



JHM
CONSOLIDATION
BERHAD (686148-A)

Annual Report 2007

Vision & Mission

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.

VISION

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.

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Corporate Information

BOARD OF DIRECTORS

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

BOARD COMMITTEES

Audit Committee

Loh Chye Teik (Chairman)
 Teoh Yee Shien
 Dato' Dr. Loh Hock Hun

Nomination Committee

Loh Chye Teik (Chairman)
 Teoh Yee Shien

Remuneration Committee

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

COMPANY SECRETARIES

Wong Yee Lin (MIA 15898)
 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

15-1-21 Bayan Point
 Medan Kampung Relau,
 11900 Penang.
 Tel: 04-6465121
 Fax: 04-6457326
 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.

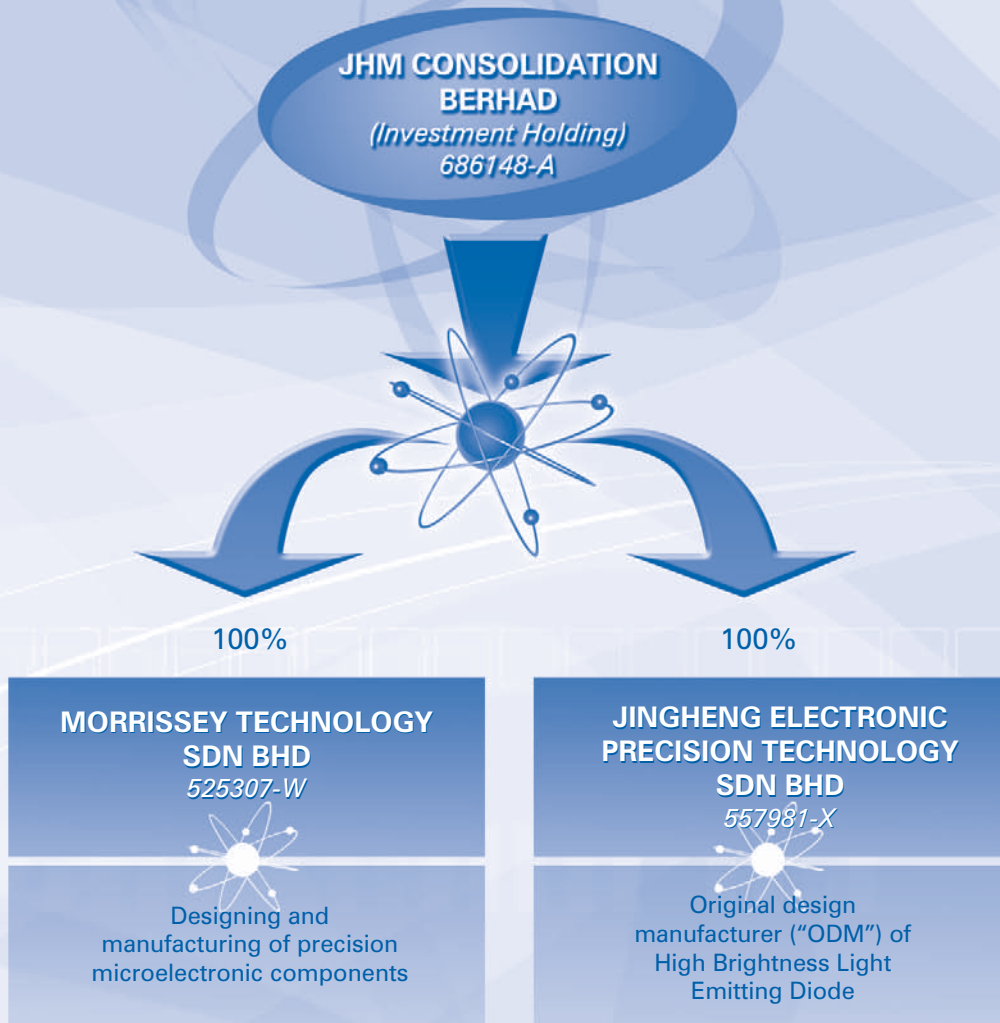
SPONSOR

Kenanga Investment Bank Berhad
 8th Floor, Kenanga International,
 Jalan Sultan Ismail,
 50250 Kuala Lumpur.
 Tel: 03-2164 6689
 Fax: 03-2164 6690

STOCK EXCHANGE LISTING

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

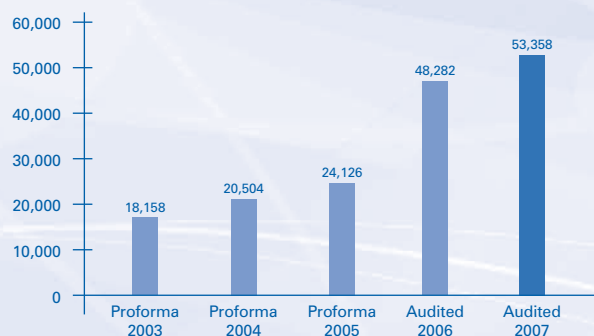
Group Structure Of JHM Group



5 Years' Financial Highlights

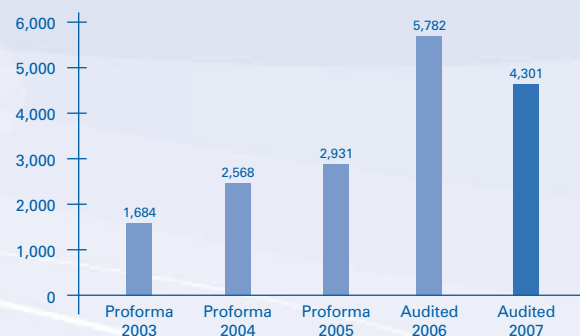
Year ended 31 December	Proforma results of JHM Group ⁽¹⁾			Audited	
	2003 ⁽²⁾ (RM'000)	2004 ⁽²⁾ (RM'000)	2005 ⁽²⁾ (RM'000)	2006 (RM'000)	2007 (RM'000)
Revenue	18,158	20,504	24,126	48,282	53,358
Net profit for the period	1,684	2,568	2,931	5,782	4,301
Gross EPS (sen)	3.31	5.31	5.85	9.69	4.92
Net EPS (sen)	2.77	4.22	4.82	6.04	3.50

RM'000



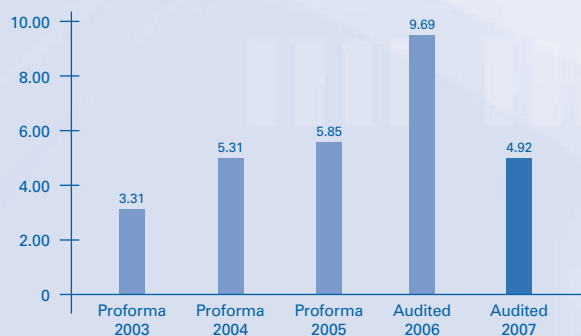
Revenue

RM'000



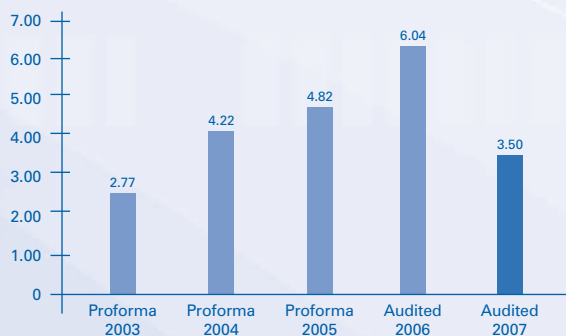
Net profit for the period

Sen



Gross EPS

Sen



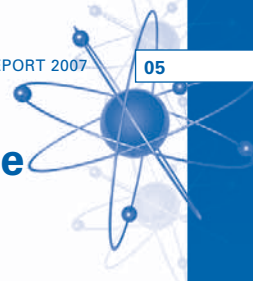
Net EPS

Notes:-

(1) The summarised proforma consolidated results of JHM Group for the past three (3) FYE 31 December 2003, 2004 and 2005 have been prepared based on the audited financial statements of the companies in JHM Group for illustrative purposes after making such adjustments that are considered necessary and assuming that JHM Group had been in existence throughout the years under review.

(2) As extracted from JHM's prospectus dated 19 June 2006.

Directors' Profile



Dato' Tan King Seng, aged 52, 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 45, 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. On 11 December 2007, he resigned as a member of Audit Committee.

He is currently in charge of the R&D and Engineering Department of Morrissey Technology Sdn. Bhd. ("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 40, 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 a 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 49, 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. 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 was appointed as the Councillor of the Municipal Council of Penang in January 2006 till February 2008.

Teoh Yee Shien, aged 41, 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)

Dato' Dr. Loh Hock Hun, aged 63, a Malaysian, was appointed to the Board as an Independent Non Executive Director on 11 December 2007. He graduated with a Doctor of Medicine from Kaohsiung Medical University in Taiwan in 1974. Upon his return to Malaysia, Dato' Dr. Loh was employed by the General Hospital of Penang until 1980 where he entered into a partnership to open a clinic until 1999. In 1995, he became a State Assemblyman in the State Legislative Assembly of Penang, a position he held until February 2008. For the period from 1999 to 2004, Dato' Dr. Loh served his term as an Executive Councilor of the Penang State Government. In addition, in August 2004, Dato' Dr. Loh was appointed as a Chairman of the Penang Port Commission, a position he holds to date.

He was appointed as a member of the Audit Committee on 11 December 2007.

Cheah Choon Ghee, aged 45, a Malaysian, was appointed to the Board as an Executive Director on 11 December 2007. Prior to his appointment to the Board, he is the Senior Administration Manager of our Group. He graduated with a Diploma in Electronic Engineering from Tunku Abdul Rahman College in 1984. Mr. Cheah started his career as an Assistant Engineer with National Semiconductor Sdn. Bhd. in 1985. He left National Semiconductor Sdn. Bhd. in 1989 and joined Cintronic Marketing Sdn. Bhd. as its Administrator Manager in charge of the company's operation until 1995. Then in 1996, Mr. Cheah joined Allied Stamping Corporation Sdn. Bhd. as Sales Director overseeing the company's business and later left in year 2000. Currently, Mr. Cheah is in charge of the entire administration department of the JHM Group.

Notes:

1. Save for Mr. 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. The Directors' shareholdings are as disclosed in page 62 of this Annual Report.

Directors' Directorships and Substantial Shareholdings in Other Public Companies

None of our Directors hold or have held any directorships in other public companies, save for Mr. Loh Chye Teik, who is currently an Independent Non-Executive Director of Sequoia Holdings Berhad (Formerly known as G.A. Blue International Bhd.), a company which is listed on Main Board of Bursa Malaysia Securities Berhad.



Management's Discussion

On behalf of the Board of Directors and management team of JHM Consolidation Berhad, I have the pleasure of presenting to you the Annual Report and financial statements of JHM Consolidation Berhad for the Financial Year Ended (FYE) 31 December 2007.

The Year 2007 was an exciting and challenging year for our Group as we progress further from our debut listing on the MESDAQ Market of Bursa Malaysia Securities Berhad ("Bursa Securities") in Year 2006 and soared to greater heights in terms of our revenue.

FINANCIAL PERFORMANCE

The Group has managed to maintain its financial performance despite uncertainties in the world economy and increase in operation cost. For the FYE 31 December 2007, the consolidated revenue of the Group of RM53.36 million reflected an increase of approximately 10.51% as compared to RM48.28 million recorded in FYE 31 December 2006. The Group's profit after taxation (PAT) for the FYE 31 December 2007 stood at RM4.30 million, reflecting a decrease of RM1.48 million or approximately 25.61% compared to RM5.78 million recorded for FYE 31 December 2006.

However, it should be noted that the PAT for the FYE 31 December 2006 included an amount of RM2.149 million from reserve on consolidation written-off and after deduction of RM0.713 million pre-acquisition profits. Had these been excluded, the net profit for the FYE 31 December 2006 before reserve on consolidation and before deduction of pre-acquisition profits amounted to RM4.35 million, which is slightly higher than the PAT for the FYE 31 December 2007, a notable achievement in light of challenging market condition.

