

A n n u a l R e p o r t
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Investing for
Growth Delivering Today



VISION

To continuously acquire latest technologies in design and development by keeping abreast with global developments for the advancement of Microelectronics Components (“MEC”) and benefits of our customers.



MISSION

- To provide one-stop engineering solution to our customers, from the design and development of MEC to the complete design, fabrication and assembly of toolings for the manufacturing of these MEC.
- To continuously enhance our Research and Development (“R&D”) capabilities to enable us to offer quality MEC to our customers at competitive pricing.
- To continuously strengthen the core competencies of the Group through on-going improvement on the employees’ skills and knowledge.

CONTENTS

02 CORPORATE INFORMATION

03 GROUP STRUCTURE

04 CALENDAR OF EVENTS

05 DIRECTORS’ PROFILE

07 MANAGEMENT’S DISCUSSION

09 CORPORATE GOVERNANCE STATEMENT

14 STATEMENT ON INTERNAL CONTROL

16 AUDIT COMMITTEE REPORT

19 STATEMENT OF DIRECTORS’ RESPONSIBILITY IN
RELATION TO THE AUDITED FINANCIAL STATEMENT

20 ADDITIONAL COMPLIANCE INFORMATION

22 FINANCIAL STATEMENTS

57 LIST OF PROPERTY

58 ANALYSIS OF SHAREHOLDINGS

60 NOTICE OF ANNUAL GENERAL MEETING

62 APPENDIX 1

66 STATEMENT ACCOMPANYING NOTICE OF
ANNUAL GENERAL MEETING

67 PROXY FORM

CORPORATE INFORMATION

02

BOARD OF DIRECTORS

Dato' Tan King Seng (*Executive Chairman / Managing Director*)
 Ooi Yeok Hock (*Executive Director*)
 Tan Chin Hong (*Executive Director*)
 Loh Chye Teik (*Independent Non-Executive Director*)
 Teoh Yee Shien (*Independent Non-Executive Director*)



BOARD COMMITTEES

Audit Committee

Loh Chye Teik (Chairman)
 Teoh Yee Shien
 Ooi Yeok Hock

Nomination Committee

Loh Chye Teik (Chairman)
 Teoh Yee Shien

Remuneration Committee

Loh Chye Teik (Chairman)
 Teoh Yee Shien
 Ooi Yeok Hock

COMPANY SECRETARY

Foo Li Ling
 (MAICSA 7019557)

REGISTERED OFFICE

51-8-B Menara BHL Bank
 Jalan Sultan Ahmad Shah
 10050 Pulau Pinang
 Tel: 04-226 7835
 Fax: 04-227 9800

MANAGEMENT OFFICE

A95 & A96, Jalan 2A-3,
 Kawasan Perusahaan MIEL,
 Sungai Lalang,
 08000 Sungai Petani
 Kedah Darul Aman
 Tel: 04-442 7820
 Fax: 04-442 8088
 email: corpinfo@jhm.net.my

AUDITORS

JB Lau & Associates
 Chartered Accountants
 51-8-A Menara BHL Bank
 Jalan Sultan Ahmad Shah
 10050 Pulau Pinang
 Tel: 04-228 7828
 Fax: 04-227 9828

SHARE REGISTRAR

Agriteum Share Registration Services Sdn Bhd
 2nd Floor, Wisma Penang Garden
 42 Jalan Sultan Ahmad Shah
 10050 Pulau Pinang
 Tel: 04-228 2321
 Fax: 04-227 2391

PRINCIPAL BANKERS

Hong Leong Bank Berhad
 Malayan Banking Berhad
 OCBC Bank (Malaysia) Berhad

SOLICITORS

Zaid Ibrahim & Co.

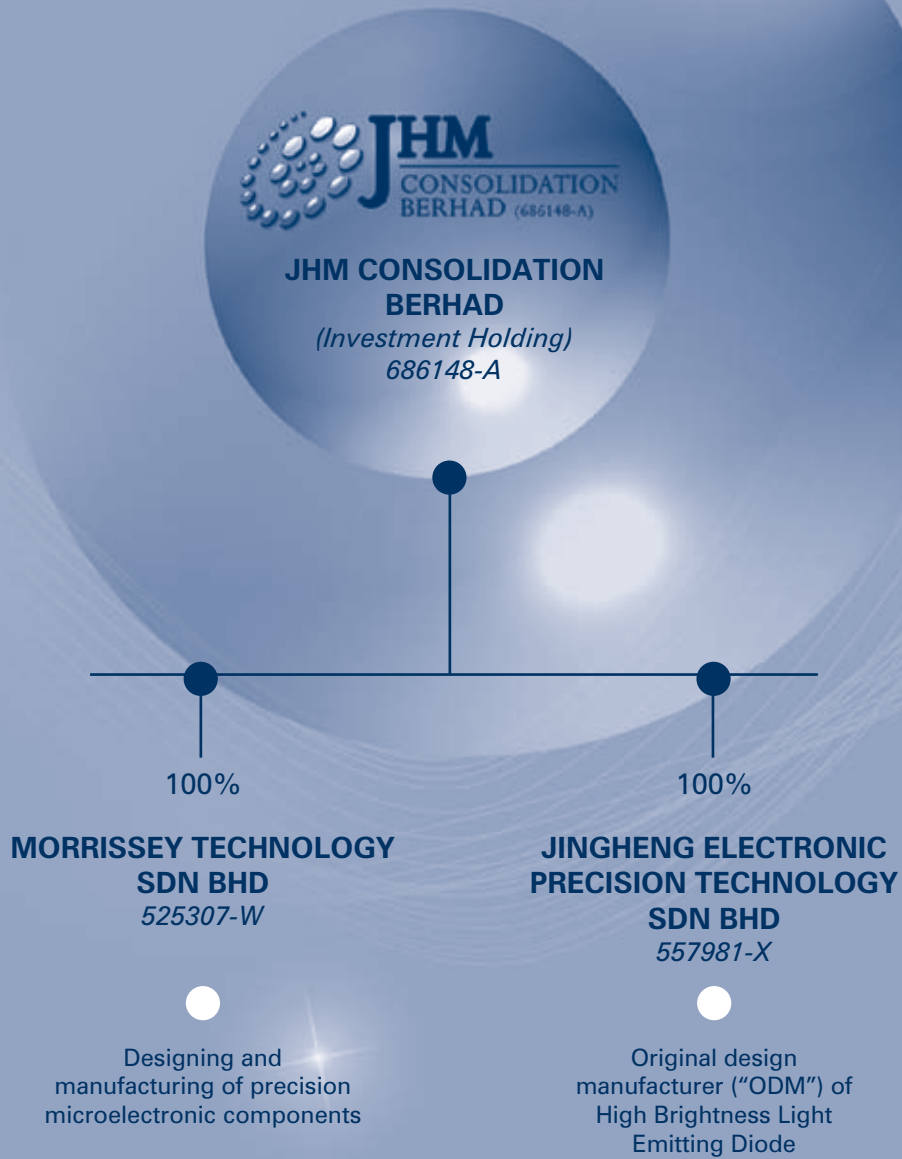
SPONSOR

Kenanga Investment Bank Berhad
 (formerly known as K & N Kenanga Bhd)
 8th Floor, Kenanga International
 Jalan Sultan Ismail
 50250 Kuala Lumpur
 Tel: 03-2164 6689
 Fax: 03-2164 6690

STOCK EXCHANGE LISTING

MESDAQ Market of the
 Bursa Malaysia Securities Berhad
 Stock Name : JHM
 Stock Code : 0127

GROUP STRUCTURE OF JHM GROUP



CALENDAR OF EVENTS

March 2005 –February 2007

04

March 2005

- On 26 March 2005, JHM Consolidation Berhad (the “Company” or “JHM”) was incorporated as a public limited company, to act as the investment holding company of the Group, in conjunction with the listing of the Group on the MESDAQ Market. The core business of the Group is to be undertaken by its two (2) wholly owned subsidiary companies.
- JHM Group designed and developed Mechanical Side Computer Aided Manufacturing tooling, a technology that enables the Group to undertake multiple bending and forming from both sides (vertical and horizontal concurrently) at high-speed movement.

March – April 2006

- Expansion of factory capacity via starting a 3rd plant in Sungai Petani, Kedah Darul Aman.
- Completion of acquisition of subsidiaries on 12 April 2006.
- Securities Commission of Malaysia gave its approval for the listing scheme on 10 March 2006.
- Bursa Malaysia Securities Berhad (“Bursa Securities”) gave its approval in principle on 26 May 2006 for the admission of our Company to the Official List of the MESDAQ Market.

May – June 2006

- Completion of R&D on lead-free leadframes for High Brightness Light Emitting Diode (“HB LED”).
- Assembly of metal frame for HB LED.

July 2006

- JHM was listed on the MESDAQ Market of Bursa Securities; the counter closed 36% higher for an 18 sen gain above its initial public offer price of RM0.50.

Initial Public Offering (“IPO”) consisted of a Public Issue of 21.14 million new ordinary shares of RM0.10 each at an issue price of RM0.50 per ordinary share, comprising:

- 4.1 million new ordinary shares for public subscription.
- 4.1 million new ordinary shares earmarked for application by eligible directors, employees and business associates of the company.
- Remaining 12.94 million new shares made available via private placements to selected investors.

K&N Kenanga Bhd, now known as Kenanga Investment Bank Berhad, acted as JHM’s Adviser, Underwriter and Placement Agent for this listing exercise.

- The Company through its subsidiary, Morrissey Technology Sdn. Bhd. (“Morrissey”) obtained certification of ISO 14001:2004 on 28 July 2006 on Environmental System by BM Trada Certification Ltd. The scope of this certification covered design, manufacturing and assembly of metal stamping parts such as miniature and precision engineering metal parts for electrical, electronics and automotive components.

August 2006 – February 2007

- Purchased of machinery to increase production capacity for fine pitch connector pins.
- Jointly designed and developed Small Form Pluggable transmitter component with a US based company.
- Declared an interim dividend payment of 1 sen per share less 28% tax for its shareholders; the payment was made in December 2006.
- Assessment of ISO/TS 16949:2002 by AIB-Vincotte International Ltd and certification was obtained in February 2007. This certification is for Quality Management System in the manufacture and assembly of precision metal stamping parts and automotive lighting system.

● ● ● **Dato' Tan King Seng**, aged 51, a Malaysian, is our Executive Chairman and Managing Director and was appointed to the Board on 13 April 2006. He graduated with a Bachelor of Science Degree in Mechanical Engineering from National Cheng Kung University of Taiwan in 1983. Dato' Tan started his career as an engineer with Intel Technology Sdn. Bhd. and Hewlett Packard Sdn. Bhd. in 1984 and 1989 respectively. Prior to starting his own business in 1995, he was a Senior Production Engineer in charge of Optoelectronic Production in Hewlett Packard Sdn Bhd.

He is a director and shareholder of Noble Matters Sdn. Bhd. which is a major shareholder of the Company.

● ● ● **Ooi Yeok Hock**, aged 44, a Malaysian, is our Executive Director and was appointed to the Board on 13 April 2006. He serves as a member of Audit Committee and Remuneration Committee.

He is currently in charge of the R&D and Engineering Department of Morrissey. He graduated with a Bachelor of Engineering Degree majoring in Mechanical Engineering from University of Strathclyde, United Kingdom in 1986 and subsequently obtained a Diploma in Electrical Engineering from City & Guilds (C&G), United Kingdom in 1990. Mr Ooi started his career as a Senior Process Engineer with Northern Telecom Sdn. Bhd. in 1987. He left Northern Telecom Sdn. Bhd. in 1995 and joined Allied Stamping Corporation Sdn. Bhd. as its Operation and Engineering Manager responsible for the company's plant operation and engineering, a position which he held until 2000. Prior to joining Morrissey in 2001, he has more than 15 years of experience in engineering and production of MEC from multinational corporations in the United States of America, China and Malaysia.

● ● ● **Tan Chin Hong**, aged 39, a Malaysian, is our Executive Director and was appointed to the Board on 13 April 2006. Mr Tan started his career as a Machining Technician with Mifa Engineering Sdn. Bhd. in 1989. He joined Brusia Engineering Sdn. Bhd. as Production Supervisor in 1992. In 1994, he was promoted to Production Manager. He left Brusia Engineering Sdn. Bhd. in 1999 and joined Forward Matrix Sdn. Bhd. as the General Manager in charge of Factory Operation, a position which he held until July 2001. Prior to joining Morrissey in September 2001 as its Plant Manager he has 10 years working experience in design and fabrication of tooling and die and 5 years working experience in production.

● ● ● **Loh Chye Teik**, aged 48, a Malaysian, is our Independent Non-Executive Director and was appointed to the Board on 13 April 2006. He serves as the Chairman of Audit Committee, Remuneration Committee and Nomination Committee.

He is the Managing Partner of Parker Randall Loh, Chartered Accountants, the Director of Parker Randall International Sdn. Bhd. and a Managing Director of Interresources Tax Advisory Sdn. Bhd.. Mr Loh graduated from University of Malaya, Kuala Lumpur with a Bachelor of Accounting (Honours) in 1984. He is a member of both the Malaysia Institute of Accountants and the Malaysia Institute of Taxation since 1988. Mr Loh started his career as an auditor in Penang Chartered Accountants firm in 1985 and proceeded to set up his own accountancy and audit firm in 1994, known as Tan & Loh Chartered Accountants, and held the position of the Managing Partner. In addition, he has been appointed as a councillor of the Municipal Council of Penang in January 2006.

