



Annual Report 2008



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Vision

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

Mission

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

Corporate Information

BOARD OF DIRECTORS

Dato' Tan King Seng
(EXECUTIVE CHAIRMAN/ MANAGING DIRECTOR)

Ooi Yeok Hock
(EXECUTIVE DIRECTOR)

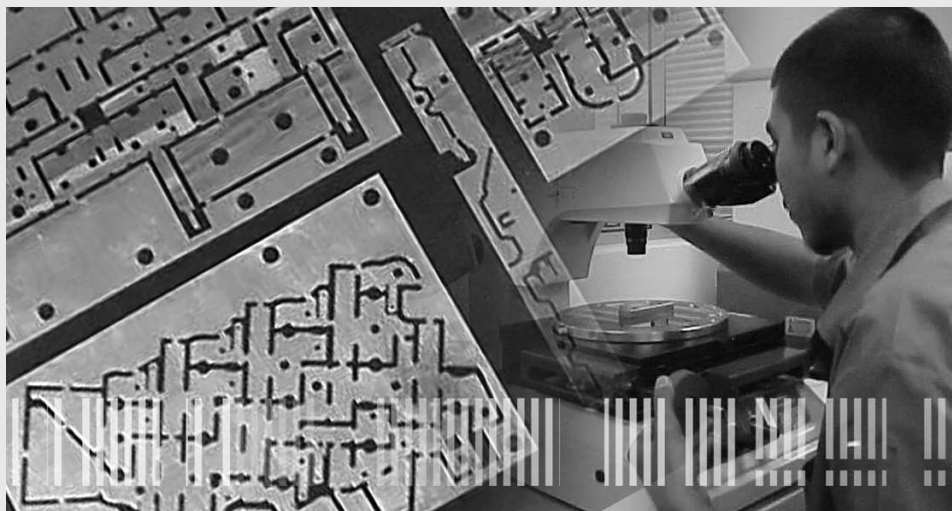
Tan Chin Hong
(EXECUTIVE DIRECTOR)

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

Chee Wai Hong (MIA 17181)
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 : 04-228 9700
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

Grant Thornton
(formerly known as 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.

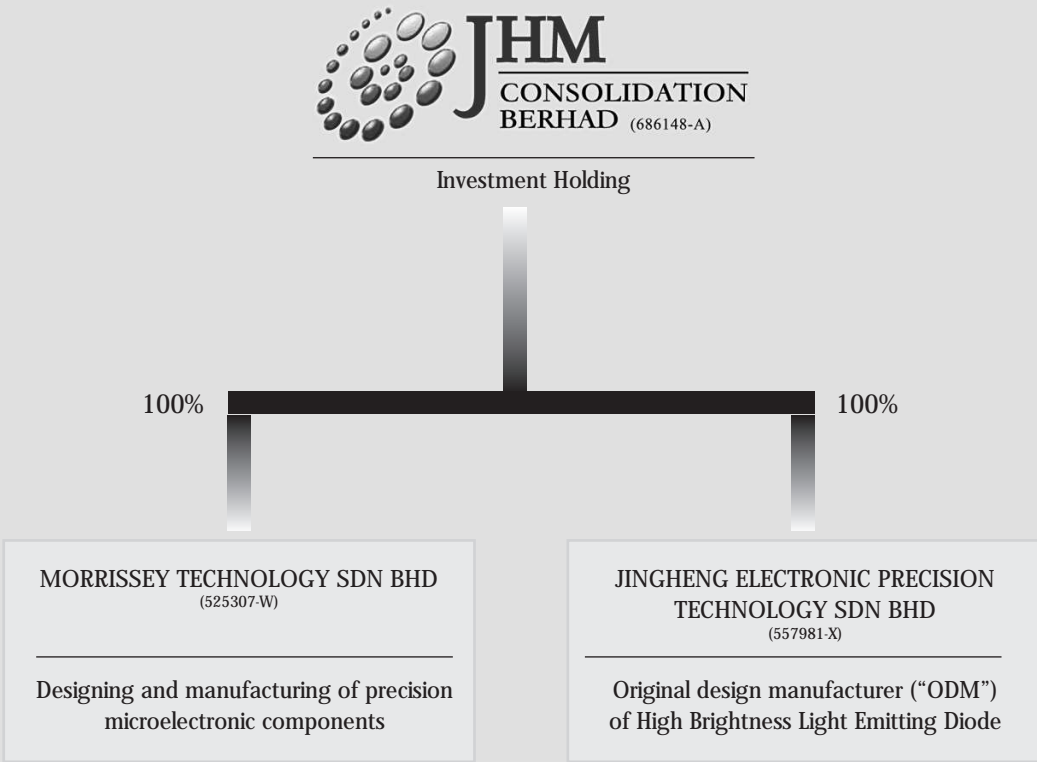
SPONSOR

Kenanga Investment Bank Berhad
15th Floor, Suite 15.06
Kenanga International
50250 Kuala Lumpur
Tel : 03-2164 6689
Fax : 03-2164 6690

STOCK EXCHANGE LISTING

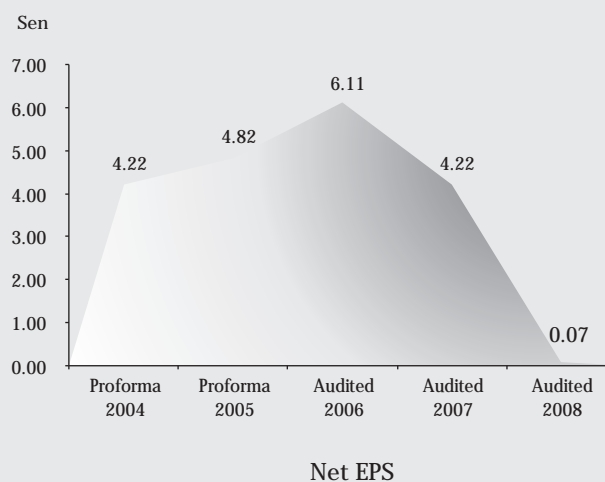
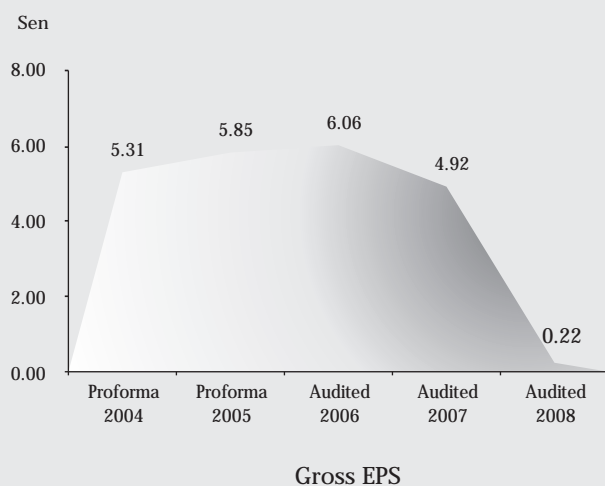
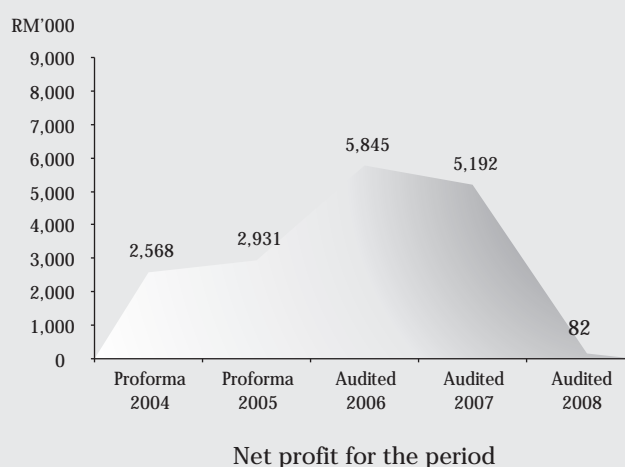
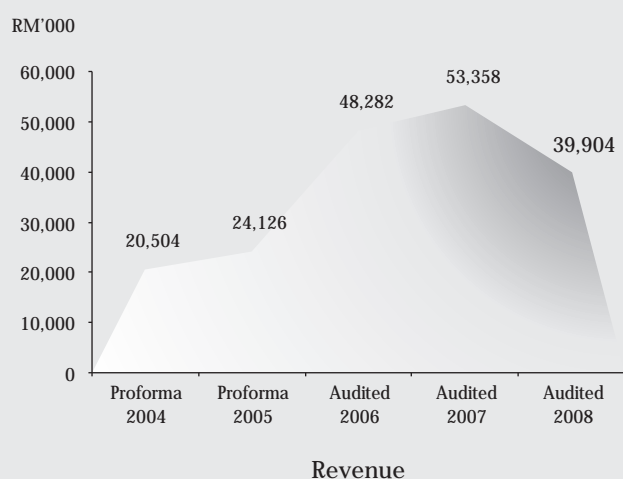
MESDAQ Market of Bursa Malaysia
Securities Berhad
Stock Name : JHM
Stock Code: 0127

Group Structure of JHM Group



5 Years' Financial Highlights

Year ended 31 December	Proforma results of JHM Group ⁽¹⁾		Audited		
	2004 ⁽²⁾ (RM'000)	2005 ⁽²⁾ (RM'000)	(Restated) 2006 ⁽³⁾⁽⁴⁾ (RM'000)	(Restated) 2007 ⁽³⁾ (RM'000)	2008 (RM'000)
Revenue	20,504	24,126	48,282	53,358	39,904
Net profit for the period	2,568	2,931	5,845	5,192	82
Gross EPS (sen)	5.31	5.85	6.06	4.92	0.22
Net EPS (sen)	4.22	4.82	6.11	4.22	0.07



Notes:-

- 1) The summarised proforma consolidated results of JHM Group for the past two (2) FYE 31 December 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.
- 3) Restated due to effect of bonus issue.
- 4) Restated due to adoption of FRS 112: Income Taxes.

