FACB Industries Incorporated Berhad 48850-K

Annual Report **2007**

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Reflecting Global Excellence

Annual Report

2007

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CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Tan Sri Dr. Chen Lip Keong
President and Chairman

Dato' Sulaiman bin Sujak
Deputy Chairman

Puan Sri Lee Chou Sarn

Dato' Dr. Abdul Razak bin Abdul

Datuk Wan Kassim bin Ahmed

Mr Chen Yiy Hwuan

Mr Chen Yiy Fon

Mr Lim Mun Kee

Mr Chua Tiam Wee
(Alternate Director to Puan Sri Lee Chou Sarn)

GROUP COMPANY SECRETARY

Mr Lee Boo Tian (LS 007987)

AUDIT COMMITTEE

Datuk Wan Kassim bin Ahmed
Chairman, Independent Non-Executive Director

Puan Sri Lee Chou Sarn
Executive Director

Mr Lim Mun Kee
Independent Non-Executive Director

NOMINATION COMMITTEE

Dato' Sulaiman bin Sujak
Chairman, Non-Independent Non-Executive Director

Datuk Wan Kassim bin Ahmed
Independent Non-Executive Director

Mr Lim Mun Kee
Independent Non-Executive Director

REMUNERATION COMMITTEE

Datuk Wan Kassim bin Ahmed
Chairman, Independent Non-Executive Director

Dato' Dr. Abdul Razak bin Abdul
Independent Non-Executive Director

Mr Lim Mun Kee
Independent Non-Executive Director

REGISTERED OFFICE

MNI Twins, Tower 1
Level 13, 11 Jalan Pinang
50450 Kuala Lumpur
Tel : 603 2162 0060
Fax : 603 2162 0062
Website : www.facbi.com

SHARE REGISTRAR

Semangat Corporate Resources Sdn. Bhd.
2nd Floor, 118 Jalan Semangat
46300 Petaling Jaya
Selangor Darul Ehsan
Tel : 603 7968 1001
Fax : 603 7958 8013

AUDITORS

Moore Stephens
8A, Jalan Sri Semantan Satu
Damansara Heights
50490 Kuala Lumpur

PRINCIPAL BANKERS

Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
Standard Chartered Bank Malaysia Berhad

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad, Main Board

RECOGNITION OF **QUALITY**

TUV Certificate, awarded in 1995, certifies our stainless steel products according to DIN Standard. It serves as a competitive advantage for marketing our products internationally.

Kanzen Tetsu Sdn Bhd ("KTSB")'s Quality System Registration Certificate awarded by Sirim QAS International Sdn. Bhd. for compliance with the requirements of MS ISO 9001 : 2000 Quality Management Systems.

Pressure Equipment Directive Certification was awarded by TUV in 2002 for compliance with the directive requirements on stainless steel products, especially for the European Union market.

Product Excellence Award 2001 by Ministry of International Trade and Industry in recognition of KTSB's excellent product range with superior international quality.

NPC Productivity Award 2001 awarded by National Productivity Corporation for KTSB's outstanding productivity achievement, high efficiency, well trained human resource and management dedication.

Selangor Product Excellence Award 2002 by Selangor State Government in recognition of Kanzen Kagu Sdn. Bhd. ("KKSB")'s quality products in Selangor State Industries.

Human Resource Minister Award 2003 by Pembangunan Sumber Manusia Berhad in recognition of KKSB's significant contributions in human resource development throughout the year 2002.

NOTICE OF **MEETING**

NOTICE IS HEREBY GIVEN that the Twenty Eighth Annual General Meeting of the Company will be held at Anggerik Room, 4th Floor, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 5 December 2007 at 10.00 a.m. for the following purposes:

AGENDA

AS ORDINARY BUSINESS:

1. To receive and adopt the Audited Financial Statements for the year ended 30 June 2007 together with the Reports of Directors and Auditors thereon. Resolution 1

2. To approve a final dividend of 4% tax exempt for the year ended 30 June 2007. Resolution 2

3. To approve Directors' fees of RM330,000/- for the year ended 30 June 2007. Resolution 3

4. To consider and, if thought fit, pass a resolution that pursuant to Section 129(6) of the Companies Act, 1965, Dato' Sulaiman bin Sujak be re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company. Resolution 4

