



INVESTING FOR  
**GROWTH**  
DELIVERING **TODAY**

annual report 2009

## Vision

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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

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

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# Corporate Information

## Board of Directors

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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)

## Audit Committee

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

## Nomination Committee

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Loh Chye Teik (Chairman)  
Teoh Yee Shien

## Remuneration Committee

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

## Company Secretaries

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Chee Wai Hong (MIA 17181)  
Wong Yee Lin (MIA 15898)  
Foo Li Ling (MAICSA 7019557)

## Registered Office

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51-13-A Menara BHL Bank  
Jalan Sultan Ahmad Shah  
10050 Pulau Pinang  
Tel: 04-228 9700  
Fax: 04-227 9800

## Management Office

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15-1-21 Bayan Point  
Medan Kampung Relau  
11900 Penang  
Tel: 04-6465121  
Fax: 04-6457326  
Email: [corpinfo@jhm.net.my](mailto:corpinfo@jhm.net.my)  
Website: [www.jhm.net.my](http://www.jhm.net.my)

## Auditors

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Grant Thornton  
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

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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

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

## Solicitors

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Zaid Ibrahim & Co.

## Stock Exchange Listing

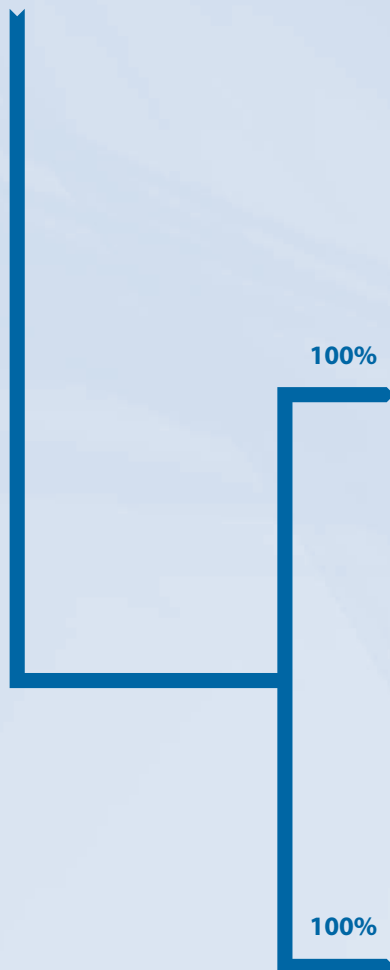
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ACE Market of Bursa Malaysia  
Securities Berhad  
Stock Name : JHM  
Stock Code: 0127

# Group Structure of JHM Group



Investment Holding



**MORRISSEY TECHNOLOGY  
SDN BHD**  
(525307-W)

Designing and manufacturing  
of precision microelectronic  
components

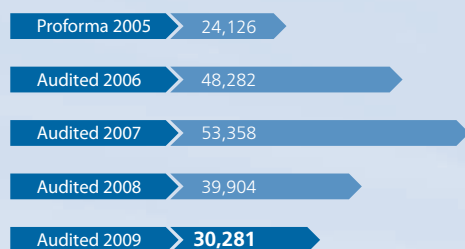
**JINGHENG ELECTRONIC  
PRECISION TECHNOLOGY  
SDN BHD**  
(557981-X)

Original design manufacturer  
("ODM") of High Brightness  
Light Emitting Diode

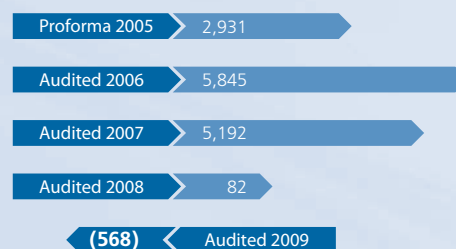
# 5 Years' Financial Highlights

Year ended 31 December	Proforma results of JHM Group <sup>(1)</sup>	Audited			
	2005 <sup>(2)</sup> (RM'000)	(Restated) 2006 <sup>(3)(4)</sup> (RM'000)	(Restated) 2007 <sup>(3)</sup> (RM'000)	2008 (RM'000)	2009 (RM'000)
Revenue	24,126	48,282	53,358	39,904	30,281
(Loss)/Profit for the period	2,931	5,845	5,192	82	(568)
Gross (Loss)/Earning per share (sen)	5.85	6.06	4.92	0.22	(0.44)
Net (Loss)/Earning per share (sen)	4.82	6.11	4.22	0.07	(0.46)

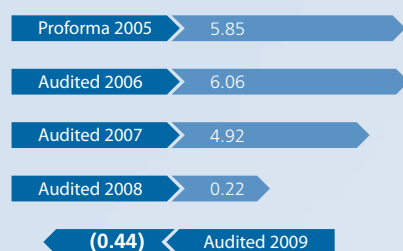
## Revenue RM'000



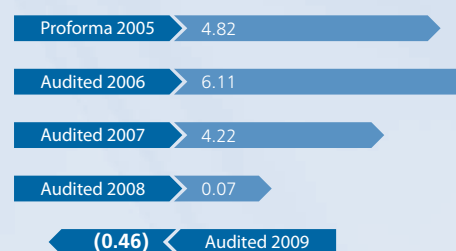
## (Loss)/Profit for the period RM'000



## Gross (Loss)/Earning per share Sen



## Net (Loss)/Earning per share Sen



### Notes:-

- 1) The summarised proforma consolidated results of JHM Group for the financial year ended 31 December 2005 has 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

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**Dato' Tan King Seng**, aged 54, a Malaysian, is our Executive Chairman and Managing Director and was appointed to the Board on 13 April 2006. He graduated with a Bachelor of Science Degree in Mechanical Engineering from National Cheng Kung University of Taiwan in 1983. Dato' Tan started his career as an engineer with Intel Technology Sdn. Bhd. in 1984 and thereafter in Hewlett Packard Sdn. Bhd. in 1989. 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 47, a Malaysian, 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 42, a Malaysian, is our Executive Director and was appointed to the Board on 13 April 2006. Mr. Tan started his career as a Machining Technician with Mifa Engineering Sdn. Bhd. in 1989. He joined Brusia Engineering Sdn. Bhd. as a Production Supervisor in 1992 and was promoted to Production Manager in 1994. 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 tools and dies and 5 years working experience in production.

**Cheah Choon Ghee**, aged 47, a Malaysian, 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. In 1996, Mr. Cheah joined Allied Stamping Corporation Sdn. Bhd. as its 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.

**Loh Chye Teik**, aged 51, a Malaysian, is our Independent Non-Executive Director and was appointed to the Board on 13 April 2006. He serves as the Chairman of Audit Committee, Remuneration Committee and Nomination Committee. He graduated from University of Malaya, Kuala Lumpur with a Bachelor of Accounting (Honours) in 1984.

He is presently the Managing Partner of Parker Randall Loh, Chartered Accountants, the Director of Parker Randall International Sdn. Bhd. and the Managing Director of Interresources Tax Advisory Sdn. Bhd.. 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.

# Directors' Profile

(Cont'd)

**Teoh Yee Shien**, aged 43, a Malaysian, is our Independent Non-Executive Director and was appointed to the Board on 13 April 2006. She serves as a member of Audit Committee, Remuneration Committee and Nomination Committee. She graduated with a Bachelor of Accounting from Universiti Utara Malaysia in 1991 and is a member of the 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 as the Group Financial Controller. She leads Prinsiptek Corporation Berhad Group's accounts and finance team, legal department and corporate affair department. She is actively involved in the Group's operations and corporate planning.

**Dato' Dr. Loh Hock Hun**, aged 65, a Malaysian, 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 the 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 62 of this Annual Report.

## Directors' Directorships and Substantial Shareholdings in Other Public Companies

None of our Directors hold or have held any directorships in other public companies, save for Mr. Loh Chye Teik, who is currently an Independent Non-Executive Director of Yen Global Berhad (formerly known as Sequoia Holdings Berhad) and Olympia Industries Berhad, companies listed on Main Board of Bursa Malaysia Securities Berhad. He is also an Independent Non-Executive Director of Ivory Properties Group Berhad, a non-listed public company in Penang.

# Chairman's Statement

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On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of the Group and the Company for the Financial Year Ended (FYE) 31 December 2009.

## Industry Trends And Development

Global economic slowdown had a dampening effect on the electronic and electrical industry in 2009. As a result, as many countries slipped into recession, many companies were affected and JHM Consolidation Berhad is no exception. This is the first financial year the Group suffered a net loss since its inception. For the financial year under review, the Group reported a net loss of RM0.57 million as compared to a net profit of RM0.08 million in the preceding year.

