MFCB

MEGA FIRST CORPORATION BERHAD

(Company No: 6682-V)

MEGA FIRST CORPORATION BERHAD | LAPORAN TAHUNAN 2007 ANNUAL REPORT

LAPORAN TAHUNAN

2007

ANNUAL REPORT

C O N T E N T S

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman
Goh Nan Kioh, *B.Ec. (Hons.)*

Deputy Chairman
* Dato' Haji Abu Hanifah bin Noordin, *B.Ec. (Hons.) Acc., CA (M), CPA*

Group Managing Director
Dr. Lim Thian Soo, *MBChB, MBA*

Executive Director
Goh Nan Yang, *B.Sc. (Hons.)*
(Also Alternate to Goh Nan Kioh)

Non-Executive Directors
* Dato' Jorgen Bornhoft, *B. Com. (Acc. & Fin.) (Hons.)*
* Maisuri bin Besri, *B. Ec. (Hons.), MBA*
* Yeow See Yuen, *B. Acc (Hons.)*
* Yong Fook Shin, *B. Sc. (Mining Geology), ARSM, MIMM, MIME, P. Eng., C.Eng.*
Tay Kheng Chiong, *B. Eng. (Hons), MBA, C. Eng MIET (UK)*

EXECUTIVE COMMITTEE
Dr. Lim Thian Soo (Chairman)
Goh Nan Yang
Tay Kheng Chiong

AUDIT COMMITTEE
* Yeow See Yuen (Chairman)
* Dato' Haji Abu Hanifah bin Noordin
* Dato' Jorgen Bornhoft

REMUNERATION COMMITTEE
Goh Nan Kioh (Chairman)
* Maisuri bin Besri
* Dato' Jorgen Bornhoft

EMPLOYEE SHARE OPTION COMMITTEE
Dr. Lim Thian Soo
* Dato' Haji Abu Hanifah bin Noordin
* Yeow See Yuen

(*) - Independent and Non-Executive Director

COMPANY SECRETARIES
Yong Lai Sim, ACIS
Ghee Yoke Ping, ACIS

REGISTERED OFFICE
8-05, Level 8
Menara Milenium
8 Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel : 03 2093 8818
Fax : 03 2093 7818
E-mail : mfcb@mega-first.com

SHARE REGISTRAR AND SHARE TRANSFER OFFICE
Symphony Share Registrars Sdn. Bhd.
(Company No. 378993-D)
Level 26, Menara Multi-Purpose
Capital Square
8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : 03 2721 2222
Fax : 03 2721 2530

AUDITORS
Horwath (AF 1018)

PRINCIPAL BANKERS
Agricultural Bank of China
AmBank Berhad
Bank of Communications
CIMB Bank Berhad
Malayan Banking Berhad
RHB Bank Berhad

STOCK EXCHANGE LISTING
Bursa Malaysia Securities Berhad, Main Board

SECTOR
Trading/Services

STOCK CODE
3069

PROFILE OF DIRECTORS

GOH NAN KIOH

Chairman/Non-Independent and Non-Executive Director
Malaysian

Mr Goh Nan Kioh, age 54, joined the Board on 1 February 2003 as a Non-Independent and Non-Executive Director. He was appointed as Chairman of the Board on 29 July 2003. Mr Goh holds a Bachelor of Economics (Honours) degree from the University of Malaya. He has wide and varied business investments in many countries. He is presently the Chief Executive Officer of Cambrew Group of companies, a brewery and soft drinks company, and Deputy Chairman of Pearl River Tyre (Holdings) Limited, a tyre manufacturing company listed on the Stock Exchange of Hong Kong. Mr Goh has attended all meetings of the Board of Directors held during the financial year ended 31 December 2007.

Mr Goh is deemed to be interested in various transactions between MFCB Group and other companies entered into in the ordinary course of business by virtue of his substantial shareholdings.

Mr Goh and his wife's siblings namely Dr. Lim Thian Soo, Mr Lim Thiam Cheok and Ms Lim Yam Poh, are substantial shareholders of the Company. Mr Goh is also the brother of Mr Goh Nan Yang.

DATO' HAJI ABU HANIFAH BIN NOORDIN

Deputy Chairman/Independent and Non-Executive Director
Malaysian

Dato' Haji Abu Hanifah bin Noordin, age 56, was appointed to the Board on 5 December 1990 and is one of the longest serving Independent and Non-Executive member of the Board. He was appointed as Deputy Chairman of the Board on 29 July 2003. Dato' Hanifah graduated from University of Malaya with an honours degree in Economics and subsequently qualified as a Chartered Accountant and a Certified Public Accountant. He was Chairman and Managing Partner of Ernst & Whinney (now known as Ernst & Young) for 9 years. He was also President of the Malaysian Institute of Accountants for 13 years and in that capacity was a Board member of the International Accounting Standards Committee (IASC). He is also a director of Pacific & Orient Berhad (listed on Bursa Malaysia) and Pacific & Orient Insurance Co. Berhad. Dato' Hanifah has attended all meetings of the Board of Directors held during the financial year ended 31 December 2007.

DR. LIM THIAN SOO

Group Managing Director
Malaysian

Dr. Lim Thian Soo, age 44, joined the Board on 1 February 2003 as a Non-Independent and Non-Executive Director. He was appointed as Group Managing Director of the Company on 26 February 2003. Dr. Lim graduated with a Bachelor of Medicine and Bachelor of Surgery in 1986 from Edinburgh University Medical School and practised for 6 years as a doctor in the United Kingdom. He obtained his Masters of Business Administration from City University Business School in 1993. Prior to joining MFCB, he held the position of Director of Corporate Affairs of Pearl River Tyre (Holdings) Limited, a company listed on the Stock Exchange of Hong Kong. Dr. Lim is also a non-executive director of Rock Chemical Industries (Malaysia) Berhad (subsidiary of MFCB) and D&O Ventures Berhad, both of which are listed on Bursa Malaysia. He has attended three out of the four meetings of the Board of Directors held during the financial year ended 31 December 2007.

Dr. Lim, his siblings namely Mr Lim Thiam Cheok and Ms Lim Yam Poh, and a brother-in-law namely Mr Goh Nan Kioh are substantial shareholders of the Company.

Dr. Lim is deemed to be interested in various transactions between MFCB Group and other companies entered into in the ordinary course of business by virtue of his substantial shareholdings.

PROFILE OF DIRECTORS

GOH NAN YANG

Executive Director
(Also Alternate Director to Goh Nan Kioh)
Malaysian

Mr Goh Nan Yang, age 44, was appointed an Executive Director on 26 November 2004. He is also the alternate director to Mr Goh Nan Kioh, a position held since 13 March 2003. Mr Goh graduated from the University of Toledo with a Bachelor of Science honours degree in Engineering. He joined a public listed company after graduation, during which period he was involved in several major infrastructure and housing projects. In the mid-1990s, he left employment and started his own business in property development and manufacturing activities in Melbourne, Australia. Since then, his business has diversified into hospitality and student education ventures. Mr Goh is a non-executive director in D & O Ventures Berhad, a company listed on Bursa Malaysia. He is also the Chief Executive Officer and Director of Pearl River Tyre (Holdings) Limited (a company listed on the Hong Kong Stock Exchange). He has attended all meetings of the Board of Directors held during the financial year ended 31 December 2007. Mr Goh Nan Yang is the brother of Mr Goh Nan Kioh.

Mr Goh Nan Yang is deemed to be interested in various transactions between MFCB Group and other companies by virtue of his common directorship and substantial shareholdings.

YONG FOOK SHIN

Independent and Non-Executive Director
Malaysian

Mr Yong Fook Shin, age 65, joined the Board on 30 March 1995. He graduated with a Bachelor of Science in Mining Geology (Honours) degree from Imperial College, England. He is a Chartered Engineer, a Professional Engineer, an Associate of the Royal School of Mines and is a Member of the Institution of Mining and Metallurgy as well as the Institute of Mineral Engineering. He has more than 36 years of experience in the mining industry, having worked in tin mines in Malaysia and Brazil. Mr Yong was the Managing Director of Mamut Copper Mining Sdn Bhd during the last five years of the Mamut Copper Mine's operation; its closure was in October 1999. Mr Yong has attended all meetings of the Board of Directors held during the financial year ended 31 December 2007.

MAISURI BIN BESRI

Independent and Non-Executive Director
Malaysian

Encik Maisuri bin Besri, age 50, joined the Board on 1 March 2003 as a Non-Executive Director. He became an Independent and Non-Executive Director on 28 February 2008. He holds a Bachelor of Economics (Public Administration) (Honours) degree from the University of Malaya, and a Master of Business Administration degree from Edith Cowan University of Australia. Encik Maisuri is the Group General Manager of Sabah Economic Development Corporation ("SEDCO"). Prior to joining SEDCO in November 2002, he has served for 20 years in the Sabah State Government and was attached to the State Economic Planning Unit and the State Ministry of Finance. Encik Maisuri has attended all meetings of the Board of Directors held during the financial year ended 31 December 2007.

YEOW SEE YUEN

Independent and Non-Executive Director
Malaysian

Mr Yeow See Yuen, age 40, joined the Board as an Independent and Non-Executive Director on 10 May 2006. He holds a first class honours degree in Accountancy from the National University of Singapore. He started his career with Coopers & Lybrand in Singapore in 1991 in the audit division. He left the firm in 1994 to join Deutche Securities Asia Limited ("Deutsche Securities") where he spent 9 years working in the Equity Research Department. During the period, he progressed through a series of positions including Deputy Head of Indonesia Research, Head of Malaysian Research and Head of Consumer Research Asia. Since leaving Deutche Securities in 2003, he has been actively involved in investment banking related work, including investor relations corporate advisory and research consultancy. He is presently an Independent Director of Harbour Link Group Berhad and a Director of Lynck Capital Associates Sdn Bhd, a boutique financial consultancy outfit and Farnet Global Sdn. Bhd. Mr Yeow has attended all meetings of the Board of Directors held during the financial year ended 31 December 2007.

DATO' JORGEN BORNHOFT

Independent and Non-Executive Director
Dane

Dato' Jorgen Bornhoft, age 66, joined the Board as an Independent and Non-Executive Director on 18 May 2006. He holds a degree in Accountancy and Finance (Bachelor of Commerce) from the Copenhagen Business School and attended executive management courses at INSEAD. He was the Chief Executive Officer of Carlsberg Brewery Malaysia Berhad from April 1991 and was the Managing Director from October 1995. In January 2003, he was appointed as Chief Executive Officer of Carlsberg Asia Pte. Ltd. in Singapore until 30 June 2004. Prior to his appointment to Carlsberg Brewery Malaysia Berhad, he was Vice-President in Carlsberg International A/S, Denmark, responsible for foreign subsidiaries and new projects. He is a Director in Hap Seng Consolidated Berhad, Hap Seng Plantations Holding Berhad, which are listed on Bursa Malaysia as well as ABN AMRO Bank Berhad. Dato' Bornhoft has attended three out of the four meetings of the Board of Directors held during the financial year ended 31 December 2007.

TAY KHENG CHIONG

Non-Independent and Non-Executive Director
Malaysian

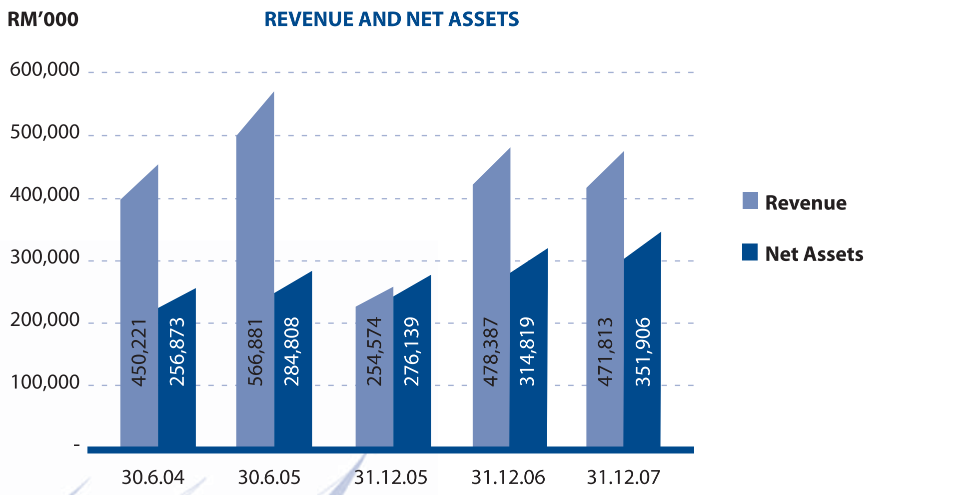
Mr Tay Kheng Chiong, age 44, joined the Board as a Non-Independent and Non-Executive Director on 1 June 2006. He holds a Bachelor of Engineering (Honours) degree majoring in Electrical and Electronics from the University of Sunderland, England. He also holds a Master of Business Administration degree from the University of Stratchclyde, Scotland and is a Chartered Engineer with the Institution of Electrical Engineers, United Kingdom. Mr Tay has more than 18 years experience in the semiconductor industry. He joined a multinational semiconductor company upon graduation in 1989 as a Development Engineer and was promoted to Director of Manufacturing in 1999. During 2001 to 2005, he was the Managing Director of Dominant Semiconductors Sdn Bhd. He is presently the Group Managing Director of D & O Ventures Berhad, a company listed on Bursa Malaysia. He has attended all meetings of the Board of Directors held during the financial year ended 31 December 2007.

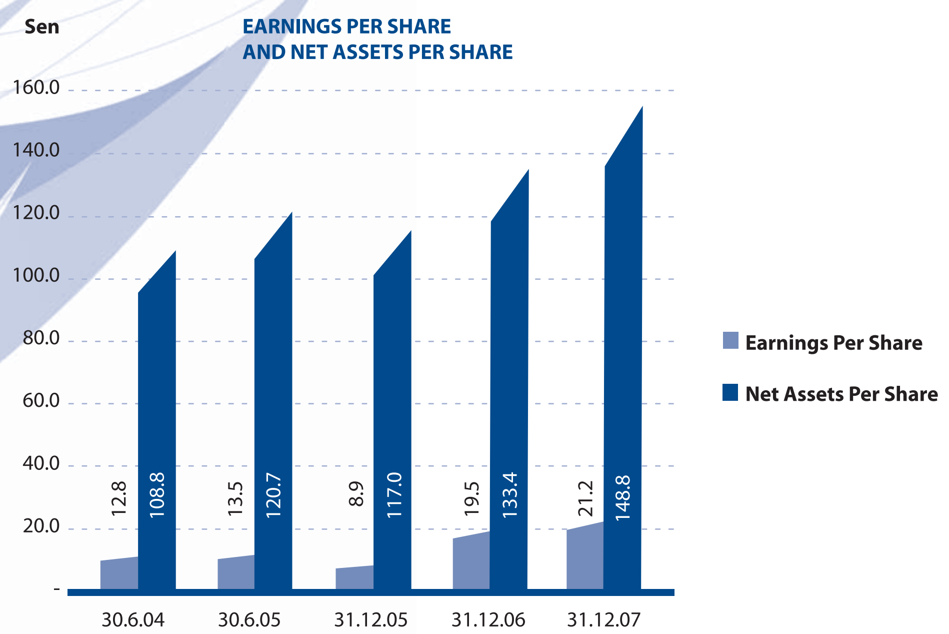
Mr Tay is deemed to be interested in various transactions between MFCB Group and other companies by virtue of his common directorship.

NOTE:
None of the Directors has been convicted of any offence.

FINANCIAL HIGHLIGHTS

Financial year/period	Year Ended 30.6.04 RM'000	Year Ended 30.6.05 RM'000	Period Ended 31.12.05 RM'000	Year Ended 31.12.06 RM'000	Year Ended 31.12.07 RM'000
Results					
Revenue	450,221	566,881	254,574	478,387	471,813
Profit Before Tax	64,116	64,107	46,289	94,676	95,823
As Of 30 June/31 December					
Net Assets/Shareholders' Equity	256,873	284,808	276,139	314,819	351,906
Per Ordinary Share					
Earnings (sen)	12.8	13.5	8.9	19.5	21.2
Gross Dividend (sen)	1.5	3.0	1.5	5.0	5.5
Net Assets (sen)	108.8	120.7	117.0	133.4	148.8





CORPORATE GOVERNANCE STATEMENT

The following are statements on application of the Principles of Corporate Governance pursuant to Part 1 of Chapter 5 of the Malaysian Code on Corporate Governance ("the Code").

BOARD OF DIRECTORS

The Company's Board is made up of Directors who are entrepreneurs and experienced professionals in the fields of economics, medicine, accountancy, business management and engineering. All these different skills working together enable the Board to effectively lead and control the Company.

The composition of the Board includes sufficient number of independent, executive and non-executive Directors as prescribed by the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Malaysia"). This is to ensure that no individual or small groups of individuals dominate the Board's decision-making process. The Board is satisfied that the current board composition fairly reflects the investment of minority shareholders in the Company.

Board meetings were held four times during the financial year ended 31 December 2007 ("FY 2007"). At least five days prior to the Board meeting, all Directors were provided with a complete set of Board papers, which includes the Company's financial position, results of operations and the key business strategies of operating units in the light of any significant shifts in risk profiles. Comprehensive annual budgets, business plans, strategies and risk profiles are presented to and approved by the Board. This is to enable the Directors to participate actively in the overall management and stewardship of the Company.

The Directors have direct access to the advice and services of the Company Secretaries, and they may seek external professional advice if required by them.

All Directors (including the Managing Director) will retire at regular intervals by rotation at least once in every three years and they shall be eligible for re-election.

When appointing new directors, the Board is first provided with the curriculum vitae of the candidate beforehand for consideration. The appointment is then finalised after discussions at a Board meeting, giving ample time for deliberations on the suitability of the candidate.

All Directors have successfully completed the mandatory accreditation programme prescribed by Bursa Malaysia. They are mindful that they should receive appropriate continuous training in order to broaden their perspectives and to keep abreast with new developments for the furtherance of their duties. The Directors are also encouraged to evaluate their own training needs on a continuous basis and to determine the relevant programmes, seminars, briefings or dialogues available that would best enable them to enhance their knowledge and contributions to the Board. For the year under review, all Directors were updated on new regulations and statutory requirements and the business of the newly acquired subsidiary company. Some Directors have attended external seminars organized by regulatory authorities and professional bodies.

In FY 2007, the composition of the Board, together with the attendance of the respective Directors at Board meetings are as follows:-

Name of Director	Attendance Record
Goh Nan Kioh	4/4
Dato' Haji Abu Hanifah bin Noordin	4/4
Dr. Lim Thian Soo	3/4
Yong Fook Shin	4/4
Maisuri bin Besri	4/4
Goh Nan Yang	4/4
Yeow See Yuen	4/4
Dato' Jorgen Bornhoft	3/4
Tay Kheng Chiong	4/4

Dr. Lim Thian Soo and persons connected to him are involved in property development activities. Encik Maisuri bin Besri represents Perbadanan Pembangunan Ekonomi Sabah (SEDCO) on the Board. SEDCO has subsidiaries which are involved in property development activities. Save as disclosed above, none of the directors of the Company have conflict of interest with the Company.

CORPORATE GOVERNANCE STATEMENT

DIRECTORS' REMUNERATION

The Board maintains that the current remuneration for each category of directors commensurate with that adopted by companies of similar standing, and is sufficient to attract and retain directors of high calibre. The Remuneration Committee reviews annually and the Board approves the remuneration for Executive Directors and senior management staff. The remuneration of Non-Executive Directors is by way of fixed annual fees, based on recommendations by the Board and approved by shareholders at the annual general meeting. They are also paid a meeting allowance for each Board, Board Committee or general meeting they attend. The Company reimburses reasonable expenses incurred by the Directors in the course of their duties as directors. The Directors concerned do not participate in the deliberation and decision in respect of his individual remuneration.

The aggregate remuneration of the Directors paid or payable or otherwise made available from the Company and its subsidiary companies during the year and categorized into appropriate components are as follows:-

	Executive Directors (RM'000)	Non-Executive Directors (RM'000)
Emoluments	685	–
Benefits-in-kind	17	–
Directors' fees	–	173
Attendance fees	–	22

Remuneration categories of the Directors of Company during the financial year are as follows:-

Range of remuneration	Number of Directors	
	Executive Director	Non-Executive Director
Below RM50,000	–	7
RM250,000 - RM300,000	1	–
RM400,000 - RM450,000	1	–

The Code recommends detailed disclosure to be made for each director's remuneration. However, the Board is of the view that the transparency and accountability is not compromised by the band disclosure as permitted by the Bursa Malaysia Listing Requirements.

SHAREHOLDERS

Shareholders are kept well informed of developments and performances of the Company through disclosures to the Bursa Malaysia and press (where appropriate) as well as the annual report. The annual report contains all the necessary disclosures in addition to facts and figures about the Company. In addition, efforts have been made to ensure that the report is user friendly so that shareholders have a good understanding about the Company and its operations.

Adequate time is given during Annual and Extraordinary General Meetings to allow the shareholders to seek clarifications or ask questions on pertinent and relevant matters.

In addition to the above, the Company is always willing to meet up with institutional investors when the need arises, to elaborate or further clarify information already disclosed to the other shareholders.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for the preparation of the annual audited financial statements, and the Board ensures that the accounts and the other financial reports of the Company and of the Group are prepared in accordance with applicable approved accounting standards and the provisions of the Companies Act, 1965.

On a quarterly basis, the Company releases to the Bursa Malaysia details of the Company's performance as well as information on current issues and concerns. These announcements are only released after scrutiny by the Audit Committee and approved by the Board of Directors. At the end of each financial year, a comprehensive annual report is published and sent to all the shareholders. This report is prepared in accordance with the latest Bursa Malaysia guidelines, and is available to the public.

The Audit Committee plays an active role in helping the Board discharge its governance responsibilities. The Committee works within the purview of the terms of reference, which have been drafted in accordance with the Listing Requirements. The role of the Committee in relation to the external auditors is also embodied under its terms of reference.

The Internal Audit Department reports directly to the Audit Committee. Their role is to carry out regular visits to the operating units to ensure compliance with the Group's policies, procedures and internal control systems. They have adopted a risk based approach when carrying out their audits. The findings are all properly documented and presented to the Audit Committee, with copies to the parties concerned, so that timely corrective measures can be taken.

The Board acknowledges its overall responsibility for maintaining the system of internal controls to safeguard shareholders' investment and the Company's assets. The Statement on Internal Control made in pursuance of paragraph 15.27 of the Listing Requirements is separately set out in this annual report.

COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE

The Group was substantially in compliance with the Best Practices of Corporate Governance throughout FY 2007, with the exception of the following:-

- We have not appointed a senior independent non-executive director, to whom concerns can be conveyed. We do not believe there is such a necessity because all our Board members actively and freely participate during Board meetings.

- Establishment of a Nomination Committee has not been effected as the Board carries out its functions.

ADDITIONAL COMPLIANCE STATEMENT

- **Material Contracts with Related Parties**
  There was no material contract subsisting at the end of the financial year on 31 December 2007 or entered into since the end of the financial year by the Company and its subsidiaries which involves interests of directors and major shareholders.

- **Sanctions and/or Penalties imposed**
  There was no sanction or penalty imposed on the Company and its subsidiaries, directors or management by regulatory bodies during the financial year ended 31 December 2007.

- **Share buy-backs**
  The details on the share buy-back by the Company during the financial year are reflected under Note 26 of the Financial Statements.

- **Options, warrants or convertible securities**
  During the financial year ended 31 December 2007, no new share option was issued. However, 3,212,000 share options issued in previous years pursuant to the Employee Share Option Scheme were exercised. As at 31 December 2007, employees hold 2,245,000 share options issued pursuant to the Employee Share Option Scheme. The Company has not issued any warrants or convertible securities during the financial year.

- **American Depository Receipt (ADR) or Global Depository Receipt (GDR) programme**
  The Company did not sponsor any ADR or GDR programme during the financial year ended 31 December 2007.

- **Non-audit fees**
  The non-audit fees paid to the external auditors for the financial year ended 31 December 2007 have been reflected under Note 7 of the Financial Statements.

- **Profit estimate, forecast, projection or unaudited results**
  The Company did not issue any profit estimate, forecast or projection for the financial year ended 31 December 2007. There is no variance between the audited results for the financial year and the unaudited results previously announced by the Company.

- **Profit guarantee**
  The Company did not give any profit guarantee during the financial year ended 31 December 2007.

- **Revaluation of landed properties**
  The Company does not have a revaluation policy on landed properties.

CHAIRMAN'S STATEMENT / *PENYATA PENGERUSI*

for the financial year ended 31 December 2007 / bagi tahun kewangan berakhir 31 Disember 2007

On behalf of the Board of Directors of MFCB, I have pleasure in presenting the 42nd Annual Report incorporating the Financial Statements of the Group and of the Company for the financial year ended 31 December 2007.

Review of Operations

The Group continued to achieve another year of growth in pre-tax profit, up 1.2% to RM95.8 million for the financial year ended 31 December 2007 against RM94.7 million recorded in the previous financial year. The growth was mainly attributed to the profit contribution from the Property Division.

In line with the better financial performance for the financial year, earnings per share rose to 21.2 sen from 19.5 sen in 2006. Against this backdrop, net assets of the Group increased from RM314.8 million as at 31 December 2006 to RM351.9 million as at 31 December 2007, an increase of 11.8%.

During the financial year, significant progress has been made by focusing on the core business of the Group. We remain confident that the Group will be able to achieve growth by strengthening its core businesses in its efforts to maximize shareholders' value.

Significant Corporate Events

A summary of the Group's significant corporate events is set out below:

a) On 30 May 2007, Batamas Sdn. Bhd. became a wholly-owned subsidiary of Rock Chemical Industries (Malaysia) Berhad ("RCI").

b) On 27 June 2007, RCI Minerals Sdn. Bhd. a wholly-owned subsidiary of RCI, completed its acquisition of Mesrasasi Sdn. Bhd. ("MESRA") for a total cash consideration of RM2,570,000.

c) On 27 June 2007, RCI Lime Sdn. Bhd., a wholly-owned subsidiary of RCI, completed its acquisition of a limestone crushing plant and equipment erected on MESRA's freehold industrial land for a cash consideration of RM1,007,260.

d) On 2 May 2007, Mega First Venture Limited ("MFVL"), a wholly owned subsidiary of RCI was incorporated in Hong Kong.