● ● ● **Teoh Yee Shien**, aged 40, a Malaysian, is our Independent Non-Executive Director and was appointed to the Board on 13 April 2006. She serves as a member of Audit Committee, Remuneration Committee and Nomination Committee.

She graduated with a Bachelor of Accounting from Universiti Utara Malaysia in 1991 and is a member of the Malaysia Institute of Accountants. She started her career in the audit division of Pricewaterhouse Coopers prior to joining Leader Universal Holdings Berhad as the Corporate Planning and Investment Manager for seven (7) years. She then joined Prinsiptek Corporation Berhad in 2003 as the Group Financial Controller and leads the Prinsiptek Corporation Berhad Group's accounts and finance team and is actively involved in the Group's operation and corporate planning.

DIRECTORS' PROFILE (CONT'D)

06

Notes :

1. Save for Tan Chin Hong who is the nephew of Dato' Tan King Seng, there are no other family relationships or associations amongst the Directors or major shareholders of the Company.
2. All the Directors do not have any conflict of interest with the Company and they also had not been convicted of any offence within the past ten (10) years, other than traffic offences, if any.
3. None of our Directors have any directorships in other public companies, save for Mr Loh Chye Teik, who is currently an Independent Non-Executive Director of G.A. Blue International Bhd, a company which is listed on Main Board of Bursa Securities.
4. The Directors' shareholdings are as disclosed in page 58 of this Annual Report.

On behalf of the Board of Directors and the management team of JHM, it is my great pleasure to present the first Annual Report and financial statements of JHM for the financial year ended 31 December 2006. The listing of JHM on the MESDAQ Market of Bursa Malaysia Securities Berhad on 13 July 2006 marked a major milestone in the history of our Group.

Industry Trends and Developments

The outlook for the MEC sub-segment is related to and dependent upon other industries where demand is derived from. With regards to HB LED and Direct Current ("DC") micromotor, the growth of these industries is dependent upon major applications market for MEC such as electrical and electronic products and automotive electronic components.

HB LEDs have demonstrated dramatic improvements in performance in recent years, as well as significant cost reduction. As a result, HB LEDs are undergoing a period of rapid growth in a variety of lighting applications.

As for the automotive sector, attributes such as small size, low power consumption and rapid switch-on time have lead to a widespread adoption of HB LEDs in vehicles. In addition, the styling potential of HB LEDs enable more attractive and distinctive designs and the robustness and long lifetime of the HB LEDs translates into lower maintenance costs. The proportion of HB LED lamps used in vehicles continues to increase and HB LEDs are expected to largely replace the incandescent lamps in the future. As such, the outlook for usage of HB LEDs in the automotive sector is expected to be encouraging moving forward.

Financial Performance

We are indeed pleased that JHM has been able to show a remarkable financial performance that surpassed its forecast in its debut year on the MESDAQ Market.

The Group's total revenue for the financial year ended 31 December 2006 grew by approximately 100.1% to RM48.28 million over the proforma Group revenue for the financial year ended 31 December 2005 of RM24.13 million. The Group's profit after taxation for the financial year ended 31 December 2006 stood at RM5.78 million. The Group has surpassed its forecasted consolidated revenue and profit after taxation of RM34.09 million and RM4.10 million respectively. Revenue from the sale of HB LED contributed up to 85.86% to total revenue, the remainder of which was derived from the sales of other electronic components and interest income.

Dividend

Our commendable financial performance has enabled us to reward our shareholders with dividend payout in our first year of listing. We had declared and paid an interim dividend of 1 sen per share less 28% tax on 28 December 2006 in respect of the financial year ended 31 December 2006.

Proposed Bonus Issue

The Board is also recommending a proposed bonus issue of 41,000,000 new ordinary shares of RM0.10 each on the basis of one (1) new ordinary share for every two (2) existing shares held, on an entitlement date to be determined later.

Corporate and Technological Developments

Our expertise in designing and manufacturing of precision MEC has strengthened our competitive edge of being able to constantly improve and reengineer our products in line with the latest technological change of the high-tech industry.

In line with the above, I am pleased to report that we have successfully co-designed and developed mechanical parts components with a US-based company. These mechanical parts components are to be used in compact optical transceivers that are widely used in the telecommunications industry to support Fibre Channel and Gigabit Ethernet applications with higher data rates. The components are ideal for use in telecommunication and data communication by highly sensitive industries such as the military, intelligent buildings and the financial industry.

In terms of market expansion, we have worked very hard to bring on board two new multinational customers, particularly for our fine pitch connector pins. These wins can be largely attributed to the fact that our Group has improved on the pitch size of our connector pins from 1.0mm to 0.8mm. We aim to build on this base which we have established.

Research & Development

One of the objectives of our IPO exercise was to raise funds to expand our R&D efforts, which forms the backbone of our operations. I am pleased to inform shareholders that we have utilised RM0.90 million out of the IPO proceeds allocation to R&D of RM1.40 million for specific R&D projects identified in our prospectus dated 19 June 2006.

The R&D projects which we had identified in the prospectus are:

- (a) Lead-free leadframes for HB LED;
- (b) Metal frame assembly for HB LED;
- (c) Fine pitch connector pins;
- (d) Safety commercial vehicle LED lighting ("SCVLL");
- and
- (e) Camera lens DC micromotor.

MANAGEMENT'S DISCUSSION (CONT'D)

08

Research & Development (Cont'd)

R&D for (a) and (b) above have completed and mass production commenced in June 2006 and May 2006 respectively. As for (c) above, the R&D activities are a continuous process to reduce the connector pins' pitch size from 1.0mm to 0.4mm.

As for SCVLL, the Company has completed the development of the components and we are currently awaiting the relevant technical specifications and guidelines from the relevant authorities before proceeding to complete a prototype of the SCVLL.

Awards

In terms of recognition, our subsidiary, Morrissey, was awarded the ISO/TS 16949:2002 certification by AIB-Vincotte International Ltd on 19 February 2007 for quality management system in the manufacture and assembly of precision metal stamping parts and automotive lighting systems. Such certification is crucial in supporting our marketing strategies as it underscores our commitment in complying with high quality standards that are internationally recognized and accepted.

Future Outlook and Prospects

As a dynamic company which is always looking for growth, we diligently seek opportunities in the face of an ever-increasing competitive business environment. To this end, JHM endeavours to be pro-active towards developments in the MEC industry and continues to identify business opportunities in the future to meet market demands based on customers' feedback thus propelling customer satisfaction to a higher level and, ultimately increasing our earnings.

We expect the industry growth to be driven by strong demand for microchips for a broad range of applications, including personal computers, cellular telephones, consumer electronics, wired and wireless telecommunications infrastructure and automotive.

We foresee a great future ahead in the HB LED industry. HB LEDs are undergoing a period of rapid growth in a variety of lighting applications. It is anticipated that the demand for HB LEDs will continue to increase and cover wider application markets due to technological advancement that continuously improve its efficiency, durability and flexibility.

We will focus on strengthening the sales of HB LED components to cater for the high demand of HB LED usage in the automotive industry. Due to its compact size, low power consumption and rapid switch-on time, the proportion of HB LED lamps being used in vehicles continues to increase and we are confident of benefitting from this evolution.

Future Outlook and Prospects (Cont'd)

We take a pro-active stance towards the development of the MEC industry and will continuously enhance our development capabilities and seize good business opportunities. Towards this end, we have embarked on the following:

- Continuously enhancing our R&D capabilities to remain competitive in the industry and expanding our product range;
- Penetrating new markets such as Taiwan and China for mobile phone camera lens DC micromotor; and
- Proactively working with customers to offer innovative engineering solutions in line with the changing trends in the MEC industry.

With this vision in mind, we are confident that the evolving market dynamics will create a new opportunity for our Group to reach greater heights.

Appreciation

Our Group could not have performed without the commitment, hard work and passion displayed by our management team and employees. Therefore, I would like to take this opportunity to express my appreciation to the management team and all the staff for their commitment and dedication towards achieving the Group's objective. I would also like to thank our shareholders, customers, suppliers, business associates and Government for their continuous support to the Group all these while.

To our Board members, may I express my sincere gratitude for leading the Company to greater heights and we look forward to strengthening our excellent relationship as we steer JHM in facing the challenges that lie ahead.

Thank you.

Dato' Tan King Seng

Executive Chairman/Managing Director

CORPORATE GOVERNANCE STATEMENT

The Board of Directors recognizes and subscribes to the importance of adopting high standards of good corporate governance within the Group. Good corporate governance is a fundamental part of the Group's responsibility to protect, realize and enhance long-term shareholder's value and the financial performance of the Group, whilst taking into account the interests of other stakeholders.

The Statement below sets out how the Group has applied the key Principles of the Malaysian Code on Corporate Governance and the extent of compliance with the Best Practices advocated in the Code.

A. BOARD OF DIRECTORS

1. The Board's Conduct of Affairs and Responsibilities

The Group is headed by an effective Board which comprises competent individuals with the necessary skills, experience and knowledge. The Board is responsible to establish the objectives and strategic direction of the Group in achieving its business plan and overseeing the conduct, performance and internal controls of the Group's business activities. The selection and composition of the independent and non-independent directors are carefully considered to ensure that the Board is well balanced.

2. Board Composition

The Board of JHM was established prior to its listing on Bursa Securities on 13 April 2006 to comply with the Listing Requirements of Bursa Securities. The Board currently has five (5) members comprising one (1) Executive Chairman/Managing Director, two (2) Executive Directors and two (2) Independent Non-Executive Directors.

Dato' Tan King Seng	- Executive Chairman/Managing Director
Ooi Yeok Hock	- Executive Director
Tan Chin Hong	- Executive Director
Loh Chye Teik	- Independent Non-Executive Director
Teoh Yee Shien	- Independent Non-Executive Director

The individual profile of each director is presented on pages 5 to 6 of this Annual Report.

The Board members represent a balance of business skills, knowledge and professionalism to drive the Group's growth.

There is clear division of authority between the Executive Chairman/ Managing Director and the Executive Director, to ensure a balance of power and authority. As such, the Board maintains that the position of the Executive Chairman and the position of the Managing Director need not be separate as this is in the best interests of the Company.

The Independent Non-Executive Directors are independent of management and free from any business or other relationship that could interfere with the exercise of their independent judgement.

3. Board Meetings

The Board meets at least four (4) times a year on a quarterly basis, with additional meetings held when necessary, to approve the Quarterly Report, the Research Report, the Financial Statements, the Group's business plans and also to review the performance of the Group. The agenda of the meetings together with the Board Papers are circulated to the Board prior to the Board meetings, to allow the Directors sufficient time to consider and deliberate on the issues to be raised at the meeting. The Group's relevant senior management personnel are also invited to attend the Board Meetings to provide presentations and detailed explanations on matters that have been tabled during the meetings.

A total of three (3) Board of Directors meetings were held during the financial year ended 31 December 2006.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

10

A. BOARD OF DIRECTORS (CONT'D)

3. Board Meetings (Cont'd)

The attendance records of the Directors at the Board Meetings were as follows:

Directors	Attendance
Dato' Tan King Seng (Chairman)	3/3
Ooi Yeok Hock	3/3
Tan Chin Hong	3/3
Loh Chye Teik	3/3
Teoh Yee Shien	3/3

4. Training of Directors

All members of the Board have attended and successfully completed the Mandatory Accreditation Programme as required by the Bursa Securities during the financial year ended 31 December 2006. In order to discharge their duties as Directors of a public listed company, the Directors have, during the financial year under review, attended continuous education programmes and seminars. The training sessions were intended to provide Directors with practical tools in enhancing their knowledge and skills as Board members while enhancing Board effectiveness at the same time. Training was also aimed at updating Board members on the continuing role of Independent Directors in view of the emerging global trends in Board responsibilities.

The following Directors have undergone the following training programmes:-

Name	No of days	Mode of Training	Title
Dato' Tan King Seng	Half-day	Seminar	Intellectual Property
Ooi Yeok Hock	One day	Seminar	SME Summit on Innovation and Information Technology
Tan Chin Hong	One day	Seminar	SME Summit on Innovation and Information Technology
Loh Chye Teik	Two days	Conference	Accountants Generating Growth Building Confidence
	One day	Seminar	CCH 2007 Budget Seminar
Teoh Yee Shien	One day	Seminar	Budget 2007 –Tax Proposals
	Two days	Course	Financial Reporting Standards & Salient Features

5. Access to Information

All Directors have full, unrestricted and timely access to all information necessary for the discharge of their responsibilities. The Board is provided with the meeting agenda and the Board papers prior to the meeting to enable the Directors to study and evaluate the matters to be discussed.

All Directors have unrestricted access to the advice and services of the Company Secretary and senior management in the Group and may obtain independent professional advice at the Company's expense in furtherance of their duties.

6. Re-election

In accordance with the Company's Articles of Association, all directors except a managing director shall retire from office at least once every three (3) years, but shall be eligible for re-election.