## Performance Review

The total revenue recorded for the Year 2009 was RM30.28 million compared to RM39.90 million in the preceding year. Revenue from components related to HB LED continued to be the major contributor of the Group as it contributed approximately 67.78% of the total revenue recorded in Year 2009 followed by the sales of fine pitch connector pins which contributed 25.39% of the total revenue.

However in the second half of Year 2009 saw a steep recovery in the demand for electronic and electrical products which helped the Group recovered part of the losses incurred in the earlier months. Improvements in operational efficiency and cost rationalisation also helped to reduce the losses. For the record the Group suffered unaudited net loss of RM2.53 million in the first six months of Year 2009.

## Dividend

No dividend was declared for the financial year.

## Corporate Development

The Company did not have any new corporate exercise during the financial year.

## Prospects

The Board and Management are cautiously optimistic of the Group's performance for the next financial year given the various economic indicators continued to show improvement ahead, albeit being subjected to occasional pullbacks. This economic improvement is brought about by the efforts of numerous national policy stabilization measures. It was reported that Malaysian exports in January 2010 jumped 37% from a year ago on improved demand for electrical and electronic products to countries such as China and the European Union.

The recent signs of recovery in demand for electrical and electronic products and order projections from our customers, restored our confidence to perform better in the coming years.

Moving with the momentum of the current economic situation, the Group will strengthen its core competencies and focus on operational efficiency to overcome the challenging business environment.



# Chairman's Statement

(Cont'd)

## APPRECIATION

On behalf of the Board of Directors, I would like to extend our sincere gratitude and appreciation to the management and staff at all levels for their dedicated efforts and commitment. We are also grateful to our loyal shareholders as well as our customers, suppliers, bankers, business associates for their continued support, trust and confidence to our Group.

Last but not least, my sincere thanks to my fellow Directors for their expert guidance, insights, constant support and contribution to the Group.

Thank you.

**Dato' Tan King Seng**

Executive Chairman/Managing Director

# Corporate Governance Statement

The Board of Directors (“the Board”) fully appreciates the importance of adopting high standards of corporate governance within the Group. The Board views corporate governance as synonymous with three key concepts, namely transparency, accountability as well as corporate performance in discharging its responsibility to protect and enhance shareholders value and performance of the Group.

This statement describes the manner in which the Group has applied the principles and the extent to which it has complied with the best practices in corporate governance as set out in Part 1 and Part 2 respectively in the Malaysian Code on Corporate Governance (Revised 2007) (“the Code”) pursuant to Rule 15.25 of the ACE Market Listing Requirements (“AMLR”) of Bursa Malaysia Securities Berhad.

## A. BOARD OF DIRECTORS

### Composition and Balance

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 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. The Board recognises its roles in reviewing and adopting strategic plans as well as overseeing the conduct of the Group’s business.

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 AMLR. A brief profile of each Director was presented on pages 5 to 6 of this Annual Report.

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 Independent Non-Executive Directors are independent from Management and have no relationships that could interfere with the exercise of their independent judgement. They bring to bear objective and independent judgement to the decision making of the Board and provide an effective check and balance for the Executive Directors. 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.

### Duties and Responsibilities

The Board is responsible for the overall corporate governance of the Group. This includes the key areas such as:

- Reviewing and adopting a strategic action plan for the Group;
- Overseeing the conduct of the Group’s business including its financial and operating performances;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Succession planning, particularly for senior management;
- Reviewing the adequacy and the integrity of internal control systems and management information system;
- Approval of annual and interim results;
- Approval of acquisitions and disposals of material investment & major capital expenditures.

### 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.

Further details on the Nomination Committee are set out on pages 11 to 12 of this Annual Report.

### Retirement and 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.

Directors who are standing for re-election at the Fifth AGM of the Company to be held on 24 May 2010 are as per detailed set out in the Notice of the Fifth AGM.

# Corporate Governance Statement

(Cont'd)

## A. BOARD OF DIRECTORS (Cont'd)

### Board Meetings

Board Meetings are held at quarterly intervals with additional meetings will be convened as and when necessary.

During the financial year, the Board met four (4) times. The details of attendance of the Directors during the financial year ended 31 December 2009 are as follows: -

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

The Company Secretary ensures there is a quorum for all meetings and that such meetings are convened in accordance with the relevant Terms of Reference. The minutes prepared by the Company Secretary memorialise the proceedings of all meetings including pertinent issues, the substance of inquiries and responses, members' suggestions and the decision made. This reflects the fulfillment of the Board's fiduciary duties and the significant oversight role performed by the respective Board Committees.

### 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 attending conferences and seminars.

The following Directors have undergone the following training programmes:-

Name	No of days	Mode of Training	Title
Dato' Tan King Seng	Half day	Seminar	New Framework For Listing And Equity Fund Raising And Key Changes To The Listing Requirements
Ooi Yeok Hock	One day	Seminar	National Seminar on Taxation 2009
Tan Chin Hong	One day	Seminar	National Seminar on Taxation 2009
Loh Chye Teik	One day	Seminar	Effective Financial Management And Access To Financing For SME
	Two days	Conference	National Tax Conference 2009
	One day	Seminar	Preparing for Convergence: Understanding International Financial Reporting Standards & International Accounting Standards
	One day	Seminar	Corporate Governance Guide – Towards Boardroom Excellence
	One day	Seminar	2010 Budget Talk
	One day	Seminar	Limited Liability Partnership: Its Potential Legal Framework And Impact To Business
	One day	Seminar	The Malaysian 2010 Budget & Tax Planning Workshop

# Corporate Governance Statement

(Cont'd)

## A. BOARD OF DIRECTORS (Cont'd)

### Directors' Training (Cont'd)

Name	No of days	Mode of Training	Title
Teoh Yee Shien	Two days	Seminar	Financial Instruments: Recognition, Measurement, Disclosure & Presentation (FRS 132, FRS 139 & IFRS 7)
	One day	Seminar	Business Perspective on Budget 2010
	One day	Forum	A Turning Point For Corporate Governance
Dato' Dr. Loh Hock Hun	Half-day	Seminar	Whistle Blowing – Impact On Company Secretaries And Auditors
Cheah Choon Ghee	Half day	Seminar	New Framework For Listing And Equity Fund Raising And Key Changes To The Listing Requirements

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. The proceedings and resolutions passed at the each Board Meeting are minute and kept in the statutory minutes book of the Company.

### 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.

#### 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 the 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.

# Corporate Governance Statement

(Cont'd)

## A. BOARD OF DIRECTORS (Cont'd)

### Nomination Committee (Cont'd)

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 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	662,371	-	662,371
Fee	-	54,000	54,000
Bonus and benefits-in-kind	34,500	6,000	40,500
Total	696,871	60,000	756,871

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	2	-
RM150,001 – RM200,000	1	-
RM200,001 – RM250,000	-	-
RM250,001 – RM300,000	1	-
Total	4	3

The Board has chosen to disclose the aggregate remuneration of the Directors pursuant to the AMLR 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.

# Corporate Governance Statement

(Cont'd)

## C. SHAREHOLDERS

### Dialogue between Company and Investors

The Group acknowledges the importance of timely dissemination of information to shareholders and accordingly, ensures that they are well informed of any major developments of the Group. Such information is communicated through:

- Announcements and corporate disclosure to Bursa Malaysia Securities Berhad that are available on the website [www.bursamalaysia.com](http://www.bursamalaysia.com) ;
- Company website at [www.jhm.net.my](http://www.jhm.net.my) provides corporate information on the Group;
- Annual Report of the Company.

### 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 Board of Directors' responsibility for preparing the annual audited financial statements pursuant to Rule 15.26 of the AMLR is set out on page 27 of this Annual Report.

### Internal Control

The Board affirms the importance of maintaining a sound system of internal controls and risk management practices to good corporate governance. In order to enhance consistency within the Group, the Board has appointed an external consultant, 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 on 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 of Compliance with the Best Practices in 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 in Corporate Governance set out in Part 2 of the Malaysian Code on Corporate Governance.

This statement is made in accordance with the resolution of the Board dated 8 April 2010.

# 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 our employees and the environment.

## **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 as 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

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## INTRODUCTION

Pursuant to Rule 15.26 (b) of the AMLR, the Board is pleased to provide the following statement on the state of internal control of the Group, which has been prepared in accordance with the Statement on Internal Control: Guidance for Directors of Public Listed Companies issued by the Institute of Internal Auditors Malaysia and as adopted by Bursa Malaysia Securities Berhad.

## BOARD RESPONSIBILITY

It is the Board's view that the Group's objectives, its internal organization and the environment in which it operates continuously evolve and, as a result, the risks that it faces also change. A sound system of internal control therefore depends on a thorough and regular evaluation of the nature and extent of the risks that threatens the Group's continuous growth and financial viability.