5. To re-elect the following Directors who are retiring pursuant to Article 80 of the Company's Articles of Association:

   (i) Dato' Dr. Abdul Razak bin Abdul — Resolution 5

   (ii) Datuk Wan Kassim bin Ahmed — Resolution 6

6. To re-elect the following Directors who are retiring pursuant to Article 82 of the Company's Articles of Association:

   (i) Mr Chen Yiy Hwuan — Resolution 7

   (ii) Mr Chen Yiy Fon — Resolution 8

   (iii) Mr Lim Mun Kee — Resolution 9

7. To re-appoint Messrs Moore Stephens as Auditors of the Company and to authorise the Directors to fix their remuneration. Resolution 10

AS SPECIAL BUSINESS:

8. To consider and, if thought fit, pass the following Ordinary Resolutions:

   a. Authority to Allot and Issue Shares pursuant to Section 132D of the Companies Act, 1965 Resolution 11

   "THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10 per centum of the Issued Share Capital of the Company for the time being."

   b. Proposed Renewal of Authority for Share Buy-Back Resolution 12

   (The text of the resolution and the details of the proposal are set out in the Circular to Shareholders dated 7 November 2007 which is enclosed together with this Annual Report.)

9. To consider and, if thought fit, pass the following Special Resolution:

   Proposed Amendment to the Articles of Association of the Company Resolution 13

   (The text of the resolution and the details of the proposal are set out in the Circular to Shareholders dated 7 November 2007 which is enclosed together with this Annual Report.)

10. To transact any other ordinary business of which due notice shall have been given.

NOTICE OF BOOK CLOSURE

NOTICE IS ALSO HEREBY GIVEN that Register of Members will be closed on 2 January 2008 to determine shareholders' entitlement to the dividend payment.

The final dividend of 4% tax exempt, if approved by the shareholders at the forthcoming Annual General Meeting, will be paid on 18 January 2008 to shareholders whose names appear in the Records of Depositors on 31 December 2007.

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

(a) Shares transferred into the Depositor's Securities account before 4.00 p.m. on 31 December 2007 in respect of ordinary transfers.

(b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of Bursa Malaysia Securities Berhad.

By Order of the Board

Lee Boo Tian, LS 007987
Group Company Secretary

Kuala Lumpur
7 November 2007

NOTES

PROXY

(i) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
(ii) Subject to the Companies Act 1965, where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportions of his holding to be represented by each proxy.
(iii) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or if such appointer is a corporation, either under its common seal or the hand of an officer or attorney duly authorised.
(iv) The Form of Proxy must be completed, signed and deposited at the Company's Registered Office not less than 48 hours before the time set for the Meeting or adjourned meeting.

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. Resolution pursuant to Section 132D of the Companies Act, 1965
   The Ordinary Resolution 11 proposed under Agenda 8(a) above if passed will empower the Directors to issue shares up to 10% of the issued capital of the Company for the time being for such purposes as the Directors consider would be in the interest of the Company. This authority unless revoked or varied by the Company in general meeting, shall expire at the next Annual General Meeting of the Company.

2. Resolution pursuant to Proposed Renewal of Authority for Share Buy-Back
   The Ordinary Resolution 12 proposed under Agenda 8(b) above if passed is to give authority to the Directors to purchase the Company's own shares. This authority will expire at the next Annual General Meeting of the Company unless earlier revoked or varied by an ordinary resolution of the Company at a general meeting. Further information is set out in the Circular to Shareholders which is despatched together with this Annual Report.

3. Resolution pursuant to Proposed Amendment to the Articles of Association of the Company
   The Ordinary Resolution 13 proposed under Agenda 9 above if passed will bring the Articles of Association of the Company to be in line with the Listing Requirements of Bursa Malaysia Securities Berhad.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Directors standing for re-appointment / re-election

The Directors who are standing for re-appointment / re-election at the Twenty Eighth Annual General Meeting of the Company on 5 December 2007 at 10.00 a.m. are as follows:

Dato' Sulaiman bin Sujak	-	Resolution 4
Dato' Dr. Abdul Razak bin Abdul	-	Resolution 5
Datuk Wan Kassim bin Ahmed	-	Resolution 6
Mr Chen Yiy Hwuan	-	Resolution 7
Mr Chen Yiy Fon	-	Resolution 8
Mr Lim Mun Kee	-	Resolution 9

Information on the above Directors is set out on pages 6 and 7 of this Annual Report.