Bagi pihak Lembaga Pengarah MFCB, saya dengan sukacitanya membentangkan Laporan Tahunan Ke-42 menggabungkan Penyata Kewangan Kumpulan dan Syarikat bagi tahun kewangan berakhir 31 Disember 2007.

Ulasan Operasi

Kumpulan berjaya mencapai satu lagi tahun pertumbuhan dalam keuntungan pra-cukai, meningkat 1.2% kepada RM95.8 juta bagi tahun kewangan berakhir 31 Disember 2007 berbanding RM94.7 juta yang direkodkan dalam tahun kewangan sebelumnya. Pertumbuhan berpunca terutamanya daripada sumbangan keuntungan daripada Bahagian Hartanah.

Sejajar dengan prestasi kewangan yang lebih baik bagi tahun kewangan, perolehan setiap saham meningkat kepada 21.2 sen daripada 19.5 sen pada tahun 2006. Sehubungan dengan itu, aset-aset bersih Kumpulan meningkat daripada RM314.8 juta pada 31 Disember 2006 kepada RM351.9 juta pada 31 Disember 2007, satu peningkatan sebanyak 11.8%.

Dalam tahun kewangan, kemajuan ketara telah dicapai dengan menumpu pada perniagaan teras Kumpulan. Kami tetap yakin bahawa Kumpulan akan dapat mencapai pertumbuhan dengan mengukuhkan perniagaan terasnya dalam usahanya untuk memaksimumkan nilai pemegang-pemegang saham.

Peristiwa Penting Korporat

Ringkasan peristiwa penting Kumpulan dibentangkan di bawah:

a) Pada 30 Mei 2007, Batamas Sdn. Bhd. menjadi anak syarikat milik penuh Rock Chemical Industries (Malaysia) Berhad ("RCI").

b) Pada 27 Jun 2007, RCI Minerals Sdn. Bhd., anak syarikat milik penuh RCI, telah selesai melaksanakan pengambilalihannya ke atas Mesrasasi Sdn. Bhd. ("MESRA") bagi jumlah balasan tunai sebanyak RM2,570,000.

c) Pada 27 Jun 2007, RCI Lime Sdn. Bhd., anak syarikat milik penuh RCI, telah selesai melaksanakan pembelian sebuah loji dan peralatan penghancuran batu kapur yang didirikan di atas tanah perindustrian pegangan kekal milikan MESRA bagi balasan tunai sebanyak RM1,007,260.

d) Pada 2 Mei 2007, Mega First Venture Limited ("MFVL"), anak syarikat milik penuh RCI telah diperbadankan di Hong Kong.

CHAIRMAN'S STATEMENT / *PENYATA PENGERUSI*

for the financial year ended 31 December 2007 / bagi tahun kewangan berakhir 31 Disember 2007

e) On 27 February 2007, the shareholders of the Company approved the Company's plan to purchase its own ordinary shares (the "Buy-Back"). The purchase is up to ten percent (10%) of the issued and paid-up share capital of the Company as quoted on the Bursa Securities as at the point of purchase. On 27 April 2007, the shareholders of the Company renewed their mandate to allow the Company to purchase its own ordinary shares.

f) On 12 November 2007, Venture Finance Plc appointed Administrators for Bloxwich Engineering Limited ("BEL") and its wholly owned subsidiaries namely Bloxwich Automotive Limited, Bloxwich Transportation Products Limited, Bloxwich Security Product Limited, Bloxwich Fabrications Limited and APM (Advanced Presswork Manufacturers) Limited. This resulted from Bloxwich Engineering Limited (1978) Retirement Benefit Scheme giving notice on 9 October 2007 that the Scheme was wound up under subsection 75(2) of the Pensions Act 1995 (United Kingdom) and the debt owing to the Scheme by BEL was at £14,000,000 ("pension deficit").

On 16 November 2007, the Company reiterated that pension fund deficits are a global matter and not peculiar to BEL only. BEL was otherwise able to operate its business, pay all creditors and meet all its operational obligations save the abovementioned pension deficit. After completing the sale of one of its properties, namely the freehold factory land bearing postal address of P.O. Box No. 4, Bell Lane, Bloxwich, Walsall WS3 2JR, England for the cash consideration of £5,750,000 (announced on 11 September 2006), BEL would effectively be debt-free and profitable.

g) On 25 April 2007, the shareholders of RCI approved the establishment of an Employees' Share Option Scheme ("ESOS") for the benefit of the eligible Executive Directors and employees of RCI and its subsidiaries. The Scheme has yet to become effective.

h) On 12 October 2007, RCI obtained the approval of the Securities Commission ("SC") to change the utilisation of RM15,000,000 from the proceeds arising from the disposal of equity interest in Aalborg White Asia Sdn. Bhd. (formerly known as Aalborg-RCI White Cement Sdn. Bhd.) from expansion of kiln capacity to working capital.

e) Pada 27 Februari 2007, pemegang-pemegang saham Syarikat telah meluluskan rancangan Syarikat untuk membeli saham-saham biasanya sendiri ("Beli-Balik"). Pembelian adalah sehingga sepuluh peratus (10%) daripada modal saham Syarikat yang diterbitkan dan berbayar sebagaimana disebut harga pada Bursa Securities pada masa pembelian. Pada 27 April 2007, pemegang-pemegang saham Syarikat telah memperbaharui mandat mereka untuk membenarkan Syarikat membeli saham-saham biasanya sendiri.

f) Pada 12 November 2007, Venture Finance Plc telah melantik Pentadbir bagi Bloxwich Engineering Limited ("BEL") dan anak syarikat milik penuhnya iaitu Bloxwich Automotive Limited, Bloxwich Transportation Products Limited, Bloxwich Security Product Limited, Bloxwich Fabrications Limited dan APM (Advanced Presswork Manufacturers) Limited. Ini berpunca daripada Skim Faedah Persaraan Bloxwich Engineering Limited (1978) memberi notis pada 9 Oktober 2007 bahawa Skim telah digulung di bawah subseksyen 75(2) Akta Pencen 1995 (United Kingdom) dan hutang terhutang kepada Skim oleh BEL adalah sebanyak £14,000,000 ("defisit pencen").

Pada 16 November 2007, Syarikat telah mengulangi bahawa defisit dana pencen adalah perkara global dan bukan khusus kepada BEL sahaja. BEL sebaliknya dapat mengendalikan perniagaannya, membayar semua pemiutang dan memenuhi semua obligasi operasinya kecuali defisit pencen tersebut di atas. Selepas menyelesaikan jualan salah satu daripada harta-hartanya, iaitu tanah kilang pegangan kekal dengan alamat surat menyurat P.O. Box No. 4, Bell Lane, Bloxwich, Walsall WS3 2JR, England bagi balasan tunai sebanyak £5,750,000 (diumumkan pada 11 September 2006), BEL akan secara berkesan bebas daripada hutang dan akan mula mendapat keuntungan.

g) Pada 25 April 2007, pemegang-pemegang saham RCI telah meluluskan penubuhan Skim Opsyen Saham Kakitangan ("ESOS") untuk manfaat para Pengarah Eksekutif dan kakitangan RCI dan anak-anak syarikatnya yang layak. Skim tersebut belum lagi dilaksanakan.

h) Pada 12 Oktober 2007, RCI mendapat kelulusan Suruhanjaya Sekuriti ("SC") untuk pindaan terhadap baki hasil kutipan daripada pelupusan ekuiti Aalborg White Asia Sdn. Bhd. (dahulunya dikenali sebagai Aalborg-RCI White Cement Sdn. Bhd.) sejumlah RM15,000,000 daripada pengembangan keupayaan tanur kapur kepada modal kerja.

i) On 29 October 2007, the Government of the Lao People's Democratic Republic ("GOL") granted a renewal and extension of the term and validity of the Memorandum of Understanding on the hydroelectric power project in Don Sahong, Khong District, Champasak Province, Lao People's Democratic Republic ("Lao PDR"), to 22 February 2008.

On 13 February 2007, the Company signed the Project Development Agreement ("PDA") with GOL in Vientiane, Capital of Lao PDR to develop, build, own and operate the hydroelectric power project in Don Sahong. The PDA confers the Company the exclusive right for a mandate period of 18 months to negotiate the relevant project documents.

Dividend

The Board has recommended a final dividend of 3.5% less income tax for the financial year ended 31 December 2007 subject to the approval of the shareholders at the forthcoming Annual General Meeting. This brings the total gross dividend for the financial year to 5.5%.

Corporate Social Responsibility ("CSR")

During the financial year, the Group carried out its CSR through various activities which include donations and eco-friendly land management practices.

Prospect

The Group is optimistic that the results for the next financial year will continue to be profitable.

Acknowledgement and Appreciation

The Board would like to take this opportunity to extend its appreciation to shareholders, customers, business associates and regulatory authorities for their continuing support to the Group.

The Board would also like to thank the management and staff for their commitment to the Group.

Goh Nan Kioh
Chairman

28 April 2008

i) Pada 29 Oktober 2007, Kerajaan Republik Demokrat Rakyat Lao ("GOL") telah membenarkan pembaharuan semula dan pelanjutan tempoh dan kesahan Memorandum Persefahaman ke atas projek janakuasa hidroelektrik di Don Sahong, Daerah Khong, Jajahan Champasak, Republik Demokrat Rakyat Lao ("Lao PDR"), sehingga 22 Februari 2008.

Pada 13 Februari 2007, Syarikat telah menandatangani Perjanjian Pembangunan Projek ("PDA") dengan GOL di Vientiane, ibu negeri Lao PDR untuk membangun, membina, memiliki dan mengendalikan projek janakuasa hidroelektrik di Don Sahong. PDA memberikan Syarikat hak eksklusif bagi satu tempoh selama 18 bulan untuk merunding dokumen-dokumen projek berkaitan.

Dividen

Lembaga telah mengesyorkan dividen akhir sebanyak 3.5% tolak cukai pendapatan bagi tahun kewangan berakhir 31 Disember 2007 tertakluk kepada kelulusan pemegang-pemegang saham dalam Mesyuarat Agung Tahunan akan datang. Ini menjadikan dividen kasar keseluruhan bagi tahun kewangan sebanyak 5.5%.

Tanggungjawab Sosial Korporat ("CSR")

Dalam tahun kewangan, Kumpulan melaksanakan CSRnya melalui pelbagai aktiviti antaranya termasuk pendermaan dan amalan pengurusan tanah yang mesra alam.

Prospek

Kumpulan optimis bahawa keputusan bagi tahun kewangan berikutnya akan terus mendatangkan keuntungan.

Pengiktirafan dan Penghargaan

Lembaga ingin mengambil kesempatan ini untuk mengucapkan penghargaan kepada pemegang-pemegang saham, pelanggan-pelanggan, sekutu-sekutu perniagaan dan pihak berkuasa berkaitan atas sokongan berterusan mereka kepada Kumpulan.

Lembaga juga ingin mengucapkan terima kasih kepada pengurusan dan kakitangan atas komitmen mereka kepada Kumpulan.

Goh Nan Kioh
Pengerusi

28 April 2008

GROUP MANAGING DIRECTOR'S OPERATION REVIEW/

for the financial year ended 31 December 2007/

ULASAN OPERASI PENGARAH URUSAN KUMPULAN

bagi tahun kewangan berakhir 31 Disember 2007

Overview

For the financial year under review, the Group achieved a pre-tax profit of RM95.8 million (2006 : RM94.7 million) and a revenue of RM471.8 million (2006 : RM478.4 million). The Power Division continues its impressive performance with a pre-tax profit of RM70.9 million, followed by the Property Division which contributed RM19.1 million.

Power Division

The Power Division constitutes a major part of the Group's operations. It recorded a pre-tax profit of RM70.9 million (2006 : RM85.1 million) and a revenue of RM332.4 million (2006 : RM338.0 million).

The power plant in Shaoxing, China registered a pre-tax profit of RM50.3 million and a revenue of RM227.6 million, which were both lower than the previous financial year. These lower results were mainly due to continuing high coal prices, control of energy generation by the local Power Bureau, control over effluent discharge from textile factories to waste treatment plant and a 50% reduction of tax rebate on goods exported which greatly affected textile production.

The prospects of the power plant in Shaoxing would improve after a proposed modification which would give the operation a higher efficiency level once the modification work has been fully completed. The average coal consumption after the proposed modification is estimated to be lower by about 25% to 30%.

The power plant in Tawau, Malaysia registered a pre-tax profit of RM17.8 million (2006 : RM20.9 million) and a revenue of RM104.8 million (2006 : RM100.9 million). Despite the high operating profit, pre-tax profit decreased mainly due to a reversal of an insurance claim that was previously recognised in the income statement. Operating profit for 2007 was the highest ever since the plant is in operation.

Gambaran Keseluruhan

Bagi tahun kewangan di bawah kajian, Kumpulan mencapai keuntungan pra cukai sebanyak RM95.8 juta (2006 : RM94.7 juta) dan hasil sebanyak RM471.8 juta (2006 : RM478.4 juta). Bahagian Tenaga meneruskan prestasi cemerlangnya dengan keuntungan pra cukai sebanyak RM70.9 juta, diikuti oleh Bahagian Hartanah yang menyumbangkan RM19.1 juta.

Bahagian Tenaga

Bahagian Tenaga adalah bahagian utama operasi Kumpulan. Ia mencatat keuntungan pra cukai sebanyak RM70.9 juta (2006 : RM85.1 juta) dan hasil sebanyak RM332.4 juta (2006 : RM338.0 juta).

Loji janakuasa di Shaoxing, China mencatat keuntungan pra cukai sebanyak RM50.3 juta dan hasil sebanyak RM227.6 juta, yang mana kedua-duanya adalah lebih rendah daripada tahun kewangan sebelumnya. Keputusan yang rendah ini terutamanya disebabkan oleh harga arang batu yang berterusan tinggi, kawalan penjanaan tenaga oleh Biro Kuasa tempatan, kawalan ke atas pengeluaran efluen daripada kilang tekstil kepada loji rawatan sisa dan pengurangan rebet cukai 50% ke atas barangan eksport yang amat menjejaskan pengeluaran tekstil.

Prospek loji janakuasa di Shaoxing akan bertambah baik dan dapat memberikan tahap kecekapan operasi yang lebih tinggi sebaik sahaja kerja modifikasi disiapkan sepenuhnya. Purata penggunaan arang batu selepas modifikasi dianggarkan lebih rendah iaitu sebanyak lebih kurang 25% hingga 30%.

Loji janakuasa di Tawau, Malaysia mencatat keuntungan pra cukai sebanyak RM17.8 juta (2006 : RM20.9 juta) dan hasil sebanyak RM104.8 juta (2006 : RM100.9 juta). Di sebalik keuntungan kendalian yang tinggi, keuntungan pra cukai berkurangan terutamanya disebabkan oleh pembalikan tuntutan insurans yang sebelum ini diiktiraf dalam penyata pendapatan. Keuntungan kendalian bagi tahun 2007 adalah yang tertinggi pernah dicapai sejak loji beroperasi.

Property Division

The Property Division recorded a pre-tax profit of RM19.1 million (2006 : RM5.2 million) and a revenue of RM29.0 million (2006 : RM23.6 million).

This Division has significantly bettered its previous financial year's performance, raising its contribution to 18.4% (2006 : 5.4%) of the Group's pre-tax profit, after taking into account the fair value gain arising from the Group's joint venture project "PJ8". This achievement represents the results of the Division's well-placed strategies over the years, such as tight control on the layout and cost savings design, effective planning and marketing strategies, and repackaging with new ideas to promote and dispose the unsold units.

The Property Division will continue to focus on new launches and proceed on those projects that will contribute the most, clearing of completed units and sourcing for feasible joint ventures and good locations to replenish its existing land bank.

Engineering Division

The Engineering Division ended the financial year with a loss of RM9.0 million (2006 : profit of RM5.5 million). Its revenue was recorded at RM51.0 million (2006 : RM67.5 million) for the financial year under review.

Our subsidiary in South Africa was burdened with an increase in staff cost, utility cost and interest cost. This situation was made worst with the accelerated phase-out of old models as well as a delay in the launching of new models, and a write-off of the amount owing by the UK subsidiary which was under administration.

Major cost reduction activities are on-going to reduce the number of workforce at the plant and improve operational efficiencies to reduce financial stress in South Africa. In addition, it is currently working with several potential customers to increase sales.

Bahagian Hartanah

Bahagian Hartanah mencatat keuntungan pra cukai sebanyak RM19.1 juta (2006 : RM5.2 juta) dan hasil sebanyak RM29.0 juta (2006 : RM23.6 juta).

Bahagian ini telah secara ketara memperbaiki prestasi tahun kewangan sebelumnya, dengan meningkatkan sumbangannya kepada 18.4% (2006 : 5.4%) daripada keuntungan sebelum cukai Kumpulan, selepas mengambil kira laba nilai saksama yang timbul daripada projek usaha sama Kumpulan "PJ8". Pencapaian ini terhasil daripada strategi berkesan, seperti kawalan ketat dan penjimatan kos ke atas susun atur dan reka bentuk, perancangan dan pemasaran yang efektif, mempakej semula idea-idea baru untuk promosi dan penjualan unit-unit yang belum dijual.

Bahagian Hartanah akan terus menumpukan pada pelancaran projek-projek baru yang memberi lebih sumbangan, penjualan semua unit-unit yang telah siap dan mencari usaha sama baru dan lokasi-lokasi yang baik untuk menambah simpanan tanah yang sedia ada.

Bahagian Kejuruteraan

Bahagian Kejuruteraan mengakhiri tahun kewangan dengan kerugian sebanyak RM9.0 juta (2006 : keuntungan sebanyak RM5.5 juta). Hasilnya telah dicatat sebanyak RM51.0 juta (2006 : RM67.5 juta) bagi tahun kewangan di bawah kajian.

Anak syarikat kami di Afrika Selatan telah dibebankan dengan peningkatan dalam kos kakitangan, kos utiliti dan kos faedah. Keadaan ini menjadi bertambah buruk dengan penderasan pemberhentian model lama serta kelewatan dalam pelancaran model baru, dan penghapusan jumlah terhutang oleh anak syarikat UK yang berada di bawah pentadbiran kebankrapan.

Tindakan pengurangan kos utama terus dijalankan untuk mengurangkan bilangan pekerja dan meningkatkan kecekapan operasi untuk mengurangkan tekanan kewangan keatas anak syarikat di Afrika Selatan. Selain daripada itu, ia sekarang bekerja dengan beberapa pelanggan yang berpotensi untuk meningkatkan jualan.

GROUP MANAGING DIRECTOR'S OPERATION REVIEW

for the financial year ended 31 December 2007

ULASAN OPERASI PENGARAH URUSAN KUMPULAN

bagi tahun kewangan berakhir 31 Disember 2007

Limestone Division

The Limestone Division recorded a pre-tax profit of RM8.4 million (2006 : RM7.1 million) and a revenue of RM59.3 million (2006 : RM49.2 million).

The higher revenue was mainly attributable to a higher demand for lime sales, higher trading sales of petcoke and the sales of calcium silica bricks by its newly acquired subsidiary, Batamas Sdn Bhd.

This Division is continuously embarking on programs to expand its network both locally and overseas to diversify its customer base and at the same time develop new applications for its existing products as well as produce better margin products in order to stay ahead of the competition.

Bahagian Batu Kapur

Bahagian Batu Kapur mencatat keuntungan pra cukai sebanyak RM8.4 juta (2006 : RM7.1 juta) dan hasil sebanyak RM59.3 juta (2006 : RM49.2 juta).

Hasil yang lebih tinggi adalah terutamanya berpunca daripada peningkatan permintaan bagi produk-produk kapur, peningkatan jual-beli petcoke dan kemasukan jualan batu bata kalsium silika oleh anak syarikat yang baru iaitu, Batamas Sdn Bhd.

Bahagian ini sentiasa menceburi program-program untuk memperluaskan rangkaiannya secara tempatan dan luar negara untuk mempelbagaikan pangkalan pelanggannya dan pada masa yang sama membangunkan aplikasi-aplikasi baru bagi produk-produk yang sedia ada serta menghasilkan produk yang memberi keuntungan lebih baik untuk kekal menerajui persaingan.

AUDIT COMMITTEE REPORT

for the financial year ended 31 December 2007

1. Composition

Chairman : Mr. Yeow See Yuen (Independent Director)

Members : Dato' Haji Abu Hanifah bin Noordin (Independent Director)
Dato' Jorgen Bornhoft (Independent Director)

2. Terms of Reference

2.1. Membership

2.1.1 The Committee shall be appointed by the Board of Directors from amongst the Directors of the Company and shall consist of not less than three (3) members.

2.1.2 All members of the Audit Committee must be non-executive directors, with a majority of them, including the Chairman of the Committee, being independent directors as defined by Chapter 1 of the Listing requirement of Bursa Malaysia Securities Berhad ("the Exchange")

2.1.3 The Committee shall include at least one person :

a) who is a member of the Malaysian Institute of Accountants; or

b) Who must have at least 3 years' working experience and :-

  i) have passed the examinations specified in Part 1 of the First Schedule of the Accountants Act 1967; or

  ii) Is a member of one of the Associations specified in Part II of the First Schedule of the Accountants Act 1967, or

c) Who fulfils such other requirements as prescribed or approved by the Exchange.

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

2.1.5 The members of the Committee may elect a Chairman from amongst their number.

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

2.1.7 The term of office and performance of the Committee and of each of its members shall be reviewed by the Board no less than once every three (3) years. However, the appointment terminates when a member ceases to be a Director.

2.2 Meetings

2.2.1 The quorum for a Committee meeting shall be at least two (2) members, the majority present must be Independent Directors.

2.2.2 The Committee shall meet at least four (4) times a year and such additional meetings, as the Chairman shall decide.

2.2.3 Notwithstanding paragraph 2.2.2 above, upon the request of any member of the Committee, non-member Directors, the Internal or External Auditors, the Chairman shall convene a meeting of the Committee to consider the matters brought to its attention.

2.2.4 The External Auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so.

2.2.5 The Committee may invite any non-member Director or employee of the Company and of the Group who the Committee thinks fit and proper to attend its meeting to assist in its deliberations and resolutions of matters raised.

AUDIT COMMITTEE REPORT

for the financial year ended 31 December 2007

2.2.6 The Internal Auditors shall be in attendance at all meetings to present and discuss the audit reports and other related matters and the recommendations relating thereto and to follow up on all relevant decisions made.

2.2.7 The Company Secretary shall act as Secretary of the Committee and shall be responsible, with the concurrence of the Chairman, for drawing up and circulating the agenda and the notice of meetings together with the supporting explanatory documentation to members prior to each meeting.

2.2.8 The Secretary of the Committee shall be entrusted to record all proceedings and minutes of all meetings of the Committee.

2.2.9 In addition to the availability of detailed minutes of the meetings to all Board members, the Committee at each Board meeting shall report a summary of significant matters and resolutions.

2.3 Rights and Authority

The Committee is authorised to: -

2.3.1 Investigate any matter within its terms of reference.

2.3.2 Have adequate resources required to perform its duties.

2.3.3 Have full and unrestricted access to information, records and documents relevant to its activities.

2.3.4 Have direct communication channels with the External and Internal Auditors. In this regard, the Chairman of the Committee shall engage on a continuous basis with senior management such as the Chairman, the Chief Executive Officer, the Chief Financial Officer, the Internal Auditor and the External Auditors in order to be kept informed of matters affecting the Company or the Group.

2.3.5 Engage, consult and obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise it considers necessary.

2.3.6 Convene meetings with the External Auditors, the Internal Auditors or both, excluding the attendance of other directors and employees of the Company or of the Group, whenever deemed necessary. In this regard, the Committee shall meet with the External Auditors at least twice a year.

2.4 Functions and duties

2.4.1 To review and recommend for the Board's approval, the Internal Audit Charter which defines the independence, purpose, authority, scope and responsibility of the internal audit function in the Company and the Group.

2.4.2 To review the following and report to the Board: -

(a) With the External Auditors: -

(i) The audit plans and audit report and the extent of assistance rendered by employees of the Auditee,

(ii) Their evaluation of the system of internal controls,

(iii) The audit fee and on matter concerning their suitability for nomination, appointment and re-appointment and the underlying reasons for resignation or dismissal as Auditors,

(iv) The management letter and management's response, and

(v) Issues and reservations arising from audits.

(b) With the Internal Audit Department: -

(i) The adequacy and relevance of the scope, functions, competency and resources of internal audit and the necessary authority to carry out its work,

(ii) The audit plan of work programme and results of internal audit processes including actions taken or recommendations,

(iii) The extent of co-operation and assistance rendered by employees of Auditee, and

(iv) The appraisal or assessment of the performance of the internal audit function including that of the senior staff and any matter concerning their appointment, resgination and termination.

(c) The quarterly results and year end financial statement of accounts prior to the approval by the Board, focusing particularly on: -

(i) Changes and implementation of major accounting policies and practices,

(ii) Significant and unusual issues,

(iii) Going concern assumption, and

(iv) Compliance with Accounting Standards, regulatory and other legal requirements.

(d) The major findings of investigations and management response.

(e) The propriety of any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raise questions of management integrity.

2.4.3 To report any breaches of the Listing Requirements which have not been satisfactorily resolved, to the Exchange.

2.4.4 To prepare the Audit Committee Report for inclusion in the Company's Annual Report covering: -

(a) The composition of the Committee including the name, designation and directorship of the members,
(b) The terms of reference of the Committee,
(c) The number of meetings held and details of attendance of each member,
(d) A summary of the activities of the Committee in the discharge of its functions and duties,
(e) A summary of the activities of the Internal Audit function, and
(f) Such other matters as may be required by the relevant regulatory authorities from time to time.