The Board fully understands its responsibility to maintain a sound system of internal control to safeguard shareholders' investment and ensure accurate information to be presented in the financial statements. However, the system of internal control 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 or loss, contingencies, fraud or any irregularities.

## RISK MANAGEMENT FRAMEWORK

An independent professional firm was engaged by the Company to assist the Board in establishing a risk management framework for the Group. The risk profiles of the various operating units in the Group were compiled. Since then, major business risks and their possible impact and likelihood of crystallization have been evaluated by the key executives, reviewed and endorsed by senior management and subsequently by the Board.

## 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 control 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 control 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 control 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 control 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 control 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 RM7,350.

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 have 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 guided by the "Statement on Internal Control - Guidance for Directors of Public Listed Companies" and in accordance with the resolution of the Board dated 8 April 2010. This Statement on Internal Control has been reviewed by the External Auditors.

# 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	5/5	100%

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.

### 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.

# Audit Committee Report

(Cont'd)

## 3. FREQUENCY AT MEETINGS

Meetings will be held not less than four times a year. Additional meetings may be held at the discretion of the Committee or at the request of external auditors. The external auditors may request a meeting if they consider that one is necessary. The quorum for any meeting shall be two and the majority members of the Committee present must be Independent Non-Executive Directors.

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

## 4. RETIREMENT AND RESIGNATION

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

## 5. AUTHORITY

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

## 6. DUTIES

The duties of the Committee shall include:-

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

# Audit Committee Report

(Cont'd)

## 6. DUTIES (Cont'd)

- f) to review the quarterly results and year-end financial statements of the Company and the Group, prior to the approval by the Board, whilst ensuring that they are prepared in a timely and accurate manner, focusing particularly on:-
- public announcements of results and dividend payment;
  - any changes in or implementation of major accounting policies and practices;
  - major judgmental areas;
  - significant adjustments resulting from the audit;
  - the going-concern assumption;
  - compliance with accounting standards;
  - compliance with Bursa Securities and legal requirements; and
  - significant and unusual events.
- g) to consider/review any related party transactions and conflict of interest situation that may arise within the Company or Group, including any transaction, procedure or course of conduct that raises questions of management integrity.
- h) to consider the major findings of internal investigations and management's response and ensure co-ordination between the internal and external auditors.
- i) to review and verify the allocation of share options granted to employees pursuant to the Employees share option scheme, transactions, procedure or course of conduct that raises questions of management integrity.
- j) to review with the external auditor, his audit report.
- k) to review with the external auditor the assistance given by the employees of the Company.
- l) to review with the Board of Directors of the Company whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment.
- m) to consider/ carry out such other functions and consider other topics, as may be agreed upon by the Board.

## 7. REPORTING PROCEDURES

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

## SUMMARY OF ACTIVITIES

In discharging its functions and duties, during the financial year the Committee has considered, reviewed, approved and discussed the following:-

- the audited financial statements for the financial year ended 31 December 2008;
- the financial results for the quarters ended 31 December 2008, 31 March 2009, 30 June 2009 and 30 September 2009;
- the external audit plan with external auditors;
- audit reports prepared by the Internal Auditors, considered their material findings and assess the Management's responses and actions thereto;
- the nature and scope of audit plan for the financial year ended 31 December 2009 before the commencement of audit together with the External Auditors;
- the results and issues arising from External Auditors' audit on the financial year end statements and their resolutions of such issues highlighted in their report to the Committee together with the External Auditors; and
- related party transactions and report the same to the Board.

# Audit Committee Report

(Cont'd)

## **EMPLOYEES SHARE OPTION SCHEME**

The Company had on 17 May 2006 and 15 June 2006 obtained approvals from the Securities Commission and the shareholders respectively to establish an Employee Share Option Scheme ("ESOS") with duration of five years from 1 August 2006.

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 Group has outsourced its internal audit function to an independent consulting firm. In order to act independently from the management, the external consultant will report directly to the Audit Committee and assists the Board in monitoring and reviewing the effectiveness of the risk management, internal control and governance process within the Group.

The Audit Committee approved the internal audit plan presented by the external consultant. The internal audit plan is derived based on a risk-based assessment of all units and operations of the Group. The internal audit reports highlight any deficiencies or findings which are discussed with the management and relevant action plans agreed and to be implemented. Significant findings are presented in the Audit Committee Meetings for consideration and reporting to the Board. A follow-up audit review is also conducted to determine whether all audit recommendations are effectively implemented.

Further details on the internal audit function and its activities are set out in the Statement on Internal Control on pages 15 to 16 of this Annual Report.

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 2009.

# Statement of Directors' Responsibility

In Relation to the Audited Financial Statements

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This statement is prepared pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE 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 8 April 2010.

# Additional Compliance Information

## **Share Buyback**

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

## **Options Or Convertible Securities**

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

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

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

## **Imposition Of Sanctions And/Or Penalties**

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

## **Non-audit Fees Paid to External Auditors**

During the financial year ended 31 December 2009, no non-audit fees were paid to the external auditors other than the taxation fees totaling RM9,555 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 transactions 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 2009 over the unaudited results released for the financial quarter ended 31 December 2009.

## **Utilisation of Initial Public Offering Proceeds**

As at 31 December 2009, the Company has fully utilised the proceeds raised from its initial public offering and has not undertaken any corporate proposal to raise any proceeds during the financial year.

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# Directors' Report

For The Year Ended 31 December 2009

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended **31 December 2009**.

## 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

	<b>GROUP RM</b>	<b>COMPANY RM</b>
Loss after taxation for the year	<u><b>(568,132)</b></u>	<u><b>(195,277)</b></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 2009 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## DIVIDENDS

No dividend has been declared by the Company since the end of the previous financial year.

The directors do not recommend any 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 1 August 2006.

As at balance sheet date, no options were granted.

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

# Directors' Report

For The Year Ended 31 December 2009 (Cont'd)

## DIRECTORS

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

**Dato' Tan King Seng**  
**Ooi Yeok Hock**  
**Tan Chin Hong**  
**Loh Chye Teik**  
**Teoh Yee Shien**  
**Dato' Dr. Loh Hock Hun**  
**Cheah Choon Ghee**

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

## DIRECTORS' INTERESTS IN SHARES

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

	---- Number of ordinary shares of RM0.10 each ----			Balance at 31.12.09
	Balance at 1.1.09	Bought	Sold	
<b>The Company</b>				
<b>Direct interest :</b>				
Dato' Tan King Seng	42,707,379	-	-	42,707,379
Ooi Yeok Hock	4,383,938	93,000	-	4,476,938
Tan Chin Hong	3,105,496	-	-	3,105,496
Cheah Choon Ghee	3,207,500	-	-	3,207,500
<b>Deemed interest :</b>				
Dato' Tan King Seng	33,589,358	-	-	33,589,358
<b>* Other interest :</b>				
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.

# Directors' Report

For The Year Ended 31 December 2009 (Cont'd)

## OTHER STATUTORY INFORMATION

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

- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts, and
- (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected to realise.

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

- (i) that would render it necessary to write off any bad debts or to make any allowance for doubtful debts in the financial statements of the Group and of the Company, 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**, 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 : 11 March 2010**

# 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 60 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 2009** 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 : 11 March 2010**

# 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 60 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 **11th** )  
day of **March 2010**. )

.....  
**Lim Kah Hoon**

**Before me,**

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

# Independent Auditors' Report to the Members

of **JHM CONSOLIDATION BERHAD** 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 2009 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 60.

## 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 2009 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**  
**No. AF : 0042**  
**Chartered Accountants**

**Date : 11 March 2010**

**Penang**

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

# Consolidated Balance Sheet

At 31 December 2009

	NOTE	2009 RM	2008 RM
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	16,871,806	18,941,337
Development costs	5	1,060,014	1,199,956
		<u>17,931,820</u>	<u>20,141,293</u>
<b>Current assets</b>			
Inventories	6	5,188,069	6,736,346
Trade receivables	7	9,334,003	1,674,823
Other receivables, deposits and prepayments		386,286	611,113
Tax recoverable		925,444	1,087,496
Deposit with a licensed bank	9	-	1,300,000
Cash and cash equivalents	10	1,557,313	3,851,206
		<u>17,391,115</u>	<u>15,260,984</u>
<b>TOTAL ASSETS</b>		<u>35,322,935</u>	<u>35,402,277</u>
<b>EQUITY AND LIABILITIES</b>			
Share capital	11	12,300,000	12,300,000
Share premium	12	2,953,447	2,953,447
Retained profits		7,360,970	7,929,102
<b>Total equity</b>		<u>22,614,417</u>	<u>23,182,549</u>
<b>Non-current liabilities</b>			
Hire purchase payables	14	977,996	2,225,283
Deferred tax liabilities	15	217,000	211,500
		<u>1,194,996</u>	<u>2,436,783</u>
<b>Current liabilities</b>			
Trade payables	16	7,701,503	3,863,574
Other payables and accruals	17	2,564,511	2,952,910
Hire purchase payables	14	1,247,508	1,736,461
Dividends payable		-	1,230,000
		<u>11,513,522</u>	<u>9,782,945</u>
<b>Total liabilities</b>		<u>12,708,518</u>	<u>12,219,728</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>35,322,935</u>	<u>35,402,277</u>

The notes set out on pages 38 to 60 form an integral part of these financial statements.