DIVIDEND

No dividend was paid for the FYE 31 December 2007 as the Company conserved funds for its future expansion.

BONUS ISSUE

On 15 June 2007, 41,000,000 new JHM Shares were listed and quoted on the Bursa Securities pursuant to a bonus issue undertaken on the basis of one (1) new JHM share for every two (2) existing JHM Shares held.

The bonus issue was effected by way of capitalising RM4,100,000 from the share premium reserves of the Company based on the audited financial statements of the Company for the FYE 31 December 2006.

CORPORATE AND TECHNOLOGICAL DEVELOPMENTS

With our expertise in designing and manufacturing of precision microelectronic components (MEC), it 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.

Our Group had started production in mechanical parts which we co-designed and developed with a US-based company as reported in previous reporting year. 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.

With our continuous efforts in enhancement of R&D capabilities to ensure competitiveness in the industry, the Group has improved its connector pins' pitch size to 0.5mm from 1.0mm. JHM Group is currently under negotiations with potential customers for the sales of its 0.5mm fine pitch connector pins.

During the financial year, JHM Group has successfully secured contracts for the sales of its fine pitch connector pins and this has resulted in the revenue for its fine pitch connector pins to increase from RM0.9 million in FYE 2006 to RM2.2 million in FYE2007. Looking at the current orders, the demand for the fine pitch connectors pins is expected to increase in the future.

RESEARCH & DEVELOPMENT

As at the date of reporting, the ongoing R&D projects undertaken by the Group are as follows:-

- (a) Fine pitch connector pins;
- (b) Safety commercial vehicle LED lighting ("SCVLL"); and
- (c) Camera lens direct-current ("DC") micromotor.

The R&D activities for both the lead-free leadframes for High Brightness Light Emitting Diode ("HB LED") and metal frame assembly for HB LED which we identified earlier in our Business Development Plan will be carried out upon request by the customers while R&D activities for the fine pitch connector pins will be continuous in order to reduce its size to 0.4mm.

Management's Discussion (Cont'd)

RESEARCH & DEVELOPMENT (cont'd)

As at to date, our Group is still in the process of completing the prototype of the SCVLL together with the video presentation for the technical department of the aforementioned authorities in order to receive the feedback on the technical specifications and guidelines prior to obtain final approval to commercialise its SCVLL products. In view of the long qualification process by the relevant authorities, SCVLL will need a longer period to be commercialised.

For the mobile phone camera lens DC micromotor, the Group has completed the design and assembly of a complete unit of prototype DC micromotor. However, due to the rapidly changing technology, the current mobile phone market now uses the voice coil motor, which is smaller in size and has better control of the focusing lens in camera phones. As a result, JHM Group is currently undertaking R&D on alternative uses of the camera lens DC micromotors in other applications apart from mobile phones.

The Group has incurred an amount of approximately RM0.169 million for development expenditures for the financial year.

FUTURE OUTLOOK AND PROSPECTS

As we progressed and seeking opportunities in the face of an ever-increasing competitive business environment, we carried on with our pro-active approach towards development in the MEC industry and identify business opportunities available to meet future market demands based on customers' feedback to offer innovative engineering solutions in line with the changing trends in the MEC industry.

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 fine pitch connector pins, the growth of these industries is dependent upon major applications market for MEC such as electrical and electronic products and automotive electronic components.

The outlook for the Malaysian economy in 2008 remains favourable. However, the manufacturing sector is expected to record modest growth of 1.8% for 2008 (2007:3.1%) due to the expected weak performance of the export oriented-industries in an environment of projected moderation of global economic growth. In particular, the Electronic & Electrical industry is expected to weaken further in view of more sluggish United States of America ("US") growth.

Notwithstanding the moderation in global growth, the growth momentum is expected to be sustained within Asian region in 2008 and the other emerging economies. The slowdown in the US is likely to be mitigated by strong growth in China and India along with a vibrant economic expansion in commodity-exporting countries.

In addition, it was highlighted in the eighth annual business conference and exhibition on high-brightness LEDs that the LED market emerging applications including illumination will drive the market towards USD9 billion by 2011. The growth of the LED market is also anticipated to experience accelerated growth in lighting, display backlights and automotive applications in the next 3 -5 years.

As we geared towards commercialisation and mass production on the projects we developed over the years, the sales of components related to HB LED continued to be our main contributor to the Group but the Company is seeing an increase in demand for its other electronic components namely fine pitch connector pins. The contribution from fine pitch connector pins will enhance the profitability of the Group for the next financial year. The Group has also purchased new equipments to increase production capacity to meet the increase in demand for the fine pitch connector pins as contribution from this product is expected to increase in the near future.

Barring unforeseen circumstances, the Group expects to continue to strive for better performance for FYE 31 December 2008 with its continuous and tireless efforts to undertake more new business negotiations as well as to provide more enhanced and value-added services to our customers.

APPRECIATION

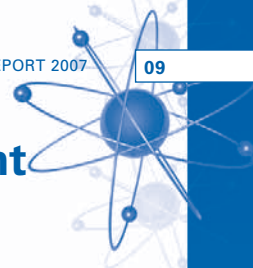
The Group managed to remain resilient and profitable amidst the various challenges faced by the industry due to the stewardship skills of the Board of Directors and the continued hard work of Management and staff.

Therefore, I would like to take this opportunity to thank the Management and staff for their dedicated commitment and contributions towards achieving the Group's objective. To our shareholders, customers, suppliers, business associates and Government, I would like to thank you for your unwavering loyalty, continuous support and confidence given to our Group.

To my fellow Board members, my thanks and appreciation for your counsel and guidance in facing all business challenges, all of which have contributed to another successful year.

Thank you.

Dato' Tan King Seng
Executive Chairman/Managing Director



Corporate Governance Statement

The Board of Directors (“the Board”) affirms its overall responsibility in ensuring that the highest standard of Corporate Governance is practised throughout the Group where applicable with the objective of protecting and enhancing shareholders’ value and the financial position of the Group.

The Board has endeavoured to fully comply with all the Principles in Part 1 of the Revised Malaysian Code on Corporate Governance (“the Code”) and to adopt the Best Practices as recommended in Part 2 of the Code in the best interest of the shareholders of the Group. Accordingly, the Board is pleased to outline in this Corporate Governance Statement as to its commitment to comply with Part 1 and Part 2 of the Code.

A. DIRECTORS

The Board

The Group is led and controlled by an effective Board. The Board comprises highly reputable and professional persons of calibre and credibility, who have the necessary experience, knowledge and skills to bring an independent judgment in the process of strategic decision-making. The Board recognises its key role in charting the strategic directions for the Group and regularly meets to review corporate strategies, resolve operational matters and monitor financial performance of the Group.

Board Balance

The Board comprises seven (7) directors of whom four (4) are executive directors and three (3) are independent non-executive directors. This is in compliance with the one-third requirement for independent directors to be appointed to the Board as required under the Listing Requirements of Bursa Securities for the MESDAQ Market. The individual profile of each director is presented on pages 5 to 6 of this Annual Report. The combination of different professionals with varied background, experience and skills has also enabled the Board to discharge its responsibilities effectively and efficiently. The business and financial experience of each calibre member of the Board has inevitably contributed to the success in steering the Group toward sustaining its financial results.

There is a clear division of authority between the Executive Chairman/ Managing Director and Executive Directors, 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 separated as this is in the best interest of the Company.

All decisions of the Board are based on the decision of the majority and no single Board member can make any decision on behalf of the Board, unless duly authorised by the Board. As such, no individual or a group of individuals dominate the decision-making process.

Mr. Loh Chye Teik was appointed by the Board as the Senior Independent Non-Executive Director to whom concerns may be conveyed.

Appointment to the Board

The Board has established the Nomination Committee to make recommendations on suitable candidates for appointment to the Board. Candidates recommended must be approved and appointed by the Board. The Nomination Committee is responsible for nominating the right candidates with the required skills, experience and attributes for recommendation to and appointment by the Board. A familiarisation programme, including visits to the Group’s business and operations premises and meetings with Senior Management will be arranged for new directors to facilitate their understanding of the Group.

Re-election of Directors

In accordance with the Company’s Articles of Association, one-third (1/3) of the directors including the Managing Director shall retire by rotation from office at each Annual General Meeting (“AGM”) and they shall be eligible for re-election at such AGM. The directors to retire shall be the directors who have been longest in office since their appointment or last re-election. In addition, all directors including the Managing Director shall be subject to retirement by rotation at least once every three (3) years.

Corporate Governance Statement (Cont'd)

Board Meetings

The Board meets at least four (4) times a year, normally at the end of every quarter of the financial year to deliberate and approve the financial results of the Group, corporate plans, acquisition and disposal of assets, investment proposals and other pertinent issues. When necessary, additional meetings will be convened by the Board to make important decisions on an urgent basis.

The details of attendance of the directors during the financial year ended 31 December 2007 are as follows: -

Name of Directors	Number of Meetings Attended	Percentage of Attendance
Dato' Tan King Seng	4/5	80%
Ooi Yeok Hock	5/5	100%
Tan Chin Hong	4/5	80%
Loh Chye Teik	5/5	100%
Teoh Yee Shien	5/5	100%
Dato' Dr. Loh Hock Hun * (appointed on 11 December 2007)	-	-
Cheah Choon Ghee * (appointed on 11 December 2007)	-	-

* All Board of Director's meetings were held prior to the appointment of Dato' Dr. Loh Hock Hun & Mr. Cheah Choon Ghee.

Directors' Training

Save for Dato' Dr. Loh Hock Hun and Mr Cheah Choon Ghee who were appointed as Board members on 11 December 2007, all other members of the Board have attended the Mandatory Accreditation Programme as required by the Bursa Securities.

Throughout the year, the Directors also received internal updates and briefings, particularly on regulatory, industry, technology and legal developments, including information on significant changes in business risks and procedures instituted to mitigate such risks.

The Board of Directors shall be responsible to determine their continuous training needs to keep themselves updated on the relevant regulatory and corporate governance development.

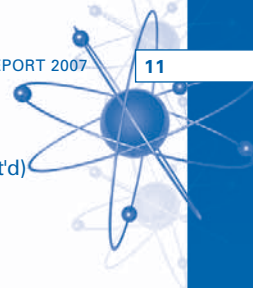
The training attended by the members of the Board in 2007 includes, inter-alia, areas relating to financial reporting, corporate governance, executive compensation, legal, taxation and financial management.

Supply of Information

All directors have access to all information within the Group as well as the advice and services of the Company Secretaries whether as a full Board or in their individual capacity to assist them in their decision-making. Where necessary, the Directors may engage independent professionals at the Group's expense on specialised issues to enable the directors to discharge their duties with adequate knowledge on the matters being deliberated.

The agenda for the Board Meetings, together with appropriate reports and information on the Group's business operations and proposals for the Board's consideration are circulated to all the Directors prior to the meetings with sufficient notice so as to ensure that all directors are given time to prepare, obtain additional information or clarification prior to their attendance at the meeting.

Corporate Governance Statement (Cont'd)



Committees of the Board

The following committee is established to assist the Board in the discharge of its duties. The committee operates under approved terms of reference.

- **Audit Committee**

The terms of reference of the Company's Audit Committee and its activities during the financial year are set out under the Audit Committee Report on pages 16 to 19 of this Annual Report.

- **Nomination Committee**

The Nomination Committee comprise of the following members during the financial year:

Name of Director	Designation
Loh Chye Teik (Chairman)	Independent Non-Executive Director
Teoh Yee Shien	Independent Non-Executive Director

The Committee consists entirely of Non-Executive Directors, where two (2) of the members are independent. The Nomination Committee is responsible for nominating the right candidates with the required skills, experience and attributes for recommendation to and appointment by the Board. A familiarisation programme, including visits to the Group's business and operations premises and meetings with Senior Management will be arranged for new directors to facilitate their understanding of the Group.

