the external auditors' audit plan for the year ended 31 December 2007;

(e) Considered the nomination of external auditors for recommendation to the Board for reappointment;

(f) Reviewed the internal audit plan, findings, reports and management implementation of audit recommendations;

(g) Reviewed the disclosure statements on Corporate Governance, Audit Committee Report and the Statement on Internal Control and recommended to the Board for adoption;

(h) Deliberated the disclosure requirements for corporate social responsibility and identified the management action plan.

5. Internal Audit Function

The internal audit function is essential in assisting the Audit Committee in reviewing the state of the system of internal control maintained by the management.

The Company outsourced its internal audit function to an internal audit consulting company. The audit team members are independent of the activities audited by them. The internal auditors review and assess the Group's system of internal control and report to the Committee functionally.

The Committee approves the annual internal audit plan before the commencement of the internal audit reviews for each financial year. During the financial year, the internal auditors conducted reviews on the operations of the Group and presented their reports to the Audit Committee. Areas of improvement identified were communicated to the management for further action.

6. Rights

The Committee shall:

(i) Have authority to investigate any matter within its terms of reference;

(ii) Have the resources which are required to perform its duties;

(iii) Have full and unrestricted access to any information pertaining to the Company;

(iv) Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);

(v) Be able to obtain independent professional or other advice; and

(vi) Be able to convene meetings with the external auditors, the internal auditors or both excluding the attendance of other directors and employees, whenever deemed necessary.

7. Functions

The Committee shall:

(i) To consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal;

(ii) To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

(iii) To review the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:

(a) Changes in or implementation of major accounting policy and practices;

(b) Significant adjustments and unusual events arising from the audit;

(c) The going concern assumption; and

(d) Compliance with accounting standards and other legal requirements;

(iv) To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary);

(v) To review the external auditor's management letter and management's response;

(vi) To do the following, in relation to the internal audit function:

- (a) Review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- (b) Review the internal audit programme and results of the internal audit process and where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
- (c) Review any appraisal or assessment of the performance of members of the internal audit function;
- (d) Approve any appointment or termination of senior staff members of the internal audit function; and
- (e) Take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

(vii) To consider any related party transactions that may arise within the Company or Group;

(viii) To consider the major findings of internal investigations and management's response;

(ix) To consider other topics as defined by the Board.

Attendance At Meetings

The finance director, the head of internal audit and a representative of the external auditors should normally attend meetings. Other directors and employees may attend any particular audit committee meeting only at the Committee's invitation, specific to the relevant meeting. However, the Committee should meet with the external auditors without the presence of the executive directors, at least twice a year.

Frequency Of Meetings

Meetings shall be held not less than four (4) times a year to review the quarterly results and year end financial statements. Other meetings may be held as and when required.

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 2007.

Board Responsibility

The Board of Directors Board 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.

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 2007. 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 2007.

Overview of Group Results

Operating Results

For the financial year ended 31 Dec 2007 Group's turnover was RM329.1 million (2006: RM243.2 million). We recorded a pre-tax profit of RM7.8 million as compared to RM5.2 million in the previous year.

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

Review of Operations

The Groups performance are explained under the various activity reports below:

Paper Milling

The Group's tissue mill registered external revenue of RM11.7 million compared with previous year of RM11.9 million. This division registered higher operating profit before tax and finance cost of RM2.04 million as compared to profit of RM1.43 million in year 2006.

The de-inking plant and water treatment plant as mentioned in the previous year had commenced operations in December 2006 and usage of raw materials costs would be lower. Increase in operating profit for year 2007 was mainly due to increase in Intersegment Sales.

Paper Converting and Trading of Woodfree Paper

I am glad to report that this division recorded higher turnover of RM39.5 million as compared to RM30.9 million previously. This division managed to show a profit before tax and finance cost of RM1.14 million as compared to a profit of RM0.643 million in the previous year 2006.

Plywood and Building Materials Trading, and Timber Manufacturing

The Plywood and Building Materials Division performed better results with a higher turnover of RM252.9 million (2006:RM178.3 million) and operating profit before tax and finance cost of RM6.39 million compared with operating profit of RM5.13 million. Operating profit margin for year 2007 was slightly lower compared with year 2006.

The timber manufacturing division had been discontinued in April 2007 and all its plant and machineries sold.

Others – trading of paper products and general household products

Turnover for this division was RM24.8 million in year 2007 compared with RM21.9 million for the previous year due to the increase in turnover for paper products. This division made a profit before taxation of RM0.65 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 installation of a de-inking plant which commenced operations in December 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.

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.

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

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FINANCIAL STATEMENTS

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 2007.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the subsidiary companies are disclosed in Note 14 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 except for the discontinuance of the timber related products division as disclosed in Note 9 to the financial statements.

Results

	Group RM	Company RM
Profit/(Loss) after tax from continuing operations	6,546,924	(154,889)
Loss for the year from discontinued operation	(2,233,932)	-
Profit/(Loss) for the year	4,312,992	(154,889)
Attributable to:		
Equity holders of the Company	4,308,060	(154,889)
Minority interests	4,932	-
	4,312,992	(154,889)

There were no material transfers to or from reserves or provisions during the financial year, other than as disclosed in the statements of changes 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 of the discontinued operation as disclosed in Note 9 to the financial statements.

Dividends

There were no dividends pair 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.

Issue Of Shares

During the financial year, the Company increased its issued and paid-up share capital from 140,252,636 ordinary shares of RM1.00 each to 147,827,158 ordinary shares of RM1.00 each by way of the issuance of 7,574,522 ordinary shares of RM1.00 each through the conversion of 11,892,000 Irredeemable Convertible Unsecured Loan Stock ("ICULS"). Further details are disclosed in Note 24 to the financial statements.

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 of the financial year in shares in the Company during the financial year were as follows:

	Ordinary Shares of RM1 Each			
	At 1 January 2007	**Bought**	**Sold**	**At 31 December 2007**
Direct interest				
Koh Poh Seng	58,195,025	1,873,300	1,078,600	58,989,725

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.

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.

Other Statutory Information (cont'd.)

(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

   (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 32 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 29 April 2008

Koh Poh Seng

Lau Fook Meng

STATEMENT BY DIRECTORS ▸▸

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 35 to 97 are drawn up in accordance with applicable Financial Reporting Standards in Malaysia 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 2007 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 29 April 2008

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 35 to 97 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 29 April 2008

Lau Fook Meng

Before me,

PESURUHJAYA SUMPAH
No. W 315
Nama SOH AH KAU
MALAYSIA

SOH AH KAU, AMN
PESURUHJAYA SUMPAH
26, Jalan Berami
50200 Kuala.Lumpur W P
Tel: 03-2141 2878

Report Of The Auditors To The Members Of KPS Consortium Berhad (Incorporated In Malaysia) (cont'd.)

We have audited the financial statements set out on pages 35 to 97. 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 Financial Reporting Standards in Malaysia 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 2007 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 have been properly kept in accordance with the provisions of the Act.