7. Board Committees

The Board delegates certain responsibilities to the Board Committees. The majority of the members of these three (3) main Committees are Independent Directors. These Committees' performance is reviewed annually. The membership criteria are based on a Director's skills and experience, as well as his ability to add value to the Committee. The Committees are:

1. Audit Committee
2. Remuneration Committee
3. Nomination Committee

Audit Committee

The terms of reference of the Audit Committee and its activities during the financial year are set out under the Audit Committee Report on pages 16 to 18 of this Annual Report.

In addition to the duties and responsibilities set out under its terms of reference, the Audit Committee also acts as a forum for discussion of internal control and risk management issues. The Audit Committee's meetings also serve as the platform for all its members to contribute to the Board's review of the effectiveness of the internal control and risk management systems of the Group. The minutes of the Audit Committee meetings are tabled to the Board for review and further action by the Board where appropriate.

Remuneration Committee

The Remuneration Committee was established on 14 April 2006. The Remuneration Committee is responsible for recommending to the Board, from time to time, the remuneration policy and terms and conditions of service of each Director for his services as a member of the Board as well as Committees of the Board. The Remuneration Committee meets as and when required, and at least once a year. The Remuneration Committee has not met for the financial year ended 31 December 2006.

The remuneration of the non-executive Directors is a matter for the Board as a whole and the Directors concerned are required to abstain from deliberation and voting on decisions in respect of his individual remuneration. Directors' fees are subject to the shareholders' approval at the forthcoming Annual General Meeting ("AGM").

Nomination Committee

The Nomination Committee was established on 14 April 2006. The Nomination Committee is responsible for identifying and recommending new nominees to the Board as well as committees of the Board. The Nomination Committee will assess the effectiveness of the Board as a whole, Board Committees and each individual Director on an annual basis. In developing such recommendations, our Nomination Committee will consult all Directors and reflect that consultation in any recommendation brought forward to our Board. Our Board makes all decisions on appointments after considering the recommendations of our Nomination Committee.

B. DIRECTORS' REMUNERATION

For the financial year ended 31 December 2006, the Board proposed a fee of RM22,500 for the Independent Non-Executive Directors.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

12

B. DIRECTORS' REMUNERATION (CONT'D)

The details of the Directors' remuneration for the financial year ended 31 December 2006 are as follows :

	Salary RM'000	Bonus RM'000	Fees RM'000	EPF RM'000	Allowance RM'000	Total RM'000
Executive Directors	344	9	-	42	-	395
Non-Executive Directors	-	-	23	-	2	25
Total	344	9	23	42	2	420

The Directors, whose remuneration falls within the following bands, are as follows;

Range	Executive	Non-Executive
Below RM 50,000	-	2
RM50,001 - RM100,000	1	-
RM100,001 - RM150,000	1	-
RM150,001 - RM200,000	-	-
RM200,001 - RM250,000	1	-

C. ACCOUNTABILITY AND AUDIT**1. Financial Reporting**

The Board has taken reasonable steps to provide a balanced and understandable assessment of the Group's performance and prospects in its quarterly announcements, annual report and other public reports to the shareholders. The Directors are also required by the Companies Act, 1965 to prepare the Group's annual financial statements with all material disclosures to ensure completeness and accuracy and compliance with applicable accounting standards and rules and regulations. To achieve this, the Board will be assisted by the Audit Committee in overseeing the Group's financial reporting processes.

A statement by the Directors of their responsibilities for preparing the financial statements is incorporated in the Statement on Directors' Responsibility.

2. Relationship with Auditors

The Board has a professional and transparent relationship with the external auditors through the Audit Committee. The role of the Audit Committee in relation to the auditors is set out on pages 16 to 18 of this Annual Report.

3. Internal Control

The Board affirms the importance of maintaining a sound system of internal controls and risk management practices whereby shareholders' investments and the Group's assets can be safeguarded. In order to enhance consistency within the Group, the Board has appointed an external consultant, Grant Thornton Consulting Sdn. Bhd. to provide professional services for internal control assessment and to carry out internal audit function for the Group, commencing in the current financial year ending 31 December 2007.

The Statement on Internal Control set out on pages 14 to 15 of this Annual Report provides an overview on the state of internal controls of the Group.

D. SHAREHOLDERS

1. Communications With Shareholders and Investors

The key element of good corporate governance is being transparent and accountable to all stakeholders. Underlying the objective of transparency and accountability is the provision of clear, relevant and comprehensive information that is timely and readily accessible to all stakeholders. Taking into cognisance of this, the Group maintains an appropriate level of disclosure and communication with its stakeholders through disseminating clear, comprehensive and timely information through press releases and announcements of quarterly results made through Bursa Securities and the Company's Annual Report.

2. AGM

The AGM is the principal forum for communication and dialogue and an opportunity for the Board and management to interact with shareholders. The Board, senior management and the Group's external auditors are available to respond to shareholders' questions during the AGM. Shareholders are encouraged to participate in the proceedings and pose questions about the resolutions proposed and the operations of the Group.

Statement On Compliance With The Best Practices Of The Code

The Company is committed to achieving high standard of corporate governance throughout the Group and to the highest level of integrity and ethical standards in all its business dealings. The Board considers that it has complied throughout the financial year with the best practices as set out in the Code.

This statement is made in accordance with the resolution of the Board dated 16 May 2007.

STATEMENT ON INTERNAL CONTROL

14

1. Introduction

The Malaysian Code of Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. Listing Requirements of Bursa Securities for the MESDAQ Market requires the Board to include a statement in their annual reports on the state of internal controls of the Group.

In this respect, the Board is pleased to provide the following Statement on Internal Control which explains the nature and scope of internal controls of the Group during the financial year under review pursuant to Paragraph 15.26 (b) of the Listing Requirements of Bursa Securities for the MESDAQ Market.

2. Board Responsibilities

The Board recognises the importance of a sound system of internal controls that covers risk management, financial, operational and compliance controls. The Board acknowledges its overall responsibility for the Group's system of internal controls and for reviewing the adequacy and integrity of this system. Such system is designed to safeguard shareholders' investments and the Group's assets.

Owing to the inherent limitations in any system of internal controls, the system is designed to manage, rather than eliminate the risk of failure to achieve business objectives. Thus, the internal control framework is expected to provide reasonable but not absolute assurance against material misstatements or losses.

3. Risk Management

The Group has identified various critical risks during the IPO exercise. At this juncture, the Board has resolved that a structured risk management process will be developed together with the assistance of an independent professional firm so as to ensure all major risk areas will be adequately addressed at various levels within the Group.

4. Internal Control Framework

The Board recognises the importance of good corporate governance practices and review of the Group's systems of internal control as a concerted and continuous process.

The Board has appointed an independent professional firm to outsource its internal audit function, whereby the risk assessment and internal control review will commence in the current financial year ending 31 December 2007.

The scope of work for the internal auditors in accordance with the internal audit charter can be summarised as follows:-

- To review the adequacy of internal controls and practices in accordance with policies laid down by the management;
- To identify ineffective and redundant control measures and to promptly report these to the management;
- To determine departures from any laid down policies and procedures;
- To develop additional appropriate control measures; if necessary;
- To report on a regular basis to the Audit Committee; and
- To monitor the implementation of agreed upon remedial actions.

During the financial year ended 31 December 2006, the Group's key elements of internal control are as follows:

- (a) Clearly defined delegation of responsibilities of the management and operating units, including authorisation levels for key aspects of business;
- (b) Clearly documented internal policies, guidelines, procedures and manuals, which are updated on a timely manner;
- (c) The Group's performance is monitored through management and operational meeting attended by senior management. The Managing Director and Executive Directors are involved in the day-to-day operations of the Group; and
- (d) Financial results are reviewed on a quarterly basis by the Board and Audit Committee.

STATEMENT ON INTERNAL CONTROL (CONT'D)

4. Internal Control Framework (Cont'd)

Apart from the above, external audit complements the internal control system to enhance value and provide advice, monitor adequacy and integrity control framework.

CONCLUSION

The system of internal controls described in this statement is considered by the Board to be adequate and the risks are considered by the Board to be at an acceptable level within the context of the business environment in which the Group is operating its businesses. In spite of the above, such system does not eliminate the possibility of human error, collusion, or deliberate circumvention of control procedures by employees and others. The Board is satisfied that for the financial year under review, there was no material losses, deficiencies or errors have arisen from any inadequacy or failure of the Group's system of internal control that would require separate disclosure in the Group's Annual Report.

This statement has been reviewed by the external auditors in compliance with Paragraph 15.23 of the Listing Requirements of Bursa Securities for the MESDAQ Market.

This statement is made in accordance with the resolution of the Board dated 16 May 2007.

AUDIT COMMITTEE REPORT

16

The Audit Committee ("Committee") was established on 14 April 2006 by the Board of Directors with the primary objective to assist the Board of Directors in fulfilling responsibilities relating to corporate governance, system of internal controls, risk management processes and management and financial reporting practices of the Group.

COMPOSITION

The current members of the Committee comprise:

Chairman	Status of Directorship
Loh Chye Teik	Independent Non-Executive Director

Members	Status of Directorship
Teoh Yee Shien	Independent Non-Executive Director
Ooi Yeok Hock	Executive Director

The detailed profile of the Committee members are contained in the "Profile of Directors" as set out on pages 5 to 6 of this Annual Report. Members of the Committee possess sound judgement, objectivity, independent attitude, management experience and knowledge of the industry.

TERMS OF REFERENCE

The terms of reference of the Committee are as follows:

1. MEMBERSHIP

The Board should establish an audit committee of at least three directors, a majority of whom must be independent with written terms of reference which deal clearly with its authority and duties. At least one member of the Committee:-

- must be member of the Malaysian Institute of Accountants; or
- if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years of working experience and
 - he must have passed the examination specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
 - he must be a member of one of the associations of accountants specified in Part II of the 1st schedules to the Accountants Act, 1967; or
 - fulfills such other requirements as prescribed by the Exchange.

The members of the Committee shall elect the Chairman from among their number who shall be an Independent Non-Executive Director. The Chief Executive Officer or alternate director shall not be a member of the Audit Committee.

2. ATTENDANCE AT MEETINGS

The Head of Finance and Head of Internal Audit, if any will attend the meetings. At least once a year, the Committee shall meet with external auditors without the presence of the Executive Directors. The Company Secretary shall be the secretary of the Committee.

3. FREQUENCY AT MEETINGS

Meetings will be held not less than four times a year. The external auditors may request a meeting if they consider that one is necessary. The quorum for any meeting shall be two and the majority members of the Committee present must be Independent Non-Executive Directors. Other directors and employees attend any particular audit committee meeting only at the audit committee's invitation, specific to the relevant meeting.

4. RETIREMENT AND RESIGNATION

In the event of any vacancy in an audit committee resulting in the non-compliance of sub-Rule 15.09(1) above, a listed company must fill the vacancy within 3 months.

5. AUTHORITY

The committee is authorized by the Board to investigate any activity within its terms of reference, the resources it needs to do so and full access to information pertaining to the Group. The committee should have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity and be able to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

6. DUTIES

The duties of the Committee shall include:-

- a) to consider the appointment/ nomination/ suitability of the external auditors, their audit fee and any question of their resignation or dismissal to the Board.
- b) to discuss with the external auditors before the audit commences the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved.
- c) to review the quarterly and year-end financial statements of the Company and the Group before submission to the Board, focusing particularly on;-
 - public announcements of results and dividend payment;
 - any changes in or implementation of major accounting policies and practices;
 - major judgmental areas;
 - significant adjustments resulting from the audit;
 - the going-concern assumption;
 - compliance with accounting standards;
 - compliance with Bursa Securities and legal requirements; and
 - significant and unusual events.
- d) to discuss problems and reservations arising from the interim and final audits and any matters the auditors may wish to discuss (in the absence of management where necessary).
- e) to review the internal audit programme, consider the major findings of internal audit investigations and management's response and ensure co-ordination between the internal and external auditors.
- f) to review the adequacy of the scope, functions and resources of the internal audit function and to ensure that it has the necessary authority to carry out its work.
- g) to review the appraisal or assessment of the performance of the staff of the internal audit function.
- h) to approve any appointment or termination of senior staff of the internal audit function.
- i) to keep under review the effectiveness of internal control system and, in particular, review external auditors' management letter and management's response.
- j) to review any related party transactions and conflict of interest situation that may arise within the Company or Group, including any transaction, procedure or course of conduct that raises questions of management integrity.
- k) to review the allocation of options pursuant to share scheme for employees, transactions, procedure or course of conduct that raises questions of management integrity.

AUDIT COMMITTEE REPORT (CONT'D)

18

6. DUTIES (CONT'D)

- l) to carry out such other functions and consider other topics, as may be agreed upon by the Board.
- m) to inform itself of resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

7. REPORTING PROCEDURES

The Company Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.

ATTENDANCE AT MEETINGS

A total of three (3) Audit Committee meetings were held during the financial year ended 31 December 2006. The details of the attendance of the Committee members were as follows: -

Name of Committee Member	Attendance
Loh Chye Teik	3/3
Teoh Yee Shien	3/3
Ooi Yeok Hock	3/3

ACTIVITIES OF THE COMMITTEE

The summary of the activities of the Audit Committee in the discharge of its duties and responsibilities for the financial year ended 31 December 2006 included the following:

- (a) Reviewed the quarterly financial results and annual audited financial statements of the Group and the Company including the announcements made pertaining thereto, before recommending to the Board for their approval and release of the Group's results to Bursa Securities;
- (b) Reviewed with external auditor on their audit planning memorandum on the statutory audit of the Group for the financial year ended 31 December 2006;
- (c) Reviewed with external auditors on the results and issues arising from their audit of the financial year end statements and their resolutions of such issues highlighted in their report to the Committee; and
- (d) Reviewed the research report before recommending to the Board for their consideration and approval.