Directors' Profile

DATO' TAN KING SENG • aged 53 • Malaysian

He 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 46 • Malaysian

He is our Executive Director and was appointed to the Board on 13 April 2006. He serves as a member of Remuneration 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 41 • Malaysian

He 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.

CHEAH CHOON GHEE • aged 46 • Malaysian

He is our Executive Director and was appointed to the Board 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 a 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.

Directors' Profile (Cont'd)

LOH CHYE TEIK • aged 50 • Malaysian

He 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 Malaysian Institute of Accountants and the Malaysian Institute of Taxation. Mr. Loh started his career as an auditor in a Chartered Accountants firm in Penang 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.

TEOH YEE SHIEN • aged 42 • Malaysian

She 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 Malaysian 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 joined Prinsiptek Corporation Berhad in year 2003 until 2008 as the Group Financial Controller and led the Prinsiptek Corporation Berhad Group's accounts and finance team and actively involved in the Group's operation and corporate planning. She is currently with Texchem-Pack (M) Bhd as the Head of Group Finance department and is overall in charge of the Group's finance and accounting matters.

DATO' DR. LOH HOCK HUN • aged 64 • Malaysian

He is our Independent Non-Executive Director and was appointed to the Board on 11 December 2007. He serves as a member of Audit Committee.

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 Penang Port Commission, a position he held until the end of 2008.

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 61 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 and Olympia Industries Berhad, companies listed on Main Board of Bursa Malaysia Securities Berhad.

Management's Discussion

MANAGEMENT'S DISCUSSION

On behalf of the Board of Directors and management team of JHM Consolidation Berhad, it gives me a great pleasure to present the Annual Report and financial statements of the Group for the Financial Year Ended (FYE) 31 December 2008.

The Malaysian economy was considerably resilient in the first half of 2008, but is increasingly being affected by the global downturn primarily hinged on the United States of America (USA) economy. The crisis in the financial markets originating from the subprime mortgages in the USA has spread to the other markets and to much of the rest of the world rapidly, resulting in a global recession that continues to into 2009.

Financial Performance

For the first nine months of 2008, the Group registered a profit before taxation of RM1.71 million. However, deteriorating global demand in electronic and electrical industry affected the performance of the Group for the last quarter of 2008 and as a result, the Group reported a lower cumulative revenue and profit after taxation of RM39.90 million and RM0.08 million respectively for FYE 31 December 2008 compared to previous year result of RM53.36 million and RM5.19 million.

This translate to a drop of 25.21 % and 98.44% in total revenue and profit after taxation respectively for the year compared to the previous year.

Dividend

A first interim dividend of 1.50 sen per share less tax amounting to RM1,365,300 was paid on 8 May 2008, and a second interim tax exempt dividend of 1 sen per share under the single tier system amounting to RM1,230,000 was paid on 15 January 2009.

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

CORPORATE AND TECHNOLOGICAL DEVELOPMENTS

As disclosed in our previous year annual report, our continuous efforts in enhancement of R&D capabilities has improved the connector pins' pitch size to 0.5mm from 1.0mm.

During the financial year, the Group incurred additional purchase of new equipments amounting to RM4.16 million in relation to production of fine pitch connector pins. With the additional production capacity, the sales of its fine pitch connectors pins has increased significantly from RM2.2 million recorded in FYE 2007 to RM6.4 million in FYE 2008. This represents an increase of 190.91% compared to the previous financial year.

RESEARCH & DEVELOPMENT

R&D continues to be an important component of the Group.

As mentioned in last year's annual report, amongst the R&D activities undertaken by the Group are continuous process to reduce the fine pitch connector pins' pitch size, development and designing of new models of lead free leadframe and metal frame assembly for High Brightness Light Emitting Diode (HB LED). These activities will be an on going and guided by the business development plan with adjustments to cater for the changes in technology and customers' requirements.

For the financial year ended 31 December 2008, the Group incurred approximately RM0.10 million in R&D activities.

Future Outlook and Prospects

We share the view that the full impact of the current financial turmoil will be felt in Year 2009.

The global economic turmoil has already resulted in some of the major economies going into recession and others are expected to follow.

Management's Discussion (Cont'd)

Future Outlook and Prospects (Cont'd)

Malaysia's exports fell the most in almost seven years in December 2008 as electronics and commodities sales slid amid dwindling global orders.

Overseas shipments dropped 14.9% from a year earlier to RM46.1 billion (USD12.8 billion) after slipping 4.9% in November 2008, according to a statement of the Ministry of International Trade and Industry. The median estimate in a Bloomberg News survey of 13 economists had been for a 9% decline.

Exports by Malaysia and its neighbours have "weakened notably in recent months in the face of the collapse in global demand," said David Cohen, director of Asian forecasting at Action Economics in Singapore.

Malaysia expects 2009 growth to slow to an eight-year low as the global recession hurts demand for made-in-Asia products such as Dell Inc. computers and Intel Corp chips. Industrial output slumped 15.6% in December 2008, according to a recent report, adding pressure on the government to boost spending as the central bank said it won't cut interest rates further.

Asia's export-dependent economies including Taiwan and South Korea have posted record declines in shipments abroad. Singapore, Japan and the U.S., Malaysia's biggest overseas markets, are all in recession.

Malaysia's exports to the U.S. dropped 30% to RM5.5 billion in December 2008 from a year earlier amid a decline in electrical and electronics shipments.

Shipments of electrical and electronics goods, which made up 37% of total exports in December, slid 26% from a year earlier.

We therefore expect that 2009 will be a challenging year for us. Our management team has been working on several strategies to mitigate the risk of the downturn. With the expansion in the production capacity that we carried out earlier, we foresee that our capital expenditure will be much lower in the coming year. The sales of components related to HB LED continued to be the main contributor to the Group followed by sales of fine pitch connector pins.

A WORD OF APPRECIATION

On behalf of the Board of Directors, I offer my heartfelt thanks to the management team, employees as well as our shareholders, customers, suppliers, bankers, business associates for their unfaltering commitment, support and confidence to our Group.

Last but not least, I wish to extend my appreciation to my fellow Board members for their dedication and contribution to the Group.

Thank you.

Dato' Tan King Seng
Executive Chairman/Managing Director

Corporate Governance Statement

The Board of Directors ("the Board") has continued its commitment in maintaining high standards of corporate governance and recognise that the practice of good corporate governance is fundamental in this era of globalisation where corporate climate calls for enhancement of shareholders' value, alongside safeguarding the interest of shareholders and stakeholders of the Company.

Wherever practical and reasonable the Board has endeavoured to comply with all the Principles in Part 1 of the 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 set out 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 headed by an effective Board. The Board is entrusted with the proper stewardship of the Company's resources for the best interest of its shareholders and also to steer the Group towards achieving the maximum economic value. The members of the Board, who have extensive experience and expertise in a wide range of related and unrelated industries, have been selected based on their skills, knowledge and their ability to add strength to the leadership. The Board recognises its roles in reviewing and adopting strategic plans as well as overseeing the conduct of the Group's business.

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 under the Listing Requirements of Bursa Securities for the MESDAQ Market. The profile of each director is set out on pages 5 to 6 of this Annual Report. The combination of different individuals 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 member of the Board has inevitably contributed to the success in steering the Group toward sustaining its financial performance.

There is a clear division of authority between the Executive Chairman/ Managing Director and Executive Directors, to ensure a balance of power and authority. The non-executive and independent directors also represent an element of balance to the board. As such, the Board is of the opinion 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 Group.

All decisions of the Board are made based on majority decision and no individual 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 is the designated Senior Independent Non-Executive Director to whom concerns relating to the Company may be conveyed by shareholders or stakeholders.