Details of attendance at Board Meetings held during the financial year ended 30 June 2007 for the above Directors are as set out on page 24 of this Annual Report.

DIRECTORS' **PROFILES**

TAN SRI DR. CHEN LIP KEONG

President and Chairman

Executive Director, Malaysian, aged 60

Tan Sri Dr. Chen Lip Keong was appointed to the Board and as President and Chief Executive Officer on 3 August 1994. Tan Sri Dr. Chen resigned as Chief Executive Officer on 1 August 2007 and assumes the position of President and Chairman.

Tan Sri Dr. Chen graduated with a Bachelor of Medicine and Surgery in 1973 from University of Malaya. He has extensive corporate, managerial and business experience since 1976.

Currently, Tan Sri Dr. Chen is also the President of Karambunai Corp Bhd. and President and Chairman of Petaling Tin Berhad.

DATO' SULAIMAN BIN SUJAK

Deputy Chairman

Non-Independent Non-Executive Director, Malaysian, aged 73

Dato' Sulaiman bin Sujak was appointed to the Board on 1 October 1988 and as Deputy Chairman on 1 March 2006. He also serves as Chairman of the Nomination Committee.

Dato' Sulaiman is a graduate of Royal Air Force College, Cranwell, England and Royal College of Defence Studies, London. He has served the Royal Air Force and the Royal Malaysian Air Force and is the first Malaysian Air Force Chief.

He was an Advisor (now known as Assistant Governor) to Bank Negara Malaysia and was the Director, Commercial Division of Kumpulan Guthrie. He was also the Deputy Chairman of Malaysian Airlines System Berhad.

Dato' Sulaiman is currently a Director of HSBC Bank Malaysia Berhad. He is also a Director of Nationwide Express Courier Services Berhad and Cycle & Carriage Bintang Berhad.

PUAN SRI LEE CHOU SARN

Executive Director, Malaysian, aged 60

Puan Sri Lee Chou Sarn was appointed to the Board on 17 March 1997 and as Acting Chief Executive Officer on 1 August 2007.

After graduating from the University of Malaya with a Bachelor of Economics in 1971, Puan Sri Lee worked for 13 years in the Statistics Department for the Government of Malaysia before she ventured into business. She has been a shareholder and a Director of Lipkland Holdings Sdn. Bhd., an investment holding company since December 1982. She was also a Director of Karambunai Corp Bhd. from 1994 to 2001.

DATO' DR. ABDUL RAZAK BIN ABDUL

Independent Non-Executive Director, Malaysian, aged 57

Dato' Dr. Abdul Razak bin Abdul was appointed to the Board on 12 April 1994. Dato' Dr. Abdul Razak also serves as a member of the Remuneration Committee.

After graduating with a Master of Business Administration (Finance) in 1973, Dato' Dr. Abdul Razak obtained his Ph.D (International Business) in 1979. He commenced his career as a lecturer in Institut Teknologi MARA ("ITM") in 1973 and became the Head of ITM's School of Business in 1981. He has been actively involved in the insurance industry since 1983 and has vast experience in managing insurance companies. He was a Director of Petaling Tin Berhad from 1991 to 1992 and 1997 to 2000.

Currently, Dato' Dr. Abdul Razak is also a Director of Mutiara Goodyear Development Berhad and TAP Resources Berhad.

DATUK WAN KASSIM BIN AHMED

Independent Non-Executive Director, Malaysian, aged 58

Datuk Wan Kassim bin Ahmed was appointed to the Board on 29 March 2002. Datuk Wan Kassim also serves as Chairman of both Audit and Remuneration Committees and as a member of the Nomination Committee.