INTERNAL AUDIT FUNCTION

Presently, the Group does not have an internal audit department and the Audit Committee relied on discussions with the Management and Executive Directors, review quarterly financial statements and input from external auditors to discharge its duties.

Subsequent to financial year ended 31 December 2006, the Audit Committee has outsourced the internal audit function of the Group to an independent professional company, Grant Thornton Consulting Sdn. Bhd. ("GTC") on 21 March 2007. In this regard, GTC will conduct the internal audits according to the internal audit plan approved by the Audit Committee and will report audit findings directly to the same in the next financial year ending 31 December 2007.

EMPLOYEES SHARE OPTION SCHEME

The Company had established an Employee Share Option Scheme ("ESOS") with a duration of five (5) years from the effective date of 1 August 2006.

During the financial year ended 31 December 2006, no allocation of share options was made by the Company pursuant to the ESOS and no share options were exercised under the ESOS.

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO THE AUDITED FINANCIAL STATEMENT

This statement is prepared pursuant to the Listing Requirements of Bursa Securities for the MESDAQ Market.

The Directors are required to prepare audited financial statements that give a true and fair view of the state of affairs, including the cash flow and results, of the Group and the Company as at the end of each financial year.

In preparing these financial statements, the Directors have considered the following:-

- The Group and the Company have used appropriate accounting policies, and are consistently applied;
- That reasonable and prudent judgements and estimates were made; and
- That the approved accounting standards in Malaysia have been applied.

The Directors are responsible for ensuring that the Company maintains proper accounting records which disclose with reasonable accuracy the financial position of the Group and the Company, and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors have general responsibility for taking such steps that are reasonably available to them to safeguard the assets of the Group and the Company, and to prevent and detect fraud and other irregularities.

This statement is made in accordance with the resolution of the Board dated 16 May 2007.

ADDITIONAL COMPLIANCE INFORMATION

20

Utilisation of IPO Proceeds

The status of the utilisation of the proceeds raised from the IPO pursuant to the listing of the Company on the MESDAQ Market of Bursa Securities amounting to RM10.57 million as at 31 December 2006 is as follows:-

Status of utilisation of Proceeds

	Total Amount of Proceeds RM'000	Utilised as at 31.12.06 RM'000	Balance RM'000	Expected time frame for utilisation
Machinery & equipment	4,040	2,748	1,292	End 2007
Research & Development expenses	1,400	903	497	End 2007
Working capital	3,630	3,789	(159) #	End 2006
Estimated listing expenses	1,500	1,341	159 #	End 2006
	10,570	8,781	1,789	

Note : # The unutilised balance from the listing expenses has been utilised for working capital

Share Buyback

There were no share buyback of the Company's shares during the financial year.

Options, Warrants Or Convertible Securities

There were no options, warrants or convertible securities exercised during the financial year as the Company has not issue any options, warrants or convertible securities.

American Depository Receipts ("ADR") And Global Depository Receipts ("GDR")

The Company did not sponsor any ADR and GDR during the financial year.

Imposition Of Sanctions And/Or Penalties

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year under review.

Non-audit Fees Paid to External Auditors

During the financial year ended 31 December 2006, the Company had paid RM54,100 to the External Auditors, who was the Reporting Accountant pursuant to the Company's listing exercise. Save as disclosed above, no non-audit fees were paid to the external auditors or company affiliated to the auditors' firm for the financial year.

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

Profit Estimate, Forecast Or Projection

The Company has achieved its forecasted consolidated profit after taxation for the financial year ended 31 December 2006, tabulated as follows :-

	Forecast *	Actual	Variance
	RM'000	RM'000	RM'000
Financial year ended 31 December 2006			
Revenue	34,086	48,282	14,196
Consolidated Profit before taxation	5,162	5,800 #	638
Less : Taxation	(1,062)	(1,454)	(392)
Consolidated Profit after taxation	4,100	4,346	246

* As disclosed in JHM's prospectus dated 19 June 2006.

Represents the profit before taxation of RM7.95 million as disclosed in the consolidated income statement for the financial year ended 31 December 2006 before taking into consideration the reserve on consolidation written off of RM2.15 million.

Material Contracts Or Loans

There were no material contracts or loans entered into by the Company and its subsidiaries involving Directors' and major shareholders either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

Recurrent Related Party Transactions of a Revenue Or Trading Nature

The Company does not have any recurrent related party transaction of a revenue or trading nature during the financial year.

Revaluation Policy On Landed Properties

The Company does not have a policy of regular revaluation of landed properties.

FINANCIAL STATEMENTS

- 23 DIRECTORS' REPORT
- 27 CONSOLIDATED BALANCE SHEET
- 28 CONSOLIDATED INCOME STATEMENT
- 29 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
- 30 CONSOLIDATED CASH FLOW STATEMENT
- 32 BALANCE SHEET
- 33 INCOME STATEMENT
- 34 STATEMENT OF CHANGES IN EQUITY
- 35 CASH FLOW STATEMENT
- 36 NOTES TO THE FINANCIAL STATEMENTS
- 55 DIRECTORS' STATEMENT AND STATUTORY DECLARATION
- 56 REPORT OF THE AUDITORS
TO THE MEMBERS OF JHM CONSOLIDATION BERHAD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2006

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

PRINCIPAL ACTIVITIES

The Company commenced operations on 12 April 2006 as an investment holding company whilst the principal activities of the subsidiary companies are disclosed in Note 4 to the financial statements.

RESULTS

	GROUP RM	COMPANY RM
Profit after taxation for the year	5,782,228	703,408

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2006 have not been substantially affected by any item, transaction or event of a material and unusual nature except for the write off of reserve on consolidation amounting to RM2,149,229. No item, transaction or event of a material and unusual nature has arisen in the interval between the end of that 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.

DIVIDENDS

Since the end of the previous financial period, the Company paid an interim dividend of 1 sen per share less tax amounting to RM590,400 on 28 December 2006 in respect of the financial year ended 31 December 2006.

The directors do not recommend the payment of a final dividend for the financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

SHARE CAPITAL

During the financial year, the Company subdivided its authorised share capital of RM100,000 consisting of 100,000 shares of RM1.00 each to 1,000,000 shares of RM0.10 each. Subsequently, the authorised share capital was increased to RM25,000,000 by the creation of an additional 249,000,000 ordinary shares of RM0.10 each.

The issued and paid-up share capital was increased from RM2 to RM8,200,000 by the following issues :

Terms of Issue	Number of ordinary shares of RM0.10 each	Amount RM
Issued for the acquisition of the entire share capital of Jingheng Electronic Precision Technology Sdn. Bhd. at an issue price of RM0.10 per share.	17,062,028	1,706,203
Issued for the acquisition of the entire share capital of Morrissey Technology Sdn. Bhd. at an issue price of RM0.10 per share.	43,797,952	4,379,795
Public issue of 21,140,000 new ordinary shares of RM0.10 at an issue price of RM0.50 per share.	21,140,000	2,114,000
		8,199,998

DIRECTORS' REPORT (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2006

24

SHARE CAPITAL (CONT'D)

The proceeds from the public issue are to be utilised as follows :

	RM
Purchase of machinery and equipment	4,040,000
Research and development expenses	1,400,000
Working capital	3,630,000
Estimated listing expenses	1,500,000
	10,570,000

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

Other than the foregoing, the Company did not grant any option to anyone to take up unissued shares of the Company.

EMPLOYEE SHARE OPTION SCHEME

The Company had on 17 May 2006 and 15 June 2006 obtained approvals from the Securities Commission and the shareholders respectively to establish an Employee Share Option Scheme ("ESOS") with duration of five years from the effective date.

As at balance sheet date, no options were granted.

The salient features of the ESOS are disclosed in Note 10 to the financial statements.

DIRECTORS

The directors who served since the date of the last report are as follows :

Dato' Tan King Seng (appointed on 13.4.06)
Ooi Yeok Hock (appointed on 13.4.06)
Tan Chin Hong (appointed on 13.4.06)
Loh Chye Teik (appointed on 13.4.06)
Teoh Yee Shien (appointed on 13.4.06)
Raymond Khor Guan Lye (resigned on 14.4.06)
Foo Li Ling (resigned on 14.4.06)

In accordance with the Company's Articles of Association, **Mr. Tan Chin Hong** retires from the Board at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

DIRECTORS' REPORT (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2006

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year are as follows :

	-----No. of ordinary shares of RM0.10 each-----				
	Balance at 1.1.06	Allotment	Bought	Sold	Balance at 31.12.06
The Company					
Direct interest :					
Dato' Tan King Seng	-	28,271,586*	200,000	-	28,471,586
Ooi Yeok Hock	-	4,389,292*	200,000	-	4,589,292
Tan Chin Hong	-	1,920,331*	150,000	-	2,070,331
Loh Chye Teik	-	-	45,000	-	45,000
Teoh Yee Shien	-	-	45,000	(45,000)	-
Deemed interest :					
Dato' Tan King Seng	-	26,278,771	-	(5,452,000)	20,826,771

By virtue of his shareholdings in the shares of the Company, **Dato' Tan King Seng** is also deemed interested in all the subsidiary companies, to the extent that it has interests.

* The allotment was in respect of new shares issued by the Company for the acquisition of Jingheng Electronic Precision Technology Sdn. Bhd. and Morrissey Technology Sdn. Bhd..

DIRECTORS' BENEFITS

Since the end of the previous financial period, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with a director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest.

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

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that :

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

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

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) that would render any amount stated in the financial statements of the Group and of the Company misleading, other than those already dealt with in this report and in the relevant financial statements, or

DIRECTORS' REPORT (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2006

26

OTHER STATUTORY INFORMATION (CONT'D)

- iv) which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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

- i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

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

SIGNIFICANT EVENT

Details of significant event is disclosed in Note 26 to the financial statements.

AUDITORS

The auditors, **JB LAU & ASSOCIATES**, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors :

Dato' Tan King Seng

Ooi Yeok Hock

Penang,

Date : 19 April 2007

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2006

	NOTE	RM
ASSETS		
Non-current assets		
Property, plant and equipment	3	10,356,056
Development costs	5	<u>1,380,737</u>
		11,736,793
Current assets		
Inventories	6	6,499,702
Trade receivables	7	9,840,117
Other receivables, deposits and prepayments		567,317
Tax recoverable		173,163
Cash and cash equivalents	9	<u>2,375,469</u>
		19,455,768
TOTAL ASSETS		<u>31,192,561</u>
EQUITY AND LIABILITIES		
Share capital	10	8,200,000
Share premium	11	7,115,300
Retained profit		<u>5,187,296</u>
Total equity		<u>20,502,596</u>
Non-current liabilities		
Hire purchase payables	13	479,360
Deferred tax liabilities	14	<u>861,000</u>
		1,340,360
Current liabilities		
Trade payables	15	5,841,615
Other payables and accruals	16	2,134,375
Amount due to a director	17	1,332,500
Provision for taxation		41,115
		<u>9,349,605</u>
Total liabilities		<u>10,689,965</u>
TOTAL EQUITY AND LIABILITIES		<u>31,192,561</u>

The notes set out on pages 36 to 54 form an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

28

	NOTE	RM
Revenue	18	48,282,095
Cost of sales		<u>(40,655,546)</u>
Gross profit		7,626,549
Other income		842,933
Administrative expenses		<u>(2,580,339)</u>
Operating profit		5,889,143
Finance costs		<u>(88,763)</u>
Profit after finance costs		5,800,380
Reserve on consolidation written off		<u>2,149,229</u>
Profit before taxation	19	7,949,609
Taxation	20	<u>(1,453,979)</u>
Profit after taxation		6,495,630
Pre-acquisition profit		<u>(713,402)</u>
Net profit for the year		<u>5,782,228</u>
Earnings per share (sen)	21	<u>10.56</u>
Dividend per share (sen, net)	22	<u>0.72</u>

The notes set out on pages 36 to 54 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2006

	NOTE	Share Capital RM	Non- distributable Share Premium RM	Distributable Retained Profit/ (Loss) RM	Total Equity RM
Balance at beginning		2	-	(4,532)	(4,530)
Net profit for the year, representing total recognised income for the year		-	-	5,782,228	5,782,228
Dividend	22	-	-	(590,400)	(590,400)
Issue of shares	10 & 11				
- acquisition of subsidiary companies		6,085,998	-	-	6,085,998
- public issue		2,114,000	8,456,000	-	10,570,000
Listing expenses	11	-	(1,340,700)	-	(1,340,700)
Balance at end		<u>8,200,000</u>	<u>7,115,300</u>	<u>5,187,296</u>	<u>20,502,596</u>

The notes set out on pages 36 to 54 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