# Consolidated Income Statement

For The Year Ended 31 December 2009

	NOTE	2009 RM	2008 RM
Revenue	18	30,280,973	39,904,057
Cost of sales		<u>(29,353,131)</u>	<u>(36,344,896)</u>
<b>Gross profit</b>		<b>927,842</b>	3,559,161
Other income		2,393,674	2,166,830
Administrative expenses		<u>(3,692,037)</u>	<u>(5,243,287)</u>
<b>Operating (loss)/profit</b>		<b>(370,521)</b>	482,704
Finance costs		<u>(176,046)</u>	<u>(211,506)</u>
<b>(Loss)/Profit before taxation</b>	19	<b>(546,567)</b>	271,198
Taxation	20	<u>(21,565)</u>	<u>(189,468)</u>
<b>(Loss)/Profit for the year</b>		<b><u>(568,132)</u></b>	<u>81,730</u>
<b>(Loss)/Earnings per share (sen)</b>	21	<b><u>(0.46)</u></b>	<u>0.07</u>
<b>Dividend per share (sen, net)</b>	22	<u>-</u>	<u>2.11</u>

The notes set out on pages 38 to 60 form an integral part of these financial statements.

# Consolidated Statement Of Changes In Equity

For The Year Ended 31 December 2009

	NOTE	Share Capital RM	Non- distributable Share Premium RM	Distributable Retained Profits RM	Total Equity RM
<b>2009</b>					
Balance at beginning		12,300,000	2,953,447	7,929,102	23,182,549
Loss for the year		-	-	(568,132)	(568,132)
Balance at end		<u>12,300,000</u>	<u>2,953,447</u>	<u>7,360,970</u>	<u>22,614,417</u>
<b>2008</b>					
Balance at beginning		12,300,000	2,953,447	10,442,672	25,696,119
Profit 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>

The notes set out on pages 38 to 60 form an integral part of these financial statements.



# Consolidated Cash Flow Statement

For The Year Ended 31 December 2009

	2009 RM	2008 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/Profit before taxation	(546,567)	271,198
Adjustments for :		
Amortisation of development costs	223,525	223,525
Depreciation	3,046,632	3,032,942
Gain on disposal of property, plant and equipment	(52,083)	(82,589)
Interest expense	176,046	211,506
Interest income	(10,168)	(43,603)
Property, plant and equipment written off	-	7,212
Unrealised gain on foreign exchange	(38,765)	(27,550)
Operating profit before working capital changes	2,798,620	3,592,641
Decrease in inventories	1,548,277	758,678
(Increase)/Decrease in receivables	(7,423,347)	6,044,738
Increase/(Decrease) in payables	3,438,621	(1,998,005)
Cash generated from operations	362,171	8,398,052
Income tax paid	(170,834)	(1,192,159)
Income tax refund	316,821	8,566
Interest paid	(176,046)	(211,506)
Net cash from operating activities	332,112	7,002,953
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Development costs	(83,583)	(97,644)
Interest received	10,168	43,603
Proceeds from disposal of property, plant and equipment	88,222	271,577
Purchase of property, plant and equipment	(1,013,240)	(4,278,892)
Net cash used in investing activities	(998,433)	(4,061,356)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(1,230,000)	(1,365,300)
* Payment of hire purchase payables	(1,736,240)	(1,513,942)
Net cash used in financing activities	(2,966,240)	(2,879,242)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>	<b>(3,632,561)</b>	<b>62,355</b>

The notes set out on pages 38 to 60 form an integral part of these financial statements.

# Consolidated Cash Flow Statement

For The Year Ended 31 December 2009 (Cont'd)

	2009 RM	2008 RM
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>	<b>(3,632,561)</b>	62,355
Effects of changes in exchange rates	<b>38,668</b>	27,154
<b>CASH AND CASH EQUIVALENTS AT BEGINNING</b>	<b>5,151,206</b>	5,061,697
<b>CASH AND CASH EQUIVALENTS AT END</b>	<b>1,557,313</b>	5,151,206
<b>Represented by :</b>		
Deposit with a licensed bank	-	1,300,000
Short term funds with a licensed financial institution	<b>51,427</b>	50,160
Cash and bank balances	<b>1,505,886</b>	3,801,046
	<b>1,557,313</b>	5,151,206
<b>* Purchase of property, plant and equipment</b>		
Total acquisition cost	<b>1,013,240</b>	7,660,427
Acquired under hire purchase loans	-	(3,381,535)
Total cash acquisition	<b>1,013,240</b>	4,278,892

The notes set out on pages 38 to 60 form an integral part of these financial statements.

# Balance Sheet

At 31 December 2009

	NOTE	2009 RM	2008 RM
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	1,576	1,634
Investment in subsidiaries	4	<u>6,085,998</u>	<u>6,085,998</u>
		<b>6,087,574</b>	<b>6,087,632</b>
<b>Current assets</b>			
Sundry deposit and prepayments		1,000	30,850
Amount due from subsidiaries	8	<b>8,851,375</b>	9,119,639
Tax recoverable		<b>44,151</b>	43,222
Cash and cash equivalents	10	<u>375,887</u>	<u>1,503,521</u>
		<b>9,272,413</b>	<b>10,697,232</b>
<b>TOTAL ASSETS</b>		<b><u>15,359,987</u></b>	<b><u>16,784,864</u></b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	11	<b>12,300,000</b>	12,300,000
Share premium	12	<b>2,953,447</b>	2,953,447
Retained profits	13	<b>87,540</b>	282,817
<b>Total equity</b>		<b><u>15,340,987</u></b>	<b><u>15,536,264</u></b>
<b>Current liabilities</b>			
Other payables and accruals	17	<b>19,000</b>	18,600
Dividends payable		-	1,230,000
<b>Total liabilities</b>		<b><u>19,000</u></b>	<b><u>1,248,600</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>15,359,987</u></b>	<b><u>16,784,864</u></b>

The notes set out on pages 38 to 60 form an integral part of these financial statements.

# Income Statement

For The Year Ended 31 December 2009

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	NOTE	2009 RM	2008 RM
Revenue	18	1,267	2,211,844
Administrative expenses		<u>(197,473)</u>	<u>(229,079)</u>
<b>(Loss)/Profit before taxation</b>	19	<b>(196,206)</b>	1,982,765
Taxation	20	<u>929</u>	<u>(551,876)</u>
<b>(Loss)/Profit for the year</b>		<b><u>(195,277)</u></b>	<b><u>1,430,889</u></b>

The notes set out on pages 38 to 60 form an integral part of these financial statements.

# Statement of Changes In Equity

For The Year Ended 31 December 2009

	NOTE	Share Capital RM	Non- distributable Share Premium RM	Distributable Retained Profits RM	Total Equity RM
<b>2009</b>					
Balance at beginning		12,300,000	2,953,447	282,817	15,536,264
Loss for the year		-	-	(195,277)	(195,277)
Balance at end		<u>12,300,000</u>	<u>2,953,447</u>	<u>87,540</u>	<u>15,340,987</u>
<b>2008</b>					
Balance at beginning		12,300,000	2,953,447	1,447,228	16,700,675
Profit 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>

The notes set out on pages 38 to 60 form an integral part of these financial statements.