2.4.5 To review the following for publication in the Company's Annual Report: -

(a) The disclosure statement of the Board on: -
(i) The Company's applications of the principles set out in Part I of the Malaysian Code on Corporate Governance, and
(ii) The extent of compliance with the best practices set out in Part II of the Malaysian Code on Corporate Governance, specifying reasons for any area of non-compliance and the alternative measures adopted in such areas,

(b) The statement on the Board's responsibility for the preparation of the annual audited financial statement of accounts,

(c) The disclosure statement on the state of the system of internal controls of the Company and of the Group, and

(d) Other disclosures forming the contents of annual report spelt out in Part A of Appendix 9C of the Listing Requirements of the Bursa Malaysia.

AUDIT COMMITTEE REPORT

for the financial year ended 31 December 2007

2.4.6 To verify the allocation of options pursuant to the share scheme for employees.

The above function and duties are in addition to such other functions as may be agreed to from time to time by the Committee and the Board

2.5 Internal Audit Department

2.5.1 The Head of the Internal Audit Department shall have unrestricted access to the Committee members and report directly to the Committee whose scope of responsibility includes overseeing the development, establishment and competency of the Internal Audit function.

2.5.2 In respect of the routine administrative matters, the Head of Internal Audit Department shall report to the Group Chief Executive.

2.5.3 The internal Audit Department shall be independent of the activities it audits.

3. Summary of Activities of the Committee

The Audit Committee has discharged its duties and responsibilities as set out in its terms of reference. The main activities of the Committee for the year ended 31 December 2007 were as follows: -

a) Reviewed the adequacy and relevance of the scope, functions, resources, internal audit plan and results of the internal audit processes, with the internal audit department,

b) Reviewed the quarterly financial reports for announcement to the Bursa Malaysia and year-end statutory accounts with management and the internal audit department,

c) Reviewed with management on their preparation for the annual financial statements prior to commencement of the annual audit,

d) Reviewed with external auditors on their audit plan (including system evaluation, issues raised and management's response) prior to the commencement of audit,

e) Reviewed the annual statutory accounts, the audit report, issues and reservations arising from audits and the management letter, with the external auditors,

f) Reviewed the disclosure of related party transactions and, any conflict of interest situation and transactions which may have an impact on management integrity,

g) Reviewed the latest changes of pronouncements issued by the accountancy, statutory and regulatory bodies,

h) Reported to and updated the Board on significant issues and concerns discussed during the Committee's meetings and where appropriate, made the necessary recommendations to the Board. Minutes of the Committee's meetings were made available to all Board members,

i) Prepared the Audit Committee Report for inclusion in the Company's Annual Report,

j) Reviewed the disclosure statements on compliance of the Malaysian Code on Corporate Governance, Board's responsibility on the annual audited accounts and the state of internal control and other relevant documents, for publication in the Company's Annual Report, and

k) Verified the allocation of options pursuant to the share scheme for employees, for compliance with the criteria for allocation of options disclosed to employees, at the end of the financial period.

4. Attendance of Meetings

During the year ended 31 December 2007, four (4) meetings of the Committee were held. The attendance record of the Committee members was as follows: -

Name of Committee member	Attendance record
Mr. Yeow See Yuen	4/4
Dato' Haji Abu Hanifah bin Noordin	4/4
Dato' Jorgen Bornhoft	4/4

5. Summary of Internal Audit Activities

The main activities of the Internal Audit Department for the year ended 31 December 2007 were as follows :-

a) Prepared the annual audit plan for the Audit Committee's approval.

b) Carried out risk-based audits of strategic business units of the Group, which cover reviews of the internal control system, accounting and management information systems, and risk management.

c) Co-created management corrective actions on audit issues raised, and issued audit reports to the Audit Committee and Management.

d) Reviewed the quarterly financial reports and year-end statutory accounts with management.

e) Reviewed the disclosure statements on compliance of the Malaysian Code on Corporate Governance, Board's responsibility on the annual audited accounts and the state of internal control and other relevant documents, for publication in the Company's Annual Report.

f) Reviewed the disclosure of related party transactions and, any conflict of interest situation and questionable transactions, and report thereon in the audit report.

g) Followed up on management corrective actions on audit issues raised by the external auditors.

h) Attended the Audit Committee meetings to table and discuss the audit reports and follow up on matters raised.

STATEMENT ON INTERNAL CONTROL

for the financial year ended 31 December 2007

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. The Listing Requirements of Bursa Malaysia ("BM") require Directors of listed companies to include in their annual report a statement about the state of their internal controls as a group. The Statement on Internal Control – Guidance for Directors of Public Listed Companies ("the Guidance") issued by the BM's Taskforce on Internal Control provides guidance for compliance with the aforesaid requirements. Set out below is the Board's Statement on Internal Control for the financial year ended 31 December 2007 which has been prepared in accordance with the Guidance.

The Board acknowledges that it is responsible for the overall internal control systems for the Group, and for reviewing its adequacy and integrity. However, the Board recognizes that such systems are designed to manage, rather than to eliminate, the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group for the financial year under review. This process is an integral part of the Group's system of internal control. Other key elements of this internal control system are:

a) Operating Procedures Manuals that set out the policies, procedures and practices to be adopted by all companies in the Group, to ensure clear accountabilities and control procedures are in place for all business units.

b) Comprehensive annual budgets that include business plans, strategies and risk profiles are presented to, and approved by the Board. Monthly results are then monitored against budgets and key performance indicators by management, focusing on variances and important operational issues, and the findings discussed with the business units.

c) On a quarterly basis, the Board reviews and discusses a comprehensive Group Managing Director's report, covering the Group's up to date performance. In addition, the Board also deliberates on the appropriateness of key business strategies adopted by the operating units in the light of any significant shifts in risks profiles. In this manner, the Board is not only kept well informed on current issues facing the Group but also participate in risk management.

d) Risk-based approach adopted by the internal audit department whose yearly audit plan is based on the key risk profiles of the business and functional units of the Group. This plan, which is approved by the Audit Committee prior to the commencement of the yearly period, is also regularly reviewed for further enhancement.

e) Regular internal audits are carried out to review the adequacy and integrity of the internal control systems of the business units based upon the audit plan. The reports are submitted to the Audit Committee, which reviews the findings with management at its quarterly meetings. These, together with the External Auditors' reports, provide additional assurance that control procedures are in place, and being followed.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors of **MEGA FIRST CORPORATION BERHAD** have pleasure in submitting their report and the audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and provision of management services. The principal activities of the subsidiaries and associate are set out in Notes 39 and 14 to the Financial Statements, respectively.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

SIGNIFICANT CORPORATE EVENTS

a) On 2 February 2007, Rock Chemical Industries (Malaysia) Berhad ("RCI"), a 60.42% subsidiary of the Company, made a conditional takeover offer for the remaining 3,061,800 ordinary shares not already owned, representing 66.56% of the issued and paid-up share capital of Batamas Sdn. Bhd. ("Batamas"), a 33.44%-owned associate of RCI, for a total cash consideration of approximately RM4.6 million or RM1.50 per ordinary share in Batamas.

   The offer was conditional upon RCI receiving valid acceptances which would result in RCI holding more than 50% of the voting shares of Batamas.

   On 15 February 2007, the conditional takeover offer became unconditional consequent to RCI having received valid acceptances which resulted in RCI holding more than 50% of the issued and paid-up share capital of Batamas. At the close of the takeover offer on 9 March 2007, RCI received valid acceptances of 94.52% of the issued and paid-up capital of Batamas. RCI subsequently acquired the remaining shares and Batamas became a wholly-owned subsidiary of RCI on 30 May 2007.

b) On 18 April 2007, RCI Minerals Sdn. Bhd. a wholly-owned subsidiary of RCI entered into a conditional sale and purchase agreement with 13 individuals to acquire the entire issued and paid-up share capital of Mesrasasi Sdn. Bhd. ("MESRA") comprising 200,000 fully paid ordinary shares of RM1.00 each for a total cash consideration of RM2,577,000.

   Contemporaneously, RCI Lime Sdn. Bhd., a wholly-owned subsidiary of RCI, entered into a conditional sale and purchase agreement with Syarikat Perusahaan Sri Murni Sdn. Bhd. to acquire the limestone crushing plant and equipment erected on MESRA's freehold industrial land held under Grant No. 58729, Lot 45152, Mukim of Kampar, District of Kinta, Perak for a cash consideration of approximately RM1,007,000.

   These acquisitions were completed on 27 June 2007.

c) On 2 May 2007, RCI incorporated a new wholly-owned subsidiary, Mega First Venture Limited ("MFVL"), in Hong Kong. MFVL has an authorized share capital of HKD2,000,000 divided into 2,000,000 fully paid ordinary shares of HKD1 each. Its issued and paid-up share capital is HKD100 divided into 100 fully paid ordinary shares of HKD1 each. The intended principal activity of MFVL is investment holding.

d) On 27 February 2007, the shareholders of the Company approved the Company's plan to purchase its own ordinary shares (the "Buy-Back"). The purchase is up to ten percent (10%) of the issued and paid-up share capital of the Company as quoted on the Bursa Securities as at the point of purchase. The Buy-Back is subject to compliance with Section 67A of the Companies Act, 1965 and any prevailing laws, orders, requirements, guidelines, rules and regulations issued by the relevant authorities at the time of purchase. On 27 April 2007, the shareholders of the Company renewed their mandate to allow the Company to purchase its own ordinary shares.

   During the financial year ended 31 December 2007, the Company purchased 2,660,800 of its issued ordinary shares from the open market at an average price of RM1.452 per share for a total consideration of approximately RM3,893,000 comprising purchase price of approximately RM3,864,000 and the transaction cost of approximately RM29,000. These shares are held as treasury shares in accordance with Section 67A of the Companies Act, 1965. The relevant details are disclosed in Note 26 to the Financial Statements.

SIGNIFICANT CORPORATE EVENTS (CONT'D)

e) On 12 November 2007, Venture Finance Plc appointed Administrators for Bloxwich Engineering Limited ("BEL") and its wholly-owned subsidiaries namely Bloxwich Automotive Limited, Bloxwich Transportation Products Limited, Bloxwich Security Product Limited, Bloxwich Fabrications Limited and APM (Advanced Presswork Manufacturers) Limited. This resulted from Bloxwich Engineering Limited (1978) Retirement Benefit Scheme giving notice on 9 October 2007 that the Scheme would be wound up under subsection 75(2) of the Pensions Act, 1995 (United Kingdom).

With effect from 1 October 2005, BISB and the Company have stopped providing financial support and guarantee to the present and future liabilities of the BEL Group. Accordingly, with effect from the six-month financial period ended 31 December 2005, the financial statements of the BEL Group have been prepared on a break-up basis. The Company has consolidated the losses of the BEL Group up to RM36.1 million, which represented the BISB Group's cost of investment in the BEL Group.

With effect from 12 November 2007, the Financial Statements of the BEL Group have been deconsolidated from the consolidated balance sheets following the appointment of administrators for BEL and its subsidiaries. There is no significant operational and financial impact on the Group.

f) On 25 April 2007, the shareholders of RCI approved the establishment of an Employee Share Option Scheme for the benefit of eligible Executive Directors and employees of RCI and its subsidiaries. The Scheme has yet to become effective.

g) On 29 October 2007, the Government of the Lao People's Democratic Republic ("GOL") granted an extension of the term and validity of the Memorandum of Understanding on the hydroelectric power project in Don Sahong ("Don Sahong project"), Khong District, Champasak Province, Lao People's Democratic Republic ("Lao PDR"), to 22 February 2008.

On 13 February 2008, the Company signed the Project Development Agreement ("PDA") with GOL in Vientiane, Capital of Lao PDR to develop, build, own and operate the Don Sahong project.

The PDA, together with the feasibility and social/environmental studies conducted, confirmed that the Don Sahong project is technically and financially viable.

RESULTS OF OPERATIONS

The results of the operations of the Group and of the Company for the financial year are as follows:

	GROUP RM'000	COMPANY RM'000
Profit before tax	95,823	29,189
Income tax expense	(13,336)	(12,726)
Profit for the financial year	82,487	16,463
Attributable to:		
Equity holders of the Company	50,463	16,463
Minority interests	32,024	–
	82,487	16,463

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in Notes 6 and 7 to the Financial Statements.

DIRECTORS' REPORT

DIVIDEND

A final dividend of 3% less income tax of 27% amounting to RM5,210,257 for the financial year ended 31 December 2006 was approved by the shareholders at the Annual General Meeting on 27 April 2007 and was paid on 29 May 2007.

An interim dividend of 2% less income tax of 27% (2006 : interim dividend of 2% less income tax of 28%) amounting to RM3,464,459 for the financial year ended 31 December 2007 was paid on 31 October 2007.

The Board is pleased to propose a final dividend of 3.5% less income tax of 26% for the financial year ended 31 December 2007. The proposed dividend, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting, has not been included as a liability in these financial statements.

RESERVES AND PROVISIONS

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

SHARE OPTIONS

An Employee Share Option Scheme ("ESOS") of the Company was implemented on 1 October 2001 for the benefit of eligible employees and Executive Directors of the Company and its subsidiaries incorporated in Malaysia. The initial five-year term of the ESOS which expired on 30 September 2006 was extended for a further five years to expire on 30 September 2011.

The main features of the ESOS are as follows:

(a) Employees and Executive Directors who have been employed for a continuous period of at least one year shall be eligible to participate in the ESOS.

(b) The maximum number of new ordinary shares in the Company which may be issued and allotted pursuant to the exercise of options granted under the scheme shall not exceed 10% of the issued and paid-up ordinary share capital of the Company at any point in time during the term of the ESOS.

(c) No options shall be granted for less than 1,000 ordinary shares nor more than 500,000 ordinary shares.

(d) The option price of each ordinary share under the ESOS shall be determined by the Board upon the recommendation of the ESOS committee, which is at a discount of not more than 10% on the weighted average market price of the shares for the five market days immediately preceding the date of offer, or the par value of each ordinary share, whichever is higher.

(e) An eligible employee can only participate in one ESOS implemented by any company within the Group.

(f) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company, other than as may be specified in a resolution approving the distribution of dividends prior to the allotment dates.

SHARE OPTIONS (CONT'D)

The movement in the number of options granted, exercised and lapsed during the financial year is as follows:

	Exercise price per ordinary share RM	Number of options over ordinary shares of RM1 each
Balance as of 1.1.2007	1.00	5,512,000
Granted	1.00	–
		5,512,000
Exercised	1.00	(3,212,000)
Lapsed	1.00	(55,000)
Balance as of 31.12.2007		2,245,000

The Company has been granted exemption by the Companies Commission of Malaysia for non-disclosure of the names of new option holders granted below 150,000 share options during the financial year. No new options were granted during the financial year.

The options granted to Executive Directors are disclosed under Directors' Interests. Details of the outstanding share options granted to other employees as at 31 December 2007 are as follows:

Option holders	Exercise price RM	Number of share options
Foo Kah Heng	1.00	210,000
Liew Leong Ting	1.00	210,000

ISSUES OF SHARES AND DEBENTURES

During the financial year,

(a) there were no changes in the authorised share capital of the Company;

(b) the issued and paid-up share capital increased from RM236,000,000 to RM239,212,000 by way of issuance of 3,212,000 ordinary shares of RM1 each for cash pursuant to the ESOS at the issue price of RM1 each. The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company; and

(c) there were no issues of debentures by the Company.

DIRECTORS' REPORT

OTHER FINANCIAL INFORMATION

Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:

(a) 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 had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

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

(a) which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the Financial Statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to the current assets in the Financial Statements of the Group and of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or the Financial Statements which would render any amount stated in the Financial Statements of the Group and of the Company misleading.

Other than as disclosed in Note 35 to the Financial Statements, at the date of this report, there does not exist:

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

In the opinion of the Directors:

(a) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and

(b) no item, transaction or event of a material and unusual nature has arisen during the financial year or in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS

The following Directors served on the Board of the Company since the date of the last report:

- Goh Nan Kioh
- Dr. Lim Thian Soo
- Yong Fook Shin
- Dato' Haji Abu Hanifah bin Noordin
- Maisuri Bin Besri
- Goh Nan Yang *(also alternate to Goh Nan Kioh)*
- Yeow See Yuen
- Dato' Jorgen Bornhoft
- Tay Kheng Chiong

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of Directors in office at the end of the financial year in shares of the Company are as follows:

	Number of ordinary shares of RM1 each			
	Balance as at 1.1.2007	**Addition**	**Disposal**	**Balance as at 31.12.2007**
SHARES IN THE COMPANY				
Goh Nan Kioh				
- Direct	713,600	–	–	**713,600**
- Deemed	67,781,400	560,700	–	**68,342,100**
Dr. Lim Thian Soo				
- Direct	90,000	–	–	**90,000**
- Deemed	49,722,200	110,000	–	**49,832,200**
Yong Fook Shin				
- Direct	60,000	–	–	**60,000**
Goh Nan Yang				
- Direct	10,000	–	–	**10,000**
Yeow See Yuen				
- Direct	250,000	166,500	–	**416,500**
- Deemed	26,000	–	–	**26,000**
Dato' Jorgen Bornhoft				
- Direct	150,000	25,000	–	**175,000**

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONT'D)

	Number of ordinary shares of RM1 each			
	Balance as at 1.1.2007	Addition	Disposal	Balance as at 31.12.2007
SHARES IN SUBSIDIARY, RCI				
Goh Nan Kioh				
- Deemed	25,594,300	–	–	**25,594,300**
Dr. Lim Thian Soo				
- Deemed	25,594,300	–	–	**25,594,300**
Goh Nan Yang				
- Direct	100	–	–	**100**
Dato' Jorgen Bornhoft				
- Direct	30,000	10,600	–	**40,600**

In addition to the above, the following Executive Directors are deemed to have interests in shares of the Company to the extent of the options granted to them pursuant to the ESOS of the Company as follows:

	Options over ordinary shares of RM1 each			
	Balance as at 1.1.2007	Granted	Exercised	Balance as at 31.12.2007
Dr. Lim Thian Soo	500,000	–	–	**500,000**
Goh Nan Yang	500,000	–	–	**500,000**

Goh Nan Kioh and Dr. Lim Thian Soo, by virtue of their interests in 28.87% (2006 : 29.02%) and 20.87% (2006 : 21.11%) of the Company respectively, are deemed to have interests in shares of its related corporations to the extent of the Company's interest, in accordance with Section 6A of the Companies Act, 1965. Other than as disclosed above, the Directors of the Company do not have any other interests in shares of the Company or of its related corporations.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefit (other than those disclosed as Directors' remuneration in the Financial Statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the Director has a substantial financial interest.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby Directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for the options granted to the Executive Directors pursuant to the Company's ESOS as disclosed above.

AUDITORS

The auditors, Messrs. Horwath, have indicated their willingness to continue in office.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

DR. LIM THIAN SOO

GOH NAN YANG

Kuala Lumpur
21 April 2008

REPORT OF THE AUDITORS

TO THE MEMBERS OF MEGA FIRST CORPORATION BERHAD
(Incorporated in Malaysia)

We have audited the Financial Statements as set out on pages 33 to 97. These Financial Statements are the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the Financial Statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall Financial Statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

(a) the abovementioned Financial Statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of :

(i) the state of affairs of the Group and of the Company as of 31 December 2007 and of the results and the cash flows of the Group and of the Company for the financial year ended on that date; and

(ii) the matters required by Section 169 of the Act to be dealt with in the Financial Statements; and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the Financial Statements and auditors' reports of the subsidiaries of which we have not acted as auditors, as shown in Note 39 to the Financial Statements, being Financial Statements that have been included in the Group Financial Statements.

We are satisfied that the Financial Statements of the subsidiaries that have been consolidated with the Financial Statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the Group Financial Statements, and we have received satisfactory information and explanations as required by us for these purposes.

The auditors' reports on the Financial Statements of the subsidiaries were not subject to any qualification and did not include any comment made under Sub-section (3) of Section 174 of the Act other than as disclosed in Note 13 to the Financial Statements.

Horwath
AF1018
Chartered Accountants

Lee Kok Wai
2760/06/08 (J)
Partner

21 April 2008

INCOME STATEMENTS

for the financial year ended 31 December 2007

		GROUP		COMPANY	
	Note	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Revenue	5	**471,813**	478,387	**50,015**	40,997
Cost Of Sales		**(360,462)**	(355,082)	**–**	–
Gross Profit		**111,351**	123,305	**50,015**	40,997
Distribution Costs		**(6,115)**	(4,391)	**–**	–
Administrative Expenses		**(27,223)**	(25,793)	**(3,022)**	(3,302)
Other Expenses		**(7,098)**	(5,660)	**(17,338)**	(56,192)
Other Income		**31,797**	15,428	**171**	129,663
Profit From Operations	7	**102,712**	102,889	**29,826**	111,166
Finance Costs	8	**(6,887)**	(7,771)	**(637)**	(1,786)
Share Of Loss In Associates		**(2)**	(442)	**–**	–
Profit Before Tax		**95,823**	94,676	**29,189**	109,380
Income Tax Expense	9	**(13,336)**	(16,968)	**(12,726)**	(1,821)
Profit For The Financial Year		**82,487**	77,708	**16,463**	107,559
Attributable To:					
Equity Holders Of The Company		**50,463**	46,120	**16,463**	107,559
Minority interests		**32,024**	31,588	**–**	–
		82,487	77,708	**16,463**	107,559
Earnings Per Share (sen)					
- Basic	11	**21.23**	19.54		
- Diluted		**21.10**	19.10		

The accompanying Notes on pages 41 to 97 form an integral part of the Financial Statements.

BALANCE SHEETS

as at 31 December 2007

	Note	GROUP 2007 RM'000	GROUP 2006 RM'000	COMPANY 2007 RM'000	COMPANY 2006 RM'000
ASSETS					
Non-Current Assets					
Property, Plant And Equipment	12	**221,216**	234,606	**191**	448
Subsidiaries	13	**–**	–	**134,317**	151,623
Associates	14	**3,998**	6,173	**3,500**	3,500
Investments	15	**10,899**	8,329	**–**	–
Prepaid Lease Payments	16	**3,680**	3,496	**–**	–
Investment Properties	17	**45,259**	30,918	**–**	–
Land Held For Property Development	18	**68,684**	66,792	**–**	–
Goodwill On Consolidation	19	**10,027**	7,785	**–**	–
		363,763	358,099	**138,008**	155,571
Current Assets					
Inventories	20	**39,891**	37,593	**–**	–
Property Development	21	**14,920**	17,551	**–**	–
Receivables	22	**122,151**	126,381	**147,922**	136,920
Bank Balances And Deposits	23	**121,928**	100,750	**15,532**	533
		298,890	282,275	**163,454**	137,453
Non-Current Asset Held For Sale	24	**–**	40,196	**–**	–
		298,890	322,471	**163,454**	137,453
TOTAL ASSETS		**662,653**	680,570	**301,462**	293,024
EQUITY AND LIABILITIES					
Share Capital	25	**239,212**	236,000	**239,212**	236,000
Treasury Shares	26	**(3,893)**	–	**(3,893)**	–
Reserves	27	**116,587**	78,819	**48,631**	40,846
Equity Attributable To Equity Holders Of The Company		**351,906**	314,819	**283,950**	276,846
Minority Interests		**110,557**	124,913	**–**	–
Total Equity		**462,463**	439,732	**283,950**	276,846

The accompanying Notes on pages 41 to 97 form an integral part of the Financial Statements.

		GROUP		COMPANY	
		2007	2006	2007	2006
	Note	RM'000	RM'000	RM'000	RM'000
Non-Current Liabilities					
Long-Term Borrowings	28	**23,745**	29,985	**–**	–
Hire Purchase Payables	29	**1,855**	2,622	**–**	28
Deferred Taxation	30	**26,193**	27,497	**–**	–
		51,793	60,104	**–**	28
Current Liabilities					
Payables	31	**85,501**	98,100	**13,501**	12,142
Short-Term Borrowings	32	**56,561**	72,392	**4,011**	4,008
Taxation		**6,335**	10,242	**–**	–
		148,397	180,734	**17,512**	16,150
Total Liabilities		**200,190**	240,838	**17,512**	16,178
TOTAL EQUITY AND LIABILITIES		**662,653**	680,570	**301,462**	293,024
Net Assets Per Ordinary Share (sen)	33	**149**	133		

The accompanying Notes on pages 41 to 97 form an integral part of the Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2007

GROUP	Attributable to equity holders of the parent									
		Non-distributable reserves *					Distributable			
	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Share Option Reserve RM'000	Translation Reserve RM'000	Capital Reserve RM'000	Retained Profits RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
Balance at 1 January 2006	236,000	33,380	–	–	8,171	2,213	(3,625)	276,139	96,139	372,278
Currency translation differences	–	–	–	–	(1,521)	–	–	(1,521)	476	(1,045)
Profit for the financial year	–	–	–	–	–	–	46,120	46,120	31,588	77,708
Dividends	–	–	–	–	–	–	(5,947)	(5,947)	(3,313)	(9,260)
Dilution of investment in a subsidiary	–	–	–	–	–	–	–	–	63	63
Purchase of additional investment in a subsidiary	–	–	–	–	–	–	–	–	(40)	(40)
Share options granted under ESOS	–	–	–	28	–	–	–	28	–	28
Balance at 1 January 2007	236,000	33,380	–	28	6,650	2,213	36,548	314,819	124,913	439,732
Currency translation differences	–	–	–	–	(4,017)	–	–	(4,017)	(1,646)	(5,663)
Profit for the financial year	–	–	–	–	–	–	50,463	50,463	32,024	82,487
Dividends	–	–	–	–	–	–	(8,678)	(8,678)	(44,734)	(53,412)
Issue of ordinary shares pursuant to ESOS	3,212	–	–	–	–	–		3,212	–	3,212
Purchase of treasury shares	–	–	(3,893)	–	–	–		(3,893)	–	(3,893)
Balance at 31 December 2007	239,212	33,380	(3,893)	28	2,633	2,213	78,333	351,906	110,557	462,463

COMPANY	Share Capital RM'000	Share Premium* RM'000	Treasury Shares RM'000	Share Option Reserve* RM'000	Accumulated (Losses)/ Retained Profits RM'000	Total RM'000
Balance at 1 January 2006	236,000	33,380	–	–	(94,174)	175,206
Dividends	–	–	–	–	(5,947)	(5,947)
Profit for the financial year	–	–	–	–	107,559	107,559
Share options granted under ESOS	–	–	–	28	–	28
Balance at 1 January 2007	236,000	33,380	–	28	7,438	276,846
Dividends	–	–	–	–	(8,678)	(8,678)
Profit for the financial year	–	–	–	–	16,463	16,463
Issue of ordinary shares pursuant to ESOS	3,212	–	–	–	–	3,212
Purchase of treasury shares	–	–	(3,893)	–	–	(3,893)
Balance at 31 December 2007	239,212	33,380	(3,893)	28	15,223	283,950

* *These reserves are not distributable by way of cash dividends.*

The accompanying Notes on pages 41 to 97 form an integral part of the Financial Statements.