REPORT OF THE AUDITORS (cont'd.) ▸▸

Report Of The Auditors To The Members Of KPS Consortium Berhad (cont'd.)
(Incorporated In Malaysia)

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. 2477/10/09(J)
Partner

Kuala Lumpur, Malaysia
30 April 2008

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Continuing Operations					
Revenue	3	329,087,166	243,190,938	-	-
Cost of sales		(306,153,526)	(221,495,300)	-	-
Gross profit		22,933,640	21,695,638	-	-
Other income		2,216,744	1,735,807	-	-
Distribution costs		(6,137,246)	(5,564,332)	-	-
Administrative expenses		(6,521,816)	(6,579,296)	(151,189)	(162,555)
Other expenses		(1,777,868)	(3,362,812)	(3,700)	(2,730,501)
Operating profit/(loss)	4	10,713,454	7,925,005	(154,889)	(2,893,056)
Finance costs	7	(2,899,845)	(2,701,615)	-	-
Profit/(loss) before taxation		7,813,609	5,223,390	(154,889)	(2,893,056)
Income tax expense	8	(1,266,685)	(1,807,140)	-	-
Profit/(loss) from continuing operations		6,546,924	3,416,250	(154,889)	(2,893,056)
Discontinued Operation					
Loss for the year from discontinued operation	9	(2,233,932)	695,464	-	-
Profit/(loss) for the year		4,312,992	4,111,714	(154,889)	(2,893,056)
Attributable to:					
Equity holders of the Company		4,308,060	4,120,016	(154,889)	(2,893,056)
Minority interests		4,932	(8,302)	-	-
		4,312,992	4,111,714	(154,889)	(2,893,056)

	Note	Group 2007 Sen	Group 2006 Sen
Earnings/(loss) per share attributable to equity holders of the Company:			
- Basic, for profit from continuing operations	10	4.61	2.44
- Basic, for loss from discontinuing operation	10	(1.58)	0.50
- Basic, for profit for the year	10	3.03	2.94

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

BALANCE SHEETS ▸▸
AS AT 31 DECEMBER 2007

	Note	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
ASSETS					
Non-current assests					
Property, plant and equipment	11	36,571,770	35,742,086	-	-
Prepaid land lease payments	12	2,485,872	2,349,731	-	-
Investment properties	13	4,087,138	4,224,068	-	-
Investment in subsidiary companies	14	-	-	117,204,492	117,204,492
Other investment	15	1,804	12,024	-	-
Goodwill	16	43,151,039	43,151,039	-	-
Deferred tax asset	17	26,989	126,782	-	-
		86,324,612	85,605,730	117,204,492	117,204,492
Current assets					
Inventories	18	28,726,915	33,743,018	-	-
Trade receivables	19	74,680,094	67,932,879	-	-
Other receivables	20	2,584,631	2,582,520	-	-
Amounts due from subsidiary companies	21	-	-	14,786,786	15,453,959
Tax recoverable		204,266	106,904	-	-
Deposits with licensed banks	22	13,894,772	13,670,611	-	-
Cash and bank balances		6,901,414	4,161,544	24,691	52,830
		126,992,092	122,197,476	14,811,477	15,506,789
TOTAL ASSETS		213,316,704	207,803,206	132,015,969	132,711,281

	Note	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
EQUITY AND LIABILITES					
Equity attributable to equity holders of the Company					
Share capital	23	147,827,158	140,252,636	147,827,158	140,252,636
Irredeemable Convertible Unsecured Loan Stock ("ICULS")	24	-	11,892,000	-	11,892,000
Share premium		5,400,842	1,083,364	5,400,842	1,083,364
Accumulated losses		(15,779,213)	(19,662,093)	(31,890,233)	(31,310,164)
		137,448,787	133,565,907	121,337,767	121,917,836
Minority interests		47,969	43,037	-	-
Total equity		137,496,756	133,608,944	121,337,767	121,917,836
Non-current liabilities					
Borrowings	25	1,096,791	228,364	-	-
Deferred taxation	17	57,407	46,349	-	-
		1,154,198	274,713	-	-
Current liabilities					
Trade payables	27	13,536,814	12,066,896	-	-
Other payables	28	2,514,135	1,861,572	77,431	198,554
Amounts due to subsidiary companies	29	-	-	10,600,771	10,594,891
Borrowings	25	58,483,835	59,981,919	-	-
Tax payable		130,966	9,162	-	-
		74,665,750	73,919,549	10,678,202	10,793,445
Total liabilities		75,819,948	74,194,262	10,678,202	10,793,445
TOTAL EQUITY AND LIABILITIES		213,316,704	207,803,206	132,015,969	132,711,281

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

STATEMENTS OF CHANGES IN EQUITY ▸▸
FOR THE YEAR ENDED 31 DECEMBER 2007

	← 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 2006	140,252,636	11,892,000	1,083,364	115,176	(23,335,321)	130,007,855	51,339	130,059,194
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
Distribution to holders of ICULS	-	-	-	-	(561,964)	(561,964)	-	(561,964)
At 31 December 2006	140,252,636	11,892,000	1,083,364	-	(19,662,093)	133,565,907	43,037	133,608,944

	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 2007	140,252,636	11,892,000	1,083,364	-	(19,662,093)	133,565,907	43,037	133,608,944
Profit for the year, representing total income and expense recognised during the year	-	-	-	-	4,308,060	4,308,060	4,932	4,312,992
Distribution to holders of ICULS	-	-	-	-	(425,180)	(425,180)	-	(425,180)
Effect of conversion of ICULS to ordinary shares	7,574,522	(11,892,000)	4,317,478	-	-	-	-	-
At 31 December 2007	147,827,158	-	5,400,842	-	(15,779,213)	137,448,787	47,969	137,496,756

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

STATEMENTS OF CHANGES IN EQUITY ▸▸
FOR THE YEAR ENDED 31 DECEMBER 2007 (cont'd.)

	Non-Distributable				
	Share capital RM	ICULS RM	Share premium RM	Accumulated losses RM	Total RM
Company					
At 1 January 2006	140,252,636	11,892.000	1,083,364	(27,855,144)	125,372,856
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
At 1 January 2007	140,252,636	11,892,000	1,083,364	(31,310,164)	121,917,836
Loss for the year representing total recognised income and expense for the year	-	-	-	(154,889)	(154,889)
Distribution to holders of ICULS	-	-	-	(425,180)	(425,180)
Effect of conversion of ICULS to ordinary shares	7,574,522	(11,892,000)	4,317,478	-	-
At 31 December 2007	147,827,158	-	5,400,842	(31,890,233)	121,337,767

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

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before taxation				
Continuing operations	7,813,609	5,223,390	(154,889)	(2,893,056)
Discontinued operations	(2,233,932)	795,464	-	-
Adjustments for:				
Depreciation of property, plant and equipment	2,139,758	2,501,532	-	-
Depreciation of investment properties	90,401	84,859	-	-
Amortisation of prepaid land lease payment	72,228	61,640	-	-
Bad debts written off	400,076	172,380	-	-
Property, plant and equipment written off	87,874	195,938	-	-
Loss on disposal of property, plant and equipment	635,961	835	-	-
Loss on disposal of investment properties	-	713	-	-
Interest expenses	2,278,375	2,192,302	-	-
Inventories written down	13,680	-	-	-
Inventories written off	4,763	492,020	-	-
Impairment loss on				
- investment properties	-	838,014	-	-
- investment in subsidiaries	-	-	-	1,838,361
- other investment	10,220	-	-	-
Allowance for doubtful debts				
- current year	1,394,618	2,349,037	3,701	892,140
- no longer required	(66,903)	(43,246)	-	-
Allowance for slow moving inventories no longer required	(29,361)	(37,965)	-	-

CASH FLOW STATEMENTS ▸▸
FOR THE YEAR ENDED 31 DECEMBER 2007 (cont'd.)

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D.)				
Gain on disposal of property, plant and equipment	(317,246)	(39,205)	-	-
Gain on disposal of investment properties	(1,061)	-	-	-
Interest income	(476,786)	(436,165)	-	-
Operating profit/(loss) before working capital changes	11,816,274	14,351,543	(151,188)	(162,555)
Changes in working capital:				
Inventories	5,027,021	(6,355,724)	-	-
Receivables	(8,477,117)	(1,610,427)	-	-
Payables	2,122,481	(2,031,963)	(121,123)	(15,125)
Subsidiary companies	-	-	669,352	7,460,717
Cash generated from operations	10,488,659	4,353,429	397,041	7,283,037
Interest paid	(2,278,375)	(2,165,479)	(425,180)	(561,964)
Interest received	476,786	436,165	-	-
Taxes paid	(1,131,392)	(2,383,746)	-	-
Net cash generated from/(used in) operating activities	7,555,678	240,369	(28,139)	6,721,073

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 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)	(4,287,585)	(930,884)	-	-
Purchase of investment property	-	(751,000)	-	-
Proceeds from disposal of property, plant and equipment	1,053,185	138,879	-	-
Proceeds from disposal of investment properties	47,590	135,001	-	-
Net cash used in investing activities	(3,186,810)	(1,408,004)	-	(6,700,000)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of term loan	(326,484)	(1,483,712)	-	-
Repayment of finance creditors	(85,111)	(94,005)	-	-
(Repayment)/drawdown of bankers acceptances and trust receipts	(567,240)	2,133,908	-	-
Distribution to ICULS holders	(425,180)	(561,964)	-	-
Net cash used in financing activities	(1,404,015)	(5,773)	-	-

CASH FLOW STATEMENTS ▸▸
FOR THE YEAR ENDED 31 DECEMBER 2007 (cont'd.)