# Cash Flow Statement

For The Year Ended 31 December 2009

	2009 RM	2008 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/Profit before taxation	(196,206)	1,982,765
Adjustments for :		
Depreciation	58	58
Dividend income	-	(2,200,000)
Interest income	(1,267)	(11,844)
	<u>(197,415)</u>	<u>(229,021)</u>
Operating loss before working capital changes	(197,415)	(229,021)
Decrease/(Increase) in receivables	29,850	(9,850)
Increase/(Decrease) in payables	400	(20,400)
	<u>(167,165)</u>	<u>(259,271)</u>
Cash used in operations	(167,165)	(259,271)
Dividend received	-	1,628,000
Income tax refund	-	8,566
	<u>(167,165)</u>	<u>1,377,295</u>
Net cash (used in)/from operating activities	(167,165)	1,377,295
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	1,267	11,844
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(1,230,000)	(1,365,300)
Net change in subsidiaries balances	268,264	300,000
Net cash used in investing activities	(961,736)	(1,065,300)
<b>NET (DECREASE)/INCREASE IN CASH</b>	<b>(1,127,634)</b>	323,839
<b>CASH AT BEGINNING</b>	<b>1,503,521</b>	1,179,682
<b>CASH AT END</b>	<b>375,887</b>	1,503,521
<b>Represented by :</b>		
Short term funds with a licensed financial institution	51,427	50,160
Cash and bank balances	324,460	1,453,361
	<u>375,887</u>	<u>1,503,521</u>

The notes set out on pages 38 to 60 form an integral part of these financial statements.

# Notes to the Financial Statements

31 DECEMBER 2009

## 1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the ACE 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 11 March 2010.

## 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.

### 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

31 DECEMBER 2009 (Cont'd)

## 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.

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.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill and is retained in the balance sheet. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying values may be impaired.

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

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 accumulated impairment losses.

Property, plant and equipment are depreciated on the straight line method to write off the cost of each asset to its residual value over its 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 its carrying amount is charged or credited to the income statement.



# Notes to the Financial Statements

31 DECEMBER 2009 (Cont'd)

## 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.

### 2.7 Inventories

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

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

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

Cost of trading goods is determined on a 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.

# Notes to the Financial Statements

31 DECEMBER 2009 (Cont'd)

## 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

31 DECEMBER 2009 (Cont'd)

## 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 taxes 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 provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

### 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

31 DECEMBER 2009 (Cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.19 Standards and Interpretations Issued but Not Yet Effective

At the date of authorisation of these financial statements, the following new and revised Financial Reporting Standards ("FRSs") and Interpretations were issued but not yet effective and have not been early adopted by the Group and the Company :

- (a) Effective for financial periods beginning on or after 1 July 2009
- |       |                    |
|-------|--------------------|
| FRS 8 | Operating Segments |
|-------|--------------------|
- (b) Effective for financial periods beginning on or after 1 January 2010
- |                        |   |
|------------------------|---|
| Amendment to FRS 1     | First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements : Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate   |
| Amendment to FRS 2     | Share-based Payment. Amendments relating to vesting conditions and cancellations  |
| * FRS 4                | Insurance Contracts   |
| * Amendment to FRS 5   | Non-current Assets Held for Sale and Discontinued Operations. Amendment relating to disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations |
| FRS 7                  | Financial Instruments : Disclosures   |
| Amendment to FRS 7     | Financial Instruments : Disclosures. Amendments relating to financial assets  |
| Amendment to FRS 8     | Operating Segments. Amendment relating to disclosure information about segment assets   |
| FRS 101 (Revised 2010) | Presentation of Financial Statements  |
| Amendment to FRS 107   | Statement of Cash Flows. Amendment relating to classification of expenditures on unrecognised assets  |
| Amendment to FRS 108   | Accounting Policies, Changes in Accounting Estimates and Errors. Amendment relating to selection and application of accounting policies   |
| Amendment to FRS 110   | Events After the Reporting Period. Amendment relating to reason for dividend not recognised as a liability at the end of the reporting period   |
| Amendment to FRS 116   | Property, Plant and Equipment. Amendment relating to derecognition of asset   |
| Amendment to FRS 117   | Leases. Amendment relating to classification of leases  |
| Amendment to FRS 118   | Revenue. Amendment relating to Appendix of this standard and recognition and measurement  |
| Amendment to FRS 119   | Employee Benefits. Amendment relating to definition, curtailment and settlements  |
| * Amendment to FRS 120 | Accounting for Government Grants and Disclosure of Government Assistance. Amendment relating to definition and government loan with a below market rate of interest                               |
| FRS 123 (Revised 2010) | Borrowing Costs   |
| Amendment to FRS 123   | Borrowing Costs. Amendment relating to components of borrowing costs  |
| Amendment FRS 127      | Consolidated and Separate Financial Statements. Amendment relating to cost of an investment in a subsidiary, jointly controlled entity or associate   |
| * Amendment to FRS 128 | Investment in Associates. Amendment relating to impairment losses in application of the equity method and the scope of this standard  |
| * Amendment to FRS 129 | Financial Reporting in Hyperinflationary Economies. Amendment relating to changing of terms used  |
| * Amendment to FRS 131 | Interests in Joint Ventures. Amendment relating to additional disclosure required for joint venture that does not apply FRS 131   |
| Amendment to FRS 132   | Financial Instruments : Presentation. Amendment relating to puttable financial instruments  |
| Amendment to FRS 134   | Interim Financial Reporting. Amendment relating to disclosure of earnings per share   |
| Amendment to FRS 136   | Impairment of Assets. Amendment relating to the disclosure of recoverable amount  |
| Amendment to FRS 138   | Intangible Assets. Amendment relating to recognition of an expense  |
| FRS 139                | Financial Instruments : Recognition and Measurement   |
| Amendments to FRS 139  | Financial Instruments : Recognition and Measurements. Amendments relating to eligible hedged items, reclassification of financial assets and embedded derivatives                                 |

# Notes to the Financial Statements

31 DECEMBER 2009 (Cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.19 Standards and Interpretations Issued but Not Yet Effective (Cont'd)

(b) Effective for financial periods beginning on or after 1 January 2010 (cont'd)

* Amendment to FRS 140	Investment Property. Amendment relating to inability to determine fair value reliably
* IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
* IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions
* IC Interpretation 13	Customer Loyalty Programmes
* IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

(c) Effective for financial periods beginning on or after 1 July 2010

FRS 1 (Revised 2010)	First-time Adoption of Financial Reporting Standards
Amendments to FRS 2	Share-based Payment. Amendments relating to the scope of the Standard
FRS 3	Business Combinations
* Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations. Amendment relating to the inclusion of non-current assets as held for distribution to owners in the standards
FRS127	Consolidated and Separate Financial Statements
Amendments to FRS 138	Intangible Assets. Amendments relating to the revision to FRS 3
* Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives. Amendments relating to the scope of the IC and revision to FRS 3
* IC Interpretation 12	Service Concession Arrangements
* IC Interpretation 15	Agreements for the Construction of Real Estate
* IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
* IC Interpretation 17	Distributions of Non-cash Assets to Owners

\* Not relevant to the Group and to the Company as at the reporting date.

The existing FRS 1, FRS 3 and FRS 127 will be withdrawn upon the adoption of the revised Standards which will take effect on or after 1 July 2010. FRS 201<sub>2004</sub> Property Development Activities shall be withdrawn on application of IC Interpretation 15. The effects of FRS 7 and FRS 139, if any, upon their initial recognition are exempted from disclosure.

The directors anticipate that the other FRS, amendments to FRS and IC Interpretations will be adopted in the annual financial statements of the Group and of the Company for the financial year commencing 1 January 2010 and that the adoption of these new/revised FRS, amendments to FRS and IC Interpretations will have no material impact on the financial statements of the Group and of the Company in the period for initial application except for the following :

#### FRS 3 Business Combination

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. All payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

#### FRS 7 Financial Instruments : Disclosures

FRS 7 and the consequential amendment to FRS 101 Presentation of Financial Statements require disclosure of information about the significance of financial instruments for the Group's and the Company's financial position and performance, the nature and extent of risks arising from financial instruments and the objectives, policies and processes for managing capital.

# Notes to the Financial Statements

31 DECEMBER 2009 (Cont'd)

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## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.19 Standards and Interpretations Issued but Not Yet Effective (Cont'd)

#### FRS 8 Operating Segments

FRS 8, which replaces FRS 114<sup>2004</sup> Segment Reporting, requires the identification of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and to assess their performance. Currently, the Group identifies two sets of segments (business and geographical) using a risks and rewards approach, with the Group's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. As a result, the identification of the Group's reportable segments may change upon the adoption of FRS 8.

#### FRS 123 Borrowing Costs (Revised)

FRS 123 (Revised) eliminates the option available under the previous version of FRS 123 to recognise all borrowing costs immediately as an expense. The Group and the Company shall capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

#### FRS 127 Consolidated and Separate Financial Statements

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. Losses are required to allocate to non-controlling interests, even if it results in the non-controlling interest to be in a deficit position.

#### FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. By virtue of the exemption in paragraph 103AB of FRS 139, the impact on the financial statements upon first adoption of this standard as require by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed, if any.