30

RM

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation	7,949,609
Less : pre-acquisition profit	(918,068)
	<u>7,031,541</u>
Adjustments for :	
Amortisation of development costs	154,327
Depreciation	922,315
Gain on disposal of property, plant and equipment	(58,928)
Interest expense	64,457
Interest income	(33,495)
Property, plant and equipment written off	3,094
Reserve on consolidation written off	(2,149,229)
Unrealised gain on foreign exchange	(20,935)
Operating profit before working capital changes	<u>5,913,147</u>
Development costs	(260,993)
Inventories	(5,218,456)
Receivables	(2,755,377)
Payables	880,780
Cash used in operations	<u>(1,440,899)</u>
Income tax paid	(751,629)
Interest paid	(64,457)
Net cash used in operating activities	<u>(2,256,985)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Cash flow on acquisition of subsidiary companies **	(219,092)
Withdrawal of margin deposits	13,500
Interest income	33,495
Purchase of property, plant and equipment *	(4,150,006)
Proceeds from disposal of property, plant and equipment	60,000
Net cash used in investing activities	<u>(4,262,103)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Payment of hire purchase payables	(988,221)
Payment of listing expenses	(1,340,700)
Dividends paid	(590,400)
Proceeds from issuance of shares at premium	10,570,000
Director's account	1,243,126
Net cash from financing activities	<u>8,893,805</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

2,374,717

CASH AND CASH EQUIVALENTS AT BEGINNING

2

CASH AND CASH EQUIVALENTS AT END

2,374,719

The notes set out on pages 36 to 54 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2006

31

RM

Represented by :

Short term funds with a licensed financial institution	1,803,496
Cash and bank balances	571,223
	2,374,719

Purchase of property, plant and equipment *

Total acquisition cost	4,464,606
Acquired under hire purchase loans	(314,600)
	4,150,006

Total cash acquisition

Cash flow on acquisition of subsidiary companies **

Property, plant and equipment	6,817,931
Development costs	1,274,071
Inventories	1,281,246
Margin deposit with a licensed bank	14,250
Receivables	7,301,436
Tax recoverable	81,732
Payables	(6,377,989)
Amount due to directors	(89,374)
Bank borrowings	(219,092)
Deferred tax liabilities	(313,000)
Hire purchase payables	(1,535,984)
Share of net assets acquired	8,235,227
Reserve on consolidation	(2,149,229)
Total purchase consideration satisfied by shares	6,085,998

Cash flow on acquisition of subsidiary companies

Cash and cash equivalent acquired	(219,092)
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The notes set out on pages 36 to 54 form an integral part of these financial statements.

BALANCE SHEET

AT 31 DECEMBER 2006

32

	NOTE	2006 RM	2005 RM
ASSETS			
Non-current assets			
Investment in subsidiary companies	4	<u>6,085,998</u>	-
Current assets			
Prepayments		-	367,968
Amount due from subsidiary companies	8	<u>7,566,663</u>	-
Tax recoverable		2,000	-
Cash and cash equivalents	9	<u>2,160,748</u>	2
		<u>9,729,411</u>	<u>367,970</u>
TOTAL ASSETS		<u>15,815,409</u>	<u>367,970</u>
EQUITY AND LIABILITIES			
Share capital	10	<u>8,200,000</u>	2
Share premium	11	<u>7,115,300</u>	-
Retained profit/(loss)	12	<u>108,476</u>	(4,532)
Total equity		<u>15,423,776</u>	<u>(4,530)</u>
Current liabilities			
Other payables and accruals		<u>391,633</u>	372,500
TOTAL EQUITY AND LIABILITIES		<u>15,815,409</u>	<u>367,970</u>

The notes set out on pages 36 to 54 form an integral part of these financial statements.

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

	NOTE	1.1.06 TO 31.12.06 RM	26.3.05 TO 31.12.05 RM
Revenue	18	1,033,495	-
Administrative expenses		<u>(52,087)</u>	<u>(4,532)</u>
Profit/(Loss) before taxation	19	981,408	(4,532)
Taxation	20	<u>(278,000)</u>	-
Profit/(Loss) for the year/period		<u>703,408</u>	<u>(4,532)</u>

The notes set out on pages 36 to 54 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2006

34

	NOTE	Share Capital RM	Non- distributable Share Premium RM	Distributable Retained Profit/ (Loss) RM	Total Equity RM
1.1.06 TO 31.12.06					
Balance at beginning		2	-	(4,532)	(4,530)
Net profit for the year, representing total recognised income for the year		-	-	703,408	703,408
Dividends	22	-	-	(590,400)	(590,400)
Issue of shares	10 & 11				
- acquisition of subsidiary companies		6,085,998	-	-	6,085,998
- public issue		2,114,000	8,456,000	-	10,570,000
Listing expenses	11	-	(1,340,700)	-	(1,340,700)
Balance at end		<u>8,200,000</u>	<u>7,115,300</u>	<u>108,476</u>	<u>15,423,776</u>
26.3.05 TO 31.12.05					
Balance at incorporation		2	-	-	2
Loss for the period, representing total recognised expense for the period		-	-	(4,532)	(4,532)
Balance at end		<u>2</u>	<u>-</u>	<u>(4,532)</u>	<u>(4,530)</u>

The notes set out on pages 36 to 54 form an integral part of these financial statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

	1.1.06 TO 31.12.06 RM	26.3.05 TO 31.12.05 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	981,408	(4,532)
Adjustments for :		
Dividend income	(1,000,000)	-
Interest income	(33,495)	-
Operating loss before working capital changes	(52,087)	(4,532)
Receivables	367,968	(367,968)
Payables	19,133	372,500
Net cash from operating activities	335,014	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	720,000	-
Interest received	33,495	-
Net cash from investing activities	753,495	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(590,400)	-
Subsidiary companies	(7,566,663)	-
Payment of listing expenses	(1,340,700)	-
Proceeds from issuance of shares at premium	10,570,000	2
Net cash from investing activities	1,072,237	2
NET INCREASE IN CASH	2,160,746	2
CASH AT BEGINNING	2	-
CASH AT END	2,160,748	2
Represented by:		
Short term funds with a licensed financial institution	1,803,496	-
Cash and bank balances	357,252	2
	2,160,748	2

The notes set out on pages 36 to 54 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

36

1. GENERAL INFORMATION

The Company is a public limited company, incorporated and domiciled in Malaysia.

The Company commenced operations on 12 April 2006 as an investment holding company whilst the principal activities of the subsidiary companies are disclosed in Note 4 to the financial statements.

On 13 July 2006, the Company's shares were officially listed and quoted on the MESDAQ Market of Bursa Malaysia Securities Berhad.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 19 April 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the accounting policies below and comply with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia. At the beginning of the current financial year, the Group and the Company had adopted new/revised Financial Reporting Standards (FRSs) which are mandatory for financial periods beginning on or after 1 January 2006 as described fully in Note 2.19.

2.2 Basis of Consolidation

The financial statements of the Group include the audited financial statements of the Company and all its subsidiary companies made up to the end of the financial period. Subsidiary companies are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating activities so as to obtain benefits therefrom. The Group adopts the acquisition method of consolidation.

Under the acquisition method of accounting, the results of the subsidiary companies acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiary companies' net assets are determined and these values are reflected in the consolidated financial statements.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill and is retained in the balance sheet.

Any excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities over the cost of acquisition represents reserve on consolidation and is recognised immediately in profit or loss.

Inter-company balances, transactions 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. Where necessary, adjustments are made to the financial statements of the subsidiary companies to ensure consistency of accounting policies with those of the Group.

Minority interest is measured at the minorities' share of the acquisition fair values of the identifiable assets and liabilities of the acquiree company. Separate disclosure is made of minority interest.

2.3 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The policy for the recognition and measurement of impairment losses is in accordance with the accounting policy as set out in Note 2.11.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2006

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Property, Plant and Equipment (Cont'd)

Property, plant and equipment are depreciated on the straight line method to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates :

Freehold office lot	2%
Plant and machinery	10-50%
Office equipment, furniture and fittings	10-20%
Electrical installation	10%
Renovation	10%
Motor vehicles	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.

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

2.4 Hire Purchase

Property, plant and equipment financed under hire purchase are capitalised in the financial statements and are depreciated in accordance with the accounting policy as set out in Note 2.3. Outstanding obligations due under hire purchase after deducting finance costs are included as liabilities in the financial statements. The finance costs are charged to the income statement over the period of the respective agreements using the sum-of-digits method.

2.5 Investment in Subsidiary Companies

Investment in subsidiary companies which is eliminated on consolidation is stated at cost less accumulated impairment losses in the Company's financial statements.

The policy for the recognition and measurement of impairment losses is in accordance with the accounting policy as set out in Note 2.11.

On disposal of investment in subsidiary company, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

2.6 Research and Development Costs

All research costs are recognised in the profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliable the expenditure during the development. Product development expenditures which do not meet these criteria are expensed when incurred.

Development costs, considered to have finite useful lives, are stated at cost less accumulated impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2006

38

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Inventories

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

Cost in the case of work-in-progress and finished goods includes materials, direct labour and attributable production overheads and is determined on the weighted average basis and first-in, first-out basis, whichever is appropriate.

Cost of raw materials is determined on the first-in, first-out basis.

Net realisable value represents the estimated selling price less all estimated costs to completion and estimated costs to be incurred in marketing, selling and distribution.

2.8 Receivables

Receivables are stated at their anticipated realisable values.

Known bad debts are written off and specific allowance is made for any debts considered to be doubtful of collection.

2.9 Payables

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

2.10 Provisions for Liabilities

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

2.11 Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

2.12 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction, production or preparation of assets until they are ready for their intended use or sale are capitalised as part of the cost of those assets. Other borrowing costs are recognised as expenses in the year in which they are incurred.

2.13 Revenue Recognition

Revenue from sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2006

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Revenue Recognition (Cont'd)

Dividend income is recognised in the income statement when the right to receive payment is established.

Interest income is recognised on the accrual basis.

2.14 Employee Benefits

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.

Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

Share-based compensation

The Company Employee Share Option Scheme ("ESOS"), an equity-settled, share-based compensation plan, allows the Group's employees to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained profits.

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

2.15 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 tax 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 recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2006

40

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Foreign Currency Translations

Assets and liabilities in foreign currencies at balance sheet date are translated into Ringgit Malaysia at the rates of exchange approximately ruling on that date. Transactions in foreign currencies during the year have been translated into Ringgit Malaysia at the rates of exchange approximately ruling on transaction dates.

All exchange gains or losses are included in the income statement.

The principal closing rates of exchange of the foreign currencies used in the preparation of the financial statements are as follows :

	2006 RM	2005 RM
1 Singapore Dollar	2.3028	2.2230
1 US Dollar	3.5315	3.8000
100 Thai Baht	9.8110	-
100 Hong Kong Dollar	45.4288	-
100 Chinese Renminbi	50.0000	-

2.17 Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short term and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, against which bank overdraft balances, if any, are deducted.

2.18 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, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of the financial instruments classified as equity are charged directly to 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.

The particular recognition methods adopted are disclosed in the individual accounting policy associated with each item.

2.19 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2006

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Cont'd)

FRS 132	Financial Instrument : Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of the above FRSs did not give rise to any adjustment to the opening balances of loss/retained profit of the prior period and current year or to changes in the comparative figures.

3. PROPERTY, PLANT AND EQUIPMENT

GROUP

	----- At Costs -----					Balance at 31.12.06 RM
	Balance at 1.1.06 RM	Acquisition of subsidiary companies RM	Additions RM	Disposals RM	Written off RM	
Freehold office lot	-	-	437,389	-	-	437,389
Plant and machinery	-	6,938,599	3,332,837	-	-	10,271,436
Office equipment, furniture and fittings	-	829,331	168,157	-	(3,640)	993,848
Electrical installation	-	277,426	13,352	-	-	290,778
Renovation	-	1,399,003	142,334	-	-	1,541,337
Motor vehicles	-	334,416	370,537	(128,554)	-	576,399
	-	9,778,775	4,464,606	(128,554)	(3,640)	14,111,187

	----- Accumulated Depreciation -----					Balance at 31.12.06 RM
	Balance at 1.1.06 RM	Acquisition of subsidiary companies RM	Current charge RM	Disposals RM	Written off RM	
Freehold office lot	-	-	1,458	-	-	1,458
Plant and machinery	-	2,310,556	648,278	-	-	2,958,834
Office equipment, furniture and fittings	-	189,782	84,562	-	(546)	273,798
Electrical installation	-	35,227	19,243	-	-	54,470
Renovation	-	147,743	106,925	-	-	254,668
Motor vehicles	-	277,536	61,849	(127,482)	-	211,903
	-	2,960,844	922,315	(127,482)	(546)	3,755,131

	Net book value at 31.12.06 RM
Freehold office lot	435,931
Plant and machinery	7,312,602
Office equipment, furniture and fittings	720,050
Electrical installation	236,308
Renovation	1,286,669
Motor vehicles	364,496
	<u>10,356,056</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2006

42

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

GROUP

The net book value of property, plant and equipment being acquired under hire purchase loans are as follows :

	RM
Plant and machinery	1,185,835
Motor vehicles	334,427
	<u>1,520,262</u>

4. INVESTMENT IN SUBSIDIARY COMPANIES

	COMPANY	
	2006 RM	2005 RM
Unquoted shares, at cost	<u>6,085,998</u>	<u>-</u>

Details of the subsidiary companies which are all incorporated in Malaysia are as follows :

Name of Company	Effective Equity Interest		Principal Activities
	2006	2005	
Morrissey Technology Sdn. Bhd.	100%	-	Design and manufacturing of precision miniature engineering metal parts and components.
Jingheng Electronic Precision Technology Sdn. Bhd.	100%	-	Original design, manufacturing of semiconductor light emitting diodes components and the related manufacturing activities are outsourced to reliable and reputable third parties.