	Group		Company	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,964,853	(1,173,408)	(28,139)	21,073
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	17,831,333	19,004,741	52,830	31,757
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE B)	20,796,186	17,831,333	24,691	52,830

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 RM4,637,585 (2006: RM1,016,384) of which RM350,000 (2006: RM85,500) was acquired by means of hire purchase. Cash payments of RM4,287,585 (2006: RM930,884) 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	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
Cash and bank balances	6,901,414	4,161,544	24,691	52,830
Deposits with licensed banks	13,894,772	13,670,611	-	-
Bank overdrafts	-	(822)	-	-
	20,796,186	17,831,333	24,691	52,830

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

1. Corporation Information

The principal activity of the Company is investment holding. The principal activities of the subsidiary companies are disclosed in Note 14.

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 29 April 2008.

2. Significant Accounting Policies

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia. 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 2007 as described fully in Note 2.3 to the financial statements.

The cost statements of the Group and of the Company have also been prepared on the 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.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(a) Subsidiaries and Basis of Consolidation (cont'd.)

(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.

2. Significant Accounting Policies (cont'd.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(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 Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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 (m).

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.

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.

2. Significant Accounting Policies (cont'd.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(d) Prepaid Land Lease Payments

Prepaid lease payments on leasehold land are stated at cost less accumulated amortisation and impairment losses. The prepaid land lease payments is amortised on a straight-line basis over the term of the land lease, which range from 58 to 99 years.

Upon the disposal of an item of prepaid land lease, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

When an indication of impairment exists, the carrying amount of the prepaid land lease is written down immediately to its recoverable value.

(e) 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.

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 (m) 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.

(f) 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.

2. Significant Accounting Policies (cont'd.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(g) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group 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.

(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.

2. Significant Accounting Policies (cont'd.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(h) 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.

(i) 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.

(j) 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.

2. Significant Accounting Policies (cont'd.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(j) Employee Benefits (cont'd.)

(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 makes such contributions to the Employees Provident Fund ("EPF").

(k) 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) Divided 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.

(l) 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.

2. Significant Accounting Policies (cont'd.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(l) Foreign Currencies (cont'd.)

(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.

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

	2007 RM	2006 RM
United States Dollar	3.31	3.53
Singapore Dollar	2.30	2.30

(m) 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 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.

2. Significant Accounting Policies (cont'd.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(m) Impairment of Non Financial Assets (cont'd.)

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

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.

(n) 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.

(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.

2. Significant Accounting Policies (cont'd.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(n) Financial Instruments (cont'd.)

(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.

(o) 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 (cont'd.)

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

On 1 January 2007, the Group and the Company adopted the following new and revised FRSs:

FRS 119 Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures
FRS 124 Related Party Disclosures

FRS 6 Exploration for and Evaluation of Mineral Resources which was effective on 1 January 2007 is not applicable to the Group.

The Group and the Company has not early adopted the following new and revised FRSs and IC Interpretations ("Int."):

Effective for financial periods beginning on or after 1 July 2007

IC Int. 1 Changes in Existing Decommissioning, Restoration & Similar Liabilities
IC Int. 2 Member's Shares in Co-operative Entities & Similar Instruments
IC Int. 5 Rights to Interests arising from Decommissioning, Restoration & Environmental Rehabilitation Funds
IC Int. 6 Liabilities arising from Participating in a Specific Market - Waste Electrical & Electronic Equipment
IC Int. 7 Applying the Restatement Approach under IAS
IC Int. 8 Scope of FRS 2

FRS 107 Cash Flow Statements
FRS 111 Construction Contracts
FRS 112 Income Taxes
FRS 118 Revenue
FRS 120 Accounting for Government Grants and Disclosure of Government Assistance
FRS 121 The Effect of Changes in Foreign Exchange Rates
FRS 134 Interim Financial Reporting
FRS 137 Provisions, Contingent Liabilities and Contingent Assets

Effective date deferred indefinitely

FRS 139 Financial Instruments : Recognition and Measurement

The adoption of the above FRSs and IC Ints. are not expected to have any significant effect on the financial statements of the Group and the Company for the financial year ended 31 December 2007. The effects of the adoption of FRS 139, if any, has been exempted from disclosure. The adoption of FRS 119 and FRS 124 does not result in significant changes in accounting policies of the Group.

2. Significant Accounting Policies (cont'd.)

2.4 Changes in Estimates

There were no changes in estimates that have a material effect on the result of the current year.

2.5 Significant Accounting Estimates and Judgements

(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 RM26,283,551 (2006: RM28,584,365) and the unrecognised tax losses and capital allowances of the Group was RM27,554,656 (2006: RM34,809,565).

(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 16.

(iii) 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.

2. Significant Accounting Policies (cont'd.)

2.6 Comparatives

The following comparatives have been reclassified to conform with the current year presentation.

	As previously reported RM	Effects of discontinued operation RM	Reclassification of finance costs RM	As restated RM
Revenue	245,953,959	(2,763,021)		243,190,938
Cost of sales	(224,359,026)	2,863,726		(221,495,300)
Gross profit	21,594,933	100,705		21,695,638
Other operating income	4,235,807	(2,500,000)		1,735,807
Distribution costs	(5,712,377)	148,045		(5,564,332)
Administrative expenses	(7,979,345)	890,736	509,313	(6,579,296)
Other operating expenses	(3,927,862)	565,050		(3,362,812)
Operating profit/loss	8,211,156	(795,464)		7,415,692
Finance costs	(2,192,302)	-	(509,313)	(2,701,615)
Profit before taxation	6,018,854	(795,464)		5,223,390
Income tax expense	(1,907,140)	100,000		(1,807,140)
Profit/loss for the year	4,111,714	(695,464)		3,416,250

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	
	2007 RM	2006 RM	2007 RM	2006 RM
The following amounts have been included in arriving at operating profit/(loss):				
Auditors' remuneration				
- statutory audits	193,000	153,000	26,000	22,000
- Underprovision in prior years	8,500	20,058	-	7,000
- others	7,000	9,300	7,000	8,980
Allowance for doubtful debts	1,394,618	2,349,037	3,701	892,140
Bad debts written off	400,076	172,380	-	-
Depreciation of property, plant and equipment	2,125,297	2,454,549	-	-
Depreciation of investment properties	90,401	84,859	-	-
Amortisation of prepaid land lease payment	72,228	61,640	-	-
Impairment loss on:				
- investment properties	-	838,014	-	-
- other investments	10,220	-	-	-
Inventories written down	13,680	-	-	-
Inventories written off	4,763	492,020	-	-
Loss on disposal of property, plant and equipment	3,171	835	-	-
Loss on disposal of investment properties	-	713	-	-
Realised loss on foreign exchange	-	379	-	-
Property, plant and equipment written off	1	195,938	-	-
Provision for impairment losses on investment in subsidiaries	-	-	-	1,838,361

4. Operating Profit/(Loss) (cont'd.)

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
The following amounts have been included in arriving at operating profit/(loss):				
Rental expenses				
- equipment	92,403	52,300	-	-
- warehouse	258,969	153,600	-	-
Staff costs (Note 5)	5,769,438	6,569,900	-	-
And crediting as follows:				
Allowance for doubtful debts no longer required	(66,903)	(43,246)	-	-
Allowance for slow moving inventories no longer required	(29,361)	(37,965)	-	-
Bad debts recovered	(452,259)	(282,097)	-	-
Gain on disposal of property, plant and equipment	(317,246)	(39,205)	-	-
Gain on disposal of property, investment properties	(1,061)	-	-	-
Interest income				
- fixed deposits	(394,079)	(396,987)	-	-
- others	(82,707)	(39,178)	-	-
Proceeds received on insurance claims on inventories and property, plant and equipment destroyed by fire	-	(2,500,000)	-	-
Realised foreign exchange gain	(85,211)	-	-	-
Rental income	(843,312)	(952,799)	-	-

5. Staff Costs

	Group		Company	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
Wages and salaries	4,826,519	5,577,232	-	-
Defined contribution plans	527,833	657,677	-	-
Other staff related expenses	415,086	334,991	-	-
	5,769,438	6,569,900	-	-

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM417,184 (2006: RM420,685) and RM Nil (2006: RM Nil) respectively as further disclosed in Note 6.