# Notes to the Financial Statements

31 DECEMBER 2009 (Cont'd)

## 3. PROPERTY, PLANT AND EQUIPMENT

### GROUP 2009

	At cost			Balance at end RM
	Balance at beginning RM	Additions RM	Disposals RM	
Freehold office lot	437,389	-	-	437,389
Plant and machinery	21,181,854	959,496	(271,038)	21,870,312
Office equipment, furniture and fittings	1,128,087	41,614	-	1,169,701
Electrical installation	402,412	12,130	-	414,542
Renovation	1,911,734	-	-	1,911,734
Motor vehicles	1,737,066	-	(56,719)	1,680,347
	<u>26,798,542</u>	<u>1,013,240</u>	<u>(327,757)</u>	<u>27,484,025</u>
	Accumulated depreciation			Balance at end RM
	Balance at beginning RM	Current charge RM	Disposals RM	
Freehold office lot	18,953	8,748	-	27,701
Plant and machinery	6,147,555	2,340,769	(234,900)	8,253,424
Office equipment, furniture and fittings	494,195	137,351	-	631,546
Electrical installation	122,706	40,882	-	163,588
Renovation	605,713	191,173	-	796,886
Motor vehicles	468,083	327,709	(56,718)	739,074
	<u>7,857,205</u>	<u>3,046,632</u>	<u>(291,618)</u>	<u>10,612,219</u>
				<b>Net carrying amount at end RM</b>
Freehold office lot				409,688
Plant and machinery				13,616,888
Office equipment, furniture and fittings				538,155
Electrical installation				250,954
Renovation				1,114,848
Motor vehicles				941,273
				<u>16,871,806</u>

# Notes to the Financial Statements

31 DECEMBER 2009 (Cont'd)

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

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

31 DECEMBER 2009 (Cont'd)

## 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 :

	2009 RM	2008 RM
Plant and machinery	4,186,418	4,956,842
Motor vehicles	936,680	1,255,219
	<u>5,123,098</u>	<u>6,212,061</u>

### COMPANY

	Office equipment, furniture and fittings	
	2009 RM	2008 RM
<b>At cost</b>		
Balance at beginning/end	<u>1,750</u>	<u>1,750</u>
<b>Accumulated depreciation</b>		
Balance at beginning	116	58
Current charge	<u>58</u>	<u>58</u>
Balance at end	<u>174</u>	<u>116</u>
<b>Net carrying amount</b>	<u>1,576</u>	<u>1,634</u>

## 4. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2009 RM	2008 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
	2009	2008	
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

31 DECEMBER 2009 (Cont'd)

## 5. DEVELOPMENT COSTS

	GROUP	
	2009 RM	2008 RM
<b>Development costs</b>		
Balance at beginning	1,876,461	1,778,817
Additions	<u>83,583</u>	<u>97,644</u>
Balance at end	1,960,044	1,876,461
<b>Accumulated amortisation</b>		
Balance at beginning	676,505	452,980
Current charge	223,525	223,525
Balance at end	<u>(900,030)</u>	<u>(676,505)</u>
<b>Net carrying amount</b>	<u>1,060,014</u>	<u>1,199,956</u>

## 6. INVENTORIES

	GROUP	
	2009 RM	2008 RM
At cost :		
Raw materials	866,803	546,684
Work-in-progress	165,383	184,973
Finished goods	3,626,376	5,051,494
Consumables	448,851	388,497
At net realisable value :		
Raw materials	-	148,058
Finished goods	80,656	416,640
	<u>5,188,069</u>	<u>6,736,346</u>

## 7. TRADE RECEIVABLES

	GROUP	
	2009 RM	2008 RM
Total amount	9,334,003	1,674,823
Less : Allowance for doubtful debts		
Balance at beginning	-	62,023
Written off	-	(62,023)
Balance at end	<u>-</u>	<u>-</u>
	<u>9,334,003</u>	<u>1,674,823</u>
Analysis by currencies :		
Ringgit Malaysia	3,141,522	1,012,114
US Dollar	6,192,481	662,709
	<u>9,334,003</u>	<u>1,674,823</u>

The normal credit terms granted to trade receivables range from **30 to 90 days** (2008 : 30 to 60 days). Other credit terms are assessed and approved on a case-by-case basis.

# Notes to the Financial Statements

31 DECEMBER 2009 (Cont'd)

## 8. AMOUNT DUE FROM SUBSIDIARIES

### COMPANY

The amount due from subsidiaries is non-trade related, unsecured, interest free and is repayable on demand.

## 9. DEPOSIT WITH A LICENSED BANK

### GROUP

In the previous financial year, the interest rate and maturity of deposit with a licensed bank was 2.60% per annum and 26 days respectively.

## 10. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Short term funds with a licensed financial institution	<b>51,427</b>	50,160	<b>51,427</b>	50,160
Cash and bank balances	<b>1,505,886</b>	3,801,046	<b>324,460</b>	1,453,361
	<b>1,557,313</b>	3,851,206	<b>375,887</b>	1,503,521
Analysis by currencies :				
Ringgit Malaysia	<b>1,451,004</b>	3,639,926	<b>375,887</b>	1,503,521
US Dollar	<b>105,625</b>	210,415	-	-
Others	<b>684</b>	865	-	-
	<b>1,557,313</b>	3,851,206	<b>375,887</b>	1,503,521

Short term funds represent investments with redeemable period of **less than 31 days** (2008 : less than 31 days). The interest rate of short term funds at balance sheet date is **3.12%** (2008 : 3.12%) per annum.

## 11. SHARE CAPITAL

	Number of ordinary shares of RM0.10 each		Amount	
	2009	2008	2009 RM	2008 RM
Authorised :				
Balance at beginning/end	<b>250,000,000</b>	250,000,000	<b>25,000,000</b>	25,000,000
Issued and fully paid :				
Balance at beginning/end	<b>123,000,000</b>	123,000,000	<b>12,300,000</b>	12,300,000

# Notes to the Financial Statements

31 DECEMBER 2009 (Cont'd)

## 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 1 August 2006.

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

	2009 RM	2008 RM
Balance at beginning/end	<u>2,953,447</u>	<u>2,953,447</u>

## 13. RETAINED PROFITS

### COMPANY

The Company made 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

31 DECEMBER 2009 (Cont'd)

## 14. HIRE PURCHASE PAYABLES

	<b>GROUP</b>	
	<b>2009</b>	2008
	<b>RM</b>	RM
Total amount payable	<b>2,354,446</b>	4,266,733
Less : Interest in suspense	<b>(128,942)</b>	(304,989)
	<b>2,225,504</b>	3,961,744
Less : Payable within the next one year included under current liabilities	<b>(1,247,508)</b>	(1,736,461)
	<b>977,996</b>	2,225,283

The repayment schedule of hire purchase payables are as follows :

	<b>GROUP</b>	
	<b>2009</b>	2008
	<b>RM</b>	RM
Within one year	<b>1,329,251</b>	1,912,286
More than one year and less than five years	<b>1,023,335</b>	2,331,897
More than five years	<b>1,860</b>	22,550
	<b>2,354,446</b>	4,266,733
Less : Unexpired interest	<b>(128,942)</b>	(304,989)
	<b>2,225,504</b>	3,961,744

The effective interest rates of hire purchase payables at balance sheet date range from **2.23% to 3.60%** (2008 : 2.23% to 3.60%) per annum.

## 15. DEFERRED TAX LIABILITIES

	<b>GROUP</b>	
	<b>2009</b>	2008
	<b>RM</b>	RM
Balance at beginning	<b>211,500</b>	268,000
Transfer from/(to) income statement	<b>5,500</b>	(230,900)
	<b>217,000</b>	37,100
Under provision in prior year	<b>-</b>	174,400
	<b>217,000</b>	211,500

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

# Notes to the Financial Statements

31 DECEMBER 2009 (Cont'd)

## 16. TRADE PAYABLES

	GROUP	
	2009 RM	2008 RM
Analysis by currencies :		
Ringgit Malaysia	<b>467,749</b>	368,751
US Dollar	<b>6,376,361</b>	3,307,706
Singapore Dollar	<b>92,526</b>	57,883
Japanese Yen	<b>764,867</b>	129,234
	<b><u>7,701,503</u></b>	<u>3,863,574</u>

The normal credit terms granted by trade payables range from **30 to 90 days** (2008 : 30 to 90 days).