During the financial year, the Committee has reviewed the Board's composition and believes that the Board reflects a mix of skills with different professional backgrounds, knowledge, financial and business expertise, experience and qualifications to enable the Board to provide clear and effective leadership to the Group. The Nominating Committee meets at least once a year and as and when necessary and can also make decisions by way of circular resolutions.

- **Remuneration Committee**

The Remuneration Committee comprise of the following members during the financial year:

Name of Director	Designation
Loh Chye Teik (Chairman)	Independent Non-Executive Director
Teoh Yee Shien	Independent Non-Executive Director
Ooi Yeok Hock	Executive Director

The Committee consists mainly of Non-Executive Directors, where two (2) out of the three (3) members are Independent Non-Executive Directors. The Committee is responsible for recommending to the Board the appropriate remuneration of the Executive Directors in all its forms.

The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

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").

Corporate Governance Statement (Cont'd)

B. DIRECTORS' REMUNERATION

The objective of the Company's policy on Directors' remuneration is to attract and retain Directors needed to run the Company successfully. In general, the remuneration is structured so as to link rewards to corporate and individual performance, as in the case of the Executive Directors and senior management. As for the Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken individually by the director concerned.

The aggregate remuneration of the Company's Directors derived from the Group for the financial year under review is as follows:-

	Executive Director RM	Non-Executive Director RM	Total RM
Salary	442,450	-	442,450
Fee	-	30,000	30,000
Bonus and benefits-in-kind	101,923	4,000	105,923
Total	544,373	34,000	578,373

The number of Company's Directors whose total remunerations derived from the Group during the financial year under review that fall within the following bands is as follows: -

Range of Remuneration	Number of Executive Directors	Number of Non-Executive Directors
RM50,000 and below	-	2
RM50,001 - RM100,000	-	-
RM100,001 - RM150,000	2	-
RM150,001 - RM250,000	-	-
RM250,001 - RM300,000	1	-
Total	3	2

The Board has chosen to disclose the aggregate remuneration of the directors pursuant to the Listing Requirements of Bursa Securities for the MESDAQ market as the separate and detailed disclosure of individual Director's remuneration will not add significantly to the understanding and evaluation of the Company's corporate governance.

C. SHAREHOLDERS

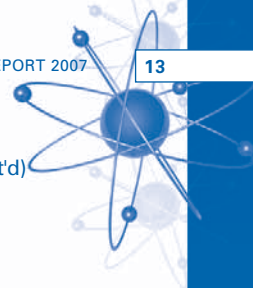
Dialogue Between Company and Investors

The Group practises an open communication policy with its investors. In its efforts to promote effective communication, the Board has dialogue with shareholders and investors and recognises that timely and equitable dissemination of relevant information shall be provided to them through public announcements made to Bursa Securities, the Company's annual reports, circulars and financial results on quarterly basis to enable shareholders and investors to have an overview of the Group's business activities and performance.

AGM

The AGM is the principal forum for dialogue with all shareholders and the Board encourages shareholders to attend and participate in the AGM. Shareholders are provided with an opportunity to enquire about the Group's activities and prospects as well as to communicate their expectations and concerns. Shareholders are also encouraged to participate in the question and answer session.

A copy of the Annual Report and the notice of the AGM are sent to all shareholders at least 21 days before the AGM. The notice of AGM is also published in a nationally circulated daily newspaper. The Board is available to respond to shareholder questions during the meeting. Where appropriate, the Board will undertake to provide written answers to any questions that cannot be readily answered at the meeting.



Corporate Governance Statement (Cont'd)

C. SHAREHOLDERS (cont'd)

AGM (cont'd)

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting. Shareholders are also informed and invited to attend any Extraordinary General Meetings through circulars and notices of meeting.

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

In preparing the annual financial statements and quarterly announcement of financial results to shareholders, the Board has always strived to present a balanced and understandable assessment of the Group's financial position and prospects to shareholders.

The Audit Committee assists the Board in ensuring accuracy and adequacy of information by reviewing and recommending for adoption of information for disclosure.

The Statement of Directors' Responsibility for preparing Annual Audited Financial Statements pursuant to Paragraph 15.26 (a) of the Listing Requirements of Bursa Securities for the MESDAQ Market is set out on page 20 of this Annual Report.

Internal Control

The Board affirms the importance of maintaining a sound system of internal controls and risk management practices to good corporate governance. 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.

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

Relationship with the Auditors

The Board has appropriately established a formal and transparent relationship with the Group's auditors. The role of the Audit Committee in relation to the External Auditors may be found in the Audit Committee Report as set out on pages 16 to 19 of this Annual Report.

Statement on the Extent of Compliance with the Best Practices in Corporate Governance set out in Part 2 of the Malaysian Code on Corporate Governance

The Company is committed to achieving high standards 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 stipulated in the Code.

This statement is made in accordance with the resolution of the Board dated 10 April 2008.

Statement On Internal Control

INTRODUCTION

The Board is committed in maintaining a sound system of internal controls to safeguard shareholders' investment and the Group's assets. In doing so, the Board acknowledges its responsibility to identify major risks faced by the Group and ensure that relevant internal controls are in place in order to manage these risks.

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

Meanwhile, the Board also understands fully its responsibility to maintain a sound system of internal controls and ensure accurate information to be presented in the financial statements. Hence, the system of internal controls is designed to manage rather than eliminate the risk of failure in achieving its business objectives.

In pursuing the business objectives, internal controls can only provide reasonable but not absolute assurance against material misstatement, loss or fraud. As such, the Board recognises that a sound system of internal controls is an important part of managing risks in an effort to attain a balanced achievement of its business objectives, and operational efficiency and effectiveness.

The Group's Statement on Internal Control set out on pages 14 to 15 of this Annual Report, which has been reviewed by the Company's external auditors, provides an overview of the state of internal controls within the Group.

THE RISK MANAGEMENT PROCESS

The Board has endeavoured to identify the relevant major risks faced by the Group on a regular basis and has implemented additional internal controls in order to monitor these risks so as to ensure that the Group achieves its business objectives.

In managing the major risks, the Board has always carried out necessary preliminary studies and evaluation on various projects which will be undertaken by the Group. This entails proper delegation of duties and responsibilities from the Board to the Managing Director, Executive Directors and Senior Management ("The Management") in running the main operating functions of the Group within the Group's strategic business plans.

In this respect, the Management comprises personnel with many years of "hands-on" experience who are able to identify business risks relevant to the Group and design the appropriate internal controls to manage these risks.

At the same time, the Management also attends various management and operation meetings in order to discuss matters of concern in relation to various projects undertaken by the Group as well as any obstacles in achieving the Group's strategic business plans.

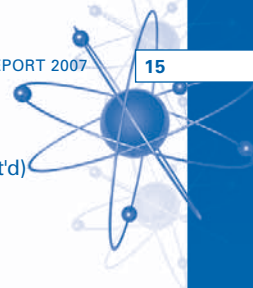
The Management has also adopted the "open discussion" approach in the day-to-day running of the Group. This has enabled various major business risks being identified easily and dealt with in a prompt manner.

KEY ELEMENTS OF THE GROUP'S INTERNAL CONTROLS

The Group has implemented various key internal controls for identifying, evaluating and managing the significant risks that may affect the achievement of its business objectives throughout the financial year under review.

In fact, the Group has incorporated various key elements into its system of internal controls in order to safeguard shareholders' investment and the Group's assets by: -

- giving authority to the Board Committee members to investigate and report on any areas of improvement for the betterment of the Group;
- performing in-depth study on major variances and deliberating irregularities in the Board meetings and Audit Committee meetings so as to identify the causes of the problems and formulate solutions to resolve them;
- delegating necessary authority to the Managing Director in order for him to play a major role as the link between the Board and Senior Management in implementing the Board's expectation of effective system of internal controls and managing the Group's various operations;
- determining proactive actions to create awareness on the importance of staff's and line management's involvement in the system of internal controls as well as risk management by providing various training courses, seminars and workshops conducted by the external consultants;



Statement On Internal Control (Cont'd)

KEY ELEMENTS OF THE GROUP'S INTERNAL CONTROLS (cont'd)

- keeping the Management informed on the development of action plan for enhancing system of internal controls and allowing various management personnel to have access to important information for better decision-making;
- making frequent on-site visits to the business and operations premises by Senior Management personnel so as to acquire a first hand view on various operational matters and addressing the issues accordingly; and
- monitoring key commercial, operational and financial risks through reviewing the system of internal controls and other operational structures so as to ensure that reasonable assurance on the effectiveness and efficiency of the same will mitigate the various risks faced by the Group to an appropriate level acceptable to the Board.

INTERNAL AUDIT FUNCTIONS AND EFFECTIVENESS OF INTERNAL CONTROL

The Board recognises the importance of a sound system of internal control to safeguard shareholders' investment and the Company's assets. The internal audit function of the Company was outsourced to a professional firm to assist in identifying, evaluating, monitoring and managing the significant risks to ensure proper risk management, adequacy and integrity of the internal control systems in line with the requirements of the Statement on Internal Control – Guidance for Directors of Public Listed Companies. The internal auditors report directly to the Audit Committee. The fee paid to the Internal Auditor in respect of the internal audit functions of the Group for the financial year amounted to RM31,500.

The Group adopts a risk-based approach to the implementation and monitoring of relevant internal controls. The Internal Auditors conduct briefing and interview on risk assessment to identify significant concerns and risks perceived by the Senior Management in order to draw up the risk-based internal audit plan.

Certain control weaknesses have been identified and are being addressed by the Board and Audit Committee so as to ensure that the integrity of internal controls can be enhanced in the future. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require mention in the Company's Annual Report 2007. The Management of the Group continues to take measures to strengthen the internal control environment from time to time based on the recommendations proposed by the Internal Auditors.

Furthermore, the Board recognises that the development of the system of internal controls is an ongoing process for identifying, evaluating and managing the risk faced by the Group. The Board maintains an ongoing commitment to strengthen the Group's internal control function and processes.

Indeed, the Board and Audit Committee have always ensured that the Group adopts good system of internal controls, corporate governance and best practices in its Board meetings and Audit Committee meetings taking into cognisance of possible establishment of additional processes for identifying, evaluating and managing the significant risks within the Group which is in accordance with the guidelines stipulated in the "Statement on Internal Control: Guidance for Directors of Public Listed Companies" issued by the Bursa Securities.

This statement is made in accordance with the resolution of the Board dated 10 April 2008.

Audit Committee Report

FORMATION

The Audit Committee was formed by the Board of Directors on 14 April 2006.

MEMBERS

The Audit Committee consists of the following members during the financial year: -

1. Loh Chye Teik - Chairman
(Independent Non-Executive Director)
2. Teoh Yee Shien- Member
(Independent Non-Executive Director)
3. Dato' Dr. Loh Hock Hun – Member (appointed 11 December 2007)
(Independent Non-Executive Director)
4. Ooi Yeok Hock- Member (resigned on 11 December 2007)
(Executive Director)

MEETINGS AND ATTENDANCE

The Audit Committee held five (5) meetings during the financial year. The attendance of the Committee members is as follows: -

Name of Committee Members	Number of Meetings Attended	Percentage of Attendance
Loh Chye Teik	5/5	100%
Teoh Yee Shien	5/5	100%
Ooi Yeok Hock	5/5	100%
Dato' Dr. Loh Hock Hun*	-	-

* All Audit Committee meetings were held prior to the appointment of Dato' Dr. Loh Hock Hun.

The Audit Committee meetings were attended by the Committee members and Senior Management. The Company Secretary acted as Secretary at the meetings to record and maintains minutes for the proceedings of the meetings.

TERMS OF REFERENCE

The Terms of Reference of the Audit Committee are as follows: -

1. MEMBERSHIP

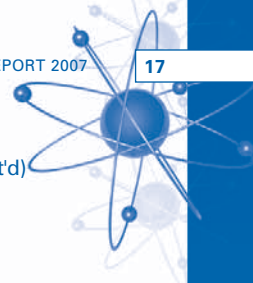
The Board should establish an audit committee of at least three directors, a majority of whom must be independent Non-Executive Directors with written terms of reference which deal clearly with its authority and duties. All members of the Committee should be Non-Executive Directors of the Company and all members of the Committee should be financially literate. 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 examinations 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 of the Accountants Act, 1967; or
 - fulfills such other requirements as prescribed or approved by the Exchange.