6. Directors' Remuneration

	Group		Company	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
Directors of the Company Executive:				
Salaries and other emoluments	82,817	277,200	-	-
Fees	60,000	6,000	-	-
Defined contribution plans	7,733	13,587	-	-
	150,550	296,787	-	-
Directors of Subsidiaries Executive:				
Salaries and other emoluments	196,393	71,950	-	-
Fees	46,600	49,400	-	-
Pension costs - Defined contribution plan	23,641	2,548	-	-
	266,634	123,898	-	-
Total	417,184	420,685	-	-

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	
	2007	**2006**
Executive:		
RM50,001 - RM100,000	2	1
RM250,000 - RM300,000	-	1

7. Finance Costs

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Interest expense on:				
- bank overdraft	-	3,250	-	-
- term loans	111,775	257,026	-	-
- hire purchase	15,569	12,744	-	-
- bankers acceptance and trust receipts	2,151,031	1,919,282	-	-
	2,278,375	2,192,302	-	-
Others	621,470	509,313	-	-
	2,899,845	2,701,615	-	-

8. Taxation

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Continuing Operations				
Income tax:				
Current year provision	1,176,560	1,501,688	-	-
(Over)/Underprovision in prior years	(20,726)	502,711	-	-
	1,155,834	2,004,399	-	-
Deferred taxation (Note 17):				
Relating to origination and reversal of temporary differences	113,663	(221,629)	-	-
Relating to reduction in Malaysian income tax rate	(2,681)	(5,454)	-	-
Overprovision in prior years	(131)	29,824	-	-
	110,851	(197,259)	-	-
Income tax expense from continuing operations	1,266,685	1,807,140	-	-
Discontinued Operations				
Income tax:				
Underprovision in prior years	-	100,000	-	-
Total income tax expense	1,266,685	1,907,140	-	-

8. Taxation (cont'd.)

Domestic income tax is calculated at the Malaysian statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 26% from the current year's rate of 27%, effective year of assessment 2008 and to 25% effective year of assessment 2009. The computation of deferred tax as at 31 December 2007 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 2007 and 2006 are as follows:

Chargeable Income	**2007 Rate**	**2006 Rate**
First RM500,000	20%	20%
Amount exceeding RM500,000	27%	28%

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:

	2007 RM	**2006 RM**
Group		
Profit before taxation		
- Continuing operations	7,813,609	5,223,390
- Discontinuing operation	(2,233,932)	795,464
	5,579,677	6,018,854
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	1,506,513	1,685,279
Tax effect in respect of:		
Tax incentives of 20% for small-medium enterprise	(67,021)	(61,042)
Effect on opening deferred tax of reduction in Malaysia income tax rate	2,975	(5,454)
Effect on deferred tax recognised at different rates	-	1,104
Expenses not deductible for tax purposes	233,867	581,799
Effect of double deduction on marine insurance	-	(13,494)
Tax losses not allowed for future utilisation	77,852	77,327
Income not subject to tax	(313,846)	(706,440)
Deferred tax assets not recognised on unutilised tax losses and capital allowances	-	484,351
Utilisation of previously unrecognised tax losses and capital allowances	(152,798)	(768,825)
Underprovision of income tax in prior years	(20,726)	602,711
Overprovision of deferred taxation in prior year	(131)	29,824
Tax expense for the year	1,266,685	1,907,140

8. Taxation (cont'd.)

	2007 RM	2006 RM
Company		
Loss before taxation	(154,889)	(2,893,056)
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	(41,820)	(810,056)
Tax effect in respect of:		
Expenses not deductible for tax purposes	41,820	810,056
Tax expense for the year	-	-

In the past, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system") with effect from 1 January 2008. However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under a system known as Limited (Transitional) Imputation System and will automatically move to the single tier system when the Section 108 balance has been fully exhausted or on 1 January 2014 even though Section 108 balance has not been exhausted by 31 December 2013. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

As at 31 December 2007, the Section 108 balance of the Company is nil. The Company may distribute dividends out of its entire retained earnings under the single tier system.

Other subsidiaries did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the subsidiaries will utilise the credit in the Section 108 account as at 31 December 2007 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act 2007.

9. Discontinued Operation

During the financial year, the Group decided to discontinue its operations in the timber related products segment. This discontinuance is consistent with the Group's long-term strategy to discontinue loss making operation, which has been under performing over the last 4 years, in its effort to maximise growth and profitability by focusing on trading of plywood related businesses.

An analysis of the result of discontinued operation is as follows:

	Group	
	2007 RM	**2006 RM**
Revenue	3,191,720	2,763,021
Other income	7,000	2,500,000
Expenses	(5,432,652)	(4,467,557)
Loss before tax of discontinued operations	(2,233,932)	795,464
Income tax expense	-	(100,000)
Loss for the year from discontinued operations	(2,233,932)	695,464

The following amounts have been included in arriving at loss before tax of discontinued operation:

	2007 RM	2006 RM
Allowance for doubtful debts	-	416,038
Depreciation	14,461	46,983
Interest expense on:		
- Bank overdraft	-	93
- Bankers' acceptances	-	63,790
Loss on disposal of property, plant and equipment	632,790	-
Property, plant and equipment written off	87,873	149,012
Rental of premises	-	87,600
Staff costs:		
- Salaries and wages	67,225	350,932
- Defined contribution plan	5,445	31,132
- Other staff related costs	969	5,283
Proceeds received on insurance claims on inventories and property, plant and equipment destroyed by fire	-	(2,500,000)

The cash flows attributable to the discontinued operation are as follows:

	2007 RM	2006 RM
Operating cash flows	(1,498,808)	(1,128,620)
Investing cash flows	973,150	2,500,000
Financing cash flows	-	(63,883)
Total cash flows	(525,658)	1,307,497

9. Discontinued Operation (cont'd.)

Effect of Discontinued Operations on the Financial Statements

The discontinued operations in respect of the timber related products segment has no impact on the consolidated balance sheets of the Group as at 31 December 2007 and 31 December 2006. The effects on the consolidated income statement of the Group for the financial year ended 31 December 2007 and 31 December 2006 is as disclosed above. The discontinued operation had resulted in the following effects to the consolidated income statement presented for the financial year ended 31 December 2006:

	As previously reported RM	Effects of discontinued operation RM	As represented RM
Revenue	245,953,959	(2,763,021)	243,190,938
Cost of sales	(224,359,026)	2,863,726	(221,495,300)
Gross profit	21,594,933	100,705	21,695,638
Other income	4,235,807	(2,500,000)	1,735,807
Distribution costs	(5,712,377)	148,045	(5,564,332)
Administrative expenses	(7,979,345)	890,736	(7,088,609)
Other expenses	(3,927,862)	565,050	(3,362,812)
Operating profit/(loss)	8,211,156	(795,464)	7,415,692
Finance costs	(2,192,302)	-	(2,192,302)
Profit/(loss) before taxation	6,018,854	(795,464)	5,223,390
Income tax expense	(1,907,140)	100,000	(1,807,140)
Profit/(loss) from continuing operations	4,111,714	(695,464)	3,416,250
Discontinued Operation			
Loss for the year from discontinued operation	-	695,464	695,464

10. Earnings Per Share

(a) Basic

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year held by the Company.