On 12 April 2006, the Company acquired the entire issued and paid-up share capital of Morrissey Technology Sdn. Bhd. and Jingheng Electronic Precision Technology Sdn. Bhd. for a total consideration of RM6,085,998, satisfied by the issuance of 60,859,980 new ordinary shares of RM0.10 each at an issue price of RM0.10 per share. The acquisition was accounted for using the acquisition method of accounting.

The effect of the above mentioned acquisition on the financial results for the year ended **31 December 2006** of the Group is as follows :

	RM
Revenue	40,612,664
Cost of sales	<u>(34,342,137)</u>
Gross profit	6,270,527
Other income	715,904
Administrative expenses	<u>(2,020,463)</u>
Operating profit	4,965,968
Finance costs	<u>(65,064)</u>
Profit after finance costs	4,900,904
Reserve on consolidation written off	<u>2,149,229</u>
Profit before taxation	7,050,133
Taxation	<u>(1,249,313)</u>
Increase in Group's net profit	<u>5,800,820</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2006

4. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

The effect of the above mentioned acquisition on the financial position of the Group as at 31 December 2006 is as follows :

	RM
Property, plant and equipment	10,356,056
Development costs	1,380,737
Inventories	6,499,702
Trade receivables	9,840,117
Other receivables, deposits and prepayments	567,317
Tax recoverable	171,163
Cash and cash equivalents	214,721
Trade payables	(5,841,615)
Other payables and accruals	(1,742,742)
Amount due to a director	(1,332,500)
Deferred tax liabilities	(861,000)
Provision for taxation	(41,115)
Hire purchase payables	(479,360)
	<hr/>
Increase in Group's net assets	18,731,481

5. DEVELOPMENT COSTS

	GROUP 2006 RM
At costs	
Arising from the acquisition of subsidiary companies	1,180,108
Additions	430,084
	<hr/>
Balance at end	1,610,192
Less : Accumulated amortisation	
Arising from the acquisition of subsidiary companies	75,128
Current charge	154,327
	<hr/>
Balance at end	(229,455)
	<hr/>
	1,380,737

6. INVENTORIES

	GROUP 2006 RM
At cost	966,345
Raw materials	146,598
Work-in-progress	5,065,520
Finished goods	321,239
Consumables	<hr/>
	6,499,702

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2006

44

7. TRADE RECEIVABLES

GROUP

Included herein is an amount of **RM4,811,190** that is denominated in US Dollar.

The normal credit terms for trade receivables range from 30 to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

8. AMOUNT DUE FROM SUBSIDIARY COMPANIES

COMPANY

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

9. CASH AND CASH EQUIVALENTS

	GROUP 2006 RM	COMPANY 2006 RM	2005 RM
Unencumbered			
Short term funds with a licensed financial institution	1,803,496	1,803,496	-
Cash and bank balances	571,223	357,252	2
	2,374,719	2,160,748	2
Encumbered			
Margin deposit with a licensed bank	750	-	-
	2,375,469	2,160,748	2

Short term funds represent investments with redeemable period **less than 31 days** (2005 : Nil). The interest rates of short term funds at balance sheet date is **3.45%** (2005 : Nil) per annum.

The encumbered margin deposit which is non interest bearing is pledged to a licensed bank as security for bank guarantees granted to a subsidiary company. The maturity of the margin deposit is **18 months** (2005 : Nil).

Included herein are the following amounts that are denominated in currencies other than Ringgit Malaysia :

	GROUP 2006 RM
US Dollar	92,611
Chinese Renminbi	1,017
Others	447

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2006

10. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2006	2005	2006 RM	2005 RM
Authorised :				
Balance at beginning/incorporation				
Ordinary shares of RM1.00 each	100,000	100,000	100,000	100,000
Subdivision of par value to RM0.10 each	900,000	-	-	-
Creation	<u>249,000,000</u>	-	<u>24,900,000</u>	-
Balance at end				
Ordinary shares of RM0.10 each (2005 : RM1.00 each)	<u>250,000,000</u>	<u>100,000</u>	<u>25,000,000</u>	<u>100,000</u>
Issued and fully paid :				
Balance at beginning/incorporation				
Ordinary shares of RM1.00 each	2	2	2	2
Subdivision of par value to RM0.10 each	18	-	-	-
Acquisition of subsidiaries	60,859,980	-	6,085,998	-
Public issue	<u>21,140,000</u>	-	<u>2,114,000</u>	-
Balance at end	<u>82,000,000</u>	<u>2</u>	<u>8,200,000</u>	<u>2</u>

During the financial year, the Company subdivided its authorised share capital of RM100,000 consisting of 100,000 shares of RM1.00 each to 1,000,000 shares of RM0.10 each. Subsequently, the authorised share capital was increased to RM25,000,000 by the creation of an additional 249,000,000 ordinary shares of RM0.10 each.

The issued and paid-up share capital was increased from RM2 to RM8,200,000 by the following issues :

- i) 17,062,028 new ordinary shares of RM0.10 each at an issue price of RM0.10 per ordinary share as consideration for the acquisition of the entire share capital of Jingheng Electronic Precision Technology Sdn. Bhd.,
- ii) 43,797,952 new ordinary shares of RM0.10 each at an issue price of RM0.10 per ordinary share as consideration for the acquisition of the entire share capital of Morrissey Technology Sdn. Bhd., and
- iii) public issue of 21,140,000 new ordinary shares of RM0.10 each at an issue price of RM0.50 per ordinary share.

Employee Share Option Scheme

The Company had on 17 May 2006 and 15 June 2006 obtained approvals from the Securities Commission and the shareholders respectively to establish an Employee Share Option Scheme ("ESOS") with duration of five years from the effective date.

As at balance sheet date, no options were granted.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2006

46

10. SHARE CAPITAL (CONT'D)

The salient features of the ESOS are as follows :

- i) the aggregate number of options offered under the ESOS shall not exceed twenty per centum (20%) of the issued and paid-up share capital of the Company at any point in time during the duration of the ESOS or such additional number that may be permitted by the relevant authorities during the duration of the ESOS,
- ii) an employee (including Executive Directors) shall be eligible to participate in the ESOS if the employee is at least eighteen (18) years of age on the date of offer; employed full time by and on the payroll of any company in the Group and must have been employed for a continuous period of at least two (2) years for executive employee and at least three (3) years for non-executive employee and his employment must have been confirmed on the date of offer,
- iii) not more than fifty per centum (50%) of the shares available under the ESOS should be allocated, in aggregate, to directors and senior management of the Group. In addition, not more than ten per centum (10%) of the shares available under the ESOS should be allocated to any individual director or employee who, either singly or collectively through his/her associates, holds twenty per centum (20%) or more in the issued and paid-up share capital of the Company,
- iv) the price at which the grantee is entitled to subscribe for each new share shall be the higher of a price which is at a discount of not more than ten per centum (10%) from the weighted average market price of the shares as shown in the daily official list issued by the Bursa Malaysia Securities Berhad for the five (5) market days immediately preceding the date of offer and the par value of the shares, or such adjustments in accordance with any prevailing guidelines issued by the Securities Commission or any other relevant authorities as amended from time to time,
- v) the new shares to be issued and allotted upon any exercise of the option will upon allotment and issuance rank pari passu in all respect with the then existing issued shares except that the shares so issued will not be entitled for any dividend, rights, allotments or other distribution declared, made or paid to shareholders unless the shares so allotted have been credited into the relevant securities accounts maintained by the Bursa Malaysia Depository Sdn. Bhd. before the entitlement date and will be subject to all the provisions of the Articles of Association of the Company relating to the transfer, transmission and otherwise, and
- vi) the ESOS shall come into force for a period of five (5) years from the date of confirmation by the adviser of the Company to the Securities Commission. The Company may, if the Board of Directors and the ESOS Committee deem fit, extend the ESOS for another five (5) years.

11. SHARE PREMIUM

	2006 RM
Public issue of 21,140,000 ordinary shares of RM0.10 each at a premium of RM0.40 per share	8,456,000
Less : Listing expenses	<u>(1,340,700)</u>
	<u>7,115,300</u>

12. RETAINED PROFIT

COMPANY

The Company has sufficient Section 108 tax credit under the Income Tax Act, 1967 to frank the payment of dividends amounting to approximately **RM129,600** (2005 : RMNil) out of its retained profit at balance sheet date.

Any payment in excess of this amount will attract income tax at 27%.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2006

13. HIRE PURCHASE PAYABLES

	GROUP 2006 RM
Total amount payable	945,193
Less : Interest in suspense	<u>(82,830)</u>
	862,363
Less : Payable within next twelve months included under other payables and accruals	<u>(383,003)</u>
	<u>479,360</u>

The maturities of hire purchase payables are as follows :

	GROUP 2006 RM
Within one year	423,084
More than one year and less than five years	460,087
More than five years	<u>62,022</u>
	945,193
Less : Unexpired interest	<u>(82,830)</u>
	<u>862,363</u>

The interest rates of hire purchase payables at balance sheet date are 2.64% to 4.88% per annum.

14. DEFERRED TAX LIABILITIES

	GROUP 2006 RM
Arising from the acquisition of a subsidiary company	313,000
Transfer from income statement	<u>461,000</u>
	774,000
Under provision in prior year in a subsidiary company	<u>87,000</u>
	<u>861,000</u>

The temporary differences on which deferred tax liabilities has been provided for are in respect of the excess of capital allowances over depreciation on property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2006

48

15. TRADE PAYABLES

GROUP

Included herein are the following amounts that are denominated in currencies other than Ringgit Malaysia :

	2006 RM
Singapore Dollar	55,129
US Dollar	5,104,928

The normal credit terms for trade payables range from 30 to 90 days.

16. OTHER PAYABLES AND ACCRUALS

GROUP

Included herein are the following amounts that are denominated in currencies other than Ringgit Malaysia :

	2006 RM
Singapore Dollar	707,933
US Dollar	26,278

17. AMOUNT DUE TO A DIRECTOR

GROUP

The amount due to a director is unsecured, interest free and had no fixed terms of repayment.

18. REVENUE

	GROUP 1.1.06 TO 31.12.06 RM	COMPANY 1.1.06 TO 31.12.06 RM	26.3.05 TO 31.12.05 RM
Invoiced value of goods sold less returns and discounts	48,248,600	-	-
Gross dividend from a subsidiary company	-	1,000,000	-
Interest income	33,495	33,495	-
	<u>48,282,095</u>	<u>1,033,495</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2006

19. PROFIT/(LOSS) BEFORE TAXATION

This is arrived at :

	GROUP		COMPANY	
	1.1.06 TO 31.12.06 RM	1.1.06 TO 31.12.06 RM	26.3.05 TO 31.12.05 RM	26.3.05 TO 31.12.05 RM
After charging :				
Amortisation of development costs	154,327	-	-	-
Audit fee				
- current year	20,000	6,000	-	600
- over provision in prior year	1,600	-	-	-
Depreciation	922,315	-	-	-
* Directors' emoluments	396,986	2,000	-	-
Directors' fee	22,500	22,500	-	-
Interest expense	64,457	-	-	-
Property, plant and equipment written off	3,094	-	-	-
Rental of premises	136,310	-	-	-
** Staff costs (excluding directors)	1,700,650	-	-	-
And crediting :				
Unrealised gain on foreign exchange	20,935	-	-	-
Realised gain on foreign exchange	37,222	-	-	-
Gross dividend from a subsidiary company	-	1,000,000	-	-
Gain on disposal of property, plant and equipment	58,928	-	-	-
Interest income	33,495	33,495	-	-
*				
Directors' emoluments				
- Salary, allowance and bonus	354,650	2,000	-	-
- EPF	42,336	-	-	-
	<u>396,986</u>	<u>2,000</u>	<u>-</u>	<u>-</u>
**				
Staff costs (excluding directors)				
- Salaries, bonus and wages	1,517,594	-	-	-
- EPF	162,743	-	-	-
- SOCSO	20,313	-	-	-
	<u>1,700,650</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2006

50

20. TAXATION

	GROUP		COMPANY	
	1.1.06 TO 31.12.06 RM	1.1.06 TO 31.12.06 RM	26.3.05 TO 31.12.05 RM	
Malaysian income tax :				
Based on result for the year/period				
- Current tax	(706,000)	(278,000)		-
- Deferred tax relating to the origination and reversal of temporary differences	(461,000)	-		-
	(1,167,000)	(278,000)		-
Under provision in prior period				
- Income tax	(199,979)	-		-
- Deferred tax	(87,000)	-		-
	(286,979)	-		-
	(1,453,979)	(278,000)		-

The reconciliation of tax expense of the Group and of the Company is as follows :

	GROUP		COMPANY	
	1.1.06 TO 31.12.06 RM	1.1.06 TO 31.12.06 RM	26.3.05 TO 31.12.05 RM	
Profit/(Loss) before taxation	7,949,609	981,408		(4,532)
Income tax at Malaysian statutory tax rate of 28%	(2,225,891)	(274,794)		1,269
Income not subject to tax	601,784	-		-
Expenses not deductible for tax purposes	(107,636)	(3,206)		(1,269)
Reduced tax rate on first RM500,000 chargeable income	63,193	-		-
Utilisation of current year's reinvestment allowance	501,550	-		-
	(1,167,000)	(278,000)		-
Under provision in prior period	(286,979)	-		-
	(1,453,979)	(278,000)		-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2006

21. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the financial year as follows :

	2006
Net profit for the year (RM)	<u>5,782,228</u>
Weighted average number of ordinary shares of RM0.10 each	<u>54,734,088</u>
Basic earnings per share (sen)	<u>10.56</u>

There is no diluted earnings per share as the Company does not have any convertible financial instruments as at the financial year end.