Appointment to the Board

The Board has established the Nomination Committee for the purpose of making recommendations on suitable candidates for appointment to the Board and for assessing directors on an ongoing basis. Candidates recommended must be approved and appointed by the Board. The Nomination Committee is responsible for recommending the right candidates with the required skills, experience and attributes to the Board for appointment. 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 the 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.

Board Meetings

Board Meetings are held at quarterly intervals with additional meetings will be convened as and when necessary. The Board met five (5) times during 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.

Corporate Governance Statement (Cont'd)

A. DIRECTORS (Cont'd)

Board Meetings (Cont'd)

The details of attendance of the directors during the financial year ended 31 December 2008 are as follows: -

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

Directors' Training

All members of the Board have attended and successfully completed the Mandatory Accreditation Programme as required by the Bursa Securities.

The Board of Directors is fully aware that to function effectively, they must keep themselves updated on relevant industry, regulatory and corporate governance developments through continuous training and attendance at conferences and seminars.

All the directors have undergone training programmes in the FYE 2008. Among the types of trainings attended were seminars and conferences in the areas of business (MIA - Bursa Malaysia Business Conference), accounting (Exploring IFRS for Private Entities) and internal control (Internal Controls Masterclass).

In addition to formal programmes, the Directors also received internal updates and briefings, particularly on industry and technology developments that are related to the business of the Group. Major regulatory and tax changes are also communicated to the Directors.

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, to advise them on specialised issues for the purpose of decision-making.

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 enable them sufficient time to read the content and to obtain additional information or clarification prior to their attendance at the meeting.

Committees of the Board

The following committee has been 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 17 to 20 of this Annual Report.

Corporate Governance Statement (Cont'd)

A. DIRECTORS (Cont'd)

Nomination Committee

The Nomination Committee comprised the following members during the financial year:

Name of Directors	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 all its 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. The Nomination Committee also recommends to the Board to fill the seats on board committees. 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 Nomination Committee meets at least once a year and as and when necessary may make decisions by way of circular resolutions.

Remuneration Committee

The Remuneration Committee comprised the following members during the financial year:

Name of Directors	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 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 Director concerned is required to abstain from deliberation and voting on decisions relating to his/her own remuneration. Directors' fees are subject to shareholders' approval at the forthcoming Annual General Meeting ("AGM").

B. DIRECTORS' REMUNERATION

The objective of the Company's policy on Directors' remuneration is to attract and retain Directors necessary 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 Directors RM	Non-Executive Directors RM	Total RM
Salary	664,451	-	664,451
Fee	-	54,000	54,000
Bonus and benefits-in-kind	227,790	6,000	233,790
Total	892,241	60,000	952,241

Corporate Governance Statement (Cont'd)

B. DIRECTORS' REMUNERATION (Cont'd)

The number of the 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	-	3
RM50,001 – RM100,000	-	-
RM100,001 – RM150,000	1	-
RM150,001 – RM200,000	1	-
RM200,001 – RM250,000	1	-
RM400,001 – RM450,000	1	-
Total	4	3

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 state of the Group'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 enters dialogues with its shareholders. The Board also recognises that timely and equitable dissemination of relevant information shall be provided to shareholders through public announcements made via the Bursa Securities, such as the Company's annual reports, circulars and financial results on quarterly basis to enable them 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.

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 of and invited to attend any Extraordinary General Meetings through circulars and notices of meetings.

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 21 of this Annual Report.

Corporate Governance Statement (Cont'd)

D. ACCOUNTABILITY AND AUDIT (Cont'd)

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, Finfield Corporate Services 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 15 to 16 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 set out on pages 17 to 20 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 2009.

Statement on Corporate Social Responsibility (CSR)

The Board of Directors, whilst pursuing the business objectives of growth in enhancing shareholder value, is also cognizant of the fact that the Group is an integral part of the society in which it operates.

The Group's commitment to CSR is demonstrated and continuously improved by emphasizing the importance of the community, our employees and the environment.

COMMUNITY

As a responsible corporate citizen, we believe in contributing to the community in which we work with. We continue to contribute to charitable, social and welfare programs. To assist the poor to overcome their hardship, we contributed a unit of dialysis machine and participate in the fund raising for a community service center that helps kids grow up in a caring environment and healthy surroundings.

EMPLOYEES

Our Group recognises that employees are important assets and hence continue to care for the welfare of all employees by constantly upgrading the employees' skills to meet the performance standards. Training on industrial safety is also frequently conducted to ensure high level of awareness on safety requirements at all levels as we operate in an environment where there are a lot of machineries and dust particles. Our Group also complies with the requirements of the Occupational Safety and Health legislation and is committed to pursuing, implementing and continuously improving the safety and health system within our organisation.

ENVIRONMENT

The Group acknowledges responsibilities for care of environment. The Group considered environmental factors in all operation decisions and explores feasible opportunities to minimise any adverse impact from manufacturing operations and waste disposal.

In addition, the Group has also initiated among its staff an awareness towards recycling of waste materials, and continuous improvements in our manufacturing process. These steps contribute towards a greener environment.

Statement on Internal Control

INTRODUCTION

The Board is committed to maintain 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.

The Board fully understands its responsibility to maintain a sound system of internal controls and ensure accurate information to be presented in the financial statements. However, the system of internal controls is designed to manage rather than eliminate the risk of failure in achieving its business objectives. As such, it can only provide reasonable but not absolute assurance against material misstatement, loss or fraud.

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.

The Group has a formalized risk management framework in which the existence of significant risks of the Group have been identified and quantified. The corresponding controls to manage the risks have also been documented. The framework also sets out the management action plan to improve on the system of controls in order to manage the risks more effectively. The risk profile of the Group has been compiled to help the Board and management to prioritise their focus on areas of high risks.

In its risk management process, the Board carries out extensive feasibility studies before undertaking projects that involve substantial resources. This entails proper delegation of duties and responsibilities from the Board to the Managing Director, Executive Directors and Senior Management ("The Management") in managing the approved projects.

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 the business objectives of the Group. The key controls are:

- 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;
- 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.

Statement on Internal Control (Cont'd)

INTERNAL AUDIT FUNCTION

The Board recognises the importance of a sound system of internal control to safeguard shareholders' investment and the Company's assets. To ensure the system of internal control is functioning effectively, the internal audit function of the company has been outsourced to an external consultant and the Board relies on the internal audit function to provide it with much assurance about the state of internal controls of the Group. The internal auditors report directly to the Audit Committee. The fees paid to the internal auditors in respect of the internal audit functions of the Group for the financial year amounted to RM12,600.

The internal audit function adopts a risk-based approach in carrying out its internal audit works. Together with the management, the internal auditors have identified and prioritise risks that are relevant to the Group and have map out the Group's risk profile. Based on the risk profile, the internal audit function prepares its audit plan by focusing on areas of high risk.

During the financial year, the internal auditors have identified some weaknesses in the internal controls and these together with improvement recommendations have been reported to the Audit Committee. However, none of the weaknesses has resulted in material losses, contingencies or uncertainties to the Group.

The Board of Directors and Management continue to take measures to strengthen the internal control environment by taking into consideration the recommendations of the internal auditors.

This statement is made guided by the "Statement on Internal Control - Guidance for Directors of Public Listed Companies" and in accordance with the resolution of the Board dated 10 April 2009. This Statement on Internal Control has been reviewed by the external auditor.

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
(INDEPENDENT NON-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%
Dato' Dr. Loh Hock Hun	4/5	80%

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)

TERMS OF REFERENCE (Cont'd)

2. ATTENDANCE AT MEETINGS

The finance director, 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;

Audit Committee Report (Cont'd)

TERMS OF REFERENCE (Cont'd)

6. DUTIES (Cont'd)

e) to do the following, in relation to the internal audit function (Cont'd)

- 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.

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.

Audit Committee Report (Cont'd)

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 2007;
- reviewed and approved the financial results for the quarters ended 31 December 2007, 31 March 2008, 30 June 2008 and 30 September 2008;
- reviewed the audit reports prepared by the Internal Auditors, considered their material findings and assess the Management's responses and actions thereto; and
- reviewed and discussed with the External Auditors the nature and scope of their audit plan for the financial year ended 31 December 2008 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.

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 15 to 16 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 2008.

Statement of Directors' Responsibility

In Relation to the Audited Financial Statements

This statement is prepared pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad 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 2009.

Additional Compliance Information

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 issued any options, warrants or convertible securities.

American Depositary Receipts ("ADR") And Global Depositary 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 2008, no non-audit fees were paid to the external auditors other than the taxation fees totalling RM11,400 paid to a company in which certain partners of the audit firm are shareholders and directors.

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.

Variation In Result

There were no material variations between the audited results for the financial year ended 31 December 2008 over the unaudited results released for the financial quarter ended 31 December 2008.