	2007 RM	2006 RM
Profit from continuing operations attributable to ordinary equity holders of the Company	6,541,992	3,416,250
Loss from discontinued operation attributable to ordinary equity holders of the Company	(2,233,932)	695,464
Profit attributable to ordinary equity holders of the Company	4,308,060	4,111,714

	2007 No. of Shares	2006 No. of Shares
Weighted average number of ordinary shares in issue	141,829,797	140,252,636

	2007 Sen	2006 Sen
Basic earnings per share for:		
Profit from continuing operations	4.61	2.44
Loss from discontinuing operation	(1.58)	0.50
Profit for the year	3.03	2.93

(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.

The Company do not have any potential ordinary shares as at 31 December 2007 and hence, no disclosure is made for diluted earnings per share.

In the previous financial year, potential ordinary shares arose from the irredeemable convertible unsecured loan stocks ("ICULS"). The effects on the earnings per share however is anti-dilutive.

11. Property, Plant and Equipment

	Land and buildings RM	Plant and machineries RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Total RM
Group					
Cost or valuation					
At 1 January 2006					
- cost	20,864,681	24,128,432	3,840,637	2,790,886	51,624,636
- valuation	12,218,235	-	-	-	12,218,235
	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
At 1 January 2007					
- cost	21,026,430	22,515,874	3,909,485	3,037,164	50,488,953
- valuation	12,218,235	-	-	-	12,218,235
	33,244,665	22,515,874	3,909,485	3,037,164	62,707,188
Reclassification	-				-
Additions	358,196	37,495	644,963	3,596,931	4,637,585
Disposal	-	(3,071,838)	(656,620)	(48,191)	(3,776,649)
Written off	-	(87,873)	(69,044)	(7,000)	(163,917)
At 31 December 2007	33,602,861	19,393,658	3,828,784	6,578,904	63,404,207
Representing:					
- cost	21,384,626	19,393,658	3,828,784	6,578,904	51,185,972
- valuation	12,218,235	-	-	-	12,218,235
	33,602,861	19,393,658	3,828,784	6,578,904	63,404,207
Accumulated depreciation and impairment					
At 1 January 2006	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
Charge for the year	648,538	1,083,133	230,531	177,556	2,139,758
Disposals	-	(1,740,949)	(650,002)	(13,798)	(2,404,749)
Written off	-	-	(69,044)	(6,999)	(76,043)
Reclassification	208,369	-	-	-	208,369
At 31 December 2007	7,473,176	14,217,307	2,774,589	2,367,365	26,832,437

11. Property, Plant and Equipment (cont'd.)

	Land and buildings RM	Plant and machineries RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Total RM
Group					
Net Book Value					
At 31 December 2007	26,129,685	5,176,351	1,054,195	4,211,539	36,571,770
At 31 December 2006	26,628,396	7,640,751	646,381	826,558	35,742,086

11. Property, Plant and Equipment (cont'd.)

Analysis of Land and Buildings:

	Freehold Land RM	Buildings RM	Total RM
Group			
Cost of valuation			
At 1 January 2006			
- cost	4,169,287	16,695,394	20,864,681
- valuation	2,328,709	9,889,526	12,218,235
	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
At 1 January 2007			
- cost	4,169,287	16,857,143	21,026,430
- valuation	2,328,709	9,889,526	12,218,235
	6,497,996	26,746,669	33,244,665
Reclassification	(435,166)	435,166	-
Additions	-	358,196	358,196
At 31 December 2007	6,062,830	27,540,031	33,602,861
Accumulated depreciation and impairment losses			
At 1 January 2006	-	5,927,310	5,927,310
Charge for the year	-	688,959	688,959
At 31 December 2006	-	6,616,269	6,616,269
Charge for the year	-	648,538	648,538
Reclassification	-	208,369	208,369
At 31 December 2007	-	7,473,176	7,473,176
Net Book Value			
At 31 December 2007	6,062,830	20,066,855	26,129,685
At 31 December 2006	6,497,996	20,130,400	26,628,396

11. Property, Plant and Equipment (cont'd.)

(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	
	2007 RM	**2006 RM**
At cost	11,868,075	11,868,075
Less: accumulated depreciation	(3,003,899)	(2,808,554)
Net book value	8,864,176	9,059,521

(b) Land and buildings of the Group with net book value of RM14,953,000 (2006: RM14,953,000) 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) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM4,637,585 (2006: RM1,016,384) of which RM350,000 (2006: RM85,500) was acquired by means of hire purchase and finance lease arrangements. The net book value of property, plant and equipment which are under hire purchase or finance lease arrangement is as follows:

	Group	
	2007 RM	**2006 RM**
Motor vehicles	654,826	180,038

12. Prepaid Land Lease Payments

		Group	
	Long term leasehold land RM	**Short term leasehold land RM**	**Total RM**
Cost or Valuation			
At 1 January 2006/ 31December 2006/ 31 December 2007			
- 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

12. Prepaid Land Lease Payments (cont'd.)

	Group		
	Long term leasehold land RM	Short term leasehold land RM	Total RM
Accumulated amortisation			
At 1 January 2006	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
Amortisation for the year	25,286	46,942	72,228
Reclassification	-	(208,369)	(208,369)
At 31 December 2007	361,999	708,197	1,070,196
Net Carrying Value			
At 31 December 2007	1,194,877	1,290,995	2,485,872
At 31 December 2006	1,220,163	1,129,568	2,349,731

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

13. Investment Properties

	Group		
	Freehold land RM	Building RM	Total RM
Cost			
At 1 January 2006	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
Disposals	-	(73,970)	(73,970)
At 31 December 2007	231,388	4,953,628	5,185,016

13. Investment Properties (cont'd.)

	Group		
	Freehold land RM	Building RM	Total RM
Accumulated depreciation and impairment losses			
At 1 January 2006	-	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
At 1 January 2007			
- Accumulated depreciation	-	196,904	196,904
- Accumulated impairment loss	-	838,014	838,014
	-	1,034,918	1,034,918
Depreciation for the year	-	90,401	90,401
Disposal	-	(27,441)	(27,441)
At 31 December 2007	-	1,097,878	1,097,878
Analysed as:			
Accumulated depreciation	-	259,864	259,864
Accumulated impairment loss	-	838,014	838,014
	-	1,097,878	1,097,878
Net Carrying Amount			
At 31 December 2007	231,388	3,855,750	4,087,138
At 31 December 2006	231,388	3,992,680	4,224,068
Fair value at 31 December 2007	231,388	3,855,750	4,087,138

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

14. Investment in Subsidiary Companies

	Company 2007 RM	Company 2006 RM
At cost	135,819,468	135,819,468
Less: Provision for impairment losses	(18,614,976)	(18,614,976)
	117,204,492	117,204,492

The details of the subsidiary companies are as follows:

Name of Company	Place of incorporation	Group effective interest 2007 %	Group effective interest 2006 %	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.	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

14. Investment in Subsidiary Companies (cont'd.)

Name of Company	Place of incorporation	Group effective interest 2007 %	Group effective interest 2006 %	Principal activities
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
KPS Food Industries Sdn. Bhd.	Malaysia	100	100	Dormant
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

14. Investment in Subsidiary Companies (cont'd.)

Name of Company	Place of incorporation	Group effective interest 2007 %	Group effective interest 2006 %	Principal activities
Subsidiary companies of KPS Plywood Sdn. Bhd.:				
Akateak Sdn. Bhd.	Malaysia	100	100	Distributor and retailer of wooden doors, plywood and related building materials
I'Kranji Industries Sdn Bhd (formerly known as Yap Swee Thiam & Sons Industries Sdn. Bhd.)	Malaysia	100	100	Trading in plywood and related products and 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

15. Other Investments

	Group 2007 RM	Group 2006 RM
At cost:		
Quoted investment in Malaysia	6,012	6,012
Unquoted investment in Malaysia	6,012	6,012
	12,024	12,024
Accumulated impairment losses	(10,220)	-
	1,804	12,024
Market value:		
Quoted investment in Malaysia	1,623	902

16. Goodwill

	Group	
	2007 RM	**2006 RM**
Goodwill at acquisition		
At 1 January/31 December	43,151,039	43,151,039

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.