22. DIVIDEND

	2006 RM
An interim dividend of 1 sen less tax in respect of the financial year ended 31 December 2006	<u>590,400</u>

23. SEGMENTAL INFORMATION

Segmental information is presented in respect of the Group's business segments. The primary format and business segments are based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group comprises the following main business segments :

- | | |
|------------------------|---|
| i) Electronic products | Manufacturing, assembling and trading of component related to High Brightness Light Emitting Diode ("HB LED"), Direct Current ("DC") micromotor components, fine pitch connector pins and other electronic components and products. |
| ii) Investment holding | Investment holding. |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2006

52

23. SEGMENTAL INFORMATION (CONT'D)

2006

By business segments

2006	Electronic products RM	Investment holding RM	Elimination RM	Total RM
Revenue				
External customers	48,248,600	33,495	-	48,282,095
Inter-segment revenue	-	1,000,000	(1,000,000)	-
Total revenue	<u>48,248,600</u>	<u>1,033,495</u>	<u>(1,000,000)</u>	<u>48,282,095</u>
Results				
Segment results	5,907,735	981,408	(1,000,000)	5,889,143
Interest expense	(88,763)	-	-	(88,763)
Reserve on consolidation written off	-	-	2,149,229	2,149,229
Profit before taxation	5,818,972	981,408	-	7,949,609
Taxation	(1,455,979)	(278,000)	280,000	(1,453,979)
Profit after taxation	4,362,993	703,408	-	6,495,630
Pre-acquisition profit	-	-	(713,402)	(713,402)
Net profit for the year	<u>4,362,993</u>	<u>703,408</u>		<u>5,782,228</u>
Assets				
Segment assets	28,643,929	13,652,661	(13,652,661)	28,643,929
Tax recoverable	171,163	2,000	-	173,163
Cash and cash equivalent	214,721	2,160,748	-	2,375,469
Total assets	<u>29,029,813</u>	<u>15,815,409</u>		<u>31,192,561</u>
Liabilities				
Segment liabilities	16,483,520	391,633	(7,566,663)	9,308,490
Provision for taxation and deferred taxation	902,115	-	-	902,115
Hire purchase payables	479,360	-	-	479,360
Total liabilities	<u>17,864,995</u>	<u>391,633</u>		<u>10,689,965</u>
Other segment information				
Capital expenditure	4,464,606	-	-	4,464,606
Depreciation and amortisation	1,076,642	-	-	1,076,642
Non-cash expenses other than depreciation and amortisation	(76,769)	-	(2,149,229)	(2,225,998)

By geographical segments

	-----31.12.06-----		
	Revenue RM	Total assets RM	Capital expenditure RM
Malaysia	18,236,495	29,094,587	2,366,632
China	6,066,000	2,097,974	2,097,974
Thailand	23,399,000	-	-
Other	580,600	-	-
	<u>48,282,095</u>	<u>31,192,561</u>	<u>4,464,606</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2006

24. COMMITMENTS

	GROUP 2006 RM
(a) Capital commitments	
Contracted but not provided for - Property, plant and equipment	<u>1,614,180</u>
(b) Non-cancellable operating lease commitments	
Future minimum rentals payable :	
Not later than 1 year	287,970
Later than 1 year and not later than 5 years	<u>456,210</u>
	<u>744,180</u>

Operating lease commitments represent rentals payable for use of buildings. Leases are negotiated for terms ranging from 1 to 3 years.

25. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate resources are available for the development of the Group's business whilst managing its credit, interest rate, foreign currency exposure and liquidity risks. The Boards reviews regularly the policies in place to manage these risks as summarised below.

Credit risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associates to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instrument.

Interest rate risk

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate of borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in the current low interest rate environment and achieve a certain level of protection against interest rate hikes.

The information on maturity dates and interest rates of financial assets and liabilities are disclosed in their respective notes.

Foreign currency risk

The objectives of the Group's foreign exchange policies are to allow the Group to manage exposures that arise from trading activities effectively within a framework of controls that does not expose the Group to unnecessary foreign exchange risks.

Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures, mainly Singapore Dollar and US Dollar.

The Group does not hedge its foreign currencies exposure.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2006

54

25. FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk

The Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash and cash equivalents to meet its working capital requirements.

Fair values

The carrying amount of the financial assets and financial liabilities of the Company as at balance sheet date approximate their fair values.

26. SIGNIFICANT EVENT

The Company's listing scheme was approved by the Securities Commission on 10 March 2006 which entails the acquisition of the entire paid up share capital of Jingheng Electronic Precision Technology Sdn. Bhd. and Morrissey Technology Sdn. Bhd. and a public issue (refer to Note 10). Thereafter the Company's enlarged share capital of RM8,200,000 comprising of 82,000,000 ordinary shares of RM0.10 each was listed on the MESDAQ Market of Bursa Malaysia Securities Berhad on 13 July 2006.

27. COMPARATIVE FIGURES

There are no comparative figures for the consolidated financial statements as this is the first year such consolidated financial statements are prepared.

DIRECTORS' STATEMENT

55

We, **Dato' Tan King Seng** and **Ooi Yeok Hock**, being two of the directors of **JHM Consolidation Berhad** state that in the opinion of the directors, the financial statements set out on pages 27 to 54 are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at **31 December 2006** and of the results and cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance with a resolution of the directors :

.....
Dato' Tan King Seng

.....
Ooi Yeok Hock

Date : 19 April 2007

STATUTORY DECLARATION

I, **Lim Kah Hoon**, the officer primarily responsible for the financial management of **JHM Consolidation Berhad** do solemnly and sincerely declare that the financial statements set out on pages 27 to 54 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
 the abovenamed at Penang, this **19th**)
 day of **April 2007**.)
)

.....
Lim Kah Hoon

Before me,

GOVINDASAMY A/L G. MUTTUSAMY, PJM
Commissioner for Oaths
(P047)

REPORT OF THE AUDITORS TO THE MEMBERS OF JHM CONSOLIDATION BERHAD

56

We have audited the financial statements set out on pages 27 to 54. The preparation of the financial statements is 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 approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion :

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of :
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
 - (ii) the state of affairs of the Group and of the Company at **31 December 2006** and of its results and cash flows of the Group and of the Company for the year ended on that date; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the 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 and did not include any adverse comment made under subsection (3) of Section 174 of the Act.

JB Lau & Associates
No. AF : 0042
Chartered Accountants

John Lau Tiang Hua
No. 1107/03/08 (J)

Date : 19 April 2007

LIST OF PROPERTY

Title/Location	Date of Acquisition	Description	Built-up Area	Existing Use	Tenure	Approximate Age of Building	Net Book Value as at 31.12.2006 RM
15-1-20 & 15-1-21, Bayan Point, Medan Kampung Relau, 11900 Penang	18.09.2006	Office Lot	2,132 sq. ft.	Sales and administration office	Freehold	8 years	435,931

ANALYSIS OF SHAREHOLDINGS

AS AT 9 MAY 2007

58

Authorised Share Capital	: RM25,000,000
Issued and fully paid-up Share Capital	: RM8,200,000
Class of Shares	: Ordinary shares of RM0.10 each
Voting Rights	: On a show of hands, 1 vote
	: On a poll, 1 vote for 1 ordinary share

LIST OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY AS AT 9 MAY 2007

Name	Number of Shares Held			
	Direct	%	Deemed	%
Dato' Tan King Seng	28,471,586	34.72	20,826,771 *	25.40
Noble Matters Sdn. Bhd.	20,297,241	24.75	-	-
Ooi Yeok Hock	4,589,292	5.60	-	-

Note :

* Deemed interested by virtue of his shareholdings of not less than 15% in Noble Matters Sdn. Bhd. and First Share Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965

DIRECTORS' SHAREHOLDINGS IN THE COMPANY AS AT 9 MAY 2007

Name	Number of Shares Held			
	Direct	%	Deemed	%
Dato' Tan King Seng	28,471,586	34.72	20,826,771 *	25.40
Ooi Yeok Hock	4,589,292	5.60	-	-
Tan Chin Hong	2,070,331	2.52	-	-
Loh Chye Teik	-	-	-	-
Teoh Yee Shien	-	-	-	-

Note :

* Deemed interested by virtue of his shareholdings of not less than 15% in Noble Matters Sdn. Bhd. and First Share Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965

ANALYSIS OF SHAREHOLDINGS (CONT'D)

AS AT 9 MAY 2007

ANALYSIS BY SIZE OF SHAREHOLDINGS AS AT 9 MAY 2007

Size of Shareholdings	No. of Shareholders	No. of Shares	%
Less than 100	4	120	0.00
100 - 1,000	96	85,400	0.10
1,001 - 10,000	210	1,142,500	1.39
10,001 - 100,000	118	3,761,000	4.59
100,001 - 4,099,999	41	23,652,861	28.85
4,100,000 - 82,000,000	3	53,358,119	65.07
TOTAL	472	82,000,000	100.00

LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 9 MAY 2007

Name	No. of Shares Held	%
1 DATO' TAN KING SENG	28,471,586	34.72
2 NOBLE MATTERS SDN.BHD.	20,297,241	24.75
3 OOI YEOK HOCK	4,589,292	5.60
4 TAN CHIN HONG	2,070,331	2.53
5 PAU KAR TENG	1,973,600	2.41
6 ONG HOCK SEONG	1,718,200	2.10
7 TEOH KIAH PHOCK	1,407,600	1.72
8 TANG NAM SOON	1,328,400	1.62
9 CHEOK SWEE BENG	1,252,400	1.53
10 CHAN KAI KONG	1,221,200	1.49
11 WU TING MIEN	915,000	1.12
12 TAN SHYAN CHERT	887,800	1.08
13 DAH HUEY SHUANG	860,600	1.05
14 OOI SOO CHIN	708,700	0.86
15 ONG HOCK PING	681,100	0.83
16 KAM SOO YIM	680,800	0.83
17 LOW LEE WAH	660,000	0.81
18 SAW KONG BENG	658,000	0.80
19 TANG JOO WAH	530,000	0.65
20 FIRST SHARE SDN BHD	529,530	0.65
21 OOI ENG TEIK	484,300	0.59
22 LEE SEE SIONG	470,000	0.57
23 TAN SHYAN CHONG	468,700	0.57
24 TAN KIM SING	400,000	0.49
25 CHUAH YEW PHAIK	338,800	0.41
26 CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR MUHA BIN PANDAK AHMAD (MY0164)	322,800	0.39
27 TEE KOOI NAI	310,000	0.38
28 KHAW GAIK LAN	250,000	0.31
29 CH'NG THEAN KEAT	242,500	0.30
30 CHEW HOCK JIN	230,000	0.28

NOTICE OF ANNUAL GENERAL MEETING

60

NOTICE IS HEREBY GIVEN THAT the Second Annual General Meeting of the Company will be held at Tekukur Room, Hotel Equatorial, No. 1, Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Monday, 25 June 2007 at 10:00 a.m. for the following purposes:-

AGENDA

- | | | |
|----|---|------------------------------|
| 1. | To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2006 together with the Reports of the Directors and Auditors thereon. | Ordinary Resolution 1 |
| 2. | To approve the payment of Directors' fees for the financial year ended 31 December 2006. | Ordinary Resolution 2 |
| 3. | To re-elect Mr. Tan Chin Hong who retires in accordance with Article 129 of the Company's Articles of Association. | Ordinary Resolution 3 |
| 4. | To re-appoint Messrs. JB Lau & Associates as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. | Ordinary Resolution 4 |

As special business :

To consider and if thought fit, to pass with or without modifications the following as Ordinary/Special resolutions :-

- | | | |
|----|--|------------------------------|
| 5. | <p>ORDINARY RESOLUTION
AUTHORITY TO ISSUE SHARES</p> <p>"That subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental and regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company at any time and upon such terms and conditions for such purposes as the Directors may, in their absolute discretion, 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 the Directors be and are also empowered to obtain the approval for the listing of and quotation for additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."</p> | Ordinary Resolution 5 |
| 6. | <p>SPECIAL RESOLUTION
PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION</p> <p>"That the amendments to the Articles of Association of the Company as contained in Appendix I be and are hereby approved."</p> | Special Resolution 1 |
| 7. | To transact any other business of which due notices shall have been given in accordance with the Companies Act, 1965. | |

By Order of the Board,

FOO LI LING (MAICSA 7019557)

Company Secretary

Penang

Date : 1 June 2007

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Notes :

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. The proxy form must be duly completed and deposited at the Registered Office of the Company, 51-8-B Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than forty-eight (48) hours before the time appointed for holding the meeting.
3. A member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting.
4. Where a member appoints two (2) proxies or more, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.
6. Details of the Director standing for re-election can be found in the Directors' profile on pages 5 to 6 of the Annual Report.

Explanatory Notes on Special Business

The proposed Ordinary Resolution 5, if passed, will give authority to the Board of Directors to issue and allot ordinary shares from the unissued capital of the Company at any time in their absolute discretion and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier.