Datuk Wan Kassim graduated with a Bachelor of Economics from University of Malaya in 1973. He began his career with Messrs Kassim Chan, an audit firm in 1973 before joining Bank Bumiputra Malaysia Berhad. He then joined Shamelin Berhad for 10 years before starting his own management consultancy firm, United Kadila Sdn. Bhd. in 1984. He served as a Councilor for the Petaling Jaya Town Council between 1987 and 1991 and as a Board member of the Malaysian Tourist Development Board from 1992 to 1996.

Currently, Datuk Wan Kassim is also a Director of Karambunai Corp Bhd., Petaling Tin Berhad, Octagon Consolidated Berhad and Nasioncom Holdings Berhad.

CHEN YIY HWUAN

Executive Director, Malaysian, aged 27

Mr Chen Yiy Hwuan was appointed to the Board on 1 August 2007.

Mr Chen graduated from Middlesex University in London with a B.A. (Hons) in Accounting with Business Economics. He joined Petaling Tin Berhad in 2003 and subsequently moved to Alliance Merchant Bank in Kuala Lumpur in the area of corporate finance. In 2004, he returned to Petaling Tin Berhad and has been involved in corporate finance and management of the company. He serves as a director for several subsidiaries of Karambunai Corp Bhd. and Petaling Tin Berhad.

Currently, Mr Chen is also a Director of Karambunai Corp Bhd. and Petaling Tin Berhad.

CHEN YIY FON

Executive Director, Malaysian, aged 26

Mr Chen Yiy Fon was appointed to the Board on 1 August 2007.

Mr Chen graduated from the University of Southern California, Los Angeles with a B.A. (Hons) in Economics. He has previously worked in Morgan Stanley, Los Angeles, California as a Financial Advisor Assistant. Most recently he was an intern in Credit Suisse First Boston. Currently, he serves as a director for several subsidiaries of Karambunai Corp Bhd. and Petaling Tin Berhad.

Currently, Mr Chen is also a Director of Karambunai Corp Bhd. and Petaling Tin Berhad.

LIM MUN KEE

Independent Non-Executive Director, Malaysian, aged 40

Mr Lim Mun Kee was appointed to the Board on 1 August 2007. Mr Lim also serves as a member of Audit, Remuneration and Nomination Committees.

Mr Lim is a qualified accountant registered with the Malaysian Institute of Accountants ("MIA") and the Malaysian Institute of Certified Public Accountants ("MICPA") since 1995. He started his career in KPMG Peat Marwick in 1989. He has over 15 years of experience in auditing, finance and accountancy field where he worked in several listed companies as Accountant, Group Financial Controller and Head of Internal Audit. Mr Lim was previously an Independent and Non-Executive Director of Elba Holdings Berhad.

Currently, Mr Lim is also a Director of Petaling Tin Berhad.

CHUA TIAM WEE

Alternate Director to Puan Sri Lee Chou Sarn, Malaysian, aged 53

Mr Chua Tiam Wee was appointed as an alternate director to Puan Sri Lee Chou Sarn on 1 July 2002. He also serves as Chief Operating Officer.

Mr Chua graduated from the University of Malaya with a Bachelor of Engineering (Honours) degree in 1978 and obtained his Master in Business Administration in 1994. He began his career as an engineer in Malaysian Tobacco Co. Berhad and subsequently served in the Hong Leong Group, Berjaya Kawat Manufacturing Sdn. Bhd. and P.T. Sampoerna JL Sdn. Bhd. in various positions.

He joined Kanzen Tetsu Sdn. Bhd., a subsidiary of the Company as its General Manager & Operations in 1992. He was the Chairman of ERW Steel Pipe Group and Executive Committee Member of Malaysian Iron and Steel Industry Federation.

OTHER INFORMATION

a. Family Relationship
   Puan Sri Lee Chou Sarn is the spouse of Tan Sri Dr. Chen Lip Keong. Mr Chen Yiy Hwuan and Mr Chen Yiy Fon are the sons of Tan Sri Dr. Chen Lip Keong and Puan Sri Lee Chou Sarn.

   Save as disclosed above, none of the Directors have any family relationship with any Director of the Company.

b. Conflict of Interest
   Save as disclosed in item 12 under Other Compliance Statements on page 24, none of the Directors have any conflict of interest with the Company.

c. Conviction of offences
   None of the Directors have any conviction for offences within the past 10 years other than traffic offences, if any.