CASH FLOW STATEMENTS

for the financial year ended 31 December 2007

GROUP	2007 RM'000	2006 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**95,823**	94,676
Adjustments for:		
Allowance/(Reversal) for:		
- Doubtful debts	**520**	710
- Foreseeable loss on property development no longer required	**(205)**	(39)
Allowance for doubtful debts written back	**(80)**	(5)
Amortisation of prepaid lease payments	**194**	192
Depreciation of property, plant and equipment	**24,184**	24,933
Fair value gain on investment properties	**(14,308)**	–
Finance costs	**6,887**	7,771
(Gain)/Loss on disposal of:		
- Investment in jointly controlled entity	**–**	3,097
- Land held for property development	**–**	81
- Property, plant and equipment	**(317)**	(31)
- Quoted investments	**(4,928)**	–
Gain on deconsolidation of a foreign group of subsidiaries	**(2,436)**	–
Interest income	**(2,693)**	(2,490)
Impairment loss on land held for property development written back	**(4,055)**	–
Overprovision of retirement benefits	**(450)**	–
Realisation of foreign currency translation reserve	**(689)**	–
Reversal of cost overaccrued	**178**	–
Share of loss in associates	**2**	442
Share options granted under ESOS	**–**	28
Write-down in value of assets arising from a change in the basis of consolidation for a subsidiary	**3,529**	–
Write-off of:		
- Bad debts	**1,065**	–
- Inventories	**803**	56
- Property, plant and equipment	**183**	2,361
Operating Profit Before Working Capital Changes	**103,207**	131,782
(Increase)/Decrease in:		
Inventories	**(4,324)**	1,028
Property development	**2,836**	288
Receivables	**11,695**	(27,382)
Increase/(Decrease) in payables	**1,101**	(28,096)
Cash Generated From Operations	**114,515**	77,620
Income tax paid	**(22,222)**	(5,665)
Net Cash From Operating Activities	**92,293**	71,955

The accompanying Notes on pages 41 to 97 form an integral part of the Financial Statements.

CASH FLOW STATEMENTS

for the financial year ended 31 December 2007

GROUP	Note	2007 RM'000	2006 RM'000
CASH FLOWS FOR INVESTING ACTIVITIES			
Interest income		**2,693**	2,490
Cash returned		**213**	–
(Increase)/Decrease in:			
Investment properties		**(33)**	(6,580)
Land held for property development		**2,163**	(1,132)
Net cash inflow from deconsolidation of a foreign group of subsidiaries		**3,657**	–
Net cash outflow from acquisition of subsidiaries		**(8,917)**	–
Proceeds from disposal of:			
Investment in jointly controlled entity		**–**	1,400
Property development		**–**	4,230
Property, plant and equipment		**1,192**	10,220
Quoted investments		**9,603**	–
Purchase of:			
Property, plant and equipment		**(19,401)**	(18,716)
Quoted investments		**(7,123)**	(8,173)
Net Cash For Investing Activities		**(15,953)**	(16,261)
CASH FLOWS FOR FINANCING ACTIVITIES			
Finance costs paid		**(6,887)**	(7,771)
Decrease in:			
Short-term borrowings, excluding bank overdrafts and long-term borrowings due within 12 months		**(3,145)**	(18,863)
Hire purchase payables		**(898)**	(2,672)
Dividend paid		**(8,678)**	(5,947)
Dividend paid to minority shareholders		**(26,657)**	(3,313)
Proceeds from mortgage loan and term loans		**9,356**	–
Proceeds from issue of shares pursuant to ESOS		**3,212**	–
Purchase of treasury shares		**(3,893)**	–
Repayment of:			
Fixed rate serial bonds		**(8,000)**	(8,000)
Mortgage bond and term loans		**(4,133)**	(8,442)
Net Cash For Financing Activities		**(49,723)**	(55,008)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**26,617**	686
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		**88,621**	88,179
Effect of exchange differences		**(775)**	(244)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	36	**114,463**	88,621

The accompanying Notes on pages 41 to 97 form an integral part of the Financial Statements.

COMPANY	2007 RM'000	2006 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before tax	**29,189**	109,380
Adjustments for:		
Depreciation of property, plant and equipment	**155**	186
Finance costs	**637**	1,786
Impairment loss on investment in subsidiaries	**17,306**	56,157
Loss on disposal of a subsidiary	**–**	62
Loss on foreign exchange - unrealised	**31**	34
Share options granted under ESOS	**–**	28
Write-off of property, plant and equipment	**1**	1
Dividend income	**(48,858)**	(40,133)
Gain on disposal of a subsidiary	**–**	(31,014)
Gain on disposal of property, plant and equipment	**(104)**	(54)
Interest income	**(94)**	(3)
Waiver of inter-company debts	**–**	(98,543)
Operating Loss Before Working Capital Changes	**(1,737)**	(2,113)
Increase in receivables	**(5,413)**	(2,759)
Increase/(Decrease) in payables	**4,781**	(953)
Cash Used In Operations	**(2,369)**	(5,825)
Income tax refunded	**–**	2,326
Net Cash For Operating Activities	**(2,369)**	(3,499)
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES		
Dividend received	**35,666**	37,436
Interest income	**94**	3
Advances to subsidiaries	**(5,154)**	(40,378)
Investment in subsidiaries	**–**	(296)
Proceeds from disposal of property, plant and equipment	**278**	54
Purchase of property, plant and equipment	**(73)**	(257)
Net Cash From/(For) Investing Activities	**30,811**	(3,438)

The accompanying Notes on pages 41 to 97 form an integral part of the Financial Statements.

CASH FLOW STATEMENTS

for the financial year ended 31 December 2007

	Note	2007 RM'000	2006 RM'000
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES			
Dividend paid		**(8,678)**	(5,947)
Finance costs paid		**(637)**	(1,786)
Repayment of hire purchase obligations		**(62)**	(71)
Repayment to subsidiaries		**(3,388)**	13,744
Proceeds from issue of shares pursuant to ESOS		**3,212**	–
Purchase of treasury shares		**(3,893)**	–
Net Cash (For)/From Financing Activities		**(13,446)**	5,940
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**14,996**	(997)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		**525**	1,522
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	36	**15,521**	525

The accompanying Notes on pages 41 to 97 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a public company limited by shares, incorporated under the Malaysian Companies Act, 1965 and domiciled in Malaysia, and is listed on the Main Board of the Bursa Malaysia Securities. The registered office and principal place of business of the Company is located at 8-05 Level 8, Menara Milenium, 8 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 21 April 2008.

2. PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and provision of management services. The principal activities of the subsidiaries and associates are set out in Notes 39 and 14 to the Financial Statements, respectively.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965.

During the current financial year, the Company had adopted the following new and revised Financial Reporting Standards ("FRSs") issued by Malaysian Accounting Standards Boards ("MASB") which are relevant to its operations:

(a) FRSs issued and effective for financial periods beginning on or after 1 October 2006:

FRS 117	-	Leases
FRS 124	-	Related Party Disclosures

The Company had adopted FRS 117 in the previous financial year.

(b) FRSs issued and effective for financial years beginning on or after 1 January 2007:

FRS 6	-	Exploration for and Evaluation of Mineral Resources
FRS 119_{2004}	-	Amendment to FRS 119_{2004} Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures

The adoption of these new and revised FRSs does not have any material financial effects on the financial statements of the Group and of the Company.

The Company has not adopted FRS 139 - Financial Instruments: Recognition and Measurement and the consequential amendments resulting from FRS 139 as the effective date is deferred to a date to be announced by the MASB. FRS 139 establishes the principles for the recognition and measurement of financial assets and financial liabilities including circumstances under which hedge accounting is permitted. By virtue of the exemption provided under paragraph 103AB of FRS 139, the impact of applying FRS 139 on its financial statements upon first adoption of the standard as required by paragraph 30(b) of FRS 108 is not disclosed.

3. BASIS OF PREPARATION (CONT'D)

The following FRSs have been issued and are effective for financial periods beginning on or after 1 July 2007:

FRS 107	-	Cash Flow Statements
FRS 111	-	Construction Contracts
FRS 112	-	Income Taxes
FRS 118	-	Revenue
FRS 120	-	Accounting for Government Grants and Disclosure of Government Assistance
FRS 137	-	Provisions, Contingent Liabilities and Contingent Assets

The above FRSs align the MASB's FRSs with equivalent International Accounting Standards ("IASs"), both in terms of form and content. The adoption of these standards will only impact the form and content of disclosures presented in the financial statements.

The Company will apply these FRSs from the financial year ending 31 December 2008 onwards.

FRS 134 - Interim Financial Reporting has been issued and is effective for the financial periods beginning on or after 1 July 2007. This amendment aligns the MASB's FRSs with the equivalent IAS, both in terms of form and content. The adoption of this standard will only impact the form and content of disclosures presented in the quarterly financial statements. The Group and the Company will apply this FRS from the financial year ending 31 December 2008 onwards.

Framework for the Preparation and Presentation of Financial Statements has been issued and is effective immediately. This Framework sets out the concepts that underlie the preparation and presentation of financial statements for external users. It is not an MASB approved accounting standard and hence, does not define standards for any particular measurement or disclosure issue. The Group and the Company have applied this Framework for the financial year ended 31 December 2007 onwards.

Amendment to FRS 121 - The Effects of Changes in Foreign Exchange Rates *Net Investment in a Foreign Operation* has been issued and is effective for financial periods beginning on or after 1 July 2007. This amendment results in exchange differences arising from a monetary item that forms part of the Company's net investment in a foreign operation to be recognised in equity irrespective of the currency in which the monetary item is denominated and whether the monetary item results from a transaction with the Company or any of its subsidiaries. Previously, exchange differences arising from such transactions between the Company and its subsidiaries would be accounted for in the income statement or in equity depending on the currency of the monetary item. The Group and the Company will apply this amendment from the financial year ending 31 December 2008 onwards.

IC Interpretation 1 - Changes in Existing Decommissioning, Restoration and Similar Liabilities has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation addresses the effects of events that changes the measurement of an existing decommissioning, restoration or similar liability, namely a change in the estimated outflow of resources embodying economic benefits required to settle the obligation, a change in the current market-based discount rate as defined in paragraph 48 of FRS 137_{2004} and an increase that reflects the passage of time. This interpretation is not relevant to the Group and the Company's operations.

IC Interpretation 2 - Members' Shares in Co-operative Entities and Similar Instruments has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation is not relevant to the Group and the Company's operations.

IC Interpretation 5 - Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation is not relevant to the Group and the Company's operations.

IC Interpretation 6 - Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation is not relevant to the Group and the Company's operations.

3. BASIS OF PREPARATION (CONT'D)

IC Interpretation 7 - Applying the Restatement Approach under FRS 129_{2004} Financial Reporting in Hyperinflationary Economies has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation is not relevant to the Group and the Company's operations.

IC Interpretation 8 - Scope of FRS 2 has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation applies to transactions in which goods or services are received, including transactions in which the entity cannot identify specifically some or all of the goods or services received. Where the fair value of the share-based payment is in excess of the identifiable goods or services received, it is presumed that additional goods or services have been or will be received. The whole fair value of the share-based payment will be charged to the income statement. The Group and the Company will apply this interpretation from the financial year ending 31 December 2008 onwards.

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The Group Financial Statements include the Financial Statements of the Company and of all its subsidiaries made up to the end of the financial year. Subsidiaries are consolidated using the purchase method of accounting. Subsidiaries previously consolidated using the acquisition method have not been retrospectively restated in accordance with FRS 1. The results of the subsidiaries acquired or disposed of during the year are included in the Group Financial Statements from the effective date of acquisition or to the effective date of disposal.

Significant intra-group transactions, balances and unrealised gains or losses are eliminated in full on consolidation; unless cost cannot be recovered.

The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination.

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.

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

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

One of the foreign subsidiaries, Bloxwich Industries (Pty) Limited ("BIL"), has been operating under very difficult market conditions in South Africa. Escalating raw material costs, dwindling demand from a major customer and a sharp depreciation of the South African Rand have resulted in losses in the subsidiary and a significant deterioration of its financial position.

The Directors of BIL, having considered BIL's adverse financial position and unfavorable market condition are contemplating to exit the business in South Africa, unless a long-term viable solution is found. Accordingly, the Directors of BIL are of the opinion that the appropriate basis of preparing the Financial Statements of BIL for the financial year ended 31 December 2007 is on a break-up basis, that is to record the carrying values of assets and liabilities at their fair values and/or net realisable values and to accrue for additional relevant liabilities as appropriate.

Arising from this change in the basis of preparation of the Financial Statements of BIL from a going concern to that of a break-up basis, the Group has taken a charge of RM3,529,000 in its Financial Stetements, which represents a net write-down in the carrying value of BIL's assets.

With effect from 12 November 2007, the Financial Statements of one of the foreign group of subsidiaries, Bloxwich Engineering Limited ("BEL") Group have been deconsolidated from the consolidated financial statements following the appointment of administrators for BEL and its subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Goodwill

Goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable net assets of the subsidiaries at the date of acquisition.

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually. The impairment value of goodwill is recognised immediately in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in a subsequent period.

If, after reassessment, the Group's interest in the fair values of the identifiable net assets of the subsidiaries exceeds the cost of the business combinations, the excess is recognised immediately in the consolidated income statement.

Intangible Assets

An intangible asset shall be recognised if, and only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and that the cost of the asset can be measured reliably. An entity shall assess the probability of the expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset. An intangible asset shall be measured initially at cost.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Financial Instruments

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

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 an expense or income. Distributions to holders of 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.

Financial instruments recognised in the balance sheet are disclosed in the individual policy statement associated with each item.

Receivables

Receivables are stated at anticipated realisable value. Bad debts are written off while allowance for doubtful debts made is based on estimates of possible losses from non-collection.

Payables

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Equity Instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when declared before the balance sheet date.

Cash and Cash Equivalents

The Group and the Company adopt the indirect method in the preparation of the cash flow statements.

Cash equivalents are short-term, highly liquid investments with maturities of one year or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value.

Marketable Securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in profit or loss. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in the income statement.

Functional and Foreign Currency

(i) Functional and Presentation Currency

The functional currency of the Company and each of the Group's entity is measured using the currency of the primary economic environment in which the Company or that entity operates.

The Group Financial Statements are presented in Ringgit Malaysia ("RM") which is also the Company's functional and presentation currency.

(ii) Transactions and Balances

Transactions in foreign currency are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the balance sheet date are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are taken to the income statement.

(iii) Foreign Operations

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;

- income and expenses for income statement are translated at the average exchange rates for the year; and

- all resulting exchange differences are recognised as a separate component of equity, as a foreign currency translation reserve. On disposal, accumulated translation differences are recognised in the consolidated income statements as part of the gain or loss on sale.

NOTES TO THE FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The principal closing rates used in the translation of foreign currencies are as follows:

	2007 RM	2006 RM
1 United States Dollar	**3.313**	3.533
1 Chinese Renminbi	**0.453**	0.465
1 South African Rand	**0.480**	0.505

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Dividends from subsidiaries and associates and other investments are recognised when the shareholders' right to receive is established.

Interest income on short-term deposits and advances are recognised on an accrual basis based on prevailing rates.

Revenue from the provision of management services is recognised based on services rendered.

Revenue from the sale of electricity and steam is recognised based on capacity charges, electricity billings and steam supplied.

Revenue from property development projects is accounted for based on the stage of completion method as determined by the proportion of the units sold attributable to the percentage of development work where the outcome of the projects can be reliably estimated.

Revenue from the sale of goods is recognised upon delivery of products and when risks and rewards of ownership have passed.

Income Tax

Income tax on the profit or loss for the period comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying values 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 future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of Assets

The carrying amounts of property, plant and equipment, property development, investment in subsidiaries and associates, and goodwill on consolidation are reviewed at each balance sheet date to determine whether there are any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying value of that asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statements unless the asset is carried at a revalued amount in which case the impairment losses are treated as a revaluation deficit to the extent of the previously recognised revaluation surplus for the same asset.

The recoverable amount is the greater of the asset's net selling price and its value-in-use. In assessing value-in-use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised.

An impairment loss is only reversed to the extent that the asset's carrying value does not exceed the carrying value that would have been determined, net of depreciation or amortisation, had no impairment loss had been recognised. All reversals are recognised in the income statements, unless the asset is carried at its revalued amount, in which case, the reversal is credited directly to the revaluation surplus for the same asset.

Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, as applicable. The policy for the recognition and measurement of impairment losses is in accordance with the policy on impairment of assets.

Gain or loss on the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements.

(i) Freehold and Leasehold Quarry Land

Freehold land is not amortised.

Leasehold quarry land are amortised over the period of the leases which is 30 years.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(ii) Other Property, Plant and Equipment

Other property, plant and equipment, with the exception of power plants and construction in progress, are depreciated on the straight-line basis to write off the cost of each asset over its estimated useful life. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual depreciation rates are:

Buildings	1.5% to 6.5%
Machinery and equipment	7.5% to 50%
Vehicles	10% to 25%

Power plants are depreciated on the straight-line basis to write off the cost less estimated residual value over the concession periods of 21 to 22 years.

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, 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 the property, plant and equipment.

Construction in progress represents assets under construction, and which are not ready for commercial use at the balance sheet date. Construction in progress is stated at cost, and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use. Cost of construction in progress includes preliminary expenses direct costs, related expenditure and interest cost on borrowings taken to finance the construction or acquisition of the assets to the date that the assets are completed and put into use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is included in the income statement in the year the asset is derecognised.

Capitalisation of Borrowing Costs

Borrowing costs incurred on the construction of property, plant and equipment which require a period of time to get them ready for their intended use are capitalised and included as part of the cost of the related assets.

Borrowing costs incurred on property development projects are capitalised and included as part of development expenditure. However, capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are charged to the income statement as expenses in the period in which they are incurred.

Assets Acquired Under Hire Purchase Arrangements

Assets acquired under hire purchase arrangements are capitalised in the Financial Statements and the corresponding obligations treated as liabilities. Finance charges are allocated to the income statements to give a constant periodic rate of interest on the remaining hire purchase liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Subsidiaries

Subsidiaries are entities in which the Group has a long-term equity interest and/or power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Investments in subsidiaries are stated at cost less impairment losses, as applicable. The policy for the recognition and measurement of impairment losses is in accordance with the policy on impairment of assets.

On the disposal of the investments in subsidiaries the difference between the net disposal proceeds and the carrying amount of the investments is taken to the income statement.

Associates

Associates are entities in which the Group has a long-term equity investment and/or the Group is in a position to exercise significant influence through management participation.

Investments in associates are accounted for in the Group Financial Statements using the equity method and are stated at cost less impairment losses, as applicable. The policy for the recognition and measurement of impairment losses is in accordance with the policy on impairment of assets.

The Group's share of results and reserves of associates acquired or disposed of is included in the Group Financial Statements from the effective date of acquisition or to the effective date of disposal.

Unrealised gains or losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Where necessary, in applying the equity method, adjustments are made to the Financial Statements of associates to ensure consistency of accounting policies with the Group.

On the disposal of the investments in associates, the difference between the net disposal proceeds and the carrying amount of the investments is taken to the income statement.

Investments

Investments held on a long-term basis are stated at cost. Allowance for diminution in the value of investments is made to recognise any permanent decline.

On the disposal of these investments, the difference between the net disposal proceeds and the carrying amount of the investments is taken to the income statement.

Prepaid Lease Payments

Leases of land under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases. Lease prepayment for land use rights is stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is charged to the income statement on a straight-line basis over the term of the leases.

NOTES TO THE FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Non-Current Assets Held For Sale And Discontinued Operations

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets or components of a disposal group are remeasured in accordance with the Group's accounting policies. Thereafter, generally the assets or disposal group are measured at the lower of their carrying amount and fair value less cost to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

Inventories

Completed properties for sale are stated at the lower of cost and net realisable value. Cost is determined by the specific identification method.

Other inventories are valued at the lower of cost (determined on a weighted average or first-in first-out basis, as applicable) and net realisable value after making due allowance for any obsolete or slow-moving items. The cost of raw materials includes the original purchase price and the incidental expenses incurred in bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour and an appropriate proportion of overheads.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Land Held For Property Development And Property Development

(i) Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less impairment losses, as applicable. The policy for the recognition and measurement of impairment losses is in accordance with the policy on impairment of assets.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(ii) Property development

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Initially investment properties are measured at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is charged to the income statement; any amount in the revaluation reserve relating to that investment property is transferred to retained earnings.

Provisions

(i) General Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

(ii) Provision for Project Costs to Completion

Project costs to completion are unavoidable costs of meeting or completing the obligations under a substantially completed contract. Provisions for project costs to completion are recognised in the period in which the Group becomes legally or constructively committed to perform the contract.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates. 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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Contingent Liabilities And Contingent Assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the Financial Statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Employee Benefits

(i) Short-Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees.

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. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution And Retirement Plans

The Group's contributions to defined contribution plans are charged to the income statements in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

The Group operates an unfunded, non-contributory defined retirement benefits scheme for those employees who are eligible under a collective bargaining agreement. The retirement scheme contributions are estimated and provided for in the Financial Statements after taking into consideration the length of service and basic earnings of the eligible employees. The provisions are charged to the income statement in the period to which they relate, and represent the amount of contributions payable by the Group under the scheme.

The Group also operates a funded, defined benefit Pension Scheme ("the Scheme") for eligible employees of a foreign group of subsidiaries which have been deconsolidated during the financial year in the United Kingdom until January 2001 after which, it was replaced in April 2001 by a defined contribution scheme.

Contributions to the Scheme are charged to the income statements so as to spread the cost of the scheme over the employees' service life in the foreign group of subsidiaries. The effects of variations from regular cost are taken up in the income statements. The fund is valued every three years by a professionally qualified independent Actuary, the rate of contribution being determined by the Actuary. The most recent valuation was at 30 June 2004.

In addition, the Scheme assets of the foreign group of subsidiaries are also valued yearly by a professionally qualified independent Actuary. Any shortfall in the Scheme assets is taken up in the Group income statement. However, during the financial year, the Financial Statements of the said foreign group of subsidiaries were prepared on a break-up basis as disclosed in Note 39 to the Financial Statements. Accordingly, the contributions to the Scheme were no longer taken up in the Group Financial Statements.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(iii) Share-based Compensation

At grant date, the fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

Significant Accounting Estimates And Judgements

Estimates and judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are as follows:

(i) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iii) Impairment of Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the Group is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(iv) Classification between Investment Properties and Owner-Occupied Properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

NOTES TO THE FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Allowance for Doubtful Debts of Receivables

The Group makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful debts of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

(vi) Allowance for Inventories

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

(vii) Fair Value Estimates for Certain Financial Assets and Financial Liabilities

The Group carries certain financial assets and financial liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and equity.

5. REVENUE

Revenue of the Group represents the gross invoiced value of the sale of electricity and steam and goods and properties sold outside of the Group net of returns and discounts.

Revenue from the sale of properties is accounted for using the stage of completion method. Sale of completed property units is recognised when the risks and rewards associated with ownership are transferred to the property purchasers.

Revenue of the Company represents mainly dividends and management fees received and receivable from subsidiaries and associates, and interest income.

6. OPERATING EXPENSES

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Raw materials and consumables	**287,377**	273,441	**–**	–
Net change in inventories of finished goods and work-in-progress	**(174)**	111	**–**	–
Staff costs	**30,561**	31,507	**1,461**	1,841
Property development expenditure	**21,246**	15,998	**–**	–
Amortisation of prepaid lease payments	**194**	192	**–**	–
Depreciation of property, plant and equipment	**24,184**	24,933	**155**	186
Impairment loss on investment in subsidiaries	**–**	–	**17,306**	56,157
Other administrative and operating expenses	**37,510**	44,744	**1,438**	1,310
	400,898	390,926	**20,360**	59,494

7. PROFIT FROM OPERATIONS

This is arrived at:

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
After crediting:				
Allowance for doubtful debts written back	**80**	5	**–**	–
Amount owing to subsidiaries written off	**–**	–	**–**	98,543
Dividends (gross) from subsidiaries	**–**	–	**48,858**	40,133
Fair value gain on investment properties	**14,308**	–	**–**	–
Gain on deconsolidation of a foreign group of subsidiaries	**2,436**	–	**–**	–
Gain on disposal of:				
- A subsidiary	**–**	–	**–**	31,014
- Property, plant and equipment	**317**	31	**104**	54
- Quoted investments	**4,928**	–	**–**	–
Gain on foreign exchange				
- Realised	**420**	1,346	**–**	–
- Unrealised	**82**	–	**–**	–
Impairment loss on land held for property development written back	**4,055**	–	**–**	–
Insurance claim receivable	**350**	3,777	**–**	–
Interest income	**2,693**	2,490	**94**	3
Overprovision of retirement benefits	**450**	–	**–**	–
Rental income	**815**	1,441	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

7. PROFIT FROM OPERATIONS (CONT'D)

	GROUP		COMPANY	
	2007 RM'000	**2006 RM'000**	**2007 RM'000**	**2006 RM'000**
After charging:				
Allowance for doubtful debts	**520**	710	**–**	–
Auditors' remuneration:				
- Statutory	**318**	264	**22**	22
- Underprovision in the previous financial year	**19**	78	**–**	–
- Others	**41**	28	**16**	16
Directors' remuneration:				
- Fees	**173**	164	**173**	159
- Other emoluments	**707**	1,168	**439**	963
Loss on disposal of:				
- A jointly-controlled entity	**–**	3,097	**–**	–
- Land held for property development	**–**	81	**–**	–
Loss on foreign exchange				
- Realised	**186**	34	**–**	–
- Unrealised	**52**	34	**31**	34
Rental of:				
- Access road	**57**	21	**–**	–
- Land and buildings	**993**	1,530	**259**	254
- Motor vehicle	**183**	283	**–**	–
- Plant and machinery	**112**	123	**–**	–
Write-down in value of assets arising from a change in the basis of consolidation for a subsidiary	**3,529**	–	**–**	–
Write-off of:				
- Bad debts	**1,065**	–	**–**	–
- Inventories	**803**	56	**–**	–
- Property, plant and equipment	**183**	2,361	**1**	1

The estimated monetary value of benefits-in-kind received by certain Directors amounted to RM16,596 (2006 : RM21,458) for the Group and RM5,496 (2006 : RM10,358) for the Company.