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) Budget 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 5%.

(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 4% 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 10% 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.

16. Goodwill (cont'd.)

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the CGU relating to 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 estimated CGU relating to recoverable amount for the unit exceeds its carrying amount by RM2.3 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 5%, 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% p.a.. A negative growth of 5.9% p.a. would give a value-in-use equal to the carrying value of the CGU.

17. Deferred Taxation

	Group	
	2007 RM	2006 RM
At 1 January	(80,433)	116,826
Recognised in income statement (Note 8)	110,851	(197,259)
At 31 December	30,418	(80,433)
Presented after appropriate offsetting as follows:	(26,989)	(126,782)
Deferred tax assets	57,407	46,349
Deferred tax liabilities	30,418	(80,433)

17. Deferred Taxation (cont'd.)

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 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 2006/1 January 2007	127,381	15,390	236,000	378,771
Recognised in income statement	(4,631)	(12,944)	145,909	128,334
At 31 December 2007	122,750	2,446	381,909	507,105

Deferred tax liabilities

	Accelerated capital allowance RM	Total RM
At 1 January 2006	2,608,008	2,608,008
Recognised in income statement	(2,309,670)	(2,309,670)
At 31 December 2006/ 1 January 2007	298,338	298,338
Recognised in income statement	17,483	17,483
At 31 December 2007	315,821	315,821

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

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Unabsorbed business losses	27,554,656	25,666,359	-	-
Unutilised capital allowances	6,976,732	7,878,702	-	-
Allowance for doubtful debts and inventory obsolescence	3,433,035	3,226,024	3,701	-
	37,964,423	36,771,085	3,701	-

18. Inventories

	Group 2007 RM	Group 2006 RM
At cost:		
Raw materials	508,928	6,752,419
Consumables	866,831	106,297
Work-in-progress	54,340	181,911
Finished goods	27,296,816	20,616,277
	28,726,915	27,656,904
At net realisable value:		
Finished goods	-	6,086,114
	28,726,915	33,743,018

The cost of inventories recognised as an expense during the financial year is RM304,851,224 (2006: RM209,463,518).

19. Trade Receivables

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Trade receivables	78,150,198	76,409,884	-	-
Less: Specific allowance for doubtful debts	(3,470,104)	(8,477,005)	-	-
	74,680,094	67,932,879	-	-

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 except for the following debtor.

	Group 2007 RM	Group 2006 RM
I'Kranji Wood Products Sdn Bhd	13,574,174	10,700,507

20. Other Receivables

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Non-trade receivables	2,268,271	875,554	-	-
Less: Allowance for doubtful debts	(733,889)	(20,160)	-	-
	1,534,382	855,394	-	-
Deposits	668,709	685,482	-	-
Prepayments	381,540	1,001,304	-	-
Others	-	40,340	-	-
	2,584,631	2,582,520	-	-

Included in non-trade receivables of the Group are amounts of RM Nil (2006: RM280,000) and RM35,000 (2006: 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.

21. Amount Due From Subsidiary Companies

	Company	
	2007 RM	2006 RM
Amount due from subsidiary companies	39,186,933	39,850,405
Less: Allowance for doubtful debts	(24,400,147)	(24,396,446)
	14,786,786	15,453,959

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

22. Deposits With Licensed Banks

	Group	
	2007 RM	2006 RM
Pledged to licensed banks for banking facilities	13,894,772	13,670,611

23. Share Capital

	Number of Ordinary Shares of RM1 Each		Amount	
	2007	2006	2007 RM	2006 RM
Authorised:				
At 1 January / 31 December 2007	200,000,000	200,000,000	200,000,000	200,000,000
Issued and fully paid:				
At 1 January	140,252,636	140,252,636	140,252,636	140,252,636
Issue of shares from conversion of ICULS	7,574,522	-	7,574,522	-
At 31 December	147,827,158	140,252,636	147,827,158	140,252,636

During the financial year, all the remaining ICULS was converted into ordinary shares in accordance with the terms of the Trust Deed at the conversion price of RM1.57 for each ordinary share.

24. Irredeemable Convertible Unsecured Loan Stocks

	Group and Company	
	2007 RM	2006 RM
Equity instrument		
Irredeemable Convertible Unsecured Loan Stocks ("ICULS")		
At 1 January	11,892,000	11,892,000
Conversion to ordinary shares	(11,892,000)	-
At 31 December	-	11,892,000

(a) The terms of the conversion and redemption of the ICULS 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.

24. Irredeemable Convertible Unsecured Loan Stocks (cont'd.)

(ii) Conversion Rights

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

(iii) Conversion Period

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

(v) Interest

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

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

25. Borrowings

	Group 2007 RM	Group 2006 RM
Short Term Borrowings		
Secured:		
Bankers' acceptances and trust receipts	51,684,107	53,178,347
Term loans	800,340	1,812,000
Finance creditors (Note 26)	149,388	67,750
	52,633,835	55,058,097
Unsecured:		
Bank overdraft	-	822
Bankers' acceptances and trust receipts	5,850,000	4,923,000
	5,850,000	4,923,822
	58,483,835	59,981,919
Long Term Borrowings		
Secured:		
Finance creditors (Note 26)	207,011	23,760
Term loans	889,780	204,604
	1,096,791	228,364
Total Borrowings		
Bank overdrafts	-	822
Bankers' acceptances and trust receipts	57,534,107	58,101,347
Finance creditors (Note 26)	356,399	91,510
Term loans	1,690,120	2,016,604
	59,580,626	60,210,283
Maturity of borrowings (excluding finance creditors):		
Within one year	58,334,447	59,914,169
More than 1 year and less than 2 years	889,780	204,604
	59,224,227	60,118,773

25. Borrowings (cont'd.)

(a) The secured term loans are obtained by way of:

(i) A lien holder caveat on the long leasehold land and buildings of a subsidiary company as disclosed in Note 11 to the financial statements;

(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.

(b) 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.

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

26. Finance Creditors

	Group 2007 RM	Group 2006 RM
Minimum lease payments:		
- within 1 year	167,844	72,643
- more than 1 year but not later than 2 years	167,844	9,816
- more than 2 years but not later than 5 years	65,580	20,404
	401,268	102,863
Interest-in-suspense	(44,869)	(11,353)
	356,399	91,510
Present value of lease liabilities:		
- within 1 year	149,388	67,750
- more than 1 year but not later than 2 years	149,388	7,721
- more than 2 years but not later than 5 years	57,623	16,039
	356,399	91,510
Analysed as:		
Due within 12 months	149,388	67,750
Due after 12 months	207,011	23,760
	356,399	91,510

27. Trade Payables

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

28. Other Payables

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Other payables	1,211,642	823,668	24,539	26,694
Accrual of expenses	964,990	820,720	52,892	61,900
Deposits	337,503	107,224	-	-
Interest payable on loan stocks	-	109,960	-	109,960
	2,514,135	1,861,572	77,431	198,554

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

29. Amount Due To Subsidiary Companies

	Company	
	2007 RM	2006 RM
Amount due to subsidiary companies	10,600,771	10,594,891

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

30. Contingent Liabilities

	Company	
	2007 RM	2006 RM
Unsecured:		
Guarantee given to financial institutions for credit facilities granted to subsidiary companies	21,300,000	60,209,461

31. Significant Related Party Transactions

(a) Transactions with Related Parties

Other than disclosure for related parties detailed elsewhere in these financial statements, there were no other significant related party transactions during the financial year.

(b) Compensation of Key Personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	2007 RM	2006 RM
Salaries and wages	82,492	277,200
Directors fee	60,000	6,000
Defined contribution plan	7,733	13,587
Other staff related costs	325	-
	150,550	296,787
Included in the total key management personnel are:		
Directors remuneration (Note 6)	150,550	296,787

32. Significant Events During The Financial Year

During the financial year, the Group has ceased its operations in the timber related products segment as disclosed in Note 9.

33. 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.

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 functional currency, Ringgit Malaysia (RM). The Group's policy is to minimise the exposure of overseas operating activities to transaction risk by matching functional currency income against functional 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 other than as disclosed in Note 19.