PRESIDENT AND CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report of FACB Industries Incorporated Berhad ("Company" or "Group") for the financial year ended 30 June 2007 (FY2007).

FINANCIAL REVIEW

The Group achieved an impressive financial performance with a profit before taxation of RM26.78 million in FY2007 compared to a loss before taxation of RM15.31 million in the previous financial year ended 30 June 2006 (FY2006). The Group's revenue has increased by 24% year-on-year to a new record high of RM466.57 million from RM376.59 million.

The Group registered a net profit attributable to shareholders of RM18.40 million in FY2007 which is translated into earnings per share of 21.93 sen. Shareholders' funds rose from RM178.12 million to RM207.84 million while net assets per share has strengthened from RM2.24 to RM2.48 at end of FY2007. The net consolidated gearing ratio was reduced from 0.53 to 0.47.

The improved performance was mainly attributed to the recovery of the Group's core business divisions i.e. steel division (contributed 86% of the Group's revenue) which consists of manufacturing and trading of stainless and carbon steel products; and the bedding division (contributed 13% of the Group's revenue) which manufactures and sells Dreamland range of mattresses and steel wire products. The strong recovery of stainless steel prices worldwide and the encouraging demand from various industrial sectors towards our stainless steel products have successfully turned around the Group from its previous financial year losses to a record net profit attributable to shareholders this financial year. The execution of appropriate and timely strategic business decisions also witnessed better performance in the bedding division.

DIVIDEND

Based on the encouraging results of FY2007, the Board of Directors is pleased to recommend a final tax exempt dividend of 4 sen per share, subject to the approval of the shareholders at the Twenty Eighth Annual General Meeting.

SHARE BUY BACK

The Company did not execute any share buy back during the financial year under review.

CORPORATE DEVELOPMENT

Through ongoing efforts to streamline business operations, the Group had, on 24 April 2007, entered into a Share Transfer Agreement with TPCO Investment Co. Ltd ("TPCOI"), its joint venture partner in Kanzen TPCO Limited ("KTPCO"), to dispose of its entire 60% registered shareholding in KTPCO to TPCOI ("Disposal"). TPCOI held the remaining 40% shareholding in KTPCO.

The rationale for the Disposal is due to KTPCO's unsatisfactory financial performance. The divestment will enable the Group to channel its resources to seize other better investment opportunities and business ventures in future. With effect from 1 October 2007, KTPCO ceased to be a subsidiary of the Group.

INDUSTRY OVERVIEW

With the recovery of stainless steel prices worldwide, the Group as a downstream finished goods manufacturer benefited from the increase in the selling price of its core products, thus reaping better profit margin in demand pull markets. Globally, the stainless steel production reached 28.36 million tonnes in calendar year 2006, an increase of 17% from 24.29 million tonnes in calendar year 2005. This was driven by stronger worldwide demand for stainless steel products of which prices achieved historical highs towards end June 2007.

For illustration, the international stainless steel hot-rolled material prices for Grade 304 and Grade 316L have increased since May 2006 from the lows of USD2,870 per tonne and USD4,850 per tonne respectively to reach their respective peaks of USD5,495 per tonne and USD8,000 per tonne in June 2007. The Group's timely purchase of raw material at lower cost has also resulted in higher profit margins achieved in FY2007.

The bedding division reported higher profitability despite operating under competitive market environment. For the property division, Bandar Sierra Phase 3A1 residential project in Sabah comprising 448 units of apartment recorded satisfactory sales.

president and chairman's statement

FUTURE OUTLOOK

In the domestic front, the demand for our stainless steel products and related services shall continue to be driven by various industries, ranging from oil and gas, bio-diesel, oleochemical, petrochemical to construction industry. The progressive rollout of various projects under the 9th Malaysia Plan and construction of higher value projects located at Iskandar Development Region and Northern Corridor Economic Region are expected to increase and fuel the demand for the Group's core products.