8. FINANCE COSTS

	GROUP		COMPANY	
	2007 RM'000	**2006 RM'000**	**2007 RM'000**	**2006 RM'000**
Interest on:				
- Bonds	**2,023**	2,669	**–**	–
- Term loans	**2,442**	2,235	**–**	–
- Bank overdrafts	**1,016**	867	**52**	107
- Revolving credits	**519**	1,377	**395**	315
- Others	**887**	623	**190**	1,364
	6,887	7,771	**637**	1,786

9. INCOME TAX EXPENSE

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Income tax				
- Based on results for the financial year:				
- Malaysia taxation	**9,314**	8,595	**12,726**	1,802
- Foreign taxation	**4,452**	6,502	**–**	–
- Associates	**84**	26	**–**	–
- (Over)/Underprovision in prior years	**(168)**	292	**–**	19
	13,682	15,415	**12,726**	1,821
Deferred taxation (Note 30)				
- For the financial year	**416**	1,585	**–**	–
- Overprovision in prior years	**(762)**	(32)	**–**	–
	13,336	16,968	**12,726**	1,821

The income tax expense for the financial year can be reconciled to the profit before tax of the Group and of the Company as per the income statements as follows:

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Profit before tax	**95,823**	94,676	**29,189**	109,380
Tax at Malaysian statutory rate of 27% (2006 : 28%)	**25,872**	26,509	**7,881**	30,626
Tax effects of:				
- Different tax rates in other countries	**(3,211)**	(8,024)	**–**	–
- Different tax rate for first RM500,000 of chargeable income	**(475)**	(82)	**–**	–
- Income not subject to tax	**(9,288)**	(3,425)	**–**	(29,106)
- Expenses not deductible	**1,162**	2,221	**4,845**	282
- Deferred tax assets not recognised during the financial year	**291**	–	**–**	–
- Utilisation of previously unrecognised tax losses	**(85)**	(491)	**–**	–
- (Over)/Underprovision in prior years:				
- Income tax	**(168)**	292	**–**	19
- Deferred tax	**(762)**	(32)	**–**	–
Income tax expense	**13,336**	16,968	**12,726**	1,821

NOTES TO THE FINANCIAL STATEMENTS

10. DIVIDEND

A final dividend of 3% less income tax of 27% amounting to RM5,210,257 for the financial year ended 31 December 2006 was approved by the shareholders at the Annual General Meeting on 27 April 2007 and was paid on 29 May 2007.

An interim dividend of 2% less income tax of 27% (2006 : interim dividend of 2% less income tax of 28%) amounting to RM3,464,459 for the financial year ended 31 December 2007 was paid on 31 October 2007.

The Board is pleased to propose a final dividend of 3.5% less income tax of 26% for the financial year ended 31 December 2007. The proposed dividend, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting, has not been included as a liability in these Financial Statements.

11. EARNINGS PER SHARE

	GROUP	
	2007 RM'000	**2006 RM'000**
Basic earnings per share		
Profit for the financial year attributable to ordinary equity holders of the Company	**50,463**	46,120
Weighted average number of ordinary shares in issue ('000)	**237,724**	236,000
Basic earnings per share (sen)	**21.23**	19.54
Diluted earnings per share		
Profit for the financial year attributable to ordinary equity holders of the Company	**50,463**	46,120
Dilutive effects of outstanding employees' share options	**180**	–
Diluted earnings	**50,643**	46,120
Weighted average number of ordinary shares in issue ('000)	**237,724**	236,000
Adjustments for share options ('000)	**2,245**	5,512
Weighted average number of ordinary shares used in the calculation of diluted earnings per share ('000)	**239,969**	241,512
Diluted earnings per share (sen)	**21.10**	19.10

(a) The basic earnings per share is calculated by dividing the Group's profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the financial year.

(b) The diluted earnings per share is calculated by dividing the Group's profit attributable to shareholders of the Company by the assumed weighted average number of ordinary shares in issue, adjusted on the assumption that all outstanding options granted pursuant to the ESOS will be exercised.

12. PROPERTY, PLANT AND EQUIPMENT

GROUP 2007	COST									
	Beginning of year RM'000	Addition RM'000	Acquisition of subsidiaries RM'000	Break-up adjustment#/ Deconsolidation of subsidiaries RM'000	Disposal/ Write-off RM'000	Reclassification RM'000	Exchange fluctuation adjustment RM'000	Transfer RM'000	Reversal of cost overaccrued RM'000	End of year RM'000
Freehold land and buildings	**55,541**	**6,739**	**6,049**	**(8,702)**	**–**	**365**	**(1,034)**	**922**	**(178)**	**59,702**
Short leasehold quarry land	**9,211**	**–**	**852**	**–**	**–**	**–**	**–**	**–**	**–**	**10,063**
Plant and machinery, equipment, vehicles and construction in progress	**434,444**	**12,389**	**16,738**	**(121,723)**	**(2,024)**	**(638)**	**(4,160)**	**(922)**	**–**	**334,104**
Total	**499,196**	**19,128**	**23,639**	**(130,425)**	**(2,024)**	**(273)**	**(5,194)**	**–**	**(178)**	**403,869**

This refers to a write-down adjustment to plant and machinery amounting to RM4,125,000, which arose as a result of a change in the basis of preparing the Financial Statements of a foreign subsidiary from going concern to break-up basis as disclosed in Note 42 to the Financial Statements.

GROUP 2007	ACCUMULATED DEPRECIATION							NET BOOK VALUE	
	Beginning of year RM'000	Charge for the year RM'000	Acquisition of subsidiaries RM'000	Deconsolidation of subsidiaries RM'000	Disposal/ Write-off RM'000	Exchange fluctuation adjustment RM'000	End of year RM'000	End of year RM'000	Beginning of year RM'000
Freehold land and buildings	**12,806**	**2,270**	**2,482**	**–**	**–**	**(289)**	**17,269**	**42,433**	**42,735**
Short leasehold quarry land	**4,778**	**384**	**150**	**–**	**–**	**–**	**5,312**	**4,751**	**4,433**
Plant and machinery, equipment, vehicles and construction in progress	**247,006**	**21,530**	**11,569**	**(116,737)**	**(1,615)**	**(1,681)**	**160,072**	**174,032**	**187,438**
Total	**264,590**	**24,184**	**14,201**	**(116,737)**	**(1,615)**	**(1,970)**	**182,653**	**221,216**	**234,606**

GROUP 2006	COST					
	Beginning of year RM'000	Addition RM'000	Disposal/ Write-off RM'000	Reclassification* RM'000	Exchange fluctuation adjustment RM'000	End of year RM'000
Freehold land and buildings	95,813	3,273	(7,689)	(39,989)	4,133	55,541
Short leasehold quarry land	9,211	–	–	–	–	9,211
Plant and machinery, equipment, vehicles and construction in progress	427,046	15,443	(14,904)	(207)	7,066	434,444
Total	532,070	18,716	(22,593)	(40,196)	11,199	499,196

* *The reclassification was in respect of a foreign subsidiary's freehold factory land and building disposed of during the previous financial year.*

NOTES TO THE FINANCIAL STATEMENTS

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

GROUP 2006	ACCUMULATED DEPRECIATION Beginning of year RM'000	Charge for the year RM'000	Disposal/ Write-off RM'000	Exchange fluctuation adjustment RM'000	End of year RM'000	NET BOOK VALUE End of year RM'000	Beginning of year RM'000
Freehold land and buildings	10,712	1,976	–	118	12,806	42,735	85,101
Short leasehold quarry land	4,427	351	–	–	4,778	4,433	4,784
Plant and machinery, equipment, vehicles and construction in progress	227,005	22,606	(10,043)	7,438	247,006	187,438	200,041
Total	242,144	24,933	(10,043)	7,556	264,590	234,606	289,926

COMPANY	COST Beginning of year RM'000	Addition RM'000	Disposal/ Write-off RM'000	End of year RM'000	ACCUMULATED DEPRECIATION Beginning of year RM'000	Charge for the year RM'000	Disposal/ write-off RM'000	End of year RM'000	NET BOOK VALUE End of year RM'000	Beginning of year RM'000
2007										
Plant and machinery, equipment, vehicles and construction in progress	**2,084**	**73**	**(793)**	**1,364**	**1,636**	**155**	**(618)**	**1,173**	**191**	**448**
2006										
Plant and machinery, equipment, vehicles and construction in progress	2,113	257	(286)	2,084	1,735	186	(285)	1,636	448	378

Plant and machinery, equipment and vehicles of the Group include power plants with a carrying value of RM124,534,000 (2006 : RM134,268,000).

Property, plant and equipment of certain subsidiaries with a carrying value of RM121,324,000 (2006 : RM182,074,000) have been charged as security for banking facilities granted to those subsidiaries.

Plant and machinery, equipment and vehicles of the Group and of the Company with carrying values of RM10,438,000 (2006 : RM5,193,000) and RM92,000 (2006 : RM167,000), respectively were acquired under hire purchase arrangements.

13. SUBSIDIARIES

	COMPANY	
	2007	**2006**
	RM'000	**RM'000**
Unquoted shares at cost:		
- At beginning of financial year	**361,787**	369,745
- Addition during the financial year	**–**	296
- Disposal during the financial year	**–**	(8,254)
- At end of financial year	**361,787**	361,787
Less : Impairment loss		
- At beginning of financial year	**(262,820)**	(206,663)
- Addition during the financial year	**(17,306)**	(56,157)
- At end of financial year	**(280,126)**	(262,820)
	81,661	98,967
Quoted shares at cost:		
- At beginning of financial year	**25,181**	25,243
- Disposal during the financial year	**–**	(62)
- At end of financial year	**25,181**	25,181
Loan to a subsidiary	**27,475**	27,475
	134,317	151,623
Market value of quoted shares	**19,189**	22,604

The loan to a subsidiary is unsecured, interest-free and has no fixed repayment terms.

The investment in quoted shares of a subsidiary of the Group and of the Company with carrying values of RM35,208,000 (2006 : RM35,208,000) and RM18,470,000 (2006 : RM18,470,000) respectively is pledged to a local financial institution as collateral for credit facilities extended to the Company.

The auditors' report of Bloxwich Industries (Pty) Limited ("BIL") contains a qualified report on the ability of BIL to continue its operations as a going concern. Details of the financial effect are disclosed in Note 42 to the Financial Statements.

The subsidiaries are listed in Note 39 to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

14. ASSOCIATES

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Unquoted shares at cost:				
- At beginning of financial year	**6,173**	6,641	**3,500**	3,500
- Transfer to subsidiaries during the financial year	**(2,400)**	–	**–**	–
- Share of profit after tax	**225**	(468)	**–**	–
- At end of financial year	**3,998**	6,173	**3,500**	3,500

Details of the associates are as follows:

Company	Principal Activities	Country of Incorporation	Effective Group Interest 2007 %	Effective Group Interest 2006 %
Hexachase Corporation Sdn. Bhd.	Desktop publishing and manufacturing of labels and packaging materials	Malaysia	**50.0**	50.0
Batamas Sdn. Bhd.	Manufacturing of calcium silicate bricks and cement products	Malaysia	**–**	20.2

During the financial year, the Group's effective interest in Batamas Sdn. Bhd. ("Batamas") was increased from 20.20% to 60.42% as a result of the acquisition of the additional shares and the successful completion of the Takeover Offer by Rock Chemical Industries (Malaysia) Berhad ("RCI"), a 60.42% subsidiary of the Company. Consequently, Batamas became a subsidiary of the Group.

The Group's interest in associates is analysed as follows:

	GROUP	
	2007 RM'000	2006 RM'000
Share of net tangible assets	**3,998**	6,173

14. ASSOCIATES (CONT'D)

The summarised financial information of the associates are as follows:

	GROUP 2007 RM'000	GROUP 2006 RM'000
Assets and liabilities		
Non-current assets	**5,446**	15,445
Current assets	**4,546**	11,821
Total assets	**9,992**	27,266
Non-current liabilities	**1,799**	3,180
Current liabilities	**5,389**	14,649
Total liabilities	**7,188**	17,829
Results		
Revenue	**12,171**	19,503
Profit/(Loss) for the financial year	**453**	(828)

15. INVESTMENTS

	GROUP 2007 RM'000	GROUP 2006 RM'000
Quoted shares in Malaysia at cost:		
- At beginning of financial year	**8,329**	156
- Additions during the financial year	**7,123**	8,173
	15,452	8,329
- Disposals during the financial year	**(4,888)**	–
- At end of financial year	**10,564**	8,329
Unquoted shares in Malaysia at cost:		
- At beginning of financial year	**–**	–
- Additions during the financial year	**335**	–
- At end of financial year	**335**	–
Total investments	**10,899**	8,329
Market value of quoted shares in Malaysia	**10,753**	8,267

NOTES TO THE FINANCIAL STATEMENTS

16. PREPAID LEASE PAYMENTS

	GROUP 2007 RM'000	GROUP 2006 RM'000
At Cost	**5,855**	5,090
Accumulated amortisation	**(2,175)**	(1,594)
Net book value	**3,680**	3,496
Accumulated amortisation:		
- At beginning of financial year	**1,594**	1,389
- Acquisition of subsidiaries	**329**	–
- Amortisation during the financial year	**194**	192
- Exchange fluctuation adjustment	**58**	13
- At end of financial year	**2,175**	1,594
Analysed as:		
- Long-term leasehold land	**1,010**	1,024
- Short-term leasehold land	**2,670**	2,472
	3,680	3,496

Leasehold land with an aggregate carrying value of RM3,255,000 (2006 : RM3,496,000) are pledged as security for banking facilities granted to certain subsidiaries.

17. INVESTMENT PROPERTIES

	GROUP 2007 RM'000	GROUP 2006 RM'000
Leasehold property at fair value:		
- At beginning of financial year	**30,918**	24,338
- Additions during the financial year	**33**	6,580
- Fair value adjustment	**14,308**	–
- At end of financial year	**45,259**	30,918

Investment properties consist of a few parcels of leasehold land held for development. On 23 April 2004, a subsidiary entered into a Development Agreement with IJM Properties Sdn. Bhd. ("IJMP") to jointly undertake a mixed development project on the land held by the subsidiary. Based on the terms of the Development Agreement, IJMP is to carry out the development activities and the consideration receivable by the subsidiary in exchange for the usage of its land would be in the form of development properties. The mixed development project has commenced in prior years.

The carrying amounts of the above investment properties approximated their market values at the balance sheet date.

18. LAND HELD FOR PROPERTY DEVELOPMENT

	GROUP	
	2007	**2006**
	RM'000	**RM'000**
At Cost		
At beginning of financial year:		
- Freehold land	**4,424**	4,444
- Leasehold land	**783**	11,780
- Development expenditure	**65,640**	70,085
- Impairment loss	**(4,055)**	(4,055)
	66,792	82,254
Addition/(Disposal) during the financial year:		
- Leasehold land	**–**	(4,311)
- Development expenditure	**2,035**	1,132
	2,035	(3,179)
Transfer to property development costs:		
- Freehold land	**(318)**	(20)
- Leasehold land	**–**	(6,686)
- Development expenditure	**(3,880)**	(5,577)
	(4,198)	(12,283)
Impairment loss written back during the financial year	**4,055**	–
At end of financial year:		
- Freehold land	**4,106**	4,424
- Leasehold land	**783**	783
- Development expenditure	**63,795**	65,640
- Impairment loss	**–**	(4,055)
	68,684	66,792

Land held for property development of certain subsidiaries with carrying values of RM8,548,000 (2006 : RM30,448,000) have been charged as security for banking facilities granted to those subsidiaries.

19. GOODWILL ON CONSOLIDATION

	GROUP	
	2007	**2006**
	RM'000	**RM'000**
At beginning of financial year	**7,785**	7,785
Additional investment in subsidiaries	**2,988**	–
Deconsolidation of a foreign group of subsidiaries	**(746)**	–
At end of financial year	**10,027**	7,785

During the financial year, the Group assessed the recoverable amount of purchased goodwill, and determined that goodwill is not impaired.

NOTES TO THE FINANCIAL STATEMENTS

19. GOODWILL ON CONSOLIDATION (CONT'D)

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a period of three years. The key assumptions used for value-in-use calculations are:

	Gross Margin	Growth Rate	Discount Rate
Basis for cash flow projections	15% - 31%	9% - 173%	5.4% - 8.3%

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(a) Gross margin

The gross margins are the average gross margins achieved in the year immediately before the budgeted year increased for expected efficiency improvements and cost saving measures.

(b) Growth rate

The growth rates used are based on the type, complexity and expected operating impacts, and are ultimately determined by their productivity.

(c) Discount rate

The discounted rates used are pre-tax and reflect specific risks relating to the relative segments.

20. INVENTORIES

	GROUP 2007 RM'000	GROUP 2006 RM'000
At Cost:		
- Finished goods and work-in-progress	**1,115**	8,385
- Raw materials and consumables	**24,042**	19,343
- Completed houses for sale	**8,346**	7,045
	33,503	34,773
At Net Realisable Value:		
- Finished goods and work-in-progress *	**1,607**	–
- Raw materials and consumables *	**2,189**	–
- Completed properties for sale	**3,460**	3,460
- Less : Allowance for write-down	**(868)**	(640)
	6,388	2,820
	39,891	37,593

* *Due to a change in the basis of preparing the Financial Statements of a foreign subsidiary from going concern to break-up basis as disclosed in Note 42 to the Financial Statements.*

A lienholder's caveat was placed over a completed unit of property of a subsidiary with a carrying value of approximately RM475,000 (2006 : RM475,000) for banking facilities granted by a local financial institution to its related company which is also a subsidiary of the Company.

21. PROPERTY DEVELOPMENT

	GROUP 2007 RM'000	GROUP 2006 RM'000
Property development costs		
Cumulative costs at beginning of financial year:		
- Freehold land	**2,571**	2,551
- Leasehold land	**9,444**	2,722
- Development costs	**122,162**	102,563
	134,177	107,836
Additional costs incurred during the financial year:		
- Freehold land	**318**	20
- Leasehold land	**–**	6,722
- Development costs	**16,139**	19,599
	16,457	26,341
Less : Costs for completed projects:		
- Freehold land	**(1,595)**	–
- Development costs	**(20,254)**	–
	(21,849)	–
Cumulative costs at end of financial year:		
- Freehold land	**1,294**	2,571
- Leasehold land	**9,444**	9,444
- Development costs	**118,047**	122,162
	128,785	134,177
Costs recognised in income statement:		
Cumulative costs recognised at beginning of financial year	**(115,964)**	(100,115)
Costs recognised during the financial year	**(21,320)**	(15,849)
Costs recognised for completed projects	**21,849**	–
Cumulative costs recognised at end of financial year	**(115,435)**	(115,964)
Allowance for foreseeable losses	**(401)**	(606)
Property development costs at end of financial year	**12,949**	17,607

NOTES TO THE FINANCIAL STATEMENTS

21. PROPERTY DEVELOPMENT (CONT'D)

	GROUP	
	2007 RM'000	2006 RM'000
Progress billings recognised as revenue:		
Cumulative progress billings recognised at beginning of financial year	**144,890**	121,582
Progress billings taken to income statement during the financial year	**28,778**	23,308
Cumulative progress billings recognised for completed projects	**(29,259)**	–
	144,409	144,890
Progress billings raised:		
Cumulative progress billings raised at beginning of financial year	**144,946**	123,141
Progress billings raised during the financial year	**26,751**	21,805
Cumulative progress billings for completed projects	**(29,259)**	–
Cumulative progress billings raised at end of financial year	**142,438**	144,946
Progress billings recognised as revenue but not yet raised/ (Progress billings raised but not yet recognised as revenue)	**1,971**	(56)
Net Balance at end of financial year	**14,920**	17,551

The Group considers that portion of property development projects on which development work has commenced and is expected to be completed within the normal operating cycle of two to three years as current assets.

Certain subsidiaries have entered into various joint-venture agreements with third parties to jointly develop the joint-venture partners' land into housing estates, industrial estates and commercial properties.

Certain subsidiaries have entered into a joint-venture agreement to jointly develop a piece of land of a subsidiary into housing estates. Based on the joint-venture agreement, the profit arising from the development project will be shared based on the agreed proportions. The development project commenced in prior years.

Pursuant to a joint-venture agreement, a subsidiary was assigned the right to undertake the entire development of a piece of leasehold land belonging to the joint-venture partner and the proceeds arising therefrom are shared between the said joint-venture partner and the subsidiary in the agreed proportions.

Current year charges to the property development expenditure include the following:

	GROUP	
	2007 RM'000	2006 RM'000
Interest on:		
- Term loans	**61**	146
- Bank overdrafts	**118**	85
- Bridging loan	**12**	106

22. RECEIVABLES

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Trade receivables	**110,802**	115,461	**–**	–
Less : Allowance for doubtful debts	**(16,598)**	(15,098)	**–**	–
	94,204	100,363	**–**	–
Other receivables				
Sundries	**20,629**	24,136	**8,832**	3,413
Less : Allowance for doubtful debts	**(4,418)**	(4,418)	**(100)**	(100)
	16,211	19,718	**8,732**	3,313
Refundable deposits	**1,109**	986	**105**	105
Prepaid expenses	**1,670**	757	**21**	27
Tax recoverable	**6,461**	4,081	**2,010**	1,544
Progress payments to contractors	**2,496**	476	**–**	–
Amount owing by subsidiaries	**–**	–	**137,054**	131,931
	27,947	26,018	**147,922**	136,920
	122,151	126,381	**147,922**	136,920

Trade receivables of the Group represent amounts receivable for the sale of goods, electricity and steam, and progress billings for property development. The credit periods granted for trade receivables range from 21 to 60 days (2006 : 21 to 120 days).

The amounts owing by subsidiaries are unsecured, interest-free and have no fixed repayment terms.

The currency profile of the receivables of the Group and of the Company is as follows:

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Trade receivables				
Ringgit Malaysia	**49,957**	52,170	**–**	–
Great Britain Pound	**–**	1,748	**–**	–
Chinese Renminbi	**41,478**	38,352	**–**	–
United States Dollar	**37**	39	**–**	–
South African Rand	**2,732**	8,054	**–**	–
	94,204	100,363	**–**	–
Sundry receivables				
Ringgit Malaysia	**12,594**	11,875	**8,732**	3,313
United States Dollar	**3,617**	7,784	**–**	–
South African Rand	**–**	59	**–**	–
	16,211	19,718	**8,732**	3,313

NOTES TO THE FINANCIAL STATEMENTS

23. BANK BALANCES AND DEPOSITS

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Deposits with licensed financial institutions	**78,112**	47,895	**13,800**	–
Cash and bank balances	**34,939**	47,294	**1,732**	533
Housing Development Accounts	**8,877**	5,561	**–**	–
	121,928	100,750	**15,532**	533

The fixed deposits with licensed financial institutions of the Group and of the Company earn interest at rates ranging from 2.30% to 5.24% (2006 : 2.50% to 5.12%) per annum. The fixed deposits have maturity periods of 3 days to 184 days (2006 : 7 days to 365 days).

The Housing Development Accounts are maintained by certain subsidiaries in accordance with Section 7(A) of the Housing Developers (Control and Licensing) Act, 1966. These accounts consist of monies received from house purchasers to be utilised for property development expenditure after which, the surplus monies, if any, will accrue to the said subsidiaries upon the completion of the property development projects.

The currency profile of the bank balances and deposits of the Group and of the Company is as follows:

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Bank balances and deposits				
Ringgit Malaysia	**96,856**	64,093	**15,530**	530
Chinese Renminbi	**23,289**	34,841	**1**	1
United States Dollar	**1,781**	1,813	**–**	1
Others	**2**	3	**1**	1
	121,928	100,750	**15,532**	533

24. NON-CURRENT ASSET HELD FOR SALE

The non-current asset held for sale in the previous financial year was in respect of a freehold factory land and building sold on 1 September 2006 by BEL for a cash consideration of £5,750,000. The disposal of the freehold factory land and building had not been recognised in the financial statements in the previous financial year as the balance of the selling price amounting to £5,250,000 was only receivable 15 months from the date of the sale and purchase agreement.

25. SHARE CAPITAL

	Number of Shares		Amount	
	2007	2006	2007	2006
	'000	'000	RM'000	RM'000
Authorised shares of RM1.00 each	**500,000**	500,000	**500,000**	500,000
Issued and fully paid ordinary shares of RM1.00 each				
At beginning of financial year	**236,000**	236,000	**236,000**	236,000
Issue of shares pursuant to ESOS	**3,212**	–	**3,212**	–
At end of financial year	**239,212**	236,000	**239,212**	236,000

During the financial year ended 31 December 2007, 3,212,000 ordinary shares of RM1 each were issued at par pursuant to the exercise of options under the Group's Employee Share Option Scheme. As at 31 December 2007, options over 2,245,000 unissued ordinary shares remained outstanding.

Of the total 239,212,000 (2006 : 236,000,000) issued and fully paid ordinary shares as at 31 December 2007, 2,660,800 ordinary shares (2006 : Nil) were held as treasury shares by the Company. As at 31 December 2007, the number of outstanding ordinary shares in issue and fully paid amounted to 236,551,200 (2006 : 236,000,000).