## 17. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Other payables	<b>2,372,672</b>	2,777,480	-	-
Accruals	<b>191,839</b>	175,430	<b>19,000</b>	18,600
	<b><u>2,564,511</u></b>	<u>2,952,910</u>	<b><u>19,000</u></b>	<u>18,600</u>
Analysis by currencies :				
Ringgit Malaysia	<b>399,416</b>	345,776	<b>19,000</b>	18,600
Swiss Franc	<b>1,670,440</b>	1,995,701	-	-
Singapore Dollar	<b>343,164</b>	352,097	-	-
US Dollar	<b>151,491</b>	238,189	-	-
Japanese Yen	-	21,147	-	-
	<b><u>2,564,511</u></b>	<u>2,952,910</u>	<b><u>19,000</u></b>	<u>18,600</u>

## 18. REVENUE

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Invoiced value of goods sold less returns and discounts	<b>30,279,706</b>	39,892,213	-	-
Gross dividend from a subsidiary	-	-	-	2,200,000
Interest income	<b>1,267</b>	11,844	<b>1,267</b>	11,844
	<b><u>30,280,973</u></b>	<u>39,904,057</u>	<b><u>1,267</u></b>	<u>2,211,844</u>

# Notes to the Financial Statements

31 DECEMBER 2009 (Cont'd)

## 19. (LOSS)/PROFIT BEFORE TAXATION

This is arrived at:

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
After charging :				
Amortisation of development costs	223,525	223,525	-	-
Audit fee	28,000	24,000	10,000	8,000
Depreciation	3,046,632	3,032,942	58	58
Directors' allowances				
- Non-executive directors' allowances	6,000	6,000	6,000	6,000
Directors' fee				
- Non-executive directors	54,000	54,000	54,000	54,000
Interest expense	176,046	211,506	-	-
Property, plant and equipment written off	-	7,212	-	-
Realised loss on foreign exchange	55,199	516,611	-	-
Rental of premises	286,670	289,800	-	-
Rental of machinery	71,577	-	-	-
* Staff costs	2,855,728	3,734,158	-	-
Unrealised loss on foreign exchange	12,909	-	-	-
And crediting :				
Gain on disposal of property, plant and equipment	52,083	82,589	-	-
Gross dividend from a subsidiary	-	-	-	2,200,000
Interest income	10,168	43,603	1,267	11,844
Unrealised gain on foreign exchange	51,674	27,550	-	-

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
* Staff costs				
- Salaries, bonus and wages	2,563,594	3,359,715	-	-
- EPF	264,519	344,173	-	-
- SOCSO	27,615	30,270	-	-
	2,855,728	3,734,158	-	-

### Directors' emoluments

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

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
<b>Directors of the Company</b>				
Executive Directors :				
- Salary, allowance and bonus	310,259	462,601	-	-
- EPF	37,280	55,560	-	-
	347,539	518,161	-	-
<b>Benefits-in-kind</b>	34,500	-	-	-
	382,039	518,161	-	-

# Notes to the Financial Statements

31 DECEMBER 2009 (Cont'd)

## 20. TAXATION

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Malaysian income tax :				
Based on results for the year				
- Current tax	(15,000)	(252,000)	-	(544,000)
- Deferred tax				
Relating to the origination and reversal of temporary differences	(5,500)	197,600	-	-
Relating to changes in tax rates	-	33,300	-	-
	(5,500)	230,900	-	-
	(20,500)	(21,100)	-	(544,000)
(Under)/Over provision in prior year				
- Current tax	(1,065)	6,032	929	(7,876)
- Deferred tax	-	(174,400)	-	-
	(1,065)	(168,368)	929	(7,876)
	(21,565)	(189,468)	929	(551,876)

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

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
(Loss)/Profit before taxation	(546,567)	271,198	(196,206)	1,982,765
Income tax at Malaysian statutory tax rate of 25% (2008 : 26%)	136,642	(70,511)	49,052	(515,519)
Effects of :				
- Income not subject to tax	17,764	11,002	-	3,079
- Expenses not deductible for tax purposes	(210,181)	(139,614)	(49,052)	(31,560)
- Reduced tax rate on first RM500,000 chargeable income	-	30,000	-	-
- Changes in tax rates	-	33,300	-	-
- Deferred tax movements not recognised	35,275	114,723	-	-
	(20,500)	(21,100)	-	(544,000)
(Under)/Over provision in prior year	(1,065)	(168,368)	929	(7,876)
	(21,565)	(189,468)	929	(551,876)

### GROUP

The amount and future availability of unabsorbed capital allowances and reinvestment allowance for which the related tax effects have not been accounted for at balance sheet date is estimated at **RM1,685,000** (2008 : RM884,000) and **RM5,723,000** (2008 : RM4,320,000) respectively.



# Notes to the Financial Statements

31 DECEMBER 2009 (Cont'd)

## 21. (LOSS)/EARNINGS PER SHARE

### Basic (loss)/earnings per share

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

	2009 RM	2008 RM
(Loss)/Profit for the year (RM)	<u>(568,132)</u>	<u>81,730</u>
Weighted average number of ordinary shares of RM0.10 each	<u>123,000,000</u>	<u>123,000,000</u>
Basic (loss)/earnings per share (sen)	<u>(0.46)</u>	<u>0.07</u>

There is no diluted (loss)/earnings per share as the Company does not have any convertible financial instruments as at the balance sheet date.

## 22. DIVIDENDS

	2009 RM	2008 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>

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

# Notes to the Financial Statements

31 DECEMBER 2009 (Cont'd)

## 23. SEGMENTAL INFORMATION (CONT'D)

### By business segments 2009

	Electronic products RM	Investment holding RM	Elimination RM	Total RM
<b>Revenue</b>				
External customers/ Total revenue	<u>30,279,706</u>	<u>1,267</u>	<u>-</u>	<u>30,280,973</u>
<b>Results</b>				
Segment results	(183,216)	(197,473)	-	(380,689)
Interest income	8,901	1,267	-	10,168
Interest expense	<u>(176,046)</u>	<u>-</u>	<u>-</u>	<u>(176,046)</u>
Loss before taxation	(350,361)	(196,206)	-	(546,567)
Taxation	<u>(22,494)</u>	<u>929</u>	<u>-</u>	<u>(21,565)</u>
Loss for the year	<u>(372,855)</u>	<u>(195,277)</u>	<u>-</u>	<u>(568,132)</u>
<b>Assets</b>				
Segment assets	32,837,602	14,939,949	(14,937,373)	32,840,178
Tax recoverable	881,293	44,151	-	925,444
Cash and cash equivalents	<u>1,181,426</u>	<u>375,887</u>	<u>-</u>	<u>1,557,313</u>
Total assets	<u>34,900,321</u>	<u>15,359,987</u>	<u>(14,937,373)</u>	<u>35,322,935</u>
<b>Liabilities</b>				
Segment liabilities	19,098,389	19,000	(8,851,375)	10,266,014
Hire purchase payables	2,225,504	-	-	2,225,504
Deferred tax liabilities	<u>217,000</u>	<u>-</u>	<u>-</u>	<u>217,000</u>
Total liabilities	<u>21,540,893</u>	<u>19,000</u>	<u>(8,851,375)</u>	<u>12,708,518</u>
<b>Other segment information</b>				
Capital expenditure	1,013,240	-	-	1,013,240
Depreciation and amortisation	3,270,099	58	-	3,270,157
Non-cash expenses other than depreciation and amortisation	<u>(90,848)</u>	<u>-</u>	<u>-</u>	<u>(90,848)</u>

# Notes to the Financial Statements

31 DECEMBER 2009 (Cont'd)

## 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)	-
<b>Total revenue</b>	<b>39,892,213</b>	<b>2,211,844</b>	<b>(2,200,000)</b>	<b>39,904,057</b>
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)
<b>Profit before taxation</b>	<b>488,433</b>	<b>1,982,765</b>	<b>(2,200,000)</b>	<b>271,198</b>
Taxation	(209,592)	(551,876)	572,000	(189,468)
<b>Profit for the year</b>	<b>278,841</b>	<b>1,430,889</b>	<b>(1,628,000)</b>	<b>81,730</b>
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
<b>Total assets</b>	<b>33,823,050</b>	<b>16,784,864</b>	<b>(15,205,637)</b>	<b>35,402,277</b>
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
<b>Total liabilities</b>	<b>20,090,767</b>	<b>1,248,600</b>	<b>(9,119,639)</b>	<b>12,219,728</b>
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

31 DECEMBER 2009 (Cont'd)

## 23. SEGMENTAL INFORMATION (Cont'd)

### By geographical segments

	2009		
	Revenue RM	Total assets RM	Capital expenditure RM
Malaysia	18,277,832	33,998,789	1,013,240
China	2,546,555	1,324,146	-
Thailand	7,730,288	-	-
Others	1,726,298	-	-
	<b>30,280,973</b>	<b>35,322,935</b>	<b>1,013,240</b>
	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	-	-
	<b>39,904,057</b>	<b>35,402,277</b>	<b>7,660,427</b>

## 24. COMMITMENTS

	GROUP	
	2009 RM	2008 RM
(a) Capital commitments		
Authorised and contracted for :		
- Property, plant and equipment	<b>288,745</b>	-
(b) Cancellable operating lease commitments		
Future minimum rentals payable :		
Not later than one year	<b>153,799</b>	184,240
Later than one year and not later than five years	-	18,000
	<b>153,799</b>	<b>202,240</b>

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

## 25. CONTINGENT LIABILITIES (UNSECURED)

	COMPANY	
	2009 RM	2008 RM
Corporate guarantee extended to financial institutions for credit facilities granted to a subsidiary		
- Limit	<b>3,875,254</b>	3,875,254
- Utilised as at balance sheet date	<b>1,800,493</b>	3,049,511

# Notes to the Financial Statements

31 DECEMBER 2009 (Cont'd)

## 26. RELATED PARTY DISCLOSURES

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

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Salaries and other short-term employee benefits	<u>756,871</u>	<u>952,241</u>	<u>60,000</u>	<u>60,000</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 Board 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 repricing or maturity dates and effective 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.