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Directors' Report

For The Year Ended 31 December 2008

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 2008.

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>81,730</u>	<u>1,430,889</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 2008 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

Since the end of previous financial year, the Company had declared and paid the following dividends in respect of the financial year ended 31 December 2008 :

- (i) First interim dividend of 1.50 sen per share less tax amounting to RM1,365,300 paid on 8 May 2008, and
- (ii) Second interim tax exempt dividend of 1 sen per share under the single tier system amounting to RM1,230,000 paid on 15 January 2009.

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

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the notes to the financial statements.

SHARE CAPITAL AND DEBENTURE

During the financial year, the Company did not issue any share or debenture and did not grant any option to anyone to take up unissued shares of the Company.

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 (Cont'd)

For The Year Ended 31 December 2008

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
 Cheah Choon Ghee

In accordance with the Company's Articles of Association, Mr. Ooi Yeok Hock and Ms. Teoh Yee Shien 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 1.1.08	Bought	Sold	Balance at 31.12.08
The Company				
Direct interest :				
Dato' Tan King Seng	42,707,379	-	-	42,707,379
Ooi Yeok Hock	4,383,938	-	-	4,383,938
Tan Chin Hong	3,105,496	-	-	3,105,496
Cheah Choon Ghee	1,022,500	2,285,000	(100,000)	3,207,500
Deemed interest :				
Dato' Tan King Seng	31,240,158	2,349,200	-	33,589,358
* Other interest :				
Ooi Yeok Hock	1,500,000	-	-	1,500,000

* By virtue of interest of the spouse

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.

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 the 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
- (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, 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, Grant Thornton (formerly known as 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 : 9 April 2009

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 29 to 59 are properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2008 and of their financial performance and cash flows for the financial year then ended.

Signed in accordance with a resolution of the directors :

Dato' Tan King Seng

Ooi Yeok Hock

Date : 9 April 2009

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 29 to 59 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 9th)
day of April 2009)

Lim Kah Hoon

Before me,

Karupayee Kamalam A/P R.Mottai
No. : P015
Commissioner for Oaths

Independent Auditors' Report to the Members

Company No. 686148-A (Incorporated In Malaysia)

Report on the Financial Statements

We have audited the financial statements of JHM Consolidation Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 29 to 59.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2008 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following :

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act,
- (b) We are satisfied that the accounts 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes, and
- (c) The auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Grant Thornton
(formerly known as JB Lau & Associates)
No. AF : 0042
Chartered Accountants

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

Date : 9 April 2009

Penang

Consolidated Balance Sheet

At 31 December 2008

	NOTE	2008 RM	(Restated) 2007 RM
ASSETS			
Non-current assets			
Property, plant and equipment	3	18,941,337	14,510,052
Development costs	5	1,199,956	1,325,837
		<u>20,141,293</u>	<u>15,835,889</u>
Current assets			
Inventories	6	6,736,346	7,495,024
Trade receivables	7	1,674,823	7,471,050
Other receivables, deposits and prepayments		611,113	853,456
Tax recoverable		1,087,496	360,318
Deposit with a licensed bank	9	1,300,000	-
Cash and cash equivalents	10	3,851,206	5,061,697
		<u>15,260,984</u>	<u>21,241,545</u>
TOTAL ASSETS		<u>35,402,277</u>	<u>37,077,434</u>
EQUITY AND LIABILITIES			
Share capital			
Share capital	11	12,300,000	12,300,000
Share premium	12	2,953,447	2,953,447
Retained profits		7,929,102	10,442,672
Total equity		<u>23,182,549</u>	<u>25,696,119</u>
Non-current liabilities			
Hire purchase payables	14	2,225,283	1,170,778
Deferred tax liabilities	15	211,500	268,000
		<u>2,436,783</u>	<u>1,438,778</u>
Current liabilities			
Trade payables	16	3,863,574	7,004,484
Other payables and accruals	17	2,952,910	1,804,233
Dividends payable		1,230,000	-
Hire purchase payables	14	1,736,461	923,373
Provision for taxation		-	210,447
		<u>9,782,945</u>	<u>9,942,537</u>
Total liabilities		<u>12,219,728</u>	<u>11,381,315</u>
TOTAL EQUITY AND LIABILITIES		<u>35,402,277</u>	<u>37,077,434</u>

The notes set out on pages 38 to 59 form an integral part of these financial statements.

Consolidated Income Statement

For The Year Ended 31 December 2008

			2008 RM	(Restated) 2007 RM
	NOTE			
Revenue	18		39,904,057	53,358,021
Cost of sales			<u>(36,344,896)</u>	<u>(45,474,891)</u>
Gross profit			3,559,161	7,883,130
Other income			2,166,830	1,585,506
Administrative expenses			<u>(5,243,287)</u>	<u>(3,287,807)</u>
Operating profit			482,704	6,180,829
Finance costs			<u>(211,506)</u>	<u>(134,627)</u>
Profit before taxation	19		271,198	6,046,202
Taxation	20		<u>(189,468)</u>	<u>(853,826)</u>
Profit for the year			<u>81,730</u>	<u>5,192,376</u>
Earnings per share (sen)	21		<u>0.07</u>	<u>4.22</u>
Dividend per share (sen, net)	22		<u>2.11</u>	<u>-</u>

The notes set out on pages 38 to 59 form an integral part of these financial statements.

Consolidated Statement Of Changes In Equity

For The Year Ended 31 December 2008

	NOTE	Share Capital RM	Non- distributable Share Premium RM	Distributable Retained Profits RM	Total Equity RM
2008					
Balance at beginning		12,300,000	2,953,447	10,442,672	25,696,119
Profit for the year, representing total recognised income and expense for the year		-	-	81,730	81,730
Dividends	22	-	-	(2,595,300)	(2,595,300)
Balance at end		<u>12,300,000</u>	<u>2,953,447</u>	<u>7,929,102</u>	<u>23,182,549</u>
(Restated) 2007					
Balance at beginning		8,200,000	7,115,300	5,187,296	20,502,596
Effect of adopting FRS 112	2.19	-	-	63,000	63,000
		8,200,000	7,115,300	5,250,296	20,565,596
Profit for the year, representing total recognised income and expense for the year		-	-	5,192,376	5,192,376
Bonus issue	11 & 12	4,100,000	(4,100,000)	-	-
Bonus issue expenses	12	-	(61,853)	-	(61,853)
Balance at end		<u>12,300,000</u>	<u>2,953,447</u>	<u>10,442,672</u>	<u>25,696,119</u>

The notes set out on pages 38 to 59 form an integral part of these financial statements.

Consolidated Cash Flow Statement

For The Year Ended 31 December 2008

	2008 RM	2007 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	271,198	6,046,202
Adjustments for :		
Allowance for doubtful debts	-	62,023
Amortisation of development costs	223,525	223,525
Bad debts	-	13,697
Depreciation	3,032,942	1,945,277
(Gain)/Loss on disposal of property, plant and equipment	(82,589)	161
Interest expense	211,506	134,627
Interest income	(43,603)	(41,594)
Property, plant and equipment written off	7,212	7,092
Unrealised gain on foreign exchange	(27,550)	(98,324)
Operating profit before working capital changes	3,592,641	8,292,686
Inventories	758,678	(995,322)
Receivables	6,044,738	1,993,504
Payables	(1,998,005)	1,323,553
Cash generated from operations	8,398,052	10,614,421
Income tax paid	(1,192,159)	(1,401,649)
Income tax refund	8,566	-
Interest paid	(211,506)	(134,627)
Net cash from operating activities	7,002,953	9,078,145
CASH FLOWS FROM INVESTING ACTIVITIES		
Development cost	(97,644)	(168,625)
Interest received	43,603	41,594
Proceeds from disposal of property, plant and equipment	271,577	101
Purchase of property, plant and equipment *	(4,278,892)	(4,003,207)
Withdrawal of margin deposits	-	750
Net cash used in investing activities	(4,061,356)	(4,129,387)
CASH FLOWS FROM FINANCING ACTIVITIES		
Director's account	-	(1,332,500)
Dividend paid	(1,365,300)	-
Payment of hire purchase payables	(1,513,942)	(871,632)
Payment of bonus issue expenses	-	(61,853)
Net cash used in financing activities	(2,879,242)	(2,265,985)
NET INCREASE IN CASH AND CASH EQUIVALENTS		
CARRIED FORWARD	62,355	2,682,773

The notes set out on pages 38 to 59 form an integral part of these financial statements.