Internationally, the world's growth in the usage of steel is forecasted to be at 5.9% in 2007 and 6.1% in 2008 based on the report of the International Iron and Steel Institute. Meanwhile, the International Stainless Steel Forum estimated the global stainless steel crude steel production to reach 29.80 million tonnes in 2007, a rise of 5.1% from 2006 of approximately 28.36 million tonnes, mainly driven by the Asian region's rapid developing countries such as China and India. The stainless steel industry's growth is expected to remain healthy in the foreseeable future.

The Group will focus on producing higher value products and continue to adopt a prudent inventory management policy in the procurement of raw materials. With the expected increase in the usage of stainless steel in various commercial and industrial segments, the demand for the Group's diverse range of products is expected to remain strong.

For the bedding business, the Group plans to build higher customer loyalty towards Dreamland range of mattresses and products. More innovative bedding products would be introduced to the market to strengthen our market position. The Group's property division is expected to benefit from the incentives as announced in Budget 2008 i.e. the proposed waiver of 50% stamp duty and monthly withdrawal from EPF Account 2 for housing loan repayment.

The Group will strive to raise its competitiveness through improvement in product quality while emphasizing on cost efficient operations across all segments of the Group's businesses.

Barring any unforeseen circumstances, the Group is optimistic that it shall remain profitable in the ensuing year.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend our heartfelt thanks to our shareholders, customers, bankers, business associates and regulatory authorities for their continued support, guidance and assistance extended to the Group. The Board would like to express its appreciation to the management and employees of the Group for their continued hard work and dedication.

The Board would also like to express its gratitude to Tan Sri Datuk Seri Panglima Abdul Kadir bin Haji Sheikh Fadzir and Mr Leow Ming Fong for their invaluable contribution during their tenure as Chairman/Board member.

Tan Sri Dr. Chen Lip Keong

President and Chairman
11 October 2007

REVIEW OF **OPERATIONS**

STEEL DIVISION

This division is primarily involved in the manufacturing of stainless steel welded pipes and butt-weld fittings, carbon steel welded pipes and sections, providing shearing and slitting services as well as trading of stainless steel plates. The revenue contributed by the steel division is approximately 86% of the total revenue in FY2007, hence a major revenue and profit earner for the Group. The steel division achieved revenue of RM403.23 million, an increase of 35% from the previous financial year's revenue of RM298.47 million. The steel operation in Malaysia has recovered substantially from the loss making position in FY2006 to register a profit before taxation of RM26.90 million in FY2007.

Stainless Steel Division - Manufacturing

Kanzen Tetsu continues to be the market leader as an integrated manufacturer of stainless steel welded pipes and butt-weld fittings with an estimated 50% market share in Malaysia. The stainless steel division exports up to 75% of its products to over 60 countries worldwide.

With the strong recovery of global stainless steel price in tandem with the surge in nickel price (which is a major cost component of stainless steel coils) to historical high levels, the performance of stainless steel division has improved significantly for the financial year under review. The stainless steel division achieved revenue of RM244.10 million, an increase of 22% from RM199.94 million in FY2006. It achieved a profit before taxation of RM17.23 million, as compared to a pre-tax loss of RM9.86 million in FY2006.

In the domestic market, we experienced rising demand from various industrial segments such as oleochemical, bio-diesel, oil and gas, waste water and sewerage treatment plants and construction industry. The demand from treated water sector was equally encouraging, in particular the usage of stainless steel pipes for water meter stand, communication and service pipeline sections.

In the export market, the division continued to maintain its leading position in traditional international markets such as the United Kingdom, Canada, South Africa, USA and Australia. We also managed to penetrate into Middle East markets such as Kuwait, Lebanon and Bahrain despite competitive business landscape in the respective markets. We have further strengthened the marketing network in the ASEAN region, such as Singapore, Indonesia, Thailand, Philippines and Vietnam. With a high percentage of diversified earnings derived from the overseas markets, we are better cushioned from any downturn in any single economy.

review of **operations**

In tandem with increasing demand from petrochemical, oil and gas, electronic and electrical industries within the fast growing Asean market, the strategic location of Kanzen Tetsu in Asean has further enhanced its competitiveness vis-à-vis competitors from outside the Asean region. The proximity advantage ensures a lower shipment cost and shorter delivery lead time. This is especially significant in securing projects in key growth markets such as Thailand, Indonesia and Vietnam.