(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.

33. Financial Instruments (cont'd.)

(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.

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	Between 2 to 3 years RM	Total RM	Range of interest rates during the financial year
Group					
2007					
Financial assets					
Deposits with licensed banks	13,894,772	-	-	13,894,772	2.80% - 3.10%
Financial liabilities					
Bankers' acceptances and trust receipts	57,534,107	-	-	57,534,107	3.25% - 3.65%
Term loan	800,340	889,780	-	1,690,120	6.70%
Finance creditors	149,388	149,388	57,623	356,399	5.37% - 8.13%

33. Financial Instruments (cont'd.)

(e) Interest Rate Risk (cont'd.)

	Less than 1 year RM	Between 1 to 2 years RM	Between 2 to 3 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%
Finance creditors	67,750	7,721	16,039	91,510	5.57% - 7.90%
Bank overdraft	822	-	-	822	8.25%

33. Financial Instruments (cont'd.)

(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
2007				
Financial assets				
Unquoted shares in subsidiary companies	-	-	117,204,492	*
Amounts due from subsidiary companies	-	-	14,786,786	**
Investments in Malaysia				
- Quoted	902	1,623	-	-
- Unquoted	902	*	-	-
Financial liabilities				
Amounts due to subsidiary companies	-	-	10,600,771	*
Finance creditors	356,399	365,665	-	-
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	-	-

33. Financial Instruments (cont'd.)

* 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.

** 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.

34. 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 miling	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.

34. Segmental Reporting (cont'd.)

(a) Primary segmental reporting - Business segment (cont'd.)

	Continuing Operations							Discontinued Operations	
	Paper miling RM	Paper converting RM	Plywood RM	Investment and management RM	Others RM	Eliminations RM	Total RM	Timber related products RM	Total Operations RM
2007									
Revenue									
External revenue	11,710,745	39,563,338	252,964,012	-	24,849,071	-	329,087,166	3,191,720	332,278,886
Inter-segment revenue	29,167,605	1,413,912	13,373,596	-	269,129	(44,224,242)	-	-	-
Total revenue	40,878,350	40,977,250	266,337,608	-	25,118,200	(44,224,242)	329,087,166	3,191,720	332,278,886
Results									
Segment results	2,037,938	1,145,058	6,388,196	15,752	649,724	-	10,236,668	(2,233,932)	8,002,736
Interest income	-	64,803	411,983	-	-	-	476,786	-	476,786
Operating profit/ (loss)	2,037,938	1,209,861	6,800,179	15,752	649,724	-	10,713,454	(2,233,932)	8,479,522
Finance costs	(321,207)	(52,391)	(2,516,649)	-	(9,598)	-	(2,899,845)	-	(2,899,845)
Profit/(loss) before taxation	1,716,731	1,157,470	4,283,530	15,752	640,126	-	7,813,609	(2,233,932)	5,579,677
Income tax expense	-	-	(1,089,353)	-	(177,332)	-	(1,266,685)	-	(1,266,685)
Profit/(loss) for the year	1,716,731	1,157,470	3,194,177	15,752	462,794	-	6,546,924	(2,233,932)	4,312,992
Attributable to:									
Equity holders of the company									4,308,060
Minority interests									4,932
Profit for the year									4,312,992

34. Segmental Reporting (cont'd.)

(a) Primary segmental reporting - Business segment (cont'd.)

	Continuing Operations						Discontinued Operations	
	Paper miling RM	Paper converting RM	Plywood RM	Investment and management RM	Others RM	Total RM	Timber related products RM	Consolidated RM
2007								
Assets								
Segment assets	24,305,695	31,068,896	102,008,332	68,626	12,542,861	169,994,410	-	169,994,410
Deferred tax assets	-	-	26,989	-	-	26,989	-	26,989
Tax recoverable	-	-	203,882	384	-	204,266	-	204,266
	24,305,695	31,068,896	102,239,203	69,010	12,542,861	170,225,665	-	170,225,665
Unallocated corporate assets								43,151,039
Consolidated total assets								213,376,704
Liabilities								
Segment liabilities	6,750,999	5,135,115	61,146,435	94,956	2,504,070	75,631,575	-	75,631,575
Tax payable	-	-	64,089	-	66,877	130,966	-	130,966
Deferred tax liabilities	-	-	9,407	-	48,000	57,407	-	57,407
Consolidated total liabilities	6,750,999	5,135,115	61,219,931	94,956	2,618,947	75,819,948	-	75,819,948
Other information								
Capital expenditure on property, plant and equipment	3,441,006	9,446	976,218	-	180,723	4,607,393	-	4,607,393
Depreciation and amortisation	1,352,785	288,550	533,772	54	127,226	2,302,387	14,461	2,316,848
Inventories written off/down	18,443	-	-	-	-	18,443	-	18,443
Property, plant and equipment written off	-	-	1	-	-	- 1	87,873	87,874
Other non-cash expenses	480	391,393	1,398,394	3,700	727	1,794,694	-	1,794,694

34. Segmental Reporting (cont'd.)

(a) Primary segmental reporting - Business segment (cont'd.)

	Continuing Operations							Discontinued Operations	
	Paper miling RM	Paper converting RM	Plywood RM	Investment and management RM	Others RM	Eliminations RM	Total RM	Timber related products RM	Consolidated RM
2006									
Revenue									
External revenue	11,922,680	30,973,811	178,306,614	-	21,987,833	-	243,190,938	2,763,021	245,953,959
Inter-segment revenue	13,863,033	931,652	21,881,016	-	888,874	(38,712,066)	(1,147,491)	1,147,491	-
Total revenue	25,785,713	31,905,463	200,187,630	-	22,876,707	(38,712,066)	242,043,447	3,910,512	245,953,959
Results									
Segment results	1,429,741	643,473	5,134,819	(2,759,499)	25,917	2,441,193	6,915,644	859,347	7,774,991
Interest income	-	39,178	396,987	-	-	-	436,165	-	436,165
Operating profit/(loss)	1,429,741	682,651	5,531,806	(2,759,499)	25,917	2,441,193	7,351,809	859,347	8,211,156
Finance costs	(297,738)	-	(1,821,077)	-	(9,604)	-	(2,128,419)	(63,883)	(2,192,302)
Profit/(loss) before taxation	1,132,003	682,651	3,710,729	(2,759,499)	16,313	2,441,193	5,223,390	795,464	6,018,854
Taxation	-	(1,857)	(1,791,681)	-	(42,326)	28,724	(1,807,140)	(100,000)	(1,907,140)
Profit/(loss) for the year	1,132,003	680,794	1,919,048	(2,759,499)	(26,013)	2,469,917	3,416,250	695,464	4,111,714
Attributable to:									
Equity holders of the company									4,120,016
Minority interests									(8,302)
Profit for the year									4,111,714

NOTES TO THE FINANCIAL STATEMENTS ▸▸
- 31 DECEMBER 2007 (cont'd.)

34. Segmental Reporting (cont'd.)

(a) Primary segmental reporting - Business segment (cont'd.)