## List of Property

<b>Title/Location</b>	<b>Date of Acquisition</b>	<b>Description</b>	<b>Built-up Area</b>	<b>Existing Use</b>	<b>Tenure</b>	<b>Approximate Age of Building</b>	<b>Net Carrying Amount as at 31/12/2009 RM</b>
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	11 years	409,688

# Analysis of Shareholdings

As at 5 April 2010

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	%	Other	%
Dato' Tan King Seng	42,707,379	34.721	33,589,358 *	27.308	-	-
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

Name	←----- Number of Shares Held -----▶					
	Direct	%	Deemed	%	Other	%
Dato' Tan King Seng	42,707,379	34.721	33,589,358 *	27.308	-	-
Ooi Yeok Hock	4,476,938	3.64	-	-	1,500,000 #	1.22
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	-	-	-	-

## DIRECTORS' SHAREHOLDINGS IN THE COMPANY

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

# Other interest pursuant to Section 134(12)(c) 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	1.074	579	0.00
100 to 1,000 shares	651	53.802	133,750	0.109
1,001 to 10,000 shares	249	20.579	1,184,150	0.963
10,001 to 100,000 shares	232	19.174	8,535,100	6.939
100,001 to less than 5% of issued shares	63	5.207	39,993,179	32.515
5% and above of issued shares	2	0.165	73,153,242	59.474
<b>Total</b>	<b>1,210</b>	<b>100.00</b>	<b>123,000,000</b>	<b>100.00</b>

# Analysis of Shareholdings

As at 5 April 2010 (Cont'd)

## LIST OF THIRTY LARGEST SHAREHOLDERS

	NAME	NO. OF SHARES HELD	%
1	NOBLE MATTERS SDN.BHD.	19,910,034	16.187
2	TAN KING SENG	11,250,000	9.146
3	TAN KING SENG	11,250,000	9.146
4	TAN KING SENG	11,250,000	9.146
5	NOBLE MATTERS SDN. BHD.	10,535,829	8.566
6	TAN KING SENG	8,957,379	7.282
7	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. PLEGDED SECURITIES ACCOUNT FOR OOI YEOK HOCK (LPN)	4,383,938	3.564
8	CHEAH CHOON GHEE	3,207,500	2.608
9	TAN CHIN HONG	3,105,496	2.525
10	LPI PRECISION INDUSTRY (M) SDN. BHD.	2,674,000	2.174
11	TEOH KIAH PHOCK	2,111,400	1.717
12	FIRST SHARE SDN. BHD.	1,660,100	1.35
13	KAM CHEN YUEN	1,500,000	1.22
14	FIRST SHARE SDN. BHD.	1,483,395	1.206
15	LIM LENG NA	1,200,000	0.976
16	KUAH HUI SUAN	1,032,400	0.839
17	CHOO SAN SAN	1,024,300	0.833
18	TAN SHYAN CHERT	858,600	0.698
19	TAN SHYAN CHERT	787,900	0.641
20	MAYBAN NOMINEES (TEMPATAN) SDN. BHD. SAW KONG BENG	759,700	0.618
21	TANG NAM FOONG	721,150	0.586
22	DAH HUEY SHUANG	610,800	0.497
23	YAP GAIK TYNG	600,000	0.488
24	TAN KIM SING	600,000	0.488
25	OOI ENG TEIK	540,200	0.439
26	LOW LEE WAH	532,000	0.433
27	YAP YAN SEEN	520,000	0.423
28	CHUAH YEW PHAIK	518,200	0.421
29	WOOI KAR BOON	500,000	0.407
30	CHEOK SWEE BENG	447,150	0.364



# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fifth Annual General Meeting of the Company will be held at Balau Room (Level 3), Eastin Hotel Penang, 1 Solok Bayan Indah, Queensbay, 11900 Bayan Lepas, Penang on Monday, 24 May 2010 at 11:00 am for the following purposes:-

## AGENDA

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2009 together with the Reports of the Directors and Auditors thereon. **Resolution 1**
2. To approve the payment of Directors' fees of RM54,000.00 for the financial year ending 31 December 2010. **Resolution 2**
3. To re-elect Mr. Tan Chin Hong who retires in accordance with Article 129 of the Company's Articles of Association. **Resolution 3**
4. To re-elect Dato' Dr. Loh Hock Hun who retires in accordance with Article 129 of the Company's Articles of Association. **Resolution 4**
5. To re-appoint Messrs. Grant Thornton 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 : 29 April 2010

# Notice of Annual General Meeting

(Cont'd)

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## 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, 51-13-A, 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 2010 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 Fifth Annual General Meeting

1. The Directors who are standing for re-election at the Fifth Annual General Meeting ("AGM") are as follows :-

- a) Mr. Tan Chin Hong
- b) Dato' Dr. Loh Hock Hun

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 2009 are disclosed in the Corporate Governance Report set out on page 10 of this Annual Report.

3. The securities holdings of the two Directors seeking re-election or re-appointment are disclosed in the Analysis of Shareholdings set out on pages 62 and 63 of this Annual Report.

4. The details of the place, date and time of the Fifth AGM are as follows:-

Place : Balau Room (Level 3)  
Eastin Hotel Penang  
1 Solok Bayan Indah  
Queensbay  
11900 Bayan Lepas, Penang

Date : Monday, 24 May 2010

Time : 11:00 am

5. Renewal of authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965.

The Company has not issued any new shares pursuant to Section 132D of the Companies Act, 1965 under the general authority which was approved at the Fourth AGM held on 25 May 2009 and which will lapse at the conclusion of the Fifth AGM to be held on 24 May 2010. A renewal of this authority is being sought at the Fifth AGM under proposed Resolution 6.

# Proxy Form

\*I / We \_\_\_\_\_ of \_\_\_\_\_  
(FULL NAME IN BLOCK LETTERS)

\_\_\_\_\_ being a \*Member / Members of JHM  
(FULL ADDRESS)

Consolidation Berhad, hereby appoint \* the Chairman of the meeting or \_\_\_\_\_  
(FULL NAME IN BLOCK LETTERS)

of \_\_\_\_\_  
(FULL ADDRESS)

or failing him/ her, \_\_\_\_\_ of \_\_\_\_\_  
(FULL NAME IN BLOCK LETTERS)

\_\_\_\_\_ as \*my / our proxy / proxies to  
(FULL ADDRESS)

attend and vote for \*me/ us and on \*my/ our behalf at the Fifth Annual General Meeting of the Company to be held at Balau Room (Level 3), Eastin Hotel Penang, 1 Solok Bayan Indah, Queensbay, 11900 Bayan Lepas, Penang on Monday, 24 May 2010 at 11:00 am 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 2009 and the Reports of the Directors and Auditors thereon		
2	Approval of payment of Directors' fees for the financial year ending 31 December 2010		
3	Re-election of Mr. Tan Chin Hong as Director		
4	Re-election of Dato' Dr. Loh Hock Hun as Director		
5	Re-appointment of Messrs. Grant Thornton 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 \_\_\_\_\_, 2010.

\* 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, 51-13-A 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 SECRETARIES  
**JHM CONSOLIDATION BERHAD** (686148-A)  
51-13-A Menara BHL Bank  
Jalan Sultan Ahmad Shah  
10050 Pulau Pinang

PLEASE FOLD ACROSS THE LINES AND CLOSE



15-1-21 Bayan Point,  
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