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

If a Member of the Committee for any reason ceases to be a Member of the Committee with the result that the number of Member is reduced below (3), the Board shall within three (3) months of that event, appoint such number of new Member as may be required to make up the minimum number of three (3) Members.

Audit Committee Report (Cont'd)



2. ATTENDANCE AT MEETINGS

The Head of Finance, representatives of the Internal Auditor and representatives of the external auditors will be invited to some of the Audit Committee meetings. Other board members and employees may attend any particular audit committee meeting only at the Audit committee's invitation, specific to the relevant meeting. At least twice 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. Additional meetings may be held at the discretion of the Committee or at the request of external auditors. 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.

The Chairman of the Audit Committee should engage on a continuous basis with senior management, such as the Chairman, the chief executive officer, the finance director, the head of the internal audit and the external auditors in order to be kept informed of matters affecting the Company.

4. RETIREMENT AND RESIGNATION

In the event of any vacancy in an audit committee resulting from resignation or for any other reason that the number of the audit committee members is reduced to below three, a listed company must fill the vacancy within 3 months.

5. AUTHORITY

The committee is authorised 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 Company. 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. The Committee should be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the listed company, whenever deemed necessary. It is authorised 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 fees and any question of their resignation or dismissal and to recommend to the Board.
- b) to discuss with the external auditors before the audit commences, the nature and scope of their audit, their evaluation of the system of internal accounting controls and to ensure co-ordination where more than one audit firm is involved.
- c) to discuss problems and reservations arising from the interim and final audits, and any matters the external auditors may wish to discuss (in the absence of management where necessary).
- d) to keep under review the effectiveness of internal control system and, in particular, review external auditors' management letter and management's response.
- e) to do the following, in relation to the internal audit function
 - review the adequacy of the scope, functions, competency and resources of the internal audit functions, and to ensure that it has the necessary authority to carry out its work;
 - review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - review any appraisal or assessment of the performance of members of the internal audit function;
 - approve any appointment or termination of senior members of the internal audit function; and
 - take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

Audit Committee Report (Cont'd)

6. DUTIES (cont'd)

- f) to review the quarterly results and year-end financial statements of the Company and the Group, prior to the approval by the Board, whilst ensuring that they are prepared in a timely and accurate manner, 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.
- g) to consider/ 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.
- h) to consider the major findings of internal investigations and management's response and ensure co-ordination between the internal and external auditors.
- i) to review and verify the allocation of share options granted to employees pursuant to the Employees share option scheme, transactions, procedure or course of conduct that raises questions of management integrity.
- j) to review with the external auditor, his audit report.
- k) to review with the external auditor the assistance given by the employees of the Company.
- l) to review with the Board of Directors of the Company whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment.
- m) to consider/ carry out such other functions and consider other topics, as may be agreed upon by the Board.

7. REPORTING PROCEDURES

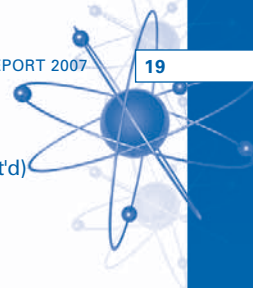
The Company Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.

SUMMARY OF ACTIVITIES

During the financial year, the activities of the Audit Committee include the following: -

- reviewed and approved the audited financial statements for the financial year ended 31 December 2006;
- reviewed and approved the financial results for the quarters ended 31 December 2006, 31 March 2007, 30 June 2007 and 30 September 2007;
- reviewed the audit reports prepared by the Internal Auditors, considered their material findings and assess the Management's responses and actions thereto;
- reviewed and discussed with the External Auditors the nature and scope of their audit plan for the financial year ended 31 December 2007 before the commencement of audit;
- 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
- reviewed the research report before recommending to the Board for their consideration and approval.

Audit Committee Report (Cont'd)



EMPLOYEES 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.

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

INTERNAL AUDIT FUNCTION AND SUMMARY OF ACTIVITIES

The internal audit function for the Group has been outsourced to an external consultant who has performed an independent review of the Group's various departments during the financial year.

The Internal Auditors of the Group reports directly to the Audit Committee and assists the Board in monitoring and managing risks and internal control system. The Audit Committee approves the internal audit plan and the scope of Internal Audit covering the relevant departments within the Group from time to time.

Please refer to pages 14 to 15 for the report on internal audit functions and effectiveness of internal control. The summary of activities undertaken throughout the year are as follows:

- (a) review and appraise the soundness, adequacy and application of accounting, financial and other controls;
- (b) ascertain the extent of compliance with established policies and procedures;
- (c) ascertain the extent to which the Group's assets are accounted for and safeguarded from losses of all kinds;
- (d) recommend improvements to the operations, processes and control systems in the Group; and
- (e) perform follow-up review on previous audit report to ensure appropriate actions implemented to address audit findings.

The Board is of the view that there is no significant breakdown or weaknesses in the systems of internal controls of the Group that may result in material losses incurred by the Group for the financial year ended 31 December 2007.

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 passed by the Board of Directors dated 10 April 2008.



Additional Compliance Information

Utilisation of Initial Public Offering Proceeds

As at 31 December 2007, the Company has fully utilised the proceeds raised from its initial public offering.

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 2007, no non-audit fees were paid to the external auditors or company affiliated to the auditors' firm.

Profit Estimate, Forecast Or Projection

The Company did not issue or announce any profit estimate, forecast or projection to the public for the financial year.

Profit Guarantee

During the financial year, the Company did not receive any profit guarantee from any parties.

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.

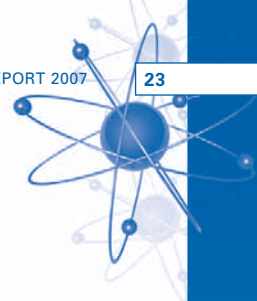
Additional Compliance Information (Cont'd)

Variation In Result

There were no material variations between the audited results for the financial year ended 31 December 2007 over the unaudited results released for the financial quarter ended 31 December 2007.

Corporate Social Responsibility

There were no corporate social responsibility activities or practices undertaken by the Group for the financial year.



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Directors' Report

For The Year Ended 31 December 2007

The directors have pleasure in submitting their report and the audited financial statements of the Group and the Company for the financial year ended **31 December 2007**.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries are shown in Note 4 to the financial statements.

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

RESULTS

	GROUP RM	COMPANY RM
Profit after taxation for the year	<u>4,301,376</u>	<u>1,338,752</u>

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 2007 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

DIVIDENDS

No dividends have been declared or paid by the Company since the end of the previous financial year.

The directors do not recommend the payment of 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 as disclosed in the financial statements.

SHARE CAPITAL

During the financial year, the Company increased its issued and paid-up share capital from RM8,200,000 to RM12,300,000 by way of a bonus issue of 41,000,000 new ordinary shares of RM0.10 each on the basis of one new ordinary share for every two existing ordinary shares of RM0.10 each held, effected by capitalising RM4,100,000 from the share premium account.

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

Other than the foregoing, the Company did not issue any other share or debenture and did not grant any option to anyone to take up unissued shares of the Company during the financial year.

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

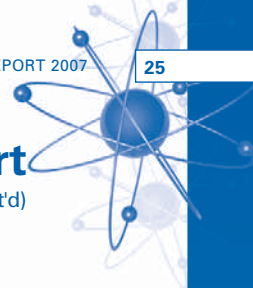
The Company's ESOS was approved by the Securities Commission ("SC") and the members on 17 May 2006 and 15 June 2006 respectively and will be in force for a duration of five years from the effective date.

As at balance sheet date, no options were granted.

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

Directors' Report

For The Year Ended 31 December 2007 (Cont'd)



DIRECTORS

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

Dato' Tan King Seng
Ooi Yeok Hock
Tan Chin Hong
Loh Chye Teik
Teoh Yee Shien
Dato' Dr. Loh Hock Hun (appointed on 11.12.07)
Cheah Choon Ghee (appointed on 11.12.07)

In accordance with the Company's Articles of Association, **Dato' Tan King Seng, Mr. Loh Chye Teik, Dato' Dr. Loh Hock Hun** and **Mr. Cheah Choon Ghee** retire from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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 :

	----- Number of ordinary shares of RM0.10 each -----				Balance at 31.12.07
	Balance at 1.1.07	Bonus issues	Bought	Sold	
The Company					
Direct interest :					
Dato' Tan King Seng	28,471,586	14,235,793	-	-	42,707,379
Ooi Yeok Hock	4,589,292	2,294,646	-	(2,500,000)	4,383,938
Tan Chin Hong	2,070,331	1,035,165	-	-	3,105,496
Loh Chye Teik	45,000	-	-	(45,000)	-
Cheah Choon Ghee	15,000	7,500	1,000,000	-	1,022,500*
Deemed interest :					
Dato' Tan King Seng	20,826,771	10,413,387	-	-	31,240,158

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

* At date of appointment

DIRECTORS' BENEFITS

Since the end of the previous financial year, 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 other than those related party transactions disclosed in notes to the financial statements.

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 allowance has been made for doubtful debts, and

Directors' Report

For The Year Ended 31 December 2007 (Cont'd)

OTHER STATUTORY INFORMATION (cont'd)

(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 allowance 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
- (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.

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 : 8 April 2008

Consolidated Balance Sheet

At 31 December 2007



	NOTE	2007 RM	2006 RM
ASSETS			
Non-current assets			
Property, plant and equipment	3	14,510,052	10,356,056
Development costs	5	<u>1,325,837</u>	<u>1,380,737</u>
		15,835,889	11,736,793
Current assets			
Inventories	6	7,495,024	6,499,702
Trade receivables	7	7,471,050	9,840,117
Other receivables, deposits and prepayments		853,456	567,317
Tax recoverable		360,318	173,163
Cash and cash equivalents	9	<u>5,061,697</u>	<u>2,375,469</u>
		21,241,545	19,455,768
TOTAL ASSETS		37,077,434	31,192,561
EQUITY AND LIABILITIES			
Share capital	10	12,300,000	8,200,000
Share premium	11	2,953,447	7,115,300
Retained profits		<u>9,488,672</u>	<u>5,187,296</u>
Total equity		24,742,119	20,502,596
Non-current liabilities			
Hire purchase payables	13	1,170,778	479,360
Deferred tax liabilities	14	<u>1,222,000</u>	<u>861,000</u>
		2,392,778	1,340,360
Current liabilities			
Trade payables	15	7,004,484	5,841,615
Other payables and accruals	16	1,804,233	1,751,372*
Amount due to a director	17	-	1,332,500
Hire purchase payables	13	923,373	383,003*
Provision for taxation		<u>210,447</u>	<u>41,115</u>
		9,942,537	9,349,605
Total liabilities		12,335,315	10,689,965
TOTAL EQUITY AND LIABILITIES		37,077,434	31,192,561

* These amounts have been restated as disclosed in Note 28 to the financial statements.

The notes set out on pages 36 to 58 form an integral part of these financial statements.

Consolidated Income Statement

For The Year Ended 31 December 2007

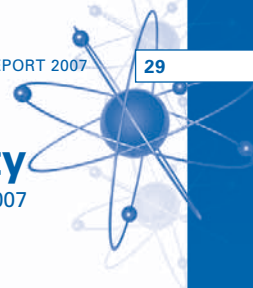
	NOTE	2007 RM	2006 RM
Revenue	18	53,358,021	48,282,095
Cost of sales		<u>(45,474,890)</u>	<u>(40,655,546)</u>
Gross profit		7,883,131	7,626,549
Other income		1,585,506	842,933
Administrative expenses		<u>(3,287,808)</u>	<u>(2,580,339)</u>
Operating profit		6,180,829	5,889,143
Finance costs		<u>(134,627)</u>	<u>(88,763)</u>
Profit after finance costs		6,046,202	5,800,380
Reserve on consolidation written off		-	<u>2,149,229</u>
Profit before taxation	19	6,046,202	7,949,609
Taxation	20	<u>(1,744,826)</u>	<u>(1,453,979)</u>
Profit after taxation		4,301,376	6,495,630
Pre-acquisition profit		-	<u>(713,402)</u>
Profit for the year		<u>4,301,376</u>	<u>5,782,228</u>
Earnings per share (sen)	21	<u>3.50</u>	<u>6.04*</u>
Dividend per share (sen, net)	22	<u>-</u>	<u>0.72</u>

* Restated

The notes set out on pages 36 to 58 form an integral part of these financial statements.