26. TREASURY SHARES

	Number of Shares		Amount	
	2007	2006	2007	2006
	'000	'000	RM'000	RM'000
At beginning of financial year	**–**	–	**–**	–
Purchased	**2,661**	–	**3,893**	–
At end of financial year	**2,661**	–	**3,893**	–

On 27 April 2007, the shareholders of the Company renewed their approval for the Company's plan to purchase its own ordinary shares. During the financial year ended 31 December 2007, the Company purchased 2,660,800 of its issued ordinary shares from the open market at an average price of RM1.452 per share for a total consideration of RM3,892,932 comprising purchase price of RM3,864,273 and the total transaction cost of RM28,659. The purchase transactions were financed through internally generated funds and bank borrowings. These shares are held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

NOTES TO THE FINANCIAL STATEMENTS

26. TREASURY SHARES (CONT'D)

The details of the shares purchased during the financial year are as follows:

Month	No. of shares purchased	Lowest price paid per share RM	Highest price paid per share RM	Average cost per share RM	Total consideration RM
January	–	–	–	–	–
February	–	–	–	–	–
March	145,700	1.22	1.57	1.40	203,314
April	220,000	1.57	1.66	1.62	356,620
May	311,100	1.26	1.56	1.41	437,360
June	128,000	1.27	1.55	1.48	189,669
July	188,000	1.49	1.65	1.54	288,833
August	340,000	1.31	1.67	1.51	512,975
September	417,500	1.36	1.52	1.43	598,940
October	495,800	1.37	1.52	1.45	720,425
November	161,400	1.36	1.47	1.42	228,958
December	253,300	1.36	1.42	1.40	355,838
Total	**2,660,800**				**3,892,932**

27. RESERVES

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Non-distributable reserves *				
Share premium	**33,380**	33,380	**33,380**	33,380
Capital reserve	**2,213**	2,213	**–**	–
Share option reserve #	**28**	28	**28**	28
Translation reserve	**2,633**	6,650	**–**	–
	38,254	42,271	**33,408**	33,408
Accumulated profits	**78,333**	36,548	**15,223**	7,438
	116,587	78,819	**48,631**	40,846

* *These reserves are not distributable by way of cash dividends.*
\# *The share option reserve represents the cumulative value of option cost recognised in the Financial Statements.*

28. LONG-TERM BORROWINGS

	GROUP	
	2007 RM'000	2006 RM'000
Secured:		
Bonds		
- Fixed rate serial bond	**17,000**	25,000
- Mortgage bond	**4,269**	–
Term loans	**12,897**	28,648
	34,166	53,648
Less : Portion payable within 12 months (Note 32)	**(10,421)**	(23,663)
Non-current portion	**23,745**	29,985

The non-current portion is repayable as follows:

	GROUP	
	2007 RM'000	2006 RM'000
Between 1 – 2 years	**15,909**	16,756
Between 2 – 5 years	**5,860**	10,826
After 5 years	**1,976**	2,403
	23,745	29,985

The currency profile of the long-term borrowings of the Group is as follows:

	GROUP	
	2007 RM'000	2006 RM'000
Ringgit Malaysia	**20,281**	29,985
South African Rand	**3,464**	–
	23,745	29,985

Fixed Rate Serial Bonds

On 11 September 2000, a subsidiary issued RM75 million fixed rate serial bonds to refinance its existing term loans. These bonds consist of ten series and bear interest at rates ranging from 5.80% to 9.20% per annum with each series carrying varying fixed interest rates. The bonds are redeemable in full by September 2010.

The bonds are secured by way of a debenture covering first fixed and floating charges over all the assets, properties and undertakings, present and future of the said subsidiary and deeds of assignment over the said subsidiary's rights under various agreements pertaining to the operation of a power plant.

28. LONG-TERM BORROWINGS (CONT'D)

Mortgage Bond

The bond is subject to interest at prime related rates ranging from 10.5% to 14.5% and is repayable in monthly instalments of ZAR139,803. The bond is secured over the land and buildings of a foreign subsidiary with a carrying value of ZAR13,724,751.

Term Loans

The term loans of certain subsidiaries bear a weighted average interest rate of 7.69% (2006 : 7.62%) per annum and are secured by way of a first party legal charge over the freehold land and short-term leasehold land of two subsidiaries, a debenture covering the fixed and floating, present and future assets of a subsidiary and a personal guarantee from a former director of a subsidiary.

29. HIRE PURCHASE PAYABLES

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Hire purchase payables	**2,751**	3,615	**28**	90
Less : Portion payable within 12 months (Note 31)	**(896)**	(993)	**(28)**	(62)
Non-current portion	**1,855**	2,622	**–**	28

The non-current portion is payable as follows:

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Between 1 - 2 years	**977**	1,305	**–**	28
Between 2 - 5 years	**878**	1,317	**–**	–
	1,855	2,622	**–**	28

The hire purchase payables bear interest at rates ranging from 3.20% to 14.50% (2006 : 3.20% to 11.20%) per annum.

30. DEFERRED TAXATION

	GROUP	
	2007 RM'000	2006 RM'000
At beginning of financial year	**27,497**	26,170
Recognised in income statements (Note 9)	**(346)**	1,553
Acquisition of subsidiaries	**582**	–
Break-up adjustment	**(824)**	–
Translation reserve	**(716)**	(226)
At end of financial year	**26,193**	27,497
The deferred taxation represents the tax effects of:		
- Temporary differences of capital allowances and depreciation	**21,816**	21,922
- Group cost from acquisition of land based companies	**–**	5,575
- Revaluation surplus	**5,400**	–
- Others	**(1,023)**	–
	26,193	27,497

As at 31 December 2007, the amount of net deferred tax assets, calculated at the current tax rate, is as follows:

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Differences of capital allowances and depreciation	**20**	2	**–**	(8)
Unabsorbed capital allowances	**254**	441	**–**	311
Unutilised tax losses	**30,789**	31,032	**–**	–
Temporary differences in respect of capitalised interest allowed for tax deduction over interest recognised in the income statement	**(2,364)**	(1,151)	**–**	–
Provision	**3,032**	3,029	**–**	–
Others	**150**	428	**–**	–
Net deferred tax assets	**31,881**	33,781	**–**	303

Deferred tax assets have not been recognised in respect of the unabsorbed capital allowances and unutilised tax losses as they arose from the subsidiaries that have a history of losses and it is not probable that there will be future profits available for offset in the foreseeable future. In addition, these brought forward losses may not be used to offset taxable profits of other subsidiaries in the Group.

As at 31 December 2007, subject to agreement with the Inland Revenue Board, apart from the unabsorbed capital allowances and unutilised tax losses, the Group has unutilised reinvestment allowances of RM35,063,000 (2006 : RM26,529,000) available to be carried forward to be offset against future taxable income.

NOTES TO THE FINANCIAL STATEMENTS

31. PAYABLES

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Trade payables	**33,008**	33,843	**–**	–
Other payables				
Accrued expenses	**8,947**	13,693	**628**	669
Hire purchase payables due within 12 months (Note 29)	**896**	993	**28**	62
Pension liability *	**–**	27,669	**–**	–
Provision for loss on liquidation of a subsidiary *	**–**	1,000	**–**	–
Sundry payables				
- Amount due to contractors for capital expansion	**–**	3,621	**–**	–
- Dividend payable to minority shareholders	**18,209**	–	**–**	–
- Others	**24,441**	17,281	**4,867**	45
Amount owing to subsidiaries	**–**	–	**7,978**	11,366
	52,493	64,257	**13,501**	12,142
	85,501	98,100	**13,501**	12,142

* *During the financial year, the financial statements of a foreign group of subsidiaries have been deconsolidated from the consolidated balance sheets following the appointment of administrators.*

Trade payables consist of amounts outstanding for trade purchases. The credit period granted to the Group for trade purchases range from 23 to 90 days (2006 : 23 to 120 days).

Included in the amount owing to subsidiaries is an amount of RM1,100,000 (2006 : RM12,800,000) which bears interest at a rate of 4.00% (2006 : 3.50% to 6.72%) per annum.

31. PAYABLES (CONT'D)

The currency profile of the payables of the Group and of the Company is as follows:

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Trade payables				
Ringgit Malaysia	**21,973**	19,807	**–**	–
Great Britain Pound	**–**	4,176	**–**	–
Chinese Renminbi	**7,015**	4,290	**–**	–
South African Rand	**4,020**	5,570	**–**	–
	33,008	33,843	**–**	–
Hire purchase payables				
Ringgit Malaysia	**63**	62	**28**	62
South African Rand	**833**	931	**–**	–
	896	993	**28**	62
Sundry payables				
Ringgit Malaysia	**20,850**	16,455	**4,867**	45
Chinese Renminbi	**21,800**	4,447	**–**	–
	42,650	20,902	**4,867**	45
Amount owing to subsidiaries				
Ringgit Malaysia	**–**	–	**7,978**	11,366

32. SHORT-TERM BORROWINGS

		GROUP		COMPANY	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Bank overdrafts	- secured	**7,454**	12,121	**–**	–
(Note 36)	- unsecured	**11**	8	**11**	8
Revolving credits	- secured	**–**	4,700	**–**	–
	- unsecured	**7,000**	4,000	**4,000**	4,000
Short-term loans	- secured	**16,742**	14,880	**–**	–
	- unsecured	**14,933**	13,020	**–**	–
Long-term borrowings due within 12 months (Note 28)		**10,421**	23,663	**–**	–
		56,561	72,392	**4,011**	4,008

32. SHORT-TERM BORROWINGS (CONT'D)

The currency profile of the short-term borrowings of the Group and of the Company is as follows:

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Ringgit Malaysia	**18,496**	23,106	**4,011**	4,008
Great Britain Pound	**–**	16,415	**–**	–
Chinese Renminbi	**31,675**	27,900	**–**	–
South African Rand	**6,390**	4,971	**–**	–
	56,561	72,392	**4,011**	4,008

The bank overdrafts of the Group and of the Company bear interest at rates ranging from 8.00% to 14.50% (2006 : 8.00% to 12.50%) per annum whilst the revolving credits of the Group and of the Company bear interest at rates ranging from 1.25% to 1.50% (2006 : 1.25% to 2.00%) per annum above the bankers' cost of funds and/or base lending rate.

Short-term loans of the Group bear interest at rates ranging from 4.65% to 5.46% (2006 : 4.50% to 4.65%) per month.

In respect of secured borrowings, the nature of security is as follows:

(a) Legal charges over the landed properties of certain subsidiaries;

(b) Pledge on the fixed deposits of a subsidiary;

(c) A debenture incorporating a fixed and floating charge over the past, present and future assets of certain subsidiaries;

(d) Corporate guarantee from a subsidiary and personal guarantee from a former director of a subsidiary;

(e) Cession of trade receivables by a foreign subsidiary;

(f) Inward Standby Letter of Credit by a local bank; and

(g) Charges on certain property, plant and machinery with a carrying value of approximately RM21,191,000 (2006 : RM14,880,000) of a foreign subsidiary.

33. NET ASSETS PER ORDINARY SHARE

Net assets per ordinary share has been calculated based on the Group's shareholders' funds as of 31 December 2007 of RM351,906,000 (2006 : RM314,819,000) on 236,551,200 (2006 : 236,000,000) ordinary shares of RM1.00 each in issue (net of treasury shares).

34. COMMITMENTS

As at 31 December 2007, the Group has the following commitments:

	GROUP	
	2007 RM'000	2006 RM'000
Capital commitments:		
Property, plant and equipment		
Authorised but not provided for:		
- Contracted	**117**	11,030
- Not contracted	**90,865**	13,248
	90,982	24,278

35. CONTINGENT LIABILITIES

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Unsecured:				
Claim by a third party against a subsidiary not provided for in the financial statements	**349**	349	**–**	–
Disputed increase in assessment on the power plant of a subsidiary levied by the local authority in the state of Sabah	**5,892**	5,892	**–**	–
Guarantee given to a financial institution for facilities extended to subsidiaries	**–**	–	**8,000**	5,000
Secured:				
Guarantee given to financial institutions for facilities extended to subsidiaries	**614**	–	**–**	4,700

36. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Bank balances and deposits (Note 23)	**121,928**	100,750	**15,532**	533
Bank overdrafts (Note 32)	**(7,465)**	(12,129)	**(11)**	(8)
	114,463	88,621	**15,521**	525

NOTES TO THE FINANCIAL STATEMENTS

37. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives And Policies

The operations of the Group are subject to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk, liquidity risk and cash flow risk. The Group has taken measures to minimise its exposure to risk and/or costs associated with the financing, investing and operating activities of the Group.

(a) Foreign Currency Risk

The Group has foreign subsidiaries and is exposed to various foreign currency risks. The Group borrows in the currency of the country in which the property or investment is located.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to acceptable levels.

(b) Interest Rate Risk

The Group is exposed to interest rate risks through the impact of rate changes on interest bearing borrowings and fixed deposits. The interest rates of the Group's borrowings are disclosed in Notes 28, 29 and 32 to the Financial Statements and the interest rates of the Group's fixed deposits are disclosed in Note 23 to the Financial Statements.

(c) Price Risk

The Group's principal exposure to price risks arises mainly from changes in quoted securities prices. Price risk is monitored closely and managed to an acceptable level.

(d) Credit Risk

The Group and the Company do not have any exposure to credit risks, or the risk of counterparties defaulting, arising from receivables.

The Group's exposure to credit risks, or the risk of counterparties defaulting, arises mainly from receivables. The maximum exposure to credit risks is represented by the carrying amounts of these financial assets in the balance sheet reduced by the effects of any netting arrangements with counterparties.

The Group extends credit to its customers based on careful evaluation of the customers' financial condition and credit history.

(e) Liquidity Risk

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and financial liabilities and to maintain sufficient credit facilities for contingent funding requirements for working capital.

(f) Cash Flow Risk

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows.

Financial Assets

The Group's principal financial assets are property, plant and equipment, bank balances and deposits, and receivables.

The Company's principal financial assets are investment in subsidiaries, bank balances and deposits.

The accounting policies applicable to the major financial assets are as disclosed in Note 4 to the Financial Statements.

37. FINANCIAL INSTRUMENTS (CONT'D)

Financial Liabilities and Equity Instruments

Debts and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement.

Significant financial liabilities of the Group include payables and borrowings.

Significant financial liabilities of the Company include payables and borrowings.

Borrowings are recorded at the proceeds received net of transaction costs and finance charges and are accounted for on an accrual basis.

Equity instruments are recorded at the proceeds received net of direct issue costs.

Fair Values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The carrying values and the estimated fair values of the Group's and the Company's financial instruments as at 31 December 2007 are as follows:

		GROUP		COMPANY	
	Note	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
2007					
Financial Liabilities					
Bonds	28	**21,269**	**21,269**	**–**	**–**
Term loans	28	**12,897**	**12,897**	**–**	**–**
Hire purchase payables	29	**2,751**	**2,751**	**28**	**28**
2006					
Financial Liabilities					
Bonds	28	25,000	25,000	–	–
Term loans	28	28,648	28,648	–	–
Hire purchase payables	29	3,615	3,615	90	90

Term Loans, Bonds And Hire Purchase Payables

The fair values of term loans, bonds and hire purchase payables are estimated using the discounted cash flow analysis based on the current borrowing rates for similar types of borrowing arrangements. There is no material difference between the fair values and carrying values of these liabilities as at the balance sheet date.

Cash And Cash Equivalents, Receivables, Payables, Short-Term Borrowings and Inter-Company Indebtedness

The carrying amounts approximate fair values because of the short maturity period for these instruments.

Amounts Owing By/To Subsidiaries

It is not practicable to estimate the fair values of the amounts owing by/to subsidiaries due principally to the lack of fixed repayment terms. However, the Company does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

NOTES TO THE FINANCIAL STATEMENTS

38. SEGMENT INFORMATION

Business segments

For management purposes, the Group is organised into the following main divisions:

Division	Description
Power	Build, own and operate power plants.
Property	Property development.
Limestone	(a) Quarrying of limestone and manufacturing and trading of calcium carbonate powder and lime based products. (b) Manufacturing of calcium silicate bricks and trading of cement products and related contract works.
Engineering	Engineering, design and manufacturing of automotive and transportation component.
Investment holding	Investment holding.

GROUP 2007	Power Division RM'000	Property Division RM'000	Limestone Division RM'000	Engineering Division RM'000	Investment Holding & Other Division RM'000	Consolidated RM'000
	← Continuing Operations				→	
Revenue						
External sales	**332,381**	**29,018**	**59,295**	**51,028**	**91**	**471,813**
Results						
Profit/(Loss) from operations	**74,371**	**19,409**	**9,683**	**(7,354)**	**6,603**	**102,712**
Finance costs						**(6,887)**
Share of results in associates						**(2)**
Income tax expense						**(13,336)**
Profit after tax						**82,487**
Minority interests						**(32,024)**
Net profit for the financial year						**50,463**
Other information						
Capital expenditure	**7,798**	**53**	**3,080**	**8,124**	**73**	**19,128**
Depreciation and amortisation	**16,214**	**336**	**5,421**	**2,240**	**167**	**24,378**

38. SEGMENT INFORMATION (CONT'D)

GROUP 2007	Continuing Operations: Power Division RM'000	Property Division RM'000	Limestone Division RM'000	Engineering Division RM'000	Investment Holding & Other Division RM'000	Consolidated RM'000
Assets						
Segment assets	**304,327**	**176,344**	**119,378**	**24,516**	**34,090**	**658,655**
Inter-segment						**–**
Investment in an associate	**–**	**–**	**–**	**–**	**3,998**	**3,998**
Consolidated total assets						**662,653**
Liabilities						
Segment liabilities	**110,960**	**24,265**	**28,849**	**17,866**	**18,250**	**200,190**

GROUP 2006	Continuing Operations: Power Division RM'000	Property Division RM'000	Limestone Division RM'000	Engineering Division RM'000	Investment Holding & Other Division RM'000	Consolidated RM'000
Revenue						
External sales	338,044	23,628	49,167	67,548	–	478,387
Results						
Profit/(Loss) from operations	89,968	5,224	8,226	6,764	(7,293)	102,889
Finance costs						(7,771)
Share of results in associates						(442)
Income tax expense						(16,968)
Profit after tax						77,708
Minority interests						(31,588)
Net profit for the financial year						46,120
Other information						
Capital expenditure	9,936	564	2,832	5,124	260	18,716
Depreciation and amortisation	17,711	463	4,681	2,072	198	25,125

NOTES TO THE FINANCIAL STATEMENTS

38. SEGMENT INFORMATION (CONT'D)

GROUP 2006	Power Division RM'000	Property Division RM'000	Limestone Division RM'000	Engineering Division RM'000	Investment Holding & Other Division RM'000	Consolidated RM'000
	← Continuing Operations →					
Assets						
Segment assets	316,818	152,219	102,290	85,802	17,268	674,397
Investment in associates	–	–	2,400	–	3,773	6,173
Consolidated total assets						680,570
Liabilities						
Segment liabilities	104,190	25,859	26,435	71,096	13,258	240,838

Geographical segments

Analysis by geographical segments:

	Revenue		Carrying value of segment assets		Capital additions	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Malaysia	**199,211**	179,203	**470,243**	420,530	**5,028**	9,143
The People's Republic of China	**227,559**	237,117	**176,024**	186,678	**7,035**	5,781
South Africa	**45,043**	62,067	**16,386**	23,322	**7,065**	1,346
United Kingdom	**–**	–	**–**	50,040	**–**	2,446
	471,813	478,387	**662,653**	680,570	**19,128**	18,716

39. SUBSIDIARIES

Details of the subsidiaries as of 31 December 2007 are as follows:

Company	Principal Activities	Country of Incorporation	Effective Group Interest 2007 %	Effective Group Interest 2006 %
Mega First Mining Sdn. Bhd.	Investment holding	Malaysia	**100**	100
Equity Group Investments Ltd	Investment holding	British Virgin Islands	**100**	100
Mamut Copper Mining Sdn. Bhd.	Dormant	Malaysia	**100**	100
Geo-Mobile Asia (HK) Limited	Dormant	Hong Kong	**100**	100
MCM Nurseries Sdn. Bhd.	Dormant	Malaysia	**100**	100
Cheng Sun Industries Sdn. Bhd.	Investment holding	Malaysia	**99.6**	99.6
Syarikat Cheng Sun Quarry Sdn. Bhd.	Quarrying of limestone and production of fine calcium carbonate powder	Malaysia	**99.6**	99.6
Propera Sdn. Bhd.	Dormant	Malaysia	**100**	100
Mega First Industries Sdn. Bhd.	Investment holding	Malaysia	**100**	100
Consotech Sdn. Bhd.	Dormant	Malaysia	**100**	100
MFCB Marketing Sdn. Bhd.	Dormant	Malaysia	**100**	100
Grassum Sdn. Bhd.	Dormant	Malaysia	**100**	100
Mega First Development Sdn. Bhd.	Dormant	Malaysia	**100**	100
Mega First Ventures Sdn. Bhd.	Investment holding	Malaysia	**100**	100
Bloxwich International Sdn. Bhd.	Investment holding	Malaysia	**100**	100
Bloxwich (Malaysia) Sdn. Bhd.	Engineering, design and manufacture of automotive and transportation components	Malaysia	**95.0**	95.0

NOTES TO THE FINANCIAL STATEMENTS

39. SUBSIDIARIES (CONT'D)

Company	Principal Activities	Country of Incorporation	Effective Group Interest 2007 %	2006 %
Bloxwich Engineering Limited **#	Under administration	United Kingdom	**100**	100
Bloxwich Automotive Limited **#	Under administration	United Kingdom	**100**	100
Bloxwich Transportation Products Limited **#	Under administration	United Kingdom	**100**	100
Bloxwich Security Products Limited **#	Under administration	United Kingdom	**100**	100
APM (Advanced Presswork Manufacturers) Limited **#	Under administration	United Kingdom	**100**	100
Bloxwich Fabrications Limited **#	Under administration	United Kingdom	**100**	100
Bloxwich Group Pensions Limited **#	Pension Fund Trustee	United Kingdom	**100**	100
Bloxwich South Africa (Pty) Limited **	Dormant	Republic of South Africa	**100**	100
Bloxwich Forgings (Pty) Limited **	In liquidation	Republic of South Africa	**100**	100
Bloxwich Industries (Pty) Limited **##	Manufacture of automotive components	Republic of South Africa	**100**	100
Bloxwich Tool & Die (Pty) Limited **	Dormant	Republic of South Africa	**100**	100
Mega First Corporate Services Sdn. Bhd.	Provision of secretarial services	Malaysia	**100**	100
Mega First Housing Development Sdn. Bhd.	Property development	Malaysia	**100**	100
Mega First Properties Sdn. Bhd.	Dormant	Malaysia	**100**	100
Mega First Property Management Sdn. Bhd.	Dormant	Malaysia	**100**	100
Gombak Land Sdn. Bhd.	Property development	Malaysia	**100**	100

39. SUBSIDIARIES (CONT'D)

Company	Principal Activities	Country of Incorporation	Effective Group Interest 2007 %	Effective Group Interest 2006 %
Megah Harmonik Property Management Sdn. Bhd.	Property management	Malaysia	**100**	100
Community Consortium Sdn. Bhd.	Property development	Malaysia	**100**	100
Public Ventures Management Sdn. Bhd.	Dormant	Malaysia	**100**	100
Empayar Permai Sdn. Bhd.	Property development	Malaysia	**100**	100
Highland Resources Sdn. Bhd.	Property development	Malaysia	**100**	100
Paya Emas Sdn. Bhd.	Property development	Malaysia	**60.0**	60.0
Idaman Harmoni Sdn. Bhd.	Property investment	Malaysia	**65.0**	65.0
Kinta Ceria Sdn. Bhd.	Property investment	Malaysia	**100**	100
Serudong Power Sdn. Bhd.	Build, own and operate a power plant	Malaysia	**51.0**	51.0
Mega First Power Industries Sdn. Bhd.	Investment holding	Malaysia	**100**	100
Mega First Power Services Sdn. Bhd.	Contractor for operation and maintenance of power plants	Malaysia	**100**	100
Shaoxing Mega Heat And Power Co. Limited *	Own and operate a power plant	The People's Republic of China	**60.0**	60.0
Rock Chemical Industries (Malaysia) Berhad	Investment holding and provision of management consultancy services	Malaysia	**60.4**	60.4
RCI Ventures Sdn. Bhd.	Investment holding	Malaysia	**60.4**	60.4
RCI Lime Sdn. Bhd.	Manufacture and sale of lime products and limestone quarry operator	Malaysia	**60.4**	60.4
RCI Minerals Sdn. Bhd.	Investment holding	Malaysia	**60.4**	60.4
RCI Marketing Sdn. Bhd.	Trading of building and cement products	Malaysia	**60.4**	60.4

NOTES TO THE FINANCIAL STATEMENTS

39. SUBSIDIARIES (CONT'D)

Company	Principal Activities	Country of Incorporation	Effective Group Interest 2007 %	Effective Group Interest 2006 %
Batamas Sdn. Bhd.	Manufacture of calcium silicate bricks and cement products	Malaysia	**60.4**	–
Mesrasasi Sdn. Bhd.	Limestone quarry operator	Malaysia	**60.4**	–
Mega First Ventures Limited	Investment holding	Hong Kong	**60.4**	–
Bayangan Sutera Sdn. Bhd.	Investment holding	Malaysia	**100**	100
MFFB International Ltd	Dormant	British Virgin Islands	**100**	100
Geo-Mobile Asia Sdn. Bhd.	Investment holding	Malaysia	**100**	100
Authentic Excellence Sdn. Bhd.	Investment holding	Malaysia	**100**	100
Mega First Resources Sdn. Bhd.	Dormant	Malaysia	**100**	100
Jitu Optima Sdn. Bhd.	Dormant	Malaysia	**100**	100
Mega First Online Sdn. Bhd.	Dormant	Malaysia	**100**	100

* *The Financial Statements of these companies are examined by auditors other than the auditors of the Company.*

** *The Financial Statements of these companies are examined by member firms of Horwath International.*

\# *With effect from 12 November 2007, the Financial Statements of the BEL Group have been deconsolidated from the consolidated balance sheets following the appointment of administrators for BEL and its subsidiaries.*

\#\# *The Financial Statements of Bloxwich Industries (Pty) Limited have been prepared on a break-up basis.*

40. ACQUISITION OF SUBSIDIARIES

During the financial year, RCI acquired the additional issued and paid-up share capital of Batamas for a consideration of approximately RM4,215,000. This additional acquisition resulted in Batamas becoming a 94.52% owned subsidiary of RCI. Subsequently, RCI acquired the remaining equity interest in Batamas it did not own, thus making Batamas a 100% owned subsidiary for a purchase consideration of RM395,000.