The proposed Special Resolution 1, if passed, will amend the Articles of Association of the Company to be in compliance with the recent amendments to Chapter 7 of the revamped Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market.

APPENDIX 1 – SPECIAL RESOLUTION 1

PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

62

THAT the Articles of Association of the Company be amended in the following manner:-

(a) Article 2(b) of the Articles

Article 2(b) of the Articles is proposed to be amended by deleting in entirety Article 2(b) which reads:-

“Approved Market Place : means a stock exchange which is specified to be an approved market place in the Securities Industry (Central Depositories) Exemption Order 1998”

and adopting the new Article 2(b) which reads:-

“Approved Market Place : means a stock exchange which is specified to be an approved market place pursuant to an exemption order made under section 62A of The Central Depositories Act”.

(b) Article 79 of the Articles

Article 79 of the Articles is proposed to be amended by deleting in entirety Article 79 which reads:-

“In accordance with the Rules, the Company shall inform the Central Depository of the dates of the general meeting and the Company shall request the Central Depository to issue a Record of Depositors to whom notices of general meetings shall be given by the Company. The Company shall request the Central Depository in accordance with the Rules, to prepare a Record of Depositors as at a date not less than three (3) clear Market Days before the general meeting (“General Meeting Record of Depositors”). Subject to the Regulations and notwithstanding any provisions in the Act, the General Meeting Record of Depositors shall be the final record of all Depositors who shall be deemed to be the registered holders of the shares of the Company eligible to be present, speak and vote at such general meetings.”

and adopting the new Article 79 which reads:-

“In accordance with the Rules, the Company shall inform the Central Depository of the dates of the general meeting and the Company shall request the Central Depository to issue a Record of Depositors to whom notices of general meetings shall be given by the Company. The Company shall request the Central Depository in accordance with the Rules, to issue a Record of Depositors as at a date which is reasonably practicable which shall be in any event not less than three (3) clear Market Days before the general meeting (“General Meeting Record of Depositors”). Subject to the Regulations and notwithstanding any provisions in the Act, the General Meeting Record of Depositors shall be the final record of all Depositors who shall be deemed to be the registered holders of the shares of the Company eligible to be present, speak and vote at such general meetings.”

(c) Article 101 of the Articles

Article 101 of the Articles is proposed to be amended by deleting in entirety Article 101 which reads:-

“No Member shall vote at any general meeting or at any separate meeting of the holders of any class of shares in the Company, either in person or by proxy or attorney, in respect of any share held by him unless all calls and other moneys presently payable by him in respect of that share have been paid.”

and adopting the new Article 101 which reads:-

“Subject to Article 79, no Member shall vote at any general meeting or at any separate meeting of the holders of any class of shares in the Company, either in person or by proxy or attorney, in respect of any share held by him unless all calls and other moneys presently payable by him in respect of that share have been paid.”

APPENDIX 1 – SPECIAL RESOLUTION 1 (CONT'D)

PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

(d) Article 129 of the Articles

Article 129 of the Articles is proposed to be amended by deleting in entirety Article 129 which reads:-

“At the First Annual General Meeting of the Company all the Directors shall retire from office, and at the Annual General Meeting in every subsequent year one-third (1/3) of the Directors for the time being, or if their number is not three (3) or a multiple of three (3), then the number nearest one-third (1/3) shall retire from office and be eligible for re-election. All Directors except a managing director shall retire from office at least once every three (3) years, but shall be eligible for re-election.”

and adopting the new Article 129 which reads:-

“At the First Annual General Meeting of the Company all the Directors shall retire from office, and at the Annual General Meeting in every subsequent year an election of Directors shall take place each year and one-third (1/3) of the Directors for the time being, or if their number is not three (3) or a multiple of three (3), then the number nearest one-third (1/3) shall retire from office and be eligible for re-election. All Directors shall retire from office at least once every three (3) years, but shall be eligible for re-election. A Director retiring at a meeting shall retain office until the close of the meeting at which he retires”.

(e) Article 136 of the Articles

Article 136 of the Articles is proposed to be amended by deleting in entirety Article 136 which reads:-

“The continuing Directors may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the minimum number fixed by or pursuant to these Articles, the continuing Directors may, except in an emergency, act only for the purpose of increasing the number of Directors to such minimum number, or to summon a general meeting of the Company.”

and adopting the new Article 136 which reads:-

“The remaining Directors may continue to act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the minimum number fixed by or pursuant to these Articles, the remaining Directors may, except in an emergency, act only for the purpose of increasing the number of Directors to such minimum number, or to summon a general meeting of the Company.”

(f) Article 142 of the Articles

Article 142 of the Articles is proposed to be amended by deleting in entirety Article 142 which reads:-

“(a) Subject to the Act, the Directors may appoint 1 or more of their number to any executive office (by whatever title it is known) including (without limitation) that of Chairman, Deputy Chairman, managing director, joint, deputy or assistant managing director and may procure the Company to enter into a contract or arrangement with him for his employment or for the provision by him of any services outside the scope of the ordinary duties of a Director. Any such appointment, contract or arrangement may be made (subject to these Articles) on such terms as to remuneration and otherwise as the Directors think fit except that any appointment of a managing director for a fixed term shall not be for a term exceeding 5 years (which may be renewable from time to time by the Company (but any such renewal shall not be for a term exceeding 5 years at a time)). A Director may be appointed to hold more than one executive office at a time. A managing director shall be subject to the control of the Board of Directors. References in these Articles to ‘Chairman’ or ‘Deputy Chairman’ shall mean a Chairman or Deputy Chairman (as the case may be) appointed under this Article. References in these Articles to ‘managing director’ shall mean a managing director appointed under this Article or (subject to such person appointed being a Director) a managing director appointed under any previous articles of association of the Company.

APPENDIX 1 – SPECIAL RESOLUTION 1 (CONT'D)

PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

64

(f) Article 142 of the Articles (Cont'd)

- (b) *A Managing Director shall not, while he continues to hold that office, be subject to retirement by rotation, and shall not be reckoned as a Director for the purpose of determining the rotation or retirement of Directors or in fixing the number of Directors to retire, but he shall, subject to provisions of any contract between him and the Company, be subject to the same provision as to resignation and removal as the other Directors of the Company and if he ceases to hold the office of Director for any cause shall ipso facto and immediately cease to be a Managing Director."*

and adopting the new Article 142 which reads:-

- "(a) Subject to the Act, the Directors may appoint 1 or more of their number to any executive office (by whatever title it is known) including (without limitation) that of Chairman, Deputy Chairman, Managing Director, Joint, Deputy or Assistant Managing Director and may procure the Company to enter into a contract or arrangement with him for his employment or for the provision by him of any services outside the scope of the ordinary duties of a Director. Any such appointment, contract or arrangement may be made (subject to these Articles) on such terms as to remuneration and otherwise as the Directors think fit except that any appointment of a Managing Director for a fixed term shall not be for a term exceeding 3 years (which may be renewable from time to time by the Company (but any such renewal shall not be for a term exceeding 3 years at a time)). A Director may be appointed to hold more than one executive office at a time. A Managing Director shall be subject to the control of the Board of Directors. References in these Articles to 'Chairman' or 'Deputy Chairman' shall mean a Chairman or Deputy Chairman (as the case may be) appointed under this Article. References in these Articles to 'Managing Director' shall mean a Managing Director appointed under this Article or (subject to such person appointed being a Director) a Managing Director appointed under any previous Articles of Association of the Company.**
- (b) **A Managing Director shall, while he continues to hold that office, be subject to retirement by rotation, and he shall, subject to provisions of any contract between him and the Company, be subject to the same provision as to resignation and removal as the other Directors of the Company and if he ceases to hold the office of Director for any cause shall ipso facto and immediately cease to be a Managing Director."**

(g) Article 179 of the Articles

Article 179 of the Articles is proposed to be amended by deleting in entirety Article 179 which reads:-

"A copy of the reports by the Directors and auditors of the Company, the profit and loss accounts, balance sheets and group accounts (if any) (including all documents required by law to be annexed or attached to all or any of them) shall be sent (not later than 6 Months after the close of the financial year and at least 21 days before the general meeting at which they are to be laid) to all Members, holders of debentures and all other persons entitled to receive notices of general meetings under the Act or these Articles. The interval between the close of a financial year of the Company and the issue of the annual report, audited accounts, the directors' and auditors' reports shall not exceed six (6) months. The required number of copies of each of these documents shall at the same time be sent to the Bursa Securities. Nothing in this Article shall require the Company to send any Member whose address the Company is not aware of a copy of these documents but any Member who is entitled but has not been sent a copy of these documents may collect such documents at the Office at no charge."

and adopting the new Article 179 which reads:-

"A copy of the reports by the Directors and auditors of the Company, the profit and loss accounts, balance sheets and group accounts (if any) (including all documents required by law to be annexed or attached to all or any of them) shall be sent (not later than 6 Months after the close of the financial year and at least 21 days before the general meeting at which they are to be laid) to all Members, holders of debentures and all other persons entitled to receive notices of general meetings under the Act or these Articles. The interval between the close of a financial year of the Company and the issue of the annual audited accounts, the directors' and auditors' reports shall not exceed four (4) months. The required number of copies of each of these documents shall at the same time be sent to the Bursa Securities. Nothing in this Article shall require the Company to send any Member whose address the Company is not aware of a copy of these documents but any Member who is entitled but has not been sent a copy of these documents may collect such documents at the Office at no charge."

APPENDIX 1 – SPECIAL RESOLUTION 1 (CONT'D)

PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

(h) Article 200 of the Articles

Article 200 of the Articles is proposed to be amended by deleting in entirety Article 200 which reads:-

“Notwithstanding anything contained in these Articles:

- (a) an act prohibited by the Listing Requirements shall not be done;
- (b) an act required to be done by the Listing Requirements can be done;
- (c) authority is given for an act required to be done or not to be done (as the case may be) by the Listing Requirements;
- (d) these Articles are deemed to contain a provision required to be contained in these Articles by the Listing Requirements;
- (e) these Articles are deemed not to contain a provision not required to be contained in the Articles by the Listing Requirements;

these Articles are deemed not to contain anything inconsistent with the Listing Requirements to the extent of the inconsistency.”

and adopting the new Article 200 which reads:-

“Notwithstanding anything contained in these Articles:

- (a) an act prohibited by the Listing Requirements shall not be done;
- (b) an act required to be done by the Listing Requirements can be done;
- (c) authority is given for an act required to be done or not to be done (as the case may be) by the Listing Requirements;
- (d) these Articles are deemed to contain a provision required to be contained in these Articles by the Listing Requirements;
- (e) these Articles are deemed not to contain a provision not required to be contained in the Articles by the Listing Requirements;
- (f) these Articles are deemed not to contain anything inconsistent with the Listing Requirements to the extent of the inconsistency.”

STATEMENT ACCOMPANYING NOTICE OF THE SECOND ANNUAL GENERAL MEETING

66

The Director who are standing for re-election at the Second Annual General Meeting is Mr. Tan Chin Hong.

Details of Mr. Tan Chin Hong can be found in the Directors' profile on pages 5 to 6 of this Annual Report.

Mr. Tan Chin Hong's shareholdings are disclosed on page 58 of this Annual Report.

*I / We _____ of _____
(Full Name in Block Letters)

_____ being a *member / members of JHM
(Full Address)

Consolidation Berhad, hereby appoint * the Chairman of the meeting or _____
(Full Name in Block Letters)

of _____
(Full Address)

or failing him/ her, _____ of _____
(Full Name in Block Letters)

_____ as *my / our proxy / proxies to
(Full Address)

attend and vote for *me/ us and on *my/ our behalf at the Second Annual General Meeting of the Company to be held at Tekukur Room, Hotel Equatorial, No. 1, Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Monday, 25 June 2007 at 10:00 a.m. and at every adjournment thereof to vote as indicated below :

No. of Resolution	Resolutions	For	Against
1	Adoption of Audited Financial Statements		
2	Directors' fees		
3	Re-election of Mr. Tan Chin Hong		
4	Re-appointment of JB Lau & Associates as Auditors		
5	Authority under Section 132D of the Companies Act, 1965		
6	Proposed amendments to the Articles of Association.		

Please indicate with an "X" in the spaces provided above as to 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.

The proportion of *my/our holding to be represented by *my/our proxies are as follows:-

First named Proxy	_____	%
Second named Proxy	_____	%
	_____	100%

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

No. of shares held _____

As witness my hand this _____ day of _____, 2007.

Signature of Member (s)/ Common Seal

* Strike out whichever is not desired

Notes :

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. The proxy form must be duly completed and deposited at the Registered Office of the Company, 51-8-B Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than forty-eight (48) hours before the time appointed for holding the meeting.
3. A member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting.
4. Where a member appoints two (2) proxies or more, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.



Please fold across the lines and close

Postage

The Company Secretary

JHM CONSOLIDATION BERHAD (686148-A)

51-8-B Menara BHL Bank

Jalan Sultan Ahmad Shah

10050 Pulau Pinang

Please fold across the lines and close



A95 & A96, Jalan 2A-3,
Kawasan Perusahaan MIEL, Sungai Lalang,
08000 Sungai Petani,
Kedah Darul Aman, Malaysia.
Tel : 604-442 7820
Fax : 604-442 8088