Consolidated Statement of Changes In Equity

For The Year Ended 31 December 2007



	NOTE	Share Capital RM	Non- distributable Share Premium RM	Distributable Retained Profits RM	Total Equity RM
2007					
Balance at beginning		8,200,000	7,115,300	5,187,296	20,502,596
Profit for the year, representing total recognised income and expense for the year		-	-	4,301,376	4,301,376
Bonus issue	10 & 11	4,100,000	(4,100,000)	-	-
Bonus issue expenses	11	-	(61,853)	-	(61,853)
Balance at end		<u>12,300,000</u>	<u>2,953,447</u>	<u>9,488,672</u>	<u>24,742,119</u>
2006					
Balance at beginning		2	-	(4,532)	(4,530)
Profit for the year, representing total recognised income and expense for the year		-	-	5,782,228	5,782,228
Dividend	22	-	-	(590,400)	(590,400)
Issue of shares for acquisition of subsidiaries	10	6,085,998	-	-	6,085,998
Public issue	10 & 11	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 58 form an integral part of these financial statements.

Consolidated Cash Flow Statement

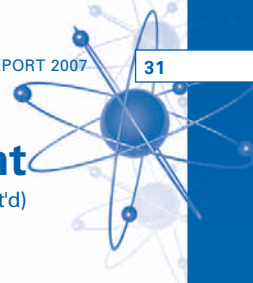
For The Year Ended 31 December 2007

	2007 RM	2006 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	6,046,202	7,949,609
Less : pre-acquisition profit	-	(918,068)
	6,046,202	7,031,541
Adjustments for :		
Allowance for doubtful debts	62,023	-
Amortisation of development costs	223,525	154,327
Bad debts	13,697	-
Depreciation	1,945,277	922,315
Loss/(Gain) on disposal of property, plant and equipment	161	(58,928)
Interest expense	134,627	64,457
Interest income	(41,594)	(33,495)
Property, plant and equipment written off	7,092	3,094
Reserve on consolidation written off	-	(2,149,229)
Unrealised gain on foreign exchange	(98,324)	(20,935)
Operating profit before working capital changes	8,292,686	5,913,147
Inventories	(995,322)	(5,218,456)
Receivables	1,993,504	(2,755,377)
Payables	1,323,553	880,780
Cash generated from/(used in) operations	10,614,421	(1,179,906)
Income tax paid	(1,401,649)	(751,629)
Interest paid	(134,627)	(64,457)
Net cash from/(used in) operating activities	9,078,145	(1,995,992)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash flow on acquisition of subsidiaries *	-	(219,092)
Development costs	(168,625)	(260,993)
Interest received	41,594	33,495
Proceeds from disposal of property, plant and equipment	101	60,000
Purchase of property, plant and equipment **	(4,003,207)	(4,150,006)
Withdrawal of margin deposits	750	13,500
Net cash used in investing activities	(4,129,387)	(4,523,096)
CASH FLOWS FROM FINANCING ACTIVITIES		
Director's account	(1,332,500)	1,243,126
Dividend paid	-	(590,400)
Payment of hire purchase payables	(871,632)	(988,221)
Payment of bonus issue/listing expenses	(61,853)	(1,340,700)
Proceeds from issuance of shares at premium	-	10,570,000
Net cash (used in)/from financing activities	(2,265,985)	8,893,805
NET INCREASE IN CASH AND CASH EQUIVALENTS CARRIED FORWARD	2,682,773	2,374,717

The notes set out on pages 36 to 58 form an integral part of these financial statements.

Consolidated Cash Flow Statement

For The Year Ended 31 December 2007 (Cont'd)



	2007 RM	2006 RM
NET INCREASE IN CASH AND CASH EQUIVALENTS BROUGHT FORWARD	2,682,773	2,374,717
Effects of changes in exchange rates	4,205	-
CASH AND CASH EQUIVALENTS AT BEGINNING	2,374,719	2
CASH AND CASH EQUIVALENTS AT END	5,061,697	2,374,719
Represented by :		
Short term funds with a licensed financial institution	1,038,316	1,803,496
Cash and bank balances	4,023,381	571,223
	5,061,697	2,374,719
Cash flow on acquisition of subsidiaries *		
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 subsidiaries		
Cash and cash equivalent acquired	-	(219,092)
Purchase of property, plant and equipment **		
Total acquisition cost	6,106,627	4,464,606
Acquired under hire purchase loans	(2,103,420)	(314,600)
Total cash acquisition	4,003,207	4,150,006

The notes set out on pages 36 to 58 form an integral part of these financial statements.

Balance Sheet

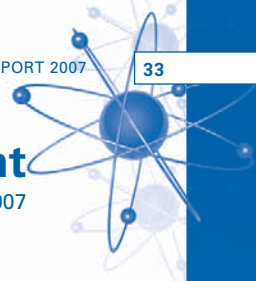
At 31 December 2007

	NOTE	2007 RM	2006 RM
ASSETS			
Non-current assets			
Property, plant and equipment	3	1,692	-
Investment in subsidiaries	4	6,085,998	6,085,998
		<u>6,087,690</u>	<u>6,085,998</u>
Current assets			
Prepayment		21,000	-
Amount due from subsidiaries	8	9,419,639	7,566,663
Tax recoverable		31,664	2,000
Cash and cash equivalents	9	1,179,682	2,160,748
		<u>10,651,985</u>	<u>9,729,411</u>
TOTAL ASSETS		<u>16,739,675</u>	<u>15,815,409</u>
EQUITY AND LIABILITIES			
Share capital	10	12,300,000	8,200,000
Share premium	11	2,953,447	7,115,300
Retained profits	12	1,447,228	108,476
Total equity		<u>16,700,675</u>	<u>15,423,776</u>
Current liabilities			
Other payables and accruals	16	39,000	391,633
TOTAL EQUITY AND LIABILITIES		<u>16,739,675</u>	<u>15,815,409</u>

The notes set out on pages 36 to 58 form an integral part of these financial statements.

Income Statement

For The Year Ended 31 December 2007



	NOTE	2007 RM	2006 RM
Revenue	18	2,034,820	1,033,495
Administrative expenses		<u>(185,732)</u>	<u>(52,087)</u>
Profit before taxation	19	1,849,088	981,408
Taxation	20	<u>(510,336)</u>	<u>(278,000)</u>
Profit for the year		<u>1,338,752</u>	<u>703,408</u>

The notes set out on pages 36 to 58 form an integral part of these financial statements.

Statement of Changes In Equity

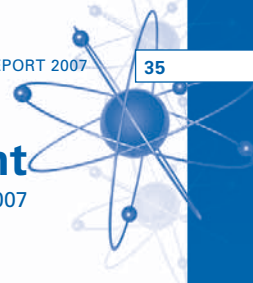
For The Year Ended 31 December 2007

	NOTE	Share Capital RM	Non- distributable Share Premium RM	Distributable Retained Profits RM	Total Equity RM
2007					
Balance at beginning		8,200,000	7,115,300	108,476	15,423,776
Profit for the year, representing total recognised income and expense for the year		-	-	1,338,752	1,338,752
Bonus issue	10 & 11	4,100,000	(4,100,000)	-	-
Bonus issue expenses	11	-	(61,853)	-	(61,853)
Balance at end		<u>12,300,000</u>	<u>2,953,447</u>	<u>1,447,228</u>	<u>16,700,675</u>
2006					
Balance at beginning		2	-	(4,532)	(4,530)
Profit for the year, representing total recognised income and expense for the year		-	-	703,408	703,408
Dividend	22	-	-	(590,400)	(590,400)
Issue of shares for acquisition of subsidiaries	10	6,085,998	-	-	6,085,998
Public issue	10 & 11	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>

The notes set out on pages 36 to 58 form an integral part of these financial statements.

Cash Flow Statement

For The Year Ended 31 December 2007



	2007 RM	2006 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,849,088	981,408
Adjustments for :		
Depreciation	58	-
Dividend income	(2,000,000)	(1,000,000)
Interest income	(34,820)	(33,495)
Operating loss before working capital changes	(185,674)	(52,087)
Receivables	(21,000)	367,968
Payables	(352,633)	19,133
Cash (used in)/generated from operations	(559,307)	335,014
Dividend received	1,460,000	720,000
Net cash from operating activities	900,693	1,055,014
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	34,820	33,495
Purchase of property, plant and equipment	(1,750)	-
Net cash from investing activities	33,070	33,495
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	(590,400)
Subsidiaries	(1,852,976)	(7,566,663)
Payment of bonus issue/listing expenses	(61,853)	(1,340,700)
Proceeds from issuance of shares at premium	-	10,570,000
Net cash (used in)/from investing activities	(1,914,829)	1,072,237
NET (DECREASE)/INCREASE IN CASH	(981,066)	2,160,746
CASH AT BEGINNING	2,160,748	2
CASH AT END	1,179,682	2,160,748
Represented by :		
Short term funds with a licensed financial institution	1,038,315	1,803,496
Cash and bank balances	141,367	357,252
	1,179,682	2,160,748

The notes set out on pages 36 to 58 form an integral part of these financial statements.

Notes To The Financial Statements

31 December 2007

1. CORPORATE INFORMATION

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

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are shown in Note 4 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 8 April 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies adopted by the Group and the Company are consistent with those adopted in the previous financial years unless otherwise indicated below.

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 MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities.

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 2007 as described fully in Note 2.19.

2.2 Significant Accounting Estimates and Judgements

Estimates and assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual result may differ from these estimates.

The key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk or causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows :

(i) Depreciation of property, plant and equipment

The depreciable costs of property, plant and equipment are allocated on the straight line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 2 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual value of these assets.

(ii) Net realisable values of inventories

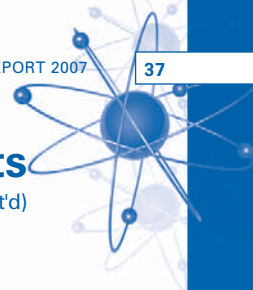
Reviews are made by management on damage, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuations of inventories.

(iii) Recoverability of receivables

The Group makes allowances for doubtful debts based on an assessment of the recoverability of receivables. Allowances for doubtful debt is provided where events or changes in circumstances indicate that the balances may not be collectable. The identification of doubtful debts requires use of judgement and estimates. Where the estimation is different from the original estimate, such difference will impact the carrying value of the receivables and doubtful debts expenses in the period in which such estimate has been changed.

Notes To The Financial Statements

31 December 2007 (Cont'd)



2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Basis of Consolidation

The financial statements of the Group include the audited financial statements of the Company and all its subsidiaries made up to the end of the financial year. Subsidiaries 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. Subsidiaries are consolidated using the acquisition method of accounting.

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

The difference between the cost of acquisition and the fair value of the Group's share of the net assets of the acquired subsidiaries at the date of acquisition is written off immediately in the income statement as goodwill or negative goodwill arising on consolidation.

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 subsidiaries to ensure consistency of accounting policies with those of the Group.

2.4 Property, Plant and Equipment

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

The policy for the recognition and measurement of impairment losses is in accordance with the accounting policy as set out in Note 2.12.

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 value, useful life and depreciation method are reviewed at each balance sheet date 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.

2.5 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 2.4. 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.

Notes To The Financial Statements

31 December 2007 (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 Investment in Subsidiaries

Subsidiaries 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.

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

The policy for the recognition and measurement of impairment losses is in accordance with the accounting policy as set out in Note 2.12.