During the financial year, RCI acquired the entire issued and paid-up share capital of Mesrasasi Sdn. Bhd. and Mega First Ventures Limited for a total purchase consideration of approximately RM2,577,000 and RM45 respectively.

The acquired businesses contributed revenues of approximately RM5,393,000 and net loss of approximately RM710,000 to the RCI Group for the period from the date of acquisition to 31 December 2007. If the acquisition had occurred on 1 January 2007, the RCI Group revenue would have been approximately RM56,008,000 and profit after tax would have been approximately RM5,091,000.

The details of net assets acquired and cash flow arising from the acquisitions of subsidiaries are as follows:

	Group 2007 RM'000
Non-current assets	**10,209**
Current assets	**5,131**
Non-current liabilities	**(1,817)**
Current liabilities	**(7,224)**
Fair value of net assets acquired	**6,299**
Attributable to shares retained as an associate	**(2,100)**
Goodwill on consolidation	**2,988**
Total purchase consideration	**7,187**
Cash and cash equivalents of subsidiaries acquired	**1,730**
Net cash outflow on acquisition of subsidiaries	**8,917**

NOTES TO THE FINANCIAL STATEMENTS

41. DECONSOLIDATION OF SUBSIDIARIES

During the financial year, the Group has deconsolidated one of the foreign group of subsidiaries, BEL and its subsidiaries as the Group does not have any control over their operations following the appointment of administrators for the BEL Group. The deconsolidation had the following effects on the financial position of the Group as at the end of the financial year:

	Group 2007 RM'000
Non-current assets	**9,445**
Current assets	**40,748**
Non-current liabilities	**(13,437)**
Current liabilities	**(39,938)**
Fair value of net liabilities deconsolidated	**(3,182)**
Reversal of goodwill on consolidation	**746**
Gain on deconsolidation	**2,436**
Effect of the deconsolidation of subsidiaries	**–**
Cash and cash equivalents of subsidiaries deconsolidated	**3,657**
Net cash inflow on deconsolidation of subsidiaries	**3,657**

42. EFFECTS OF CHANGE IN THE BASIS OF PREPARATION OF GROUP FINANCIAL STATEMENTS

2007

BIL has been operating under very difficult market conditions in South Africa. Escalating raw material costs, dwindling demand from a major customer and a sharp depreciation of the South African Rand have resulted in losses in the subsidiary and a significant deterioration of its financial position.

The Directors of BIL, having considered BIL's adverse financial position and unfavorable market condition are contemplating to exit the business in South Africa, unless a long-term viable solution is found. Accordingly, the Directors of BIL are of the opinion that the appropriate basis of preparing the Financial Statements of BIL for the financial year ended 31 December 2007 is on a break-up basis, that is to record the carrying values of assets and liabilities at their fair values and/or net realisable values and to accrue for additional relevant liabilities as appropriate.

Arising from this change in the basis of preparation of the Financial Statements of BIL from a going concern to that of a break-up basis, the Group has taken a charge of RM3,529,000 in its Financial Statements, which represents a net write-down in the carrying value of BIL's assets.

42. EFFECTS OF CHANGE IN THE BASIS OF PREPARATION OF GROUP FINANCIAL STATEMENTS (CONT'D)

The effects on the Group Financial Statements of Mega First Corporation Berhad ("MFCB") as a result of the change in the basis of preparation of Financial Statements from the going concern basis to that of a break-up basis are as follows:

Summarised Balance Sheet As at 31 December 2007	**Going concern basis RM'000**	**Break-up basis RM'000**
Property, plant and equipment	**13,750**	**9,625**
Inventories	**3,796**	**3,568**
Receivables	**3,193**	**3,193**
Amount owing by holding company	**125**	**125**
Payables	**(4,020)**	**(4,020)**
Hire purchase	**(2,637)**	**(2,637)**
Overdraft	**(5,585)**	**(5,585)**
Bond	**(4,269)**	**(4,269)**
Deferred taxation	**(824)**	**–**
	3,529	**–**
Represented by:		
Share capital	**1,216**	**1,216**
Translation reserve	**(2,391)**	**(2,391)**
Accumulated losses	**4,704**	**1,175**
	3,529	**–**

2006

The BEL Group had been suffering losses and despite a turnaround plan which had been put in place, it was not expected to turnaround in the immediate future.

With effect from 1 October 2005, the immediate and ultimate holding companies of BEL Group, Bloxwich International Sdn. Bhd. ("BISB") and MFCB respectively had indicated that they would not provide any further financial support nor guarantee the present and future liabilities of the BEL Group.

Accordingly, the Directors of the BEL Group, having considered the BEL Group's adverse financial position and results mentioned in the preceding paragraphs, were of the opinion that the appropriate basis of preparing the Financial Statements of the BEL Group for the financial period ended 31 December 2005 and the financial year ended 31 December 2006 was on a break-up basis, i.e. to record the carrying values of the assets and liabilities at their fair values and/or net realisable values and to accrue for additional relevant liabilities as appropriate.

For the financial period ended 31 December 2005, arising from this change in the basis of preparation of the Financial Statements of the BEL Group from a going concern to that of a break-up basis, the Group had consolidated the losses of the BEL Group up to RM36.1 million, which represented the BISB Group's cost of investment in the BEL Group. This resulted in a reversal of losses in excess of the cost of investment amounting to RM10,867,000 in the financial period ended 31 December 2005.

NOTES TO THE FINANCIAL STATEMENTS

42. EFFECTS OF CHANGE IN THE BASIS OF PREPARATION OF GROUP FINANCIAL STATEMENTS (CONT'D)

The effects on BEL Group Financial Statements in the previous financial year as a result of the change in the basis of preparation of Financial Statements from the going concern basis to that of a break-up basis were as follows:

Summarised Balance Sheet As at 31 December 2006	**BEL Group going concern basis RM'000**	**BEL Group break-up basis RM'000**
Property, plant and equipment	11,215	9,130
Inventories	5,936	2,377
Trade receivables	3,495	1,748
Other receivables	573	84
Non-current asset held for sale	40,196	40,196
Trade payables	(13,713)	(13,716)
Other payables	(13,215)	(15,666)
Amount owing to related companies	(3,559)	–
Loan	(12,758)	(12,758)
Overdraft	(3,657)	(3,657)
Pension liability	–	(120,238)
	14,513	(112,500)
Represented by:		
Share capital	13,435	13,435
Share premium	238	238
Capital reserve	5,908	5,908
Translation reserve	23,876	23,876
Accumulated losses	(28,944)	(155,957)
	14,513	(112,500)

42. EFFECTS OF CHANGE IN THE BASIS OF PREPARATION OF GROUP FINANCIAL STATEMENTS (CONT'D)

The effects on MFCB Group Financial Statements in the previous financial year as a result of the change in the basis of preparation of BEL Group Financial Statements from the going concern basis to that of a break-up basis were as follows:

Summarised Balance Sheet As at 31 December 2006	**BEL Group break-up basis for consolidation RM'000**	**Losses not covered by assets of BEL Group RM'000**
Property, plant and equipment	9,130	–
Inventories	2,377	–
Trade receivables	1,748	–
Other receivables	84	–
Non-current asset held for sale	40,196	–
Trade payables	(3,391)	(10,325)
Other payables	(4,105)	(11,561)
Loan	(12,758)	–
Overdraft	(3,657)	–
Pension liability	(29,624)	(90,614)
	–	(112,500)
Represented by:		
Share capital	13,435	–
Share premium	238	–
Capital reserve	3,076	2,832
Translation reserve	–	23,876
Accumulated losses	(16,749)	(139,208)
	–	(112,500)

The BEL Group Financial Statements were consolidated up to MFCB Group's cost of investment. Accordingly, adjustments had been made to the BEL Group Financial Statements to reduce the liabilities to the extent that they could be covered by the assets of BEL Group. The excess of liabilities over the assets of the BEL Group amounted to RM112,500,000 as at 31 December 2006.

43. DIRECTORS REMUNERATION

The aggregate amount of remuneration received and receivable by the Directors of the Group and of the Company during the financial year are as follows:

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Executive Directors				
- Basic salary, bonus and Employees Provident Fund	**685**	837	**417**	632
- Ex-gratia	**–**	315	**–**	315
Non-Executive Directors				
- Fee, including meeting allowances	**195**	180	**195**	175
	880	1,332	**612**	1,122

The details of directors' remuneration received and receivable for the financial year in bands of RM50,000 are as follows:

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
RM100,001 – RM150,000	**–**	–	**–**	–
RM150,001 – RM200,000	**–**	–	**–**	–
RM200,001 – RM250,000	**–**	1	**–**	–
RM250,001 – RM300,000	**1**	–	**–**	–
RM300,001 – RM350,000	**–**	–	**–**	–
RM350,001 – RM400,000	**–**	1	**–**	1
RM400,001 – RM450,000	**1**	–	**1**	–
RM450,001 – RM500,000	**–**	–	**–**	–
RM500,001 – RM550,000	**–**	–	**–**	–
RM550,001 – RM600,000	**–**	*1	**–**	*1
Non-Executive Directors				
- Below RM50,000	**7**	9	**7**	9

* *Amount included an ex-gratia payment of RM315,000 to a former Executive Director of the Company.*

44. SIGNIFICANT RELATED PARTY TRANSACTIONS

The remuneration of key management personnel during the financial year is as follows:

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Key management personnel compensation - Salary, bonus and other remuneration, including benefits-in-kind (gross)	**3,076**	3,347	**837**	1,367

The movement in share options of key management personnel is as follows:

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
At beginning of financial year	**2,080**	2,280	**950**	1,300
Granted	**–**	150	**–**	–
Exercised	**(560)**	–	**(350)**	–
Lapsed	**–**	(350)	**–**	(350)
At end of financial year	**1,520**	2,080	**600**	950

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel of the Group and of the Company consist of Executive Directors and members of senior management and heads of major subsidiaries of the Group.

45. SIGNIFICANT CORPORATE EVENTS

a) On 2 February 2007, RCI made a conditional takeover offer for the remaining 3,061,800 ordinary shares not already owned, representing 66.56% of the issued and paid-up capital of Batamas, a 33.44%-owned associate of RCI, for a total cash consideration of approximately RM4.6 million or RM1.50 per ordinary share in Batamas.

The offer was conditional upon RCI receiving valid acceptances which would result in RCI holding more than 50% of the voting shares of Batamas.

On 15 February 2007, the conditional takeover offer became unconditional consequent to RCI having received valid acceptances which resulted in RCI holding more than 50% of the issued and paid-up share capital of Batamas. At the close of the takeover offer on 9 March 2007, RCI received valid acceptances of 94.52% of the issued and paid-up capital of Batamas. RCI subsequently acquired the remaining shares and Batamas became a wholly-owned subsidiary of RCI on 30 May 2007.

NOTES TO THE FINANCIAL STATEMENTS

45. SIGNIFICANT CORPORATE EVENTS (CONT'D)

b) On 18 April 2007, RCI Minerals Sdn. Bhd. a wholly-owned subsidiary of RCI entered into a conditional sale and purchase agreement with 13 individuals to acquire the entire issued and paid-up share capital of Mesrasasi Sdn. Bhd. ("MESRA") comprising 200,000 fully paid ordinary shares of RM1.00 each for a total cash consideration of RM2,577,000.

Contemporaneously, RCI Lime Sdn. Bhd., a wholly-owned subsidiary of RCI, entered into a conditional sale and purchase agreement with Syarikat Perusahaan Sri Murni Sdn. Bhd. to acquire the limestone crushing plant and equipment erected on MESRA's freehold industrial land held under Grant No. 58729, Lot 45152, Mukim of Kampar, District of Kinta, Perak for a cash consideration of approximately RM1,007,000.

These acquisitions were completed on 27 June 2007.

c) On 2 May 2007, RCI incorporated a new wholly-owned subsidiary, Mega First Venture Limited ("MFVL"), in Hong Kong. MFVL has an authorized share capital of HKD2,000,000 divided into 2,000,000 fully paid ordinary shares of HKD1 each. Its issued and paid-up share capital is HKD100 divided into 100 fully paid ordinary shares of HKD1 each. The intended principal activity of MFVL is investment holding.

d) On 27 February 2007, the shareholders of the Company approved the Company's plan to purchase its own ordinary shares (the "Buy-Back"). The purchase is up to ten percent (10%) of the issued and paid-up share capital of the Company as quoted on the Bursa Securities as at the point of purchase. The Buy-Back is subject to compliance with Section 67A of the Companies Act, 1965 and any prevailing laws, orders, requirements, guidelines, rules and regulations issued by the relevant authorities at the time of purchase. On 27 April 2007, the shareholders of the Company renewed their mandate to allow the Company to purchase its own ordinary shares.

During the financial year ended 31 December 2007, the Company purchased 2,660,800 of its issued ordinary shares from the open market at an average price of RM1.452 per share for a total consideration of approximately RM3,893,000 comprising purchase price of approximately RM3,864,000 and the transaction cost of approximately RM29,000. These shares are held as treasury shares in accordance with Section 67A of the Companies Act, 1965. The relevant details are disclosed in Note 26 to the Financial Statements.

e) On 12 November 2007, Venture Finance Plc appointed Administrators for BEL and its wholly-owned subsidiaries namely Bloxwich Automotive Limited, Bloxwich Transportation Products Limited, Bloxwich Security Product Limited, Bloxwich Fabrications Limited and APM (Advanced Presswork Manufacturers) Limited. This resulted from Bloxwich Engineering Limited (1978) Retirement Benefit Scheme giving notice on 9 October 2007 that the Scheme would be wound up under subsection 75(2) of the Pensions Act, 1995 (United Kingdom).

With effect from 1 October 2005, BISB and the Company have stopped providing financial support and guarantee to the present and future liabilities of the BEL Group. Accordingly, with effect from the six-month financial period ended 31 December 2005, the financial statements of the BEL Group have been prepared on a break-up basis. The Company has consolidated the losses of the BEL Group up to RM36.1 million, which represented the BISB Group's cost of investment in the BEL Group.

With effect from 12 November 2007, the Financial Statements of the BEL Group have been deconsolidated from the consolidated balance sheets following the appointment of administrators for BEL and its subsidiaries. There is no significant operational and financial impact on the Group.

f) On 25 April 2007, the shareholders of RCI approved the establishment of an Employee Share Option Scheme for the benefit of eligible Executive Directors and employees of RCI and its subsidiaries. The Scheme has yet to become effective.

45. SIGNIFICANT CORPORATE EVENTS (CONT'D)

g) On 29 October 2007, the Government of the Lao People's Democratic Republic ("GOL") granted an extension of the term and validity of the Memorandum of Understanding on the hydroelectric power project in Don Sahong ("Don Sahong project"), Khong District, Champasak Province, Lao People's Democratic Republic ("Lao PDR"), to 22 February 2008.

On 13 February 2008, the Company signed the Project Development Agreement ("PDA") with GOL in Vientiane, Capital of Lao PDR to develop, build, own and operate the Don Sahong project.

The PDA, together with the feasibility and social/environmental studies conducted, confirmed that the Don Sahong project is technically and financially viable.

STATEMENT BY DIRECTORS

The Directors of **MEGA FIRST CORPORATION BERHAD** state that, in their opinion, the accompanying balance sheets and statements of income, cash flows and changes in equity are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as of 31 December 2007 and of the results of their businesses and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance
with a resolution of the Directors,

DR. LIM THIAN SOO

GOH NAN YANG

Kuala Lumpur
21 April 2008

STATUTORY DECLARATION

I, **DR. LIM THIAN SOO**, the officer primarily responsible for the financial management of **MEGA FIRST CORPORATION BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets and statements of income, cash flows and changes in equity, are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed
DR. LIM THIAN SOO at **KUALA LUMPUR** this
21 April 2008

Before me,

DATO' NG MANN CHEONG
COMMISSIONER FOR OATHS

LIST OF PROPERTIES HELD

as at 31 December 2007

	Description	Location	Approximate Age of Building (years)	Total Area (sq. metre)	Tenure	Date of Acquisition	Date of Last Valuation	Net Book Value RM'000
1	Factory land and building	Lot PT839 Mukim of Sg. Raia Kinta District, Perak	20	28,850	Leasehold 60 years (Expires on 2047)	18 Dec 87	n/a	1,439
2	Quarrying Limestone hill	Lot PT 132 Mukim of Sg. Raia Kinta District, Perak	n/a	36,367	Leasehold 30 years (Expires on 2011)	28 Jul 81	n/a	507
3	Quarrying Limestone hill	Lot PT 1109 Mukim of Sg. Raia Kinta District, Perak	n/a	8,099	Leasehold 30 years (Expires on 2022)	26 Feb 92	n/a	3
4	Factory land and building	PT2620 & PT2621 Seri Iskandar Technology Park Mukim Bota Daerah Perak Tengah 32600 Bota Perak	10	12,565	Leasehold 99 years (Expires on 2095)	22 Nov 96	n/a	2,809
5	Land and buildings	1631 - 1637 South Coast Road Mobeni, South Africa	20	6,548	Freehold	17 May 07	14 Jul 06	3,813
6	Land and buildings	245 Chamberlain Road Jacobs, South Africa	20	4,091	Freehold	17 May 07	14 Jul 06	2,610
7	Factory land and building	Qi Yang Gong Lu Qi Xian Town Shaoxing County Zhejiang Province People's Republic of China	11	61,960	Leasehold 22 years (Expires on 2019)	1997	n/a	27,942
8	Vacant land held for development	P.T. Nos. 2388, 2397 2398, 2401 Mukim Setapak	n/a	5,322	Leasehold 99 years (Expires on 2086)	21 Sep 87	n/a	582
9	Vacant land held for development	P.T. Nos. 134908 134914 Daerah Kinta, Ipoh	n/a	10,072	Leasehold 99 years (Expires on 2094)	30 Mar 95	n/a	4,206
10	Vacant land held for development	P.T. Nos. 1006 to 1037 Mukim of Batu Berendam Daerah Melaka Tengah, Melaka	n/a	5,248	Leasehold 99 years (Expires on 2082)	27 Mar 93	n/a	1,021
11	Vacant land held for development	P.T. Nos. 277 to 279 Mukim of Paya Rumput Daerah Melaka Tengah, Melaka	n/a	191,924	Freehold	31 May 93	n/a	8,695
12	Vacant land held for development	P. T. No. 134909 Greentown	n/a	8,094	Leasehold 99 years (Expires on 2094)	26 Jan 05	n/a	5,581

LIST OF PROPERTIES HELD

as at 31 December 2007

	Description	Location	Approximate Age of Building (years)	Total Area (sq. metre)	Tenure	Date of Acquisition	Date of Last Valuation	Net Book Value RM'000
13	Vacant land held for development	P.T. Nos. 1076 to 1389 1391, 1393, 1395 to 1418 1421-1492 Mukim Dengkil	n/a	345,622	Leasehold 99 years (Expires on 2097)	20 Jun 96	n/a	37,015
14	Quarry and limestone hill	HS(D) KA46712 PT3997 Gunung Panjang Gopeng Perak Darul Ridzuan	n/a	193,300	Leasehold 30 years (Expires on 2025)	1996	1996	3,571
15	Office and warehouse	Lot 45158 Gunung Panjang Gopeng Perak Darul Ridzuan	5	22,600	Freehold	1997	1997	2,109
16	Integrated lime kiln and hydration plant	Lot 45157 Gunung Panjang Gopeng Perak Darul Ridzuan	n/a	18,700	Freehold	1996	1996	163
17	Stockyard	Lot 21487 Gunung Panjang Gopeng Perak Darul Ridzuan	n/a	10,600	Freehold	1996	1996	40
18	Stockyard	Lot 45156 Gunung Panjang Gopeng Perak Darul Ridzuan	n/a	16,415	Freehold	2006	2006	271
19	Quarry, Limestone Hill and Guardhouse	Lot 45152 Gunung Panjang Gopeng Perak Darul Ridzuan	1	16,010	Freehold	2007	n/a	98
20	Office and warehouse	One unit 3 storey shophouse at Station 18, Ipoh Perak Darul Ehsan	5	185	Leasehold (Expires on 2096)	2002	n/a	323
21	Office and warehouse	One unit double storey detached house in Ipoh, Perak Darul Ehsan	1	130	Freehold	2006	n/a	129
22	Freehold land and buildings	PT 4728, Jalan Raja Musa Mukim Batang Berjuntai Selangor Darul Ehsan	10	77,118	Freehold	01 Nov 97	n/a	2,891
23	Leasehold land and building	Lot 138321, Jalan Changkat Larang Batu Gajah Perak Darul Ridzuan	25	42,576	Leasehold (Expires on 2045)	01 Sep 82	1985	425

	Description	Location	Approximate Age of Building (years)	Total Area (sq. metre)	Tenure	Date of Acquisition	Date of Last Valuation	Net Book Value RM'000
24.	Quarry and limestone hill	PT 1491, Mukim Kampar Gopeng Perak Darul Ridzuan	n/a	58,474	Leasehold (Expires on 2037)	2007	n/a	343
25.	Quarry and limestone hill	PT 3962, Mukim Kampar Gopeng Perak Darul Ridzuan	n/a	28,328	Leasehold (Expires on 2022)	2007	n/a	166
26.	Office and warehouse	Lot No. 28 Jalan Pengacara U1/48, Temasya Industrial Park Mukim Damansara District of Petaling Selangor Darul Ehsan	8	892	Freehold	2000	2000	1,216

n/a *Not applicable*

ANALYSIS ON SHAREHOLDINGS

as at 21 March 2008

Authorised Capital	:	RM500,000,000 divided into 500,000,000 ordinary shares of RM1.00 each.
Issued and Paid-up Capital	:	RM239,213,000 divided into 239,213,000 ordinary shares of RM1.00 each fully paid-up.
Class of Shares	:	Ordinary shares of RM1.00 each.
Voting Rights	:	One vote per ordinary share on a poll One vote per shareholder on a show of hands

Size of Holdings	No. of Holders	Total Holdings	%
Less than 100	751	42,003	0.02
100 to 1,000	5,694	5,374,336	2.25
1,001 to 10,000	8,433	31,916,928	13.34
10,001 to 100,000	997	26,177,100	10.94
100,001 to less than 5% of issued shares	131	113,010,153	47.24
5% and above of issued shares	2	62,692,480	26.21
Total	**16,008**	**239,213,000**	**100.00**

THIRTY LARGEST SHAREHOLDERS

No.	Name of Securities Account Holder	No. of shares held	%
1)	Amsec Nominees (Tempatan) Sdn Bhd *A/C for Rubber Thread Industries (M) Sdn Bhd*	47,905,000	20.03
2)	Perbadanan Pembangunan Ekonomi Sabah (SEDCO)	14,787,480	6.18
3)	HLB Nominees (Asing) Sdn Bhd *A/C for Keen Capital Investments Limited*	7,643,000	3.20
4)	PRT Capital Pte Ltd	5,916,500	2.47
5)	ECM Libra Avenue Nominees (Asing) Sdn Bhd *A/C for Keen Capital Investments Limited*	4,950,400	2.07
6)	Amanah Raya Nominees (Tempatan) Sdn Bhd *A/C for Skim Amanah Saham Bumiputera*	4,730,000	1.98
7)	Omega Semiconductor Sdn Bhd	4,340,300	1.81
8)	Shoptra Jaya Sdn Bhd	3,413,300	1.43
9)	Lim Gaik Bway @ Lim Chiew Ah	3,318,900	1.39
10)	Koay Keng Ling	3,261,100	1.36
11)	Aspara Vohrah	2,997,000	1.25
12)	Grand Terrace Sdn Bhd	2,950,600	1.23
13)	Malaysia Nominees (Tempatan) Sendirian Berhad *A/C for Great Eastern Life Assurance (Malaysia) Berhad (DR)*	2,514,000	1.05
14)	Kah Hin Loong Sdn Bhd	2,496,800	1.04
15)	HSBC Nominees (Asing) Sdn Bhd *A/C for Tenacious Hold Limited*	2,493,700	1.04
16)	HSBC Nominees (Asing) Sdn Bhd *A/C for Morgan Stanley & Co., Incorporated*	2,330,700	0.97
17)	JF Apex Nominees (Tempatan) Sdn Bhd *A/C for Chong Wah Sin*	2,200,000	0.92
18)	Lanai Etika Sdn Bhd	1,927,200	0.81
19)	DB (Malaysia) Nominees (Asing) Sdn Bhd *A/C for Devonshire Assets Limited*	1,899,650	0.79
20)	JF Apex Nominees (Tempatan) Sdn Bhd *A/C for Chong Ah Suan*	1,850,000	0.77
21)	JF Apex Nominees (Tempatan) Sdn Bhd *A/C for Lim Gaik Bway @ Lim Chiew Ah*	1,767,300	0.74
22)	Malaysia Nominees (Tempatan) Sendirian Berhad *A/C for Great Eastern Life Assurance (Malaysia) Berhad (LGF)*	1,681,200	0.70
23)	Zulkifli bin Hussain	1,515,000	0.63
24)	Zulkifli bin Hussain	1,490,000	0.62
25)	Kumpulan YR Sdn Bhd	1,486,000	0.62
26)	Espoir Investments Pte Ltd	1,360,000	0.57
27)	HSBC Nominees (Asing) Sdn Bhd *A/C for Dynamic Growth Equity Limited*	1,320,000	0.55
28)	Citigroup Nominees (Asing) Sdn Bhd *A/C for Mellon Bank (Mellon)*	1,200,000	0.50
29)	Citigroup Nominees (Asing) Sdn Bhd *A/C for DFA Emerging Markets Fund*	1,101,700	0.46
30)	Koay Keng Huat	1,025,000	0.43
	Total	**137,871,830**	**57.61**