	Continuing Operations						Discontinued Operations	
	Paper miling RM	Paper converting RM	Plywood RM	Investment and management RM	Others RM	Total RM	Timber related products RM	Consolidated RM
2006								
Assets								
Segment assets	23,191,498	28,444,198	90,792,997	75,068	10,631,595	153,135,356	11,283,125	164,418,481
Deferred tax assets	-	-	126,782	-	-	126,782	-	126,782
Tax recoverable	-	-	106,520	384	-	106,904	-	106,904
	23,191,498	28,444,198	91,026,299	75,452	10,631,595	153,369,042	11,283,125	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	270,456	2,943,240	72,041,643	2,097,108	74,138,751
Tax payable	-	-	-	-	9,162	9,162	-	9,162
Deferred tax liabilities	-	622	25,727	-	20,000	46,349	-	46,349
Consolidated total liabilities	6,574,468	573,357	61,706,471	270,456	2,972,402	72,097,154	2,097,108	74,194,262
Other information								
Capital expenditure on property, plant and equipment	95,558	73,080	635,920	-	57,627		-	0
Depreciation and amortisation	1,387,150	357,509	749,881	5,683	100,825	2,601,048	46,983	2,648,031
Inventories written off	12,436	15,809	463,775	-	-	492,020	-	492,020
Property, plant and equipment written off	-	79	46,845	-	-	46,924	149,012	195,936
Other non-cash expenses	-	322,553	1,437,345	-	346,316	2,106,214	416,038	2,522,252

34. Segmental Reporting (cont'd.)

(b) Secondary segmental reporting - Geographical segment

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

List of Properties as at 31 December 2007

Location	Description	Tenure	Land Area (sq ft)	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	60,624	21	1,421	1993*
2. Lot 292 & 294, Block 36, Muara Tuang Land District, Sarawak	Factory, office building and warehouse	58-year lease to 30/01/2030	245,252	28 & 10	5,091	1993* & 1992
3. Lot 765, Mukim of Kapar, District of Klang, Selangor	Factory and office building	Freehold	190,581	15	7,737	1993*
4. Lot PT129942, Kawasan Perusahaan Kanthan, Chemor, Perak	Factory and office building	60-year lease to 14/03/2055	572,379	9	5,684	1992
5. Lot 2191, Industrial Land Mentakab, Temerloh, Pahang	Vacant Land	Freehold	105,645	N/A	231	1997
6. Lot 3144C Agriculture Land, Batu 6½, Puchong, Selangor	Vacant Land	Freehold	15,700	N/A	250	1995
7. Lot 14374 Bandar Kinrara Industrial Centre, Selangor	3-storey office block & 2-storey open warehouse	Freehold	186,590	11	8,396	1995

List of Properties as at 31 December 2007 (cont'd.)

Location	Description	Tenure	Land Area (sq ft)	Approximate Age of Building (year)	Net Book Value (RM'000)	Year of Acquisition or Revaluation*
8. HM93631, PT4110, Daerah Kuala Muda, Sg Petani, Kedah	1 ½ Storey Semi-D Factory	Freehold	8,439	14	322	2007
9. Unit No B2F-19, Mukim Petaling, B-2-1 Megan Phoenix, Jalan 2/142A, Off Jalan Cheras	Office premise	Freehold	1,606	10	247	2002
10. Pangsapuri Bunga Raya Bukit Beruang, Daerah Melaka Tengah, Melaka	30 unit apartments	99-year lease to 2076	837 - 953 (total of 27,002)	4 to 5	2,644	2005
11. Unit M-101, Vista Tasik Condominium, Bandar Sri Permaisuri, Cheras	Condo	Freehold	1225	5	207	2002
12. Pangsapuri Bunga Raya Bukit Beruang, Daerah Melaka Tengah, Melaka	3 unit apartments	99-year lease to 2076	953 (total of 2,859)	4-5	268	2006
13. Pangsapuri Bunga Raya Bukit Beruang, Daerah Melaka Tengah, Melaka	1 unit apartments	99-year lease to 2076	837	4 to 5	241	2006

SHAREHOLDINGS STRUCTURE ▸▸

As At 5 May 2008

Authorised Share Capital	: 200,000,000
Issued And Fully Paid-Up Share Capital	: 147,827,158
Class Of Shares	: Ordinary Shares of RM1.00 each fully paid
Voting Rights	: One vote per ordinary share
No. Of shareholders	: 4,458

Distribution Of Shareholdings As At 5 May 2008

Size Of Holdings	No. Of Shareholders	Total Holdings	% Of Paid-Up Capital
Less than 100	7	242	0.00
100 -1000	937	918,283	0.62
1001-10,000	2,429	12,074,915	8.17
10,001-100,000	954	32,244,100	21.81
100,001 and below 5% of share capital	129	51,782,306	35.03
Above 5% of share capital	2	50,807,312	34.37
	4,458	**147,827,158**	**100.00**

Substantial Shareholder As At 5 May 2008

Shareholder	No. Of Shares Held		Percentage Holding
	Direct	Indrect	
Koh Poh Seng	60,833,525	-	41.15

List Of Thirty (30) Largest Shareholders As At 5 May 2008

No.	Name Of Shareholders	No. Of Shares	Percentage Holding
1.	Koh Poh Seng	43,036,422	29.11
2.	AllianceGroup Nominees (Tempatan) Sdn Bhd - Koh Poh Seng	7,770,890	5.26
3,	CitiGroup Nominees (Tempatan) Sdn Bhd- Koh Poh Seng	6,275,900	4.25
4.	RHB Capital Nominees (Tempatan) Sdn Bhd	3,340,000	2.26
5.	AllianceGroup Nominees (Tempatan) Sdn Bhd - Koh Poh Seng	2,500,000	1.69
6.	Yap Swee Thiam	1,693,310	1.15
7.	Chia Beng Tat	1,386,400	0.94
8.	Public Nominees (Tempatan) Sdn Bhd- Low Ngok Ming	1,357,400	0.92
9.	Keng Poh Im	1,285,000	0.87
10.	Public Nominees (Tempatan) Sdn Bhd- Koh Poh Seng	1,250,000	0.85
11.	Lim Chau Liang	1,235,200	0.84
12.	Yew Guat Sim	1,224,800	0.83
13.	Lu Thian Tack	1,105,500	0.75
14.	AIBB Nominees (Tempatan) Sdn Bhd - Hee Yuen Sang	979,000	0.66
15.	Tan Peng Chung	976,900	0.66
16.	Pacific Strike Sdn Bhd	866,600	0.59
17.	Teoh Teik Lin	830,000	0.56
18.	Public Nominees (Tempatan) Sdn Bhd- Teo Ah Lek	780,100	0.53
19.	AIBB Nominees (Tempatan) Sdn Bhd - Phang Jynn Yenn	750,000	0.51
20.	Chan Kim Kiok	702,100	0.47
21.	Chung Shan Kwang	614,000	0.42
22.	Ngoh Kim Chay	575,700	0.39
23.	Affin Nominees (Tempatan) Sdn Bhd - Chung Kin Chuan	548,000	0.37
24.	Amsec Nominees (Tempatan) Sdn Bhd - Hee Yuen Sang	546,000	0.37
25.	Fang Hock Beng	496,500	0.34
26.	Goh Chin Ex	480,000	0.32
27.	Chai Kim Hua	462,286	0.31
28.	Mayban Nominees (Tempatan) Sdn Bhd – Li Cheng Thong @ Lee Chen Thung	452,100	0.31
29.	Koh Boon Teong	445,000	0.30
30.	Yeong Fock @ Yeong Fock Ming	440,000	0.30
		84,405,108	**57.10**

SHAREHOLDINGS STRUCTURE (cont'd.) ▸▸

Directors' Shareholdings And Interest In Shares As At 5 May 2008

No.	Name Of Directors	No. Of Shares	Percentage
1.	Koh Poh Seng	60,833,525*	41.15
2.	Lau Fook Meng	Nil	Nil
3.	Dr Kow Cheong Wei	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 5 May 2008.

* - 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 Second 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 Monday, 30th June 2008 at 11:00 a.m. and at any adjournment thereof to vote as indicated below:-

	FOR	**AGAINST**
Resolution 1 – Re-election of Director, Dr. Kow Cheong Wei		
Resolution 2 – Approval of Directors' Fee		
Resolution 3 – Re-appointment of the retiring auditors, Messrs Ernst & Young		
Resolution 4 – Authority to Issue Shares		

(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……………………………2008

…………………………………………………
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. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the company standing to the credit of the said securities account.

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.

PLEASE FOLD HERE

AFFIX STAMP

KPS CONSORTIUM BERHAD (143816 V)

Lot 765, Jalan Haji Sirat

Off Jalan Meru, 42100 Klang

Selangor Darul Ehsan

PLEASE FOLD HERE

KPS CONSORTIUM BERHAD
Lot 765, Jalan Haji Sirat Off Jalan Meru,
42100 Klang, Selangor Darul Ehsan,
Malaysia.
Tel : (603) - 3291 5566
Fax : (603) - 3291 4489