Upon the disposal of investment in subsidiaries, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

2.7 Research and Development Costs

All research costs are immediately recognised in the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised as development costs and deferred only when the Company can demonstrate the technical feasibility of completing the 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 reliably the expenditure during the development. Development costs which do not meet these criteria are recognised in the income statement as incurred.

Capitalised development costs comprise direct attributable costs incurred for development. Capitalised development costs, considered to have finite useful lives, are stated at cost less accumulated amortisation and any accumulated impairment losses. Development costs are amortised using the straight-line basis over the commercial lives of the underlying products of five years from the commencement of the commercialisation of the products. The amortisation period and method are reviewed at each balance sheet date to ensure that the expected useful lives of the assets are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of intangible assets. The policy for the recognition and measurement of impairment losses is in accordance with the accounting policy as set out in Note 2.12.

2.8 Inventories

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

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

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.

2.9 Receivables

Receivables are stated at their anticipated realisable values.

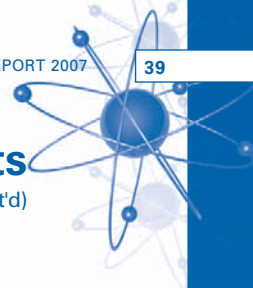
Known bad debts are written off and specific allowance is made for any debts considered to be doubtful of collection.

2.10 Payables

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

Notes To The Financial Statements

31 December 2007 (Cont'd)



2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 Provisions

Provisions 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.

2.12 Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment, investment in subsidiaries and development costs and 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.

2.13 Income 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.

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 years 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.

Notes To The Financial Statements

31 December 2007 (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.14 Employee Benefits (cont'd)

Share-based compensation (cont'd)

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, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

2.16 Foreign Currency Translations

Transactions in foreign currencies are translated into Ringgit Malaysia at the rates of exchange ruling on the transaction dates. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at the rates of exchange ruling on that date. All exchange gains or losses on exchange are included in the income statement.

2.17 Cash and Cash Equivalents

Cash comprises cash in hand, cash at bank 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

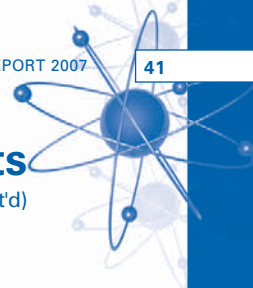
Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

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.

Notes To The Financial Statements

31 December 2007 (Cont'd)



2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.19 New and Revised Financial Reporting Standards ("FRS")

- (i) On 1 January 2007, the Group and the Company adopted the following FRSs mandatory for financial periods beginning on or after 1 January 2007 :

FRS 6	Exploration for and Evaluation of Mineral Resources
Amendment to FRS 119 ²⁰⁰⁴	Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures
FRS 124	Related Party Disclosures

The adoption of the above FRSs does not result in significant changes in accounting policies of the Group and of the Company.

- (ii) The Group and the Company have not early adopted the following new and revised FRSs and IC Interpretations :

- (a) Effective for financial periods beginning on or after 1 July 2007

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
Amendment to FRS 121	The Effect of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129 ²⁰⁰⁴ – Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

The new and revised FRSs and IC Interpretations not early adopted by the Group and by the Company are not expected to have a significant impact on the financial statements of the Group and of the Company upon their initial application.

- (b) Effective date deferred indefinitely

FRS 139	Financial Instruments : Recognition and Measurement
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The effect of FRS 139, if any, upon its initial recognition are exempted from disclosure.

Notes To The Financial Statements

31 December 2007 (Cont'd)

3. PROPERTY, PLANT AND EQUIPMENT

GROUP 2007

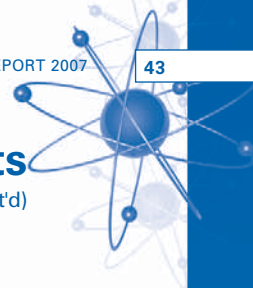
	----- At Cost -----				Balance at 31.12.07 RM
	Balance at 1.1.07 RM	Additions RM	Disposals RM	Written off RM	
Freehold office lot	437,389	-	-	-	437,389
Plant and machinery	10,271,436	5,724,571	-	-	15,996,007
Office equipment, furniture and fittings	993,848	96,584	(448)	(4,564)	1,085,420
Electrical installation	290,778	4,370	-	-	295,148
Renovation	1,541,337	165,714	-	(4,437)	1,702,614
Motor vehicles	576,399	115,388	-	-	691,787
	14,111,187	6,106,627	(448)	(9,001)	20,208,365

	----- Accumulated Depreciation -----				Balance at 31.12.07 RM
	Balance at 1.1.07 RM	Current charge RM	Disposals RM	Written off RM	
Freehold office lot	1,458	8,748	-	-	10,206
Plant and machinery	2,958,834	1,519,339	-	-	4,478,173
Office equipment, furniture and fittings	273,798	126,120	(186)	(1,423)	398,309
Electrical installation	54,470	29,296	-	-	83,766
Renovation	254,668	167,329	-	(486)	421,511
Motor vehicles	211,903	94,445	-	-	306,348
	3,755,131	1,945,277	(186)	(1,909)	5,698,313

	Net book value at 31.12.07 RM
Freehold office lot	427,183
Plant and machinery	11,517,834
Office equipment, furniture and fittings	687,111
Electrical installation	211,382
Renovation	1,281,103
Motor vehicles	385,439
	14,510,052

Notes To The Financial Statements

31 December 2007 (Cont'd)



3. PROPERTY, PLANT AND EQUIPMENT(cont'd)

GROUP
2006

	----- At Cost -----					Balance at 31.12.06 RM
	Balance at 1.1.06 RM	Acquisition of subsidiaries 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 subsidiaries 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

31 December 2007 (Cont'd)

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 :

	2007 RM	2006 RM
Plant and machinery	3,340,335	1,185,835
Motor vehicles	<u>364,170</u>	<u>334,427</u>
	<u>3,704,505</u>	<u>1,520,262</u>

COMPANY

	Office equipment, furniture and fittings RM
2007	
At cost	
Additions/Balance at end	1,750
Accumulated depreciation	
Current charge/Balance at end	<u>58</u>
Net book value	<u>1,692</u>

There were no acquisition of property, plant and equipment during the financial year ended 31 December 2006.

4. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2007 RM	2006 RM
Unquoted shares, at cost	<u>6,085,998</u>	<u>6,085,998</u>

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

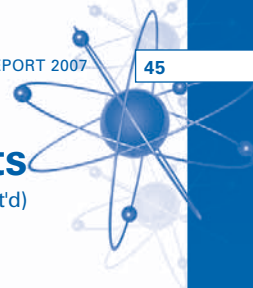
Name of Company	Effective Equity Interest		Principal Activities
	2007	2006	
Morrissey Technology Sdn. Bhd.	100%	100%	Design and manufacturing of precision miniature engineering metal parts and components.
Jingheng Electronic Precision Technology Sdn. Bhd.	100%	100%	Original design manufacturing of semiconductor light emitting diodes components and the related manufacturing activities are outsourced to reliable and reputable third parties.

2006

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.

Notes To The Financial Statements

31 December 2007 (Cont'd)



4. INVESTMENT IN SUBSIDIARIES (cont'd)

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>

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	<u>(479,360)</u>
Increase in Group's net assets	<u>18,731,481</u>

Notes To The Financial Statements

31 December 2007 (Cont'd)

5. DEVELOPMENT COSTS

	GROUP	
	2007 RM	2006 RM
Development costs		
Balance at beginning	1,610,192	-
Arising from the acquisition of subsidiaries	-	1,180,108
Additions	<u>168,625</u>	<u>430,084</u>
Balance at end	1,778,817	1,610,192
Accumulated amortisation		
Balance at beginning	229,455	-
Arising from the acquisition of subsidiaries	-	75,128
Current charge	<u>223,525</u>	<u>154,327</u>
Balance at end	<u>(452,980)</u>	<u>(229,455)</u>
	<u>1,325,837</u>	<u>1,380,737</u>

6. INVENTORIES

	GROUP	
	2007 RM	2006 RM
At cost :		
Raw materials	503,062	966,345
Work-in-progress	329,640	146,598
Finished goods	6,231,294	5,065,520
Consumables	<u>431,028</u>	<u>321,239</u>
	<u>7,495,024</u>	<u>6,499,702</u>

7. TRADE RECEIVABLES

	GROUP	
	2007 RM	2006 RM
Total amount	7,533,073	9,840,117
Less : Allowance for doubtful debts current year	<u>(62,023)</u>	<u>-</u>
	<u>7,471,050</u>	<u>9,840,117</u>
Analysis of trade receivables by currencies :		
Ringgit Malaysia	5,119,465	5,028,927
US Dollar	<u>2,413,608</u>	<u>4,811,190</u>
	<u>7,533,073</u>	<u>9,840,117</u>

The normal credit terms for trade receivables range from **30 to 60 days** (2006 : 30 to 60 days). Other credit terms are assessed and approved on a case-by-case basis.

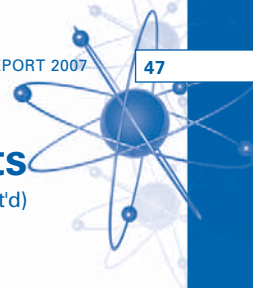
8. AMOUNT DUE FROM SUBSIDIARIES

COMPANY

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

Notes To The Financial Statements

31 December 2007 (Cont'd)



9. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Unencumbered				
Short term funds with a licensed financial institution	1,038,316	1,803,496	1,038,316	1,803,496
Cash and bank balances	4,023,381	571,223	141,366	357,252
Encumbered				
Margin deposit with a licensed bank	-	750	-	-
	<u>5,061,697</u>	<u>2,375,469</u>	<u>1,179,682</u>	<u>2,160,748</u>

Short term funds represent investments with redeemable period of **less than 31 days** (2006 : less than 31 days). The interest rate of short term funds at balance sheet date is **3.35%** (2006 : 3.45%) per annum.

The encumbered margin deposit which was non interest bearing was pledged to a licensed bank as security for bank guarantees granted to a subsidiary. The maturity of the margin deposit was 18 months.

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Analysis of cash and cash equivalents by currencies :				
Ringgit Malaysia	4,641,251	2,281,394	1,179,682	2,160,748
US Dollar	420,182	92,611	-	-
Others	264	1,464	-	-
	<u>5,061,697</u>	<u>2,375,469</u>	<u>1,179,682</u>	<u>2,160,748</u>

10. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2007	2006	2007 RM	2006 RM
Authorised :				
Balance at beginning				
Ordinary shares of RM0.10 (2006 : RM1.00) each	250,000,000	100,000	25,000,000	100,000
Subdivision of par value to RM0.10 each	-	900,000	-	-
Creation	-	249,000,000	-	24,900,000
Balance at end	<u>250,000,000</u>	<u>250,000,000</u>	<u>25,000,000</u>	<u>25,000,000</u>

Notes To The Financial Statements

31 December 2007 (Cont'd)

10. SHARE CAPITAL (cont'd)

	Number of ordinary shares		Amount	
	2007	2006	2007 RM	2006 RM
Issued and fully paid :				
Balance at beginning				
Ordinary shares of RM0.10 (2006 :				
RM1.00) each	82,000,000	2	8,200,000	2
Subdivision of par value to RM0.10 each	-	18	-	-
Acquisition of subsidiaries	-	60,859,980	-	6,085,998
Public issue	-	21,140,000	-	2,114,000
Bonus issue	41,000,000	-	4,100,000	-
	123,000,000	82,000,000	12,300,000	8,200,000
Balance at end	123,000,000	82,000,000	12,300,000	8,200,000

2007

During the financial year, the Company increased its issued and paid-up share capital from RM8,200,000 to RM12,300,000 by way of a bonus issue of 41,000,000 new ordinary shares of RM0.10 each on the basis of one new ordinary share for every two existing ordinary shares of RM0.10 each held, effected by capitalising RM4,100,000 from the share premium account.

2006

During the 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 ("ESOS")

The Company's ESOS was approved by the Securities Commission ("SC") and the members on 17 May 2006 and 15 June 2006 respectively and will be in force for a duration of five years from the effective date.