Consolidated Cash Flow Statement (Cont'd)

For The Year Ended 31 December 2008

	2008 RM	2007 RM
NET INCREASE IN CASH AND CASH EQUIVALENTS CARRIED FORWARD	62,355	2,682,773
Effects of changes in exchange rates	27,154	4,205
CASH AND CASH EQUIVALENTS AT BEGINNING	<u>5,061,697</u>	<u>2,374,719</u>
CASH AND CASH EQUIVALENTS AT END	<u>5,151,206</u>	<u>5,061,697</u>
Represented by :		
Deposit with a licensed bank	1,300,000	-
Short term funds with a licensed financial institution	50,160	1,038,316
Cash and bank balances	<u>3,801,046</u>	<u>4,023,381</u>
	<u>5,151,206</u>	<u>5,061,697</u>
Purchase of property, plant and equipment *		
Total acquisition cost	7,660,427	6,106,627
Acquired under hire purchase loans	<u>(3,381,535)</u>	<u>(2,103,420)</u>
Total cash acquisition	<u>4,278,892</u>	<u>4,003,207</u>

The notes set out on pages 38 to 59 form an integral part of these financial statements.

Balance Sheet

At 31 December 2008

	NOTE	2008 RM	2007 RM
ASSETS			
Non-current assets			
Property, plant and equipment	3	1,634	1,692
Investment in subsidiaries	4	<u>6,085,998</u>	<u>6,085,998</u>
		<u>6,087,632</u>	<u>6,087,690</u>
Current assets			
Sundry deposit and prepayments		30,850	21,000
Amount due from subsidiaries	8	9,119,639	9,419,639
Tax recoverable		43,222	31,664
Cash and cash equivalents	10	<u>1,503,521</u>	<u>1,179,682</u>
		<u>10,697,232</u>	<u>10,651,985</u>
TOTAL ASSETS		<u>16,784,864</u>	<u>16,739,675</u>
EQUITY AND LIABILITIES			
Share capital	11	12,300,000	12,300,000
Share premium	12	2,953,447	2,953,447
Retained profits	13	<u>282,817</u>	<u>1,447,228</u>
Total equity		<u>15,536,264</u>	<u>16,700,675</u>
Current liabilities			
Other payables and accruals	17	18,600	39,000
Dividends payable		<u>1,230,000</u>	<u>-</u>
Total liabilities		<u>1,248,600</u>	<u>39,000</u>
TOTAL EQUITY AND LIABILITIES		<u>16,784,864</u>	<u>16,739,675</u>

The notes set out on pages 38 to 59 form an integral part of these financial statements.

Income Statement

For The Year Ended 31 December 2008

	NOTE	2008 RM	2007 RM
Revenue	18	2,211,844	2,034,820
Administrative expenses		<u>(229,079)</u>	<u>(185,732)</u>
Profit before taxation	19	1,982,765	1,849,088
Taxation	20	<u>(551,876)</u>	<u>(510,336)</u>
Profit for the year		<u>1,430,889</u>	<u>1,338,752</u>

The notes set out on pages 38 to 59 form an integral part of these financial statements.

Statement of Changes In Equity

For The Year Ended 31 December 2008

	NOTE	Share Capital RM	Non- distributable Share Premium RM	Distributable Retained Profits RM	Total Equity RM
2008					
Balance at beginning		12,300,000	2,953,447	1,447,228	16,700,675
Profit for the year, representing total recognised income and expense for the year		-	-	1,430,889	1,430,889
Dividends	22	-	-	(2,595,300)	(2,595,300)
Balance at end		<u>12,300,000</u>	<u>2,953,447</u>	<u>282,817</u>	<u>15,536,264</u>
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	11 & 12	4,100,000	(4,100,000)	-	-
Bonus issue expenses	12	-	(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>

The notes set out on pages 38 to 59 form an integral part of these financial statements.

Cash Flow Statement

For The Year Ended 31 December 2008

	2008 RM	2007 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,982,765	1,849,088
Adjustments for :		
Depreciation	58	58
Dividend income	(2,200,000)	(2,000,000)
Interest income	(11,844)	(34,820)
	<u> </u>	<u> </u>
Operating loss before working capital changes	(229,021)	(185,674)
Receivables	(9,850)	(21,000)
Payables	(20,400)	(352,633)
	<u> </u>	<u> </u>
Cash used in operations	(259,271)	(559,307)
Dividend received	1,628,000	1,460,000
Income tax refund	8,566	-
	<u> </u>	<u> </u>
Net cash from operating activities	1,377,295	900,693
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	11,844	34,820
Purchase of property, plant and equipment	-	(1,750)
Net cash from investing activities	11,844	33,070
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(1,365,300)	-
Subsidiaries	300,000	(1,852,976)
Payment of bonus issue expenses	-	(61,853)
Net cash used in investing activities	(1,065,300)	(1,914,829)
	<u> </u>	<u> </u>
NET INCREASE/(DECREASE) IN CASH	323,839	(981,066)
CASH AT BEGINNING	1,179,682	2,160,748
	<u> </u>	<u> </u>
CASH AT END	1,503,521	1,179,682
	<u> </u>	<u> </u>
Represented by :		
Short term funds with a licensed financial institution	50,160	1,038,316
Cash and bank balances	1,453,361	141,366
	<u> </u>	<u> </u>
	1,503,521	1,179,682
	<u> </u>	<u> </u>

The notes set out on pages 38 to 59 form an integral part of these financial statements.

Notes to the Financial Statements

31 December 2008

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 9 April 2009.

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 Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

At the beginning of the current financial year, the Group and the Company had adopted new/revised Financial Reporting Standards ("FRSs") for financial periods beginning on or after 1 January 2008 as described fully in Note 2.19.

2.2 Significant Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed 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 for 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 (Cont'd)

31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.3 Subsidiaries and Basis of Consolidation

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 2.11.

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.

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 2.11.

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.

Notes to the Financial Statements (Cont'd)

31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

2.6 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 2.11.

2.7 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.

2.8 Receivables

Receivables are stated at their anticipated realisable values.

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

2.9 Payables

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

2.10 Provisions

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. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.11 Impairment of Assets

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

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

2.12 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.

2.13 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.

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

Notes to the Financial Statements (Cont'd)

31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.14 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 by 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.

2.15 Foreign Currency Translations

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

2.16 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.

2.17 Equity Instruments

Ordinary shares are classified as equity which are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Dividends on ordinary shares are recognised as liabilities when declared.

The transaction costs of an equity transaction which comprise only those incremental external costs directly attributable to the equity transaction are accounted for as a deduction from equity, net of tax, from the proceeds.

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 (Cont'd)

31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

The Group and the Company adopted the following new and revised FRSs and IC Interpretations during the financial year :

		Effective date
FRS 107	Cash Flow Statements	1 July 2007
* FRS 111	Construction Contracts	1 July 2007
FRS 112	Income Taxes	1 July 2007
FRS 118	Revenue	1 July 2007
* FRS 120	Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
FRS 134	Interim Financial Reporting	1 July 2007
FRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
* IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
* IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
* IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
* IC Interpretation 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
* IC Interpretation 7	Applying the Restatement Approach under FRS 129 ₂₀₀₄ Financial Reporting in Hyperinflationary Economies	1 July 2007
* IC Interpretation 8	Scope of FRS 2	1 July 2007

The adoption of the above FRSs did not give rise to any adjustment to the opening balances of retained profits of the prior and current year or to changes in the comparative figures other than as follow :

FRS 112 : Income Taxes

Prior to the revision of FRS 112₂₀₀₄, paragraph 36 does not allow deferred tax assets in respect of unabsorbed reinvestment allowance ("RA") or other similar allowances in excess of its normal capital allowances to be recognised in the financial statements.

Upon application of FRS 112, with the removal of the provisions which explicitly prohibit the recognition of deferred tax assets on unabsorbed RA or other similar allowances are now recognised to the extent it is probable that taxable profit will be available against which the unabsorbed RA or other similar allowances can be utilised.

The financial impact of the initial adoption of FRS 112 by the Group has been accounted for retrospectively. Effect of the change is disclosed in Note 28.

The Group and the Company has not early adopted the following FRSs and IC Interpretations which are effective for financial periods beginning on or after 1 July 2009 and 1 January 2010.

Mandatory for financial period beginning on or after 1 July 2009 :

FRS 8 Operating Segments

Mandatory for financial period beginning on or after 1 January 2010 :

* FRS 4	Insurance Contracts
FRS 7	Financial Instruments : Disclosures
FRS 139	Financial Instruments : Recognition and Measurement
* IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment

* Not applicable to the Group and Company.

The effects of FRS 139, if any, upon its initial recognition are exempted from disclosure.