ANALYSIS ON SHAREHOLDINGS

as at 21 March 2008

SUBSTANTIAL SHAREHOLDERS

No.	Name of Substantial Shareholder	Direct Interest Shares	Direct Interest %	Deemed Interest Shares		Deemed Interest %
1)	Goh Nan Kioh	713,600	0.30	68,342,100	(a)	28.57
2)	Rubber Thread Industries (M) Sdn Bhd	47,905,000	20.03	1,927,200	(b)	0.81
3)	Perbadanan Pembangunan Ekonomi Sabah (SEDCO)	14,787,480	6.18	–		–
4)	Keen Capital Investments Limited	12,593,400	5.26	–		–
5)	Laju Riang Sdn Bhd	–	–	49,832,200	(c)	20.83
6)	Kema Development Sdn Bhd	–	–	49,832,200	(c)	20.83
7)	Cambrew (Malaysia) Sdn Bhd	–	–	49,832,200	(c)	20.83
8)	Dr. Lim Thian Soo	90,000	0.04	49,832,200	(c)	20.83
9)	Lim Thiam Cheok	10,000	*	49,832,200	(c)	20.83
10)	Lim Yam Poh	–	–	49,832,200	(c)	20.83

DIRECTORS' INTEREST IN SHARES

No.	Name of Director	Direct Interest Shares	Direct Interest %	Deemed Interest Shares		Deemed Interest %
	Shares in the Company					
1)	Goh Nan Kioh	713,600	0.30	68,342,100	(a)	28.57
2)	Dr. Lim Thian Soo	90,000	0.04	49,832,200	(c)	20.83
3)	Goh Nan Yang	10,000	*	–		–
4)	Yong Fook Shin	352,200	0.15	–		–
5)	Yeow See Yuen	416,500	0.17	26,000		0.01
6)	Dato' Jorgen Bornhoft	175,000	0.07	–		–
	Shares in Rock Chemical Industries (Malaysia) Berhad (Subsidiary)					
1)	Goh Nan Kioh	–	–	25,594,300	(d)	60.42
2)	Dr. Lim Thian Soo	–	–	25,594,300	(d)	60.42
3)	Goh Nan Yang	100	*	–		–
4)	Dato' Jorgen Bornhoft	40,600	0.10	–		–

Share Options in the Company

Name of Director	Options Granted	Option Price	Options Exercised	Balance of Options
Dr. Lim Thian Soo	500,000	RM1.00	-	500,000
Goh Nan Yang	500,000	RM1.00	-	500,000

Notes:

* *less than 0.01%*

(a) *Deemed interest by virtue of interest in Rubber Thread Industries (M) Sdn Bhd, PRT Capital Pte Ltd, Keen Capital Investments Limited*

(b) *Deemed interest by virtue of interest in Lanai Etika Sdn Bhd*

(c) *Deemed interest by virtue of interest in Rubber Thread Industries (M) Sdn Bhd*

(d) *Deemed interest by virtue of interest in Mega First Corporation Berhad*

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-Second Annual General Meeting of the Company will be held at the Berjaya Hall, Bukit Kiara Equestrian and Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 50490 Kuala Lumpur on Thursday, 22 May 2008 at 10:00 a.m. for the following purposes:-

AGENDA

1) To receive and consider the Directors' Report and Audited Financial Statements for the year ended 31 December 2007. ***(Resolution 1)***

2) To declare a final dividend of 3.5% less income tax in respect of the year ended 31 December 2007. ***(Resolution 2)***

3) To approve the payment of Directors' fees amounting to RM173,000 (2006: RM159,000) in respect of the year ended 31 December 2007. ***(Resolution 3)***

4) To re-elect the following Directors who are retiring by rotation pursuant to Article 99 of the Company's Articles of Association, and being eligible, offer themselves for re-election:-

   4.1 Dr. Lim Thian Soo ***(Resolution 4)***
   4.2 Mr Goh Nan Yang ***(Resolution 5)***
   4.3 Encik Maisuri bin Besri ***(Resolution 6)***

5) To re-appoint Messrs Horwath as auditors of the Company and to authorise the Board of Directors to fix their remuneration. ***(Resolution 7)***

6) By way of special business, to consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:-

   6.1 **Ordinary Resolution**
   Authority to issue shares pursuant to Section 132D of the Companies Act, 1965

   "THAT, subject always to the Companies Act, 1965 and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered and authorised, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person/persons or party/parties whomsoever the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being, and that such authority shall continue in force until the conclusion of the next Annual General Meeting." ***(Resolution 8)***

   6.2 **Ordinary Resolution**
   Authority to allot shares pursuant to the Employee Share Option Scheme

   "THAT, pursuant to the Company's Employee Share Option Scheme ("the Scheme"), the Directors of the Company be and are hereby empowered and authorised, in accordance with Section 132D of the Companies Act, 1965, to allot and issue shares in the Company from time to time in accordance with the Scheme." ***(Resolution 9)***

NOTICE OF ANNUAL GENERAL MEETING

6.3 **Ordinary Resolution**
Authority to Directors on purchase of the Company's own shares

"THAT, subject to the Companies Act, 1965 ("the Act"), rules, regulations and orders made pursuant to the Act, and the requirements of Bursa Malaysia Securities Berhad ("BMSB") and any other relevant authorities, the Directors of the Company be and are hereby unconditionally and generally authorised to :- ***(Resolution 10)***

i) purchase shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their discretion deem fit, provided that the aggregate number of shares bought pursuant to this Resolution does not exceed ten per cent (10%) of the issued and paid-up share capital of the Company as quoted on BMSB as at the point of purchase and the total funds allocated shall not exceed the total retained earnings and share premium of the Company which would otherwise be available for dividends AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting or upon the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever occurs first);

ii) retain the shares so purchased as treasury shares or cancel them or both, with an appropriate announcement to be made to BMSB in respect of the intention of the Directors whether to retain the shares so purchased as treasury shares or cancel them or both together with the rationale of the decision so made;

iii) deal with the shares purchased in the manner prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of BMSB and any other relevant authorities for the time being in force; and

iv) take all such steps as are necessary or expedient to implement or to effect the purchase of the shares."

7) By way of special business, to consider and if thought fit, to pass the following resolution as a Special Resolution:-

Special Resolution
Proposed Amendments to the Articles of Association of the Company

"THAT, the additions, alterations, modifications and variations to the Articles of Association of the Company in the manner as set out in Appendix 1 attached to the Company's Annual Report for the financial year ended 31 December 2007, be and are hereby approved and adopted." ***(Resolution 11)***

8) To transact any other business that may be transacted at an Annual General Meeting, due notice of which shall have been previously given in accordance with the Companies Act, 1965 and the Company's Articles of Association.

By Order of the Board
YONG LAI SIM
GHEE YOKE PING
Secretaries

28 April 2008
KUALA LUMPUR

NOTES:

1) *A member of the Company entitled to attend and on a poll, vote at the meeting, is entitled to appoint a proxy or proxies to attend and to vote in his stead. A proxy need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 are not applicable to the Company.*

2) *Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. In such instance, the member shall specify the securities account number for each appointment.*

3) *In the case of a corporate member, the instrument appointing a proxy or proxies shall be under its Common Seal or under the hand of its attorney duly authorised in writing.*

4) *Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*

5) *The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company situated at 8-05, Level 8, Menara Milenium, 8 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur* ***not less than forty-eight (48) hours*** *before the time appointed for the meeting or any adjournment thereof, and in default, the instrument of proxy or proxies shall not be treated as valid.* ***Fax copy of duly executed form of proxy is not acceptable.***

EXPLANATORY NOTE ON SPECIAL BUSINESS

a) Resolution No: 8, if passed, will give authority to the Directors of the Company, from the date of the above Annual General Meeting, to issue and allot ordinary shares in the Company up to and not exceeding in total ten per centum (10%) of the issued share capital of the Company for the time being, for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

b) Resolution No: 9, if passed, will give authority to the Directors of the Company, from the date of the above Annual General Meeting, to issue and allot ordinary shares in the Company to those employees who have exercised their options under the Employee Share Option Scheme. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

c) Resolution No: 10, if passed, will empower the Directors of the Company to purchase the Company's shares up to ten per cent (10%) of the issued and paid-up share capital of the Company ("Share Buy-Back") by utilising the funds allocated which shall not exceed the total retained earnings and share premium of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

   For further information, please refer to the Share Buy-Back Statement dated 28 April 2008 which is despatched together with the Company's Annual Report for the financial year ended 31 December 2007.

d) Resolution No: 11, if passed, will render the Articles of Association of the Company to be consistent with the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1) **Directors who are standing for re-election**

The Directors who are offering themselves for re-election at the Forty-Second Annual General Meeting of the Company are as follows:-

1.1	Dr. Lim Thian Soo	(Resolution 4)
1.2	Mr Goh Nan Yang	(Resolution 5)
1.3	Encik Maisuri bin Besri	(Resolution 6)

Dr. Lim Thian Soo is the Managing Director. Mr Goh Nan Yang is an Executive Director. Encik Maisuri bin Besri is an Independent and Non-Executive Director. The profile and interests in shares of the respective gentlemen can be found in the section on Profile of Directors and Analysis on Shareholdings in the Annual Report. None of these Directors have been convicted of offences within the past 10 years other than traffic offences, if any.

2) **Details of attendance of Directors at Board meetings**

The Board met for four times during the financial year ended 31 December 2007 and the details of Directors' attendance at the meetings are set out in the Corporate Governance Statement section of the Annual Report.

3) **Date, time and venue of the 42nd Annual General Meeting**

Date: 22 May 2008
Time: 10:00 a.m.
Venue: Berjaya Hall, Bukit Kiara Equestrian and Country Resort
Jalan Bukit Kiara, Off Jalan Damansara, 50490 Kuala Lumpur

APPENDIX 1

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Articles of Association of the Company are proposed to be amended in the following manner to be in compliance with the recent amendments of the Listing Requirements of Bursa Malaysia Securities Berhad:-

Article No.	Existing Articles	Amended Articles
Article 2 Interpretation	"Central Depository" means Malaysian Central Depository Sdn. Bhd.	THAT the existing definition of "Central Depository" be amended to read as follows:- "Depository" means **Bursa Malaysia Depository Sdn. Bhd. (or such other name as it may adopt from time to time).** **AND THAT the term "Central Depository" wherever it appears in these Articles of Association shall be replaced with the term "Depository".**
Article 2 Interpretation	"Depositor" means A holder of a Securities Account.	THAT the existing definition of "Depositor" be amended to read as follows:- "Depositor" means A holder of a Securities Account **established by the Depository.**
Article 2 Interpretation	"KLSE" means Kuala Lumpur Stock Exchange (30632-P).	THAT the word "KLSE" and its meaning be deleted in its entirety and substituted with the following:- **"Exchange" means Bursa Malaysia Securities Berhad (or such other name as it may adopt from time to time).** **AND THAT all references to "KLSE" wherever appearing in the Articles of Association accordingly be replaced with "Exchange".**
Article 7 Issue of shares	(a) no Director shall participate in any issue of shares to employees unless the shareholders in General Meeting have approved of the specific allotments to be made to such Director ~~and unless he holds office in an executive capacity~~;	THAT the existing Article 7 (a) be amended to read as follows:- (a) no Director shall participate in any issue of shares to employees unless the shareholders in General Meeting have approved of the specific allotments to be made to such Director;

APPENDIX 1

Article No.	Existing Articles	Amended Articles
Article 8 Rights attached to certain shares	The rights attached to shares issued upon special conditions shall be clearly defined in the Memorandum or the Articles. In the event of preference shares being issued the Company shall have the power to issue further preference capital ranking equally with, or in priority to, preference shares already issued~~, provided the total nominal value of issued preference shares shall not at any time exceed the total nominal value of the issued ordinary shares~~ and preference shareholders will be deemed to have the same rights as ordinary shareholders as regards the receiving of notices, reports and balance sheets and the attending of General Meetings of the Company and preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or winding up or sanctioning a sale of the undertaking or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrears.	THAT the existing Article 8 be amended to read as follows:- The rights attached to shares issued upon special conditions shall be clearly defined in the Memorandum or the Articles. In the event of preference shares being issued the Company shall have the power to issue further preference capital ranking equally with, or in priority to, preference shares already issued, and preference shareholders will be deemed to have the same rights as ordinary shareholders as regards the receiving of notices, reports and balance sheets and the attending of General Meetings of the Company and preference shareholders shall also have the right to vote at any meeting convened **during the winding up of the Company or convened** for the purpose of reducing the capital or winding up or sanctioning a sale of the undertaking or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrears.
Article 27A Transmission of securities	(New Article)	THAT a new Article 27A which reads as follows be inserted immediately before the existing Article 27:- Where:- (a) the shares of the Company are listed on another stock exchange; and (b) the Company is exempted from compliance with Section 14 of the Securities Industry (Central Depositories) Act 1991 or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules in respect of such shares, the Company shall upon request of a securities holder permit a transmission of the securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the other stock exchange, to the register of holders maintained by the register of the Company in Malaysia and vice versa provided that there shall be no change in the ownership of such securities.

Article No.	Existing Articles	Amended Articles
Article 59 Notice of Meetings	Subject to the provisions of the Act, any General Meeting at which it is proposed to pass a Special Resolution or (save as provided by the Act) a resolution of which special notice has been given to the Company or where it is an Annual General Meeting, shall be called by twenty-one days' notice in writing at the least, and any other General Meeting excluding the Annual General Meeting, by fourteen days' notice in writing at the least (exclusive in either case of the day on which it is served or deemed to be served and of the day for which it is given) and the notice of the General Meeting shall be given in the manner hereinafter mentioned to such persons (including the Auditors) as are under the provisions herein contained entitled to receive notice from the Company; PROVIDED ALWAYS that at least fourteen days' notice or twenty-one days' notice in the case where a special resolution is proposed or where it is the Annual General Meeting, of every such meeting shall also be given by advertisement in ~~the daily press~~ and in writing to each stock exchange upon which the Company is listed. Provided that a General Meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:- (a) in the case of an Annual General Meeting by all the Members, entitled to attend and vote thereat; and (b) In the case of an Extraordinary General Meeting by that number or majority in number of the Members having a right to attend and vote thereat as is required by the Act. Provided also that the accidental omission to give notice to, or the non-receipt of notice by any person entitled thereto shall not invalidate the proceedings of any General Meeting.	THAT the existing Article 59 be amended to read as follows:- Subject to the provisions of the Act, any General Meeting at which it is proposed to pass a Special Resolution or (save as provided by the Act) a resolution of which special notice has been given to the Company or where it is an Annual General Meeting, shall be called by twenty-one days' notice in writing at the least, and any other General Meeting excluding the Annual General Meeting, by fourteen days' notice in writing at the least (exclusive in either case of the day on which it is served or deemed to be served and of the day for which it is given) and the notice of the General Meeting shall be given in the manner hereinafter mentioned to such persons (including the Auditors) as are under the provisions herein contained entitled to receive notice from the Company; PROVIDED ALWAYS that at least fourteen days' notice or twenty-one days' notice in the case where a special resolution is proposed or where it is the Annual General Meeting, of every such meeting shall also be given by advertisement in **at least one nationally circulated Bahasa Malaysia or English daily newspaper in Malaysia** and in writing to each stock exchange upon which the Company is listed. Provided that a General Meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:- (a) in the case of an Annual General Meeting by all the Members, entitled to attend and vote thereat; and (b) In the case of an Extraordinary General Meeting by that number or majority in number of the Members having a right to attend and vote thereat as is required by the Act. Provided also that the accidental omission to give notice to, or the non-receipt of notice by any person entitled thereto shall not invalidate the proceedings of any General Meeting. **Any notice of a General Meeting called to consider special business shall be accompanied by a statement regarding the effect of the proposed resolution in respect of such special business.**

APPENDIX 1

Article No.	Existing Articles	Amended Articles
Article 81 Proxy need not be a Member	A proxy need not be a member of the Company and Section 149(1)(b) of the Act shall not apply to the Company.	THAT the existing Article 81 be amended to read as follows:- A proxy need not be a member of the Company and Section 149(1)(b) of the Act shall not apply to the Company. **A proxy shall be entitled to vote on a show of hands on any question at any General Meeting.**
Article 98 Vacation of office of Director	The office of a Director shall be vacated in any one of the following events namely:- (a) if he becomes prohibited from being a Director by reason of any order made under the Act; (b) if he ceases to be a Director by virtue of any of the provisions of the Act; (c) if he resigns by writing under his hand left at the Office; (d) if he has a receiving order made against him or he becomes bankrupt or suspends payment of compound with his creditors generally; (e) if he be found lunatic or becomes of unsound mind; (f) ~~if he absents himself from more than 50% of the total meetings of the Board of Directors held during a financial year save and except in a case where the KLSE has granted a waiver to the Director from compliance with this requirement;~~ (g) if he is removed by the Company in General Meeting pursuant to these Articles; or (h) if he shall be requested to vacate office by all the other Directors, and they pass a resolution that he has been so requested and by reason thereof has vacated his office.	THAT the existing Article 98 be deleted in its entirety and replaced with the following new Article 98 to read as follows :- The office of a Director shall be vacated in any one of the following events namely:- (a) if he becomes prohibited from being a Director by reason of any order made under the Act; (b) if he ceases to be a Director by virtue of any of the provisions of the Act; (c) if he resigns by writing under his hand left at the Office; (d) if he has a receiving order made against him or he becomes bankrupt or suspends payment of compound with his creditors generally **during his term of office;** (e) if he be found lunatic or becomes of unsound mind **during his term of office;** (f) if he is removed by the Company in General Meeting pursuant to these Articles; or (g) if he shall be requested to vacate office by all the other Directors, and they pass a resolution that he has been so requested and by reason thereof has vacated his office.

Article No.	Existing Articles	Amended Articles
Article 99 Retirement of Directors by rotation	Subject to these Articles and to the provisions of the Act, at each Annual General Meeting one-third of the Directors for the time being, or if their number is not a multiple of three, the number nearest to one-third with a minimum of one shall retire from office and a Director at a Meeting shall retain office until the close of the Meeting whether adjourned or not.	THAT the existing Article 99 be amended to read as follows:- Subject to these Articles and to the provisions of the Act, at each Annual General Meeting one-third of the Directors for the time being, or if their number is not a multiple of three, the number nearest to one-third with a minimum of one shall retire from office and a Director **retiring** at a Meeting shall retain office until the close of the Meeting whether adjourned or not. **All Directors shall retire from office at least once in every three years.**

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT the final dividend of 3.5% less income tax of 26% in respect of the financial year ended 31 December 2007 if approved by the shareholders at the 42nd Annual General Meeting, will be payable on 11 July 2008 to the Depositors whose names appear in the Record of Depositors of the Company at the close of business on 27 June 2008.

A depositor shall qualify for entitlement to the dividend only in respect of :-

a) Shares deposited into the Depositor's securities account before 12:30 p.m. on 25 June 2008 in respect of shares exempted from mandatory deposit;
b) Shares transferred into the Depositor's securities account before 4:00 p.m. on 27 June 2008 in respect of ordinary transfer; and
c) Shares bought on Bursa Securities on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board
YONG LAI SIM
GHEE YOKE PING
Secretaries

28 April 2008
Kuala Lumpur

DIRECTORY

No.	Company Name & E_mail Address	Address	Telephone No.	Facsimile No.	Person-to-Contact
1.	Gombak Land Sdn. Bhd. *mfcb.property@mega-first.com*	No. 52 & 52-1, Jalan PE 1, Taman Paya Emas, 76450 Melaka.	06-3122288	06-3124288	Mr. Steven Chu
2.	Gombak Land Sdn. Bhd. *mfcb.property@mega-first.com*	No. 12-1, Persiaran Greentown 10, Pusat Perdagangan Greentown, 30450 Ipoh, Perak Darul Ridzuan.	05-2433093/92	05-2433094	Mr. Ong Kiok Teng
3.	Gombak Land Sdn. Bhd. *mfcb.property@mega-first.com*	8-05, Level 8, Menara Milenium, 8 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur.	03-20938818	03-20937818/5818	Mr. Foo Kah Heng
4.	Gombak Land Sdn. Bhd. *mfcb.property@mega-first.com*	No. 64-1, Jalan 8/23E, Taman Danau Kota, Off Jalan Genting Klang, 53300 Kuala Lumpur.	03-41428898	03-41420898	Mr. Thien Tien Soong
5.	Mega First Housing Development Sdn. Bhd. *mfcb.property@mega-first.com*	No. 34 & 36, Jalan Mawar 1B, Taman Mawar, Bandar Baru Salak Tinggi, 43900 Selangor Darul Ehsan.	03-87060088/8800	03-87060808	Mr. Thien Tien Soong
6.	Paya Emas Sdn. Bhd. *mfcb.property@mega-first.com*	No. 52 & 52-1, Jalan PE 1, Taman Paya Emas, 76450 Melaka.	06-3122288	06-3124288	Mr. Steven Chu
7.	Community Consortium Sdn. Bhd. *mfcb.property@mega-first.com*	No. 52 & 52-1, Jalan PE 1, Taman Paya Emas, 76450 Melaka.	06-3122288	06-3124288	Mr. Steven Chu
8.	Bloxwich (Malaysia) Sdn. Bhd. *admin@bloxwich.com.my*	Seri Iskandar Technology Park, 32600 Bota, Perak Darul Ridzuan.	05-3711516/17/18	05-3711520	Mr. Ong Hock Kheng
9.	Bloxwich Industries (Pty) Limited T/A Rockham Industries *info@rockham.co.za*	P O Box 32047, Mobeni 4060, Durban, South Africa.	0027314690441/ 0027314521700	0027314690443	Mr. Sledge Shinga

DIRECTORY

No.	Company Name & E_mail Address	Address	Telephone No.	Facsimile No.	Person-to-Contact
10.	Mega First Power Services Sdn. Bhd. *s-powert@streamyx.com*	KM 6, Jalan Kuhara-Muhibbah Raya, 91000 Tawau, Sabah.	089-711568/569	089-711576	Mr. Wong Seow Kwang
11.	Shaoxing Mega Heat And Power Co. Limited *smhp@mail.sxptt.zj.cn*	Qi Yang Gong Lu, Qi Xian Town, Shaoxing County, Zhejiang Province, 312065 China.	008657585181025	008657585182287	Mr. Liew Leong Ting
12.	Serudong Power Sdn. Bhd. *s-powert@streamyx.com*	KM 6, Jalan Kuhara-Muhibbah Raya, 91000 Tawau, Sabah.	089-711568/569	089-711576	Mr. Wong Seow Kwang
13.	Mega First Power Industries Sdn. Bhd. *mfcb@mega-first.com*	8-05 Level 8, Menara Milenium, 8 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur.	03-20938818	03-20937818	Dr. Lim Thian Soo
14.	Syarikat Cheng Sun Quarry Sdn. Bhd. *csquarry@tm.net.my*	Lot 67887, Mukim Sg. Raia, 31300 Keramat Pulai Ipoh, Perak Darul Ridzuan.	05-3571502/3	05-3571504	Mr. John Chu
15.	Rock Chemical Industries (Malaysia) Berhad *info@rci.com.my*	Lot 45157 & 45158, Gunong Panjang, 31600 Gopeng, Perak Darul Ridzuan.	05-3593188	05-3593228	Mr. Chris Chow

MFCB

MEGA FIRST CORPORATION BERHAD

(Company No. 6682-V)
(Incorporated in Malaysia)

FORM OF PROXY

(To be completed in capital letters)

No. of Shares	CDS Account No.

I/We, ... NRIC No. ....

of ....

being a member of **Mega First Corporation Berhad**, hereby appoint ....

.... NRIC No. ....

of ....

or failing whom, ... NRIC No. ....

of ....

as my/our proxy/proxies to attend and, on a poll, to vote for me/us on my/our behalf at the 42nd Annual General Meeting of the Company, to be held on 22 May 2008 and at any adjournment thereof.

My/our proxy/proxies is/are to vote as indicated below.

Resolution		For	Against	Abstain
1)	Receive the Directors' Report and Audited Financial Statements for the year ended 31 December 2007.	☐	☐	☐
2)	Declare the final dividend.	☐	☐	☐
3)	Approve Directors' fees.	☐	☐	☐
4)	Re-elect Dr. Lim Thian Soo as Director.	☐	☐	☐
5)	Re-elect Mr Goh Nan Yang as Director.	☐	☐	☐
6)	Re-elect Encik Maisuri bin Besri as Director.	☐	☐	☐
7)	Re-appoint Messrs Horwath as auditors and authorise the Board of Directors to fix their remuneration.	☐	☐	☐
8)	Special Business: Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.	☐	☐	☐
9)	Special Business: Authority to issue shares pursuant to the Employee Share Option Scheme.	☐	☐	☐
10)	Special Business: Renewal of authority to Directors on purchase of the Company's own shares.	☐	☐	☐
11)	Special Business: Amendments to the Articles of Association of the Company.	☐	☐	☐

Please indicate with an (X) in the spaces above how you wish your votes to be cast. If no specific direction as to voting is given, the proxy/proxies will vote or abstain at his/her discretion.

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:-	
Proxy 1	%
Proxy 2	%
Total	100%

____
Signature/Common Seal of Member(s)

Date: _______________________

Tel. No. _______________________

NOTES:

1) A member of the Company entitled to attend and on a poll, vote at the meeting, is entitled to appoint a proxy or proxies to attend and to vote in his stead. A proxy need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 are not applicable to the Company.

2) Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. In such instance, the member shall specify the securities account number for each appointment.

3) In the case of a corporate member, the instrument appointing a proxy or proxies shall be under its Common Seal or under the hand of its attorney duly authorised in writing.

4) Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

*5) The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company situated at 8-05, Level 8, Menara Milenium, 8 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur **not less than forty-eight (48) hours** before the time appointed for the meeting or any adjournment thereof, and in default, the instrument of proxy or proxies shall not be treated as valid. **FAX COPY OF DULY EXECUTED FORM OF PROXY IS NOT ACCEPTABLE.***

Please fold here

Postage
Stamp

The Company Secretaries
MEGA FIRST CORPORATION BERHAD (6682-V)
8-05, Level 8, Menara Milenium
8 Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Malaysia

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