As at balance sheet date, no options were granted.

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,

Notes To The Financial Statements

31 December 2007 (Cont'd)

10. SHARE CAPITAL (cont'd)

Employee Share Option Scheme ("ESOS") (cont'd)

- (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

	2007 RM	2006 RM
Balance at beginning	7,115,300	-
Public issue of 21,140,000 ordinary shares of RM0.10 each at a premium of RM0.40 per share	-	8,456,000
Bonus issue	(4,100,000)	-
Less : Bonus issue/listing expenses	(61,853)	(1,340,700)
	<u>2,953,447</u>	<u>7,115,300</u>

12. RETAINED PROFITS

COMPANY

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends out of its entire retained profits at balance sheet date.

Notes To The Financial Statements

31 December 2007 (Cont'd)

13. HIRE PURCHASE PAYABLES

	GROUP	
	2007 RM	2006 RM
Total amount payables	2,265,105	945,193
Interest in suspense	<u>(170,954)</u>	<u>(82,830)</u>
	2,094,151	862,363
Less : Payable within next twelve months included under current liabilities	<u>(923,373)</u>	<u>(383,003)</u>
	<u>1,170,778</u>	<u>479,360</u>

The maturities of hire purchase payables are as follows :

	GROUP	
	2007 RM	2006 RM
Within one year	1,023,794	423,084
More than one year and less than five years	1,185,786	460,087
More than five years	<u>55,525</u>	<u>62,022</u>
	2,265,105	945,193
Less : Unexpired interest	<u>(170,954)</u>	<u>(82,830)</u>
	<u>2,094,151</u>	<u>862,363</u>

The interest rates of hire purchase payables at balance sheet date are **2.33% to 4.85%** (2006 : 2.64% to 4.88%) per annum.

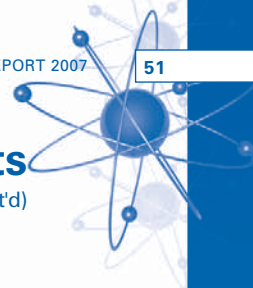
14. DEFERRED TAX LIABILITIES

	GROUP	
	2007 RM	2006 RM
Balance at beginning	861,000	313,000
Transfer to income statement	<u>215,000</u>	<u>461,000</u>
	1,076,000	774,000
Under provision in prior year	<u>146,000</u>	<u>87,000</u>
	<u>1,222,000</u>	<u>861,000</u>

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

Notes To The Financial Statements

31 December 2007 (Cont'd)



15. TRADE PAYABLES

	GROUP	
	2007 RM	2006 RM
Analysis of trade payables by currencies :		
Ringgit Malaysia	736,635	681,558
US Dollar	6,035,514	5,104,928
Singapore Dollar	192,111	55,129
Japanese Yen	40,224	-
	7,004,484	5,841,615

The normal credit terms for trade payables range from **30 to 90 days** (2006 : 30 to 90 days).

16. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2007 RM	(Restated) 2006 RM	2007 RM	2006 RM
Other payables	1,571,881	1,540,118	-	360,003
Accruals	232,352	211,254	39,000	31,630
	1,804,233	1,751,372	39,000	391,633
Analysis of other payables and accruals by currencies :				
Ringgit Malaysia	404,127	1,017,161	39,000	391,633
Swiss Franc	1,011,299	-	-	-
Singapore Dollar	357,664	707,933	-	-
US Dollar	11,023	26,278	-	-
Japanese Yen	20,120	-	-	-
	1,804,233	1,751,372	39,000	391,633

17. AMOUNT DUE TO A DIRECTOR

GROUP

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

18. REVENUE

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Invoiced value of goods sold less returns and discounts	53,323,201	48,248,600	-	-
Gross dividend from a subsidiary	-	-	2,000,000	1,000,000
Interest income	34,820	33,495	34,820	33,495
	53,358,021	48,282,095	2,034,820	1,033,495

Notes To The Financial Statements

31 December 2007 (Cont'd)

19. PROFIT BEFORE TAXATION

This is arrived at :

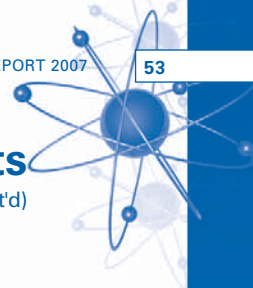
	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
After charging :				
Allowance for doubtful debts	62,023	-	-	-
Amortisation of development costs	223,525	154,327	-	-
Audit fee				
- statutory				
- current year	24,000	20,000	8,000	6,000
- under provision in prior year	-	1,600	-	-
- other professional services	-	25,000	-	25,000
Bad debts	13,697	-	-	-
Depreciation	1,945,277	922,315	58	-
Directors' allowances				
- Non-executive directors' allowances	4,000	2,000	4,000	2,000
Directors' fees :				
- Non-executive directors	30,000	22,500	30,000	22,500
Interest expense	134,627	64,457	-	-
Loss on disposal of property, plant and equipment	161	-	-	-
Property, plant and equipment written off	7,092	3,094	-	-
Realised loss on foreign exchange	112,038	-	-	-
Rental of premises	288,860	136,310	-	-
*Staff costs	3,121,210	2,095,636	4,000	2,000
And crediting :				
Realised gain on foreign exchange	42,833	37,222	-	-
Gross dividend from a subsidiary	-	-	2,000,000	1,000,000
Gain on disposal of property, plant and equipment	-	58,928	-	-
Interest income	41,594	33,495	34,820	33,495
Unrealised gain on foreign exchange	98,324	20,935	-	-
*Staff costs				
- Salaries, bonus and wages	2,806,829	1,870,244	-	-
- EPF	286,228	205,079	-	-
- SOCSO	28,153	20,313	-	-
	3,121,210	2,095,636	-	-

Included in the staff costs of the Group and of the Company are directors' emoluments of **RM410,694** (2006 : RM394,986) and **RM Nil** (2006 : RM Nil) respectively as shown below :

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
Directors of the Company				
Executive Directors :				
- Salary, allowance and bonus	366,726	352,650	-	-
- EPF	43,968	42,336	-	-
	410,694	394,986	-	-

Notes To The Financial Statements

31 December 2007 (Cont'd)



20. TAXATION

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Malaysian income tax :				
Based on results for the year				
- Current tax	(1,219,000)	(706,000)	(517,000)	(278,000)
- Deferred tax				
Relating to the origination and reversal of temporary differences	(349,100)	(461,000)	-	-
Relating to changes in tax rates	134,100	-	-	-
	<u>(215,000)</u>	<u>(461,000)</u>	<u>-</u>	<u>-</u>
	<u>(1,434,000)</u>	<u>(1,167,000)</u>	<u>(517,000)</u>	<u>(278,000)</u>
(Under)/Over provision in prior year				
- Current tax	(164,826)	(199,979)	6,664	-
- Deferred tax	(146,000)	(87,000)	-	-
	<u>(310,826)</u>	<u>(286,979)</u>	<u>6,664</u>	<u>-</u>
	<u>(1,744,826)</u>	<u>(1,453,979)</u>	<u>(510,336)</u>	<u>(278,000)</u>

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

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Profit before taxation	<u>6,046,202</u>	<u>7,949,609</u>	<u>1,849,088</u>	<u>981,408</u>
Income tax at Malaysian statutory tax rate of 27% (2006 : 28%)	(1,632,475)	(2,225,891)	(499,254)	(274,794)
Effects of :				
- Income not subject to tax	31,935	601,784	9,401	-
- Expenses not deductible for tax purposes	(112,258)	(107,636)	(27,147)	(3,206)
- Utilisation of current year's reinvestment allowance	98,728	501,550	-	-
- Reduced tax rate on first RM500,000 chargeable income	45,970	63,193	-	-
- Changes in tax rates	134,100	-	-	-
	<u>(1,434,000)</u>	<u>(1,167,000)</u>	<u>(517,000)</u>	<u>(278,000)</u>
(Under)/Over provision in prior year	<u>(310,826)</u>	<u>(286,979)</u>	<u>6,664</u>	<u>-</u>
	<u>(1,744,826)</u>	<u>(1,453,979)</u>	<u>(510,336)</u>	<u>(278,000)</u>

The Malaysian Budget 2007 announced the reduction of corporate tax rate from 28% for the year of assessment 2006 to 27% for the year of assessment 2007 and 26% for the year of assessment 2008. The corporate tax rate will be reduced further to 25% for the year of assessment 2009 as announced in the Malaysian Budget 2008.

The amount and future availability of unabsorbed reinvestment allowance for which the related tax effects have not been accounted for at balance sheet date is estimated at **RM3,814,000** (2006 : RM1,074,000).

Notes To The Financial Statements

31 December 2007 (Cont'd)

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 :

	2007 RM	(Restated) 2006 RM
Profit for the year (RM)	<u>4,301,376</u>	<u>5,782,228</u>
Weighted average number of ordinary shares of RM0.10 each	<u>123,000,000</u>	54,734,088
Effect of bonus issue	-	<u>41,000,000</u>
	<u>123,000,000</u>	<u>95,734,088</u>
Basic earnings per share (sen)	<u>3.50</u>	<u>6.04</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

	2007 RM	2006 RM
An interim dividend of 1 sen less tax in respect of the financial year ended 31 December 2006	<u>-</u>	<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.

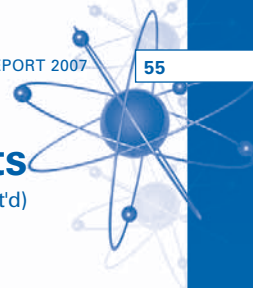
Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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

31 December 2007 (Cont'd)



23. SEGMENTAL INFORMATION (cont'd)

2007

By business segments

	Electronic products RM	Investment holding RM	Elimination RM	Total RM
Revenue				
External customers	53,323,201	34,820	-	53,358,021
Inter-segment revenue	-	2,000,000	(2,000,000)	-
Total revenue	53,323,201	2,034,820	(2,000,000)	53,358,021
Results				
Segment results	6,324,967	1,814,268	(2,000,000)	6,139,235
Interest income	6,774	34,820	-	41,594
Interest expense	(134,627)	-	-	(134,627)
Profit before taxation	6,197,114	1,849,088	(2,000,000)	6,046,202
Taxation	(1,774,490)	(510,336)	540,000	(1,744,826)
Profit after taxation	4,422,624	1,338,752	(1,460,000)	4,301,376
Assets				
Segment assets	31,632,727	15,528,329	(15,505,637)	31,655,419
Tax recoverable	328,654	31,664	-	360,318
Cash and cash equivalents	3,882,015	1,179,682	-	5,061,697
Total assets	35,843,396	16,739,675	(15,505,637)	37,077,434
Liabilities				
Segment liabilities	18,189,356	39,000	(9,419,639)	8,808,717
Hire purchase payables	2,094,151	-	-	2,094,151
Provision for taxation and deferred taxation	1,432,447	-	-	1,432,447
Total liabilities	21,715,954	39,000	(9,419,639)	12,335,315
Other segment information				
Capital expenditure	6,104,877	1,750	-	6,106,627
Depreciation and amortisation	2,168,744	58	-	2,168,802
Non-cash expenses other than depreciation and amortisation	82,973	-	-	82,973

Notes To The Financial Statements

31 December 2007 (Cont'd)

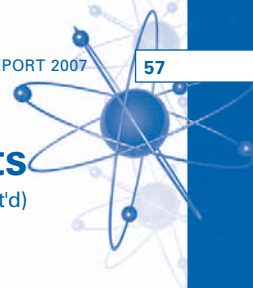
23. SEGMENTAL INFORMATION (cont'd)

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	48,248,600	1,033,495	(1,000,000)	48,282,095
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	1,149,229	7,949,609
Taxation	(1,455,979)	(278,000)	280,000	(1,453,979)
Profit after taxation	4,362,993	703,408	1,429,229	6,495,630
Pre-acquisition profit	-	-	(713,402)	(713,402)
Profit for the year	4,362,993	703,408	715,827	5,782,228
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 equivalents	214,721	2,160,748	-	2,375,469
Total assets	29,029,813	15,815,409	(13,652,661)	31,192,561
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	17,864,995	391,633	(7,566,663)	10,689,965
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)