Notes to the Financial Statements (Cont'd)

31 December 2008

3. PROPERTY, PLANT AND EQUIPMENT

GROUP
2008

	At cost				Balance at end RM
	Balance at beginning RM	Additions RM	Disposals RM	Written off RM	
Freehold office lot	437,389	-	-	-	437,389
Plant and machinery	15,996,007	6,146,041	(952,130)	(8,064)	21,181,854
Office equipment, furniture and fittings	1,085,420	89,379	(9,200)	(37,512)	1,128,087
Electrical installation	295,148	107,264	-	-	402,412
Renovation	1,702,614	209,120	-	-	1,911,734
Motor vehicles	691,787	1,108,623	(63,344)	-	1,737,066
	<u>20,208,365</u>	<u>7,660,427</u>	<u>(1,024,674)</u>	<u>(45,576)</u>	<u>26,798,542</u>
	Accumulated depreciation				Balance at end RM
	Balance at beginning RM	Current charge RM	Disposals RM	Written off RM	
Freehold office lot	10,206	8,747	-	-	18,953
Plant and machinery	4,478,173	2,442,772	(765,572)	(7,818)	6,147,555
Office equipment, furniture and fittings	398,309	133,203	(6,771)	(30,546)	494,195
Electrical installation	83,766	38,940	-	-	122,706
Renovation	421,511	184,202	-	-	605,713
Motor vehicles	306,348	225,078	(63,343)	-	468,083
	<u>5,698,313</u>	<u>3,032,942</u>	<u>(835,686)</u>	<u>(38,364)</u>	<u>7,857,205</u>
					Net carrying amount at end RM
Freehold office lot					418,436
Plant and machinery					15,034,299
Office equipment, furniture and fittings					633,892
Electrical installation					279,706
Renovation					1,306,021
Motor vehicles					1,268,983
					<u>18,941,337</u>

Notes to the Financial Statements (Cont'd)

31 December 2008

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

2007

	At cost				Balance at end RM
	Balance at beginning 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
	<u>14,111,187</u>	<u>6,106,627</u>	<u>(448)</u>	<u>(9,001)</u>	<u>20,208,365</u>
	Accumulated depreciation				Balance at end RM
	Balance at beginning 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
	<u>3,755,131</u>	<u>1,945,277</u>	<u>(186)</u>	<u>(1,909)</u>	<u>5,698,313</u>
					Net carrying amount at end 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					<u>385,439</u>
					<u>14,510,052</u>

Notes to the Financial Statements (Cont'd)

31 December 2008

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

GROUP

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

	2008 RM	2007 RM
Plant and machinery	4,956,842	3,340,335
Motor vehicles	1,255,219	364,170
	<u>6,212,061</u>	<u>3,704,505</u>

COMPANY

	Office equipment, furniture and fittings	
	2008 RM	2007 RM
At cost		
Balance at beginning/end	<u>1,750</u>	<u>1,750</u>
Accumulated depreciation		
Balance at beginning	58	-
Current charge	<u>58</u>	<u>58</u>
Balance at end	<u>116</u>	<u>58</u>
Net carrying amount	<u>1,634</u>	<u>1,692</u>

4. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2008 RM	2007 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
	2008	2007	
Morrissey Technology Sdn. Bhd.	100%	100%	Design and manufacturing of precision miniature engineering metal parts and components.
Jingheng Electronic PrecisionTechnology 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.

Notes to the Financial Statements (Cont'd)

31 December 2008

5. DEVELOPMENT COSTS

	GROUP	
	2008 RM	2007 RM
Development costs		
Balance at beginning	1,778,817	1,610,192
Additions	97,644	168,625
Balance at end	1,876,461	1,778,817
Accumulated amortisation		
Balance at beginning	452,980	229,455
Current charge	223,525	223,525
Balance at end	(676,505)	(452,980)
	<u>1,199,956</u>	<u>1,325,837</u>

6. INVENTORIES

	GROUP	
	2008 RM	2007 RM
At cost :		
Raw materials	546,684	503,062
Work-in-progress	184,973	329,640
Finished goods	5,051,494	6,231,294
Consumables	388,497	431,028
At net realisable value :		
Raw materials	148,058	-
Finished goods	416,640	-
	<u>6,736,346</u>	<u>7,495,024</u>

7. TRADE RECEIVABLES

	GROUP	
	2008 RM	2007 RM
Total amount	1,674,823	7,533,073
Less : Allowance for doubtful debts		
Balance at beginning	62,023	-
Current year	-	62,023
Written off	(62,023)	-
Balance at end	-	(62,023)
	<u>1,674,823</u>	<u>7,471,050</u>
Analysis by currencies :		
Ringgit Malaysia	1,012,114	5,119,465
US Dollar	662,709	2,413,608
	<u>1,674,823</u>	<u>7,533,073</u>

The normal credit terms granted to trade receivables range from 30 to 60 days (2007 : 30 to 60 days). Other credit terms are assessed and approved on a case-by-case basis.

Notes to the Financial Statements (Cont'd)

31 December 2008

8. AMOUNT DUE FROM SUBSIDIARIES

COMPANY

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

9. DEPOSIT WITH A LICENSED BANK

GROUP

The interest rate and maturity of deposit with a licensed bank at balance sheet date is 2.60% (2007 : Nil) per annum and 26 days (2007 : Nil) respectively.

10. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2008	2007	2008	2007
	RM	RM	RM	RM
Short term funds with a licensed financial institution	50,160	1,038,316	50,160	1,038,316
Cash and bank balances	3,801,046	4,023,381	1,453,361	141,366
	<u>3,851,206</u>	<u>5,061,697</u>	<u>1,503,521</u>	<u>1,179,682</u>
Analysis by currencies :				
Ringgit Malaysia	3,639,926	4,641,251	1,503,521	1,179,682
US Dollar	210,415	420,182	-	-
Others	865	264	-	-
	<u>3,851,206</u>	<u>5,061,697</u>	<u>1,503,521</u>	<u>1,179,682</u>

Short term funds represent investments with redeemable period of less than 31 days (2007 : less than 31 days). The interest rate of short term funds at balance sheet date is 3.12% (2007 : 3.35%) per annum.

11. SHARE CAPITAL

	Number of ordinary shares of RM0.10 each		Amount	
	2008	2007	2008 RM	2007 RM
Authorised :				
Balance at beginning/end	<u>250,000,000</u>	<u>250,000,000</u>	<u>25,000,000</u>	<u>25,000,000</u>
Issued and fully paid :				
Balance at beginning	123,000,000	82,000,000	12,300,000	8,200,000
Bonus issue	<u>-</u>	<u>41,000,000</u>	<u>-</u>	<u>4,100,000</u>
Balance at end	<u>123,000,000</u>	<u>123,000,000</u>	<u>12,300,000</u>	<u>12,300,000</u>

2007

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.

Notes to the Financial Statements (Cont'd)

31 December 2008

11. SHARE CAPITAL (Cont'd)

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,
- (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.

12. SHARE PREMIUM

	2008 RM	2007 RM
Balance at beginning	2,953,447	7,115,300
Bonus issue	-	(4,100,000)
Less : Bonus issue expenses	-	(61,853)
	<u>2,953,447</u>	<u>2,953,447</u>

13. RETAINED PROFITS

COMPANY

During the financial year, the Company elected to make an irrevocable election to move to a single tier system for the purpose of dividend distribution. As a result, there are no longer any restrictions on the Company to frank the payment of dividends out of its entire retained profits as at balance sheet date.

Notes to the Financial Statements (Cont'd)

31 December 2008

14. HIRE PURCHASE PAYABLES

	GROUP	
	2008 RM	2007 RM
Total amount payable	4,266,733	2,265,105
Less : Interest in suspense	<u>(304,989)</u>	<u>(170,954)</u>
	3,961,744	2,094,151
Less : Payable within the next one year included under current liabilities	<u>(1,736,461)</u>	<u>(923,373)</u>
	<u>2,225,283</u>	<u>1,170,778</u>

The repayment schedule of hire purchase payables are as follows :

	GROUP	
	2008 RM	2007 RM
Within one year	1,912,286	1,023,794
More than one year and less than five years	2,331,897	1,185,786
More than five years	<u>22,550</u>	<u>55,525</u>
	4,266,733	2,265,105
Less : Unexpired interest	<u>(304,989)</u>	<u>(170,954)</u>
	<u>3,961,744</u>	<u>2,094,151</u>

The interest rates of hire purchase payables at balance sheet date range from 2.23% to 3.60% (2007 : 2.33% to 4.85%) per annum.

15. DEFERRED TAX LIABILITIES

	GROUP (Restated)	
	2008 RM	2007 RM
Balance at beginning	268,000	798,000
Transfer to income statement	<u>(230,900)</u>	<u>(388,000)</u>
	37,100	410,000
Under/(Over) provision in prior year	<u>174,400</u>	<u>(142,000)</u>
Balance at end	<u>211,500</u>	<u>268,000</u>

The net deferred tax (assets)/liabilities are in respect of the following items :

	2008 RM	2007 RM
Property, plant and equipment	211,500	1,222,000
Unabsorbed reinvestment allowance	<u>-</u>	<u>(954,000)</u>
	<u>211,500</u>	<u>268,000</u>

Notes to the Financial Statements (Cont'd)

31 December 2008

16. TRADE PAYABLES

	GROUP	
	2008 RM	2007 RM
Analysis by currencies :		
Ringgit Malaysia	368,751	736,635
US Dollar	3,307,706	6,035,514
Singapore Dollar	57,883	192,111
Japanese Yen	129,234	40,224
	<u>3,863,574</u>	<u>7,004,484</u>

The normal credit terms granted by trade payables range from 30 to 90 days (2007 : 30 to 90 days).

17. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Other payables				
Accruals	2,777,480	1,571,881	-	-
	<u>175,430</u>	<u>232,352</u>	<u>18,600</u>	<u>39,000</u>
	<u>2,952,910</u>	<u>1,804,233</u>	<u>18,600</u>	<u>39,000</u>
Analysis by currencies :				
Ringgit Malaysia	345,776	404,127	18,600	39,000
Swiss Franc	1,995,701	1,011,299	-	-
Singapore Dollar	352,097	357,664	-	-
US Dollar	238,189	11,023	-	-
Japanese Yen	21,147	20,120	-	-
	<u>2,952,910</u>	<u>1,804,233</u>	<u>18,600</u>	<u>39,000</u>

18. REVENUE

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Invoiced value of goods sold less returns and discounts	39,892,213	53,323,201	-	-
Gross dividend from a subsidiary	-	-	2,200,000	2,000,000
Interest income	<u>11,844</u>	<u>34,820</u>	<u>11,844</u>	<u>34,820</u>
	<u>39,904,057</u>	<u>53,358,021</u>	<u>2,211,844</u>	<u>2,034,820</u>

Notes to the Financial Statements (Cont'd)

31 December 2008

19. PROFIT BEFORE TAXATION

This is arrived at :

	GROUP		COMPANY	
	2008	2007	2008	2007
	RM	RM	RM	RM
After charging :				
Allowance for doubtful debts	-	62,023	-	-
Amortisation of development costs		223,523	-	-
Audit fee	24,000	24,000	8,000	8,000
Bad debts	-	13,697	-	-
Depreciation	3,032,942	1,945,277	58	58
Directors' allowances				
- Non-executive directors' allowances	6,000	4,000	6,000	4,000
Directors' fee				
- Non-executive directors	54,000	30,000	54,000	30,000
Interest expense	211,506	134,627	-	-
Loss on disposal of property, plant and equipment	-	161	-	-
Property, plant and equipment written off	7,212	7,092	-	-
Realised loss on foreign exchange	516,611	112,038	-	-
Rental of premises	289,800	288,860	-	-
* Staff costs	3,734,158	3,121,210	-	-

And crediting :

Realised gain on foreign exchange	-	42,833	-	-
Gross dividend from a subsidiary	-	-	2,200,000	2,000,000
Gain on disposal of property, plant and equipment	82,589	-	-	-
Interest income	43,603	-	41,501	34,820
Unrealised gain on foreign exchange	27,550	98,324	-	-

	GROUP		COMPANY	
	2008	2007	2008	2007
	RM	RM	RM	RM
* Staff costs				
- Salaries, bonus and wages	3,359,715	2,806,829	-	-
- EPF	344,173	286,228	-	-
- SOCSO	30,270	28,153	-	-
	3,734,158	3,121,210	-	-

Included in the staff costs of the Group and of the Company are directors' emoluments as shown below :

	GROUP		COMPANY	
	2008	2007	2008	2007
	RM	RM	RM	RM
Directors of the Company				
Executive Directors :				
- Salary, allowance and bonus	462,601	366,726	-	-
- EPF	55,560	43,968	-	-
	518,161	410,694	-	-

Notes to the Financial Statements (Cont'd)

31 December 2008

20. TAXATION

	GROUP		COMPANY	
	2008	(Restated) 2007	2008	2007
	RM	RM	RM	RM
Malaysian income tax :				
Based on results for the year				
- Current tax	(252,000)	(1,219,000)	(544,000)	(517,000)
- Deferred tax				
Relating to the origination and reversal of temporary differences	197,600	330,900	-	-
Relating to changes in tax rates	33,300	57,100	-	-
	<u>230,900</u>	<u>388,000</u>	<u>-</u>	<u>-</u>
	(21,100)	(831,000)	(544,000)	(517,000)
(Under)/Over provision in prior year				
- Current tax	6,032	(164,826)	(7,876)	6,664
- Deferred tax	(174,400)	142,000	-	-
	<u>(168,368)</u>	<u>(22,826)</u>	<u>(7,876)</u>	<u>6,664</u>
	<u>(189,468)</u>	<u>(853,826)</u>	<u>(551,876)</u>	<u>(510,336)</u>

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

	GROUP		COMPANY	
	2008	(Restated) 2007	2008	2007
	RM	RM	RM	RM
Profit before taxation	<u>271,198</u>	<u>6,046,202</u>	<u>1,982,765</u>	<u>1,849,088</u>
Income tax at Malaysian statutory tax rate of 26% (2007 : 27%)	(70,511)	(1,632,475)	(515,519)	(499,254)
Effects of :				
- Income not subject to tax	11,002	31,935	3,079	9,401
- Expenses not deductible for tax purposes	(139,614)	(112,258)	(31,560)	(27,147)
- Reduced tax rate on first RM500,000 chargeable income	30,000	45,970	-	-
- Changes in tax rates	33,300	57,100	-	-
- Deferred tax movements not recognised	<u>114,723</u>	<u>778,728</u>	<u>-</u>	<u>-</u>
	(21,100)	(831,000)	(544,000)	(517,000)
(Under)/Over provision in prior year	<u>(168,368)</u>	<u>(22,826)</u>	<u>(7,876)</u>	<u>6,664</u>
	<u>(189,468)</u>	<u>(853,826)</u>	<u>(551,876)</u>	<u>(510,336)</u>

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 RM6,302,000 (2007 : RM3,814,000).

The corporate tax rate will be further reduced to 25% effective from the year of assessment 2009.

Notes to the Financial Statements (Cont'd)

31 December 2008

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 :

	2008 RM	(Restated) 2007 RM	
Profit for the year (RM)	<u>81,730</u>	<u>5,192,376</u>	
Weighted average number of ordinary shares of RM0.10 each	<u>123,000,000</u>	<u>123,000,000</u>	
Basic earnings per share (sen)	<u>0.07</u>		4.22

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

22. DIVIDENDS

	2008 RM	2007 RM
In respect of financial year ended 31 December 2008 :		
- First interim dividend of 1.50 sen per share less tax	1,365,300	-
- Second interim tax exempt dividend of 1 sen per share under the single tier system	<u>1,230,000</u>	<u>-</u>
	<u>2,595,300</u>	<u>-</u>

23. SEGMENTAL INFORMATION

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

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

The Group comprises the following main business segments :

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

Notes to the Financial Statements (Cont'd)

31 December 2008

23. SEGMENTAL INFORMATION (Cont'd)

By business segments
2008

	Electronic products RM	Investment holding RM	Elimination RM	Total RM
Revenue				
External customers	39,892,213	11,844	-	39,904,057
Inter-segment revenue	-	2,200,000	(2,200,000)	-
Total revenue	<u>39,892,213</u>	<u>2,211,844</u>	<u>(2,200,000)</u>	<u>39,904,057</u>
Results				
Segment results	668,180	1,970,921	(2,200,000)	439,101
Interest income	31,759	11,844	-	43,603
Interest expense	(211,506)	-	-	(211,506)
Profit before taxation	488,433	1,982,765	(2,200,000)	271,198
Taxation	(209,592)	(551,876)	572,000	(189,468)
Profit for the year	<u>278,841</u>	<u>1,430,889</u>	<u>(1,628,000)</u>	<u>81,730</u>
Assets				
Segment assets	30,431,091	15,238,121	(15,205,637)	30,463,575
Tax recoverable	1,044,274	43,222	-	1,087,496
Cash and cash equivalents	2,347,685	1,503,521	-	3,851,206
Total assets	<u>33,823,050</u>	<u>16,784,864</u>	<u>(15,205,637)</u>	<u>35,402,277</u>
Liabilities				
Segment liabilities	15,917,523	1,248,600	(9,119,639)	8,046,484
Hire purchase payables	3,961,744	-	-	3,961,744
Provision for taxation and deferred taxation	211,500	-	-	211,500
Total liabilities	<u>20,090,767</u>	<u>1,248,600</u>	<u>(9,119,639)</u>	<u>12,219,728</u>
Other segment information				
Capital expenditure	7,660,427	-	-	7,660,427
Depreciation and amortisation	3,256,409	58	-	3,256,467
Non-cash expenses other than depreciation and amortisation	(75,377)	-	-	(75,377)

Notes to the Financial Statements (Cont'd)