Notes To The Financial Statements

31 December 2007 (Cont'd)



23. SEGMENTAL INFORMATION (cont'd)

By geographical segments

	----- 2007 -----		
	Revenue RM	Total assets RM	Capital expenditure RM
Malaysia	25,034,402	35,045,956	5,559,107
China	4,834,476	2,031,478	547,520
Thailand	23,403,205	-	-
Others	85,938	-	-
	<u>53,358,021</u>	<u>37,077,434</u>	<u>6,106,627</u>
	----- 2006 -----		
	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	-	-
Others	580,600	-	-
	<u>48,282,095</u>	<u>31,192,561</u>	<u>4,464,606</u>

24. COMMITMENTS

	GROUP	
	2007 RM	2006 RM
(a) Capital commitments		
Contracted but not provided for		
- Property, plant and equipment	<u>1,538,827</u>	<u>1,614,180</u>
(b) Non-cancellable operating lease commitments		
Future minimum rentals payable :		
Not later than one year	<u>281,210</u>	<u>287,970</u>
Later than one year and not later than five years	<u>169,070</u>	<u>456,210</u>
	<u>450,280</u>	<u>744,180</u>

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

25. CONTINGENT LIABILITIES (UNSECURED)

	COMPANY	
	2007 RM	2006 RM
Corporate guarantee extended to financial institutions for credit facilities granted to a subsidiary		
- Limit	<u>1,725,785</u>	<u>-</u>
- Utilised as at balance sheet date	<u>498,055</u>	<u>-</u>

Notes To The Financial Statements

31 December 2007 (Cont'd)

26. RELATED PARTY DISCLOSURES

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

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Salaries and other short-term employee benefits	<u>690,374</u>	<u>419,486</u>	<u>34,000</u>	<u>24,500</u>

27. 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 is exposed to minimal interest rate risk as the Group's only borrowing is fixed rate hire purchase arrangements. The investment in financial assets is short term in nature and includes short term deposits with licensed financial institution.

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.

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.

28. COMPARATIVE FIGURES

Hire purchase payables which have been included under other payables and accruals in previous year have been reclassified to conform with current year's presentation.

	Previously stated RM	Reclassification RM	Restated RM
Consolidated Balance Sheet			
Current liabilities :			
Other payables and accruals	2,134,375	(383,003)	1,751,372
Hire purchase payables	-	383,003	383,003



Directors' Statement

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 58 are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of the state of affairs of the Group and of the Company at **31 December 2007** 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 : 8 April 2008

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 58 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 **8th**)
 day of **April 2008**.)
)

.....
Lim Kah Hoon

Before me,

.....
KARUPAYEE KAMALAM A/P R. MOTTAI
NO.: P015
Commissioner for Oaths
Malaysia

Report of The Auditors

To The Members of **JHM Consolidation Berhad**

We have audited the financial statements set out on pages 27 to 58. 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 MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities 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 2007** and of the 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 subsidiaries 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 subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

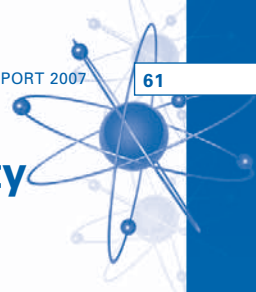
The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any adverse comment made under subsection (3) of Section 174 of the Act.

JB Lau & Associates
No. AF : 0042
Chartered Accountants

John Lau Tiang Hua, DJN
No. 1107/03/10 (J)
Partner

Date : 8 April 2008

List of Property



Title/Location	Date of Acquisition	Description	Built-up Area	Existing Use	Tenure	Approximate Age of Building	Net Book Value as at 31/12/2007 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	9 years	427,183

Analysis of Shareholdings

As At 10 April 2008

Authorised Share Capital	:	RM25,000,000.00
Issued and fully paid-up Share Capital	:	RM12,300,000.00
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

Name	<----- Number of Shares Held ----->			
	Direct	%	Deemed	%
Dato' Tan King Seng	42,707,379	34.721	31,240,158*	25.399
Noble Matters Sdn. Bhd.	30,445,863	24.753	-	-

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

Name	<----- Number of Shares Held ----->			
	Direct	%	Deemed	%
Dato' Tan King Seng	42,707,379	34.721	31,240,158*	25.399
Ooi Yeok Hock	4,383,938	3.564	-	-
Tan Chin Hong	3,105,496	2.525	-	-
Loh Chye Teik	-	-	-	-
Teoh Yee Shien	-	-	-	-
Dato' Dr. Loh Hock Hun	-	-	-	-
Cheah Choon Ghee	2,522,500	2.051	-	-

Note :

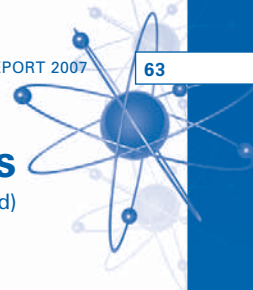
- * Deemed interested by virtue of his shareholdings of not less than 15% in Noble Matters Sdn. Bhd. and First Share Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of shareholdings	Number of Shareholders	% of Shareholders	Number of Shares	% of Shares
Less than 100	13	1.263	579	0.00
100 to 1,000	592	57.532	110,350	0.090
1,001 to 10,000	225	21.866	965,850	0.785
10,001 to 100,000	145	14.091	4,554,550	3.703
100,001 to less than 5% of issued shares	52	5.053	44,215,429	35.948
5% and above of issued shares	2	0.194	73,153,242	59.474
Total	1,029	100.00	123,000,000	100.00

Analysis of Shareholdings

As At 10 April 2008 (cont'd)



LIST OF THIRTY LARGEST SHAREHOLDERS

	NAME	NO. OF SHARES HELD	%
1	TAN KING SENG	42,707,379	34.721
2	NOBLE MATTERS SDN. BHD.	30,445,863	24.753
3	OOI YEOK HOCK	4,383,938	3.564
4	TAN CHIN HONG	3,105,496	2.525
5	CHEAH CHOON GHEE	2,522,500	2.051
6	LPI PRECISION INDUSTRY (M) SDN. BHD.	2,500,000	2.033
7	TANG NAM SOON	2,235,650	1.818
8	TAN SHYAN CHERT	2,140,700	1.740
9	TEOH KIAH PHOCK	2,111,400	1.717
10	CHEOK SWEE BENG	2,092,850	1.702
11	WU TING MIEN	1,812,000	1.473
12	OOI SOO CHIN	1,733,200	1.409
13	CHAN KAI KONG	1,525,000	1.240
14	ONG HOCK SEONG	1,510,550	1.228
15	KAM CHEN YUEN	1,500,000	1.220
16	PAU KAR TENG	1,255,750	1.021
17	TANG NAM FOONG	1,073,150	0.872
18	LOW LEE WAH	1,000,000	0.813
19	DAH HUEY SHUANG	889,800	0.723
20	FIRST SHARE SDN. BHD.	794,295	0.646
21	OOI ENG TEIK	765,300	0.622
22	SAW KONG BENG	759,700	0.618
23	CHIAM LI SIN	677,600	0.551
24	ONG HOCK PING	674,550	0.548
25	TAN SAW YONG	607,800	0.494
26	TAN KIM SING	600,000	0.488
27	CHUAH YEW PHAIK	518,200	0.421
28	KAM SOO YIM	513,550	0.418
29	TAN HUA LEE	410,100	0.333
30	TAN SOO WAH	304,900	0.248

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Third Annual General Meeting of the Company will be held at Merbah Room, Hotel Equatorial, No. 1, Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Friday, 23 May 2008 at 11:00 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 2007 together with the Reports of the Directors and Auditors thereon. | Resolution 1 |
| 2. | To approve an increase in Directors' fees from RM22,500.00 for the financial year ended 31 December 2006 to RM30,000.00 for the financial year ended 31 December 2007 and to approve payment of the said Directors' fees of RM30,000.00. | Resolution 2 |
| 3. | To approve the payment of Directors' fees of up to RM54,000.00 for the financial year ending 31 December 2008. | Resolution 3 |
| 4. | To re-elect Dato' Tan King Seng who retires in accordance with Article 129 of the Company's Articles of Association. | Resolution 4 |
| 5. | To re-elect Mr. Loh Chye Teik who retires in accordance with Article 129 of the Company's Articles of Association. | Resolution 5 |
| 6. | To re-elect Dato' Dr. Loh Hock Hun who retires in accordance with Article 134 of the Company's Articles of Association. | Resolution 6 |
| 7. | To re-elect Mr. Cheah Choon Ghee who retires in accordance with Article 134 of the Company's Articles of Association. | Resolution 7 |
| 8. | 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. | Resolution 8 |
| 9. | As special business :
To consider and if thought fit, to pass with or without modifications the following resolution :- | |

ORDINARY RESOLUTION AUTHORITY TO ISSUE SHARES

"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."

Resolution 9

- | | | |
|-----|--|--|
| 10. | To transact any other business for which due notices shall have been given in accordance with the Companies Act, 1965. | |
|-----|--|--|

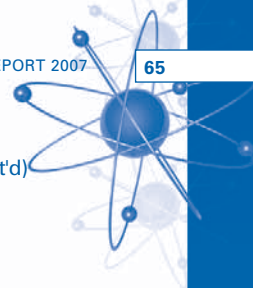
By Order of the Board,

WONG YEE LIN (MIA 15898)
FOO LI LING (MAICSA 7019557)
Company Secretaries

Penang

Date : 30 April 2008

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 Note on Ordinary Business

Explanatory note on Resolution 2 of the Agenda -

The increase in Directors' fees for Non-Executive Directors is calculated on the basis for the full year of service for 2007.

Explanatory note on Resolution 3 of the Agenda -

Resolution 3 is to facilitate payment of Directors' fees on current financial year basis, calculated based on the number of scheduled Board and Committee meetings for 2008 and assuming that all Non-Executive Directors will hold office until the end of the financial year. In the event the Directors' fees proposed is insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next Annual General Meeting for additional fees to meet the shortfall.

Explanatory Note on Special Business

Explanatory note on Resolution 9 of the Agenda -

The proposed Ordinary Resolution 9, 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.

Statement Accompanying Notice of The Third Annual General Meeting

1. The Directors who are standing for re-election at the Third Annual General Meeting are as follows :-
 - a) Dato' Tan King Seng
 - b) Mr. Loh Chye Teik
 - c) Dato' Dr. Loh Hock Hun
 - d) Mr. Cheah Choon Ghee

The details of the four Directors seeking re-election or re-appointment are set in their respective profiles which appear on pages 5 to 6 of this Annual Report.

2. The details of attendance of Directors of the Company at Board meetings held during the financial year ended 31 December 2007 are disclosed in the Corporate Governance Report set out on pages 9 to 13 of this Annual Report.
3. The details of the place, date and time of the Third Annual General Meeting are as follows:-

Place: Merbah Room
Hotel Equatorial,
No. 1, Jalan Bukit Jambul,
Bayan Lepas, 11900 Penang

Date : Friday, 23 May 2008

Time : 11:00 a.m.

Proxy Form



*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 Third Annual General Meeting of the Company to be held at Merbah Room, Hotel Equatorial, No. 1, Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Friday, 23 May 2008 at 11:00 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	Increase in Directors' fees and payment of Directors' fees for the financial year ended 31 December 2007		
3	Payment of Directors' fees for the financial year ending 31 December 2008		
4	Re-election of Dato' Tan King Seng		
5	Re-election of Mr. Loh Chye Teik		
6	Re-election of Dato' Dr. Loh Hock Hun		
7	Re-election of Mr. Cheah Choon Ghee		
8	Re-appointment of Messrs. JB Lau & Associates as Auditors		
9	Authority under Section 132D of the Companies Act, 1965		

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 _____, 2008.

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



15-1-21, Bayan Point, Medan Kampung Relau,
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