31 December 2008

23. SEGMENTAL INFORMATION (Cont'd)

(Restated)
2007

	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	<u>53,323,201</u>	<u>2,034,820</u>	<u>(2,000,000)</u>	<u>53,358,021</u>
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	(883,490)	(510,336)	540,000	(853,826)
Profit for the year	<u>5,313,624</u>	<u>1,338,752</u>	<u>(1,460,000)</u>	<u>5,192,376</u>
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	<u>35,843,396</u>	<u>16,739,675</u>	<u>(15,505,637)</u>	<u>37,077,434</u>
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	478,447	-	-	478,447
Total liabilities	<u>20,761,954</u>	<u>39,000</u>	<u>(9,419,639)</u>	<u>11,381,315</u>
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 (Cont'd)

31 December 2008

23. SEGMENTAL INFORMATION (Cont'd)

By geographical segments

	2008		
	Revenue RM	Total assets RM	Capital expenditure RM
Malaysia	24,012,458	33,548,453	7,109,542
China	2,182,449	1,853,824	550,885
Thailand	12,998,909	-	-
Others	710,241	-	-
	<u>39,904,057</u>	<u>35,402,277</u>	<u>7,660,427</u>
	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>

24. COMMITMENTS

	GROUP	
	2008 RM	2007 RM
(a) Capital commitments		
Authorised and contracted for :		
- Property, plant and equipment	-	1,538,827
(b) Cancellable operating lease commitments		
Future minimum rentals payable :		
Not later than one year	184,240	281,210
Later than one year and not later than five years	18,000	169,070
	<u>202,240</u>	<u>450,280</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	
	2008 RM	2007 RM
Corporate guarantee extended to financial institutions for credit facilities granted to a subsidiary		
- Limit	3,875,254	1,725,785
- Utilised as at balance sheet date	<u>3,049,511</u>	<u>498,055</u>

Notes to the Financial Statements (Cont'd)

31 December 2008

26. RELATED PARTY DISCLOSURES

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

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Salaries and other short-term employee benefits	<u>952,241</u>	<u>690,374</u>	<u>60,000</u>	<u>34,000</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 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.

Notes to the Financial Statements (Cont'd)

31 December 2008

28. COMPARATIVE FIGURES

In prior years, deferred tax asset in respect of unabsorbed reinvestment allowance was not allowed to be recognised in the financial statements. Effective this financial year, with the adoption of the revised FRS 112 : Income Taxes, the foregoing provision has been removed and unabsorbed reinvestment allowances is now recognised as deferred tax asset retrospectively. The comparative figures are now accordingly restated as follows :

	Previously stated RM	Reclassification RM	Restated RM
Consolidated Balance Sheet			
Retained profits	9,488,672	954,000	10,442,672
Deferred tax liabilities	1,222,000	(954,000)	268,000
Consolidated Income Statement			
Taxation	(1,744,826)	891,000	(853,826)
Profit for the year	4,301,376	891,000	5,192,376
Consolidated Statement Of Changes In Equity			
Retained profits			
- at 1 January 2007	5,187,296	63,000	5,250,296
- at 31 December 2007	9,488,672	954,000	10,442,672

List of Property

Title/Location	Date of Acquisition	Description	Built-up Area	Existing Use	Tenure	Approximate Age of Building	Net Carrying Amount as at 31/12/2008 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	10 years	418,436

Analysis of Shareholdings

As at 3 April 2009

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	33,589,358 *	27.31
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 Share Held -----→			
	Direct	%	Deemed	%
Dato' Tan King Seng	42,707,379	34.721	33,589,358 *	27.31
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	3,207,500	2.608	-	-

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 shares	13	1.204	579	0.000
100 to 1,000 shares	657	60.833	135,350	0.110
1,001 to 10,000 shares	222	20.556	898,650	0.731
10,001 to 100,000 shares	135	12.500	4,383,050	3.563
100,001 to less than 5% of issued shares	51	4.722	44,429,129	36.121
5% and above of issued shares	2	0.185	73,153,242	59.474
Total	1,080	100.00	123,000,00	100.000

Analysis of Shareholdings (Cont'd)

As at 3 April 2009

List of Thirty Largest Shareholders

	Name	Number of Shares	% of Shares
1	NOBLE MATTERS SDN. BHD.	15,485,581	12.59
2	TAN KING SENG	11,250,000	9.146
3	NOBLE MATTERS SDN. BHD.	10,535,829	8.566
4	TAN KING SENG	9,782,100	7.953
5	TAN KING SENG	8,957,379	7.282
6	TAN KING SENG	6,250,000	5.081
7	TAN KING SENG	5,000,000	4.065
8	NOBLE MATTERS SDN. BHD.	4,424,453	3.597
9	CHEAH CHOON GHEE	3,207,500	2.608
10	OOI YEOK HOCK	3,165,568	2.574
11	LPI PRECISION INDUSTRY (M) SDN. BHD.	2,674,000	2.174
12	TAN CHIN HONG	2,436,215	1.981
13	TEOH KIAH PHOCK	2,111,400	1.717
14	WU TING MIEN	1,812,000	1.473
15	FIRST SHARE SDN. BHD.	1,660,100	1.35
16	KAM CHEN YUEN	1,500,000	1.22
17	FIRST SHARE SDN. BHD.	1,483,395	1.206
18	TAN KING SENG	1,467,900	1.193
19	ONG HOCK SEONG	1,297,050	1.055
20	CHEOK SWEE BENG	1,224,600	0.996
21	OOI YEOK HOCK	1,218,370	0.991
22	CHAN KAI KONG	1,060,950	0.863
23	PAU KAR TENG	1,002,000	0.815
24	LOW LEE WAH	1,000,000	0.813
25	TAN SHYAN CHERT	858,600	0.698
26	ONG HOCK SEONG	790,600	0.643
27	TAN SHYAN CHERT	787,900	0.641
28	SAW KONG BENG	759,700	0.618
29	TANG NAM FOONG	721,150	0.586
30	OOI SOO CHIN	705,200	0.573
	TOTAL:	104,629,540	85.068

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fourth Annual General Meeting of the Company will be held at Merbah Room, Hotel Equatorial, No. 1, Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Monday, 25 May 2009 at 2:30 p.m. for the following purposes:-

AGENDA

- | | |
|---|--------------|
| 1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2008 together with the Reports of the Directors and Auditors thereon. | Resolution 1 |
| 2. To approve the payment of Directors' fee of RM54,000.00 for the financial year ending 31 December 2009. | Resolution 2 |
| 3. To re-elect Mr. Ooi Yeok Hock who retires in accordance with Article 129 of the Company's Articles of Association. | Resolution 3 |
| 4. To re-elect Ms. Teoh Yee Shien who retires in accordance with Article 129 of the Company's Articles of Association. | Resolution 4 |
| 5. To re-appoint Messrs. Grant Thornton (formerly known as JB Lau & Associates) as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. | Resolution 5 |
| 6. 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 6

7. 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,

CHEE WAI HONG (MIA 17181)
WONG YEE LIN (MIA 15898)
FOO LI LING (MAICSA 7019557)
Company Secretaries

Penang

Date : 30 April 2009

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 Directors 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 -

Resolution 2 is to facilitate payment of Directors' fees on current financial year basis, calculated based on the number of scheduled Board and Committee meetings for 2009 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 6 of the Agenda -

The proposed Ordinary Resolution 6, 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 Fourth Annual General Meeting

1. The Directors who are standing for re-election at the Fourth Annual General Meeting are as follows :-

- a) Mr. Ooi Yeok Hock
- b) Ms. Teoh Yee Shien

The details of the two 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 2008 are disclosed in the Corporate Governance Report set out on page 10 of this Annual Report.

3. The details of the place, date and time of the Fourth Annual General Meeting are as follows:-

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

Date : Monday, 25 May 2009

Time : 2:30 p.m.

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Proxy Form

JHM CONSOLIDATION BERHAD (686148-A)

*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 Fourth Annual General Meeting of the Company to be held at Merbah Room, Hotel Equatorial, No. 1, Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Monday, 25 May 2009 at 2:30 p.m. and at every adjournment thereof to vote as indicated below :

No. of Resolution	Resolutions	For	Against
1	Receive the Audited Financial Statements for the financial year ended 31 December 2008 and the Reports of the Directors and Auditors thereon		
2	Approval of payment of Directors' fees for the financial year ending 31 December 2009		
3	Re-election of Mr. Ooi Yeok Hock as Director		
4	Re-election of Ms. Teoh Yee Shien as Director		
5	Re-appointment of Messrs. Grant Thornton (formerly known as JB Lau & Associates) as Auditors and to authorise the Directors to fix the Auditors' remuneration		
6	Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares		

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 _____, 2009.

* Strike out whichever is not desired

Signature of Member (s)/ Common Seal

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,
11900 Penang.
Tel : 04-6465121
Fax : 04-6457326