Kanzen Tetsu's welded pipe production capacity has been increased from 18,000MT since March 2006 to an annual production capacity of 23,000MT. This expansion has enabled the manufacturing of larger diameter pipe up to 12" diameter compared to previous maximum design capacity of 8" diameter. This advancement has not only enhanced our market leader position and competitiveness, it also equips us with the necessary capacity to secure orders from a wider range of industries. In the next financial year, we plan to introduce larger size butt-weld fittings and thicker stainless steel flat bar to further enlarge product offerings to the market place.

With the launching of various infrastructure projects under the 9th Malaysia Plan, the implementation of various prominent construction projects under Iskandar Development Region and Northern Corridor Economic Region, the demand for industrial welded pipes, butt-weld fittings and ornamental tubes is expected to be promising. The industrialization of the Malaysian economy in developing oil and gas, palm oil, oleochemical and water sectors would augur well for our products.

Following the recent hike in prices of international crude oil and crude palm oil, the prospect for oil and gas, oleochemical and petrochemical industry is expected to remain promising in the foreseeable future. The increasing demand for renewable energy due to depleting crude oil resources will further intensify development in the bio-diesel and bio fuel industry. The Group is well positioned to benefit from the usage of its products in these industries in the years ahead.

Carbon Steel - Manufacturing

The Carbon Steel Division registered revenue of RM57.36 million in FY2007, a marginal decrease of 3.5% compared to RM59.43 million in FY2006. The division's profitability has recovered with a profit before taxation of RM1.43 million in FY2007 from a pre-tax loss of RM2.15 million in FY2006.

For the financial year under review, the demand for our core products, i.e. carbon steel pipes and hollow sections was relatively soft as growth momentum in the domestic building and construction sector remained sluggish. In addition, the influx of imported hot rolled pipes from neighbouring countries in the second half of the financial year has disturbed demand-and-supply situation and exerted pressure on the selling prices for almost all range of carbon steel products.

The raw material prices have recovered with carbon steel hot rolled coil prices increased at about 6%~8% from an average of RM2,300 per tonne since the beginning of July 2006 over the past 12 months. The recovery of carbon steel raw material prices was essential to help deliver better profit margin while the selling prices of finished goods rose higher than the raw material cost in FY2007. Dedicating most of our resources for higher value cold rolled products proved to be equally important in improving the FY2007 financial performance. In addition to the traditional construction sector, we have gained inroad into furniture, automotive and engineering industries to widen the earnings base.

Going forward, we expect the hot rolled steel price to remain relatively stable throughout the next financial year. We have adopted a more dynamic approach in our business strategies through continuous improvement of our inventory control system, timely procurement of raw material and identification of new market which commands higher profit margin to cushion any market downturn in future.

The Malaysia Iron and Steel Industry Federation forecasts steel consumption to increase by about 5% to 8.2 million tonnes in 2007 against last year's 7.8 million tonnes and more significant improvement is expected in 2008 and 2009, with the ongoing infrastructure and industrial-related projects under the 9th Malaysia Plan and the Third Industrial Master Plan. All these upcoming developments would spur stronger demand for our carbon steel products.

Stainless Steel Service Centre - Trading & Services

The decision to establish a service centre in 2004 has seen the Group reaping a fruitful year in FY2007. The service centre's revenue achieved RM101.77 million in FY2007 compared to RM39.10 million in FY2006, an increase of over 160%. Sales volume increased significantly by 67% to about 7,200 tonnes in FY2007 compared to about 4,300 tonnes in FY2006. This division contributed RM8.24 million or approximately 31% of the overall steel division's profit before taxation in FY2007.

Since its establishment, the service centre has built a strong position in providing wider stainless steel plates up to 2m width and thicker plates ranging from 9mm to 12mm. The adoption of appropriate and timely marketing strategy focusing on niche markets contributed to an increase in our market share with better profit margin.

For the financial year under review, the service centre has further expanded its export sales to new countries, such as the Middle East and South Africa besides the existing export markets in Indonesia, Singapore, Thailand, Vietnam, India and Australia. Contribution from export sales increased from 6% in FY2006 to 17% in FY2007.

Demand for cut-to-length hot rolled stainless steel plates will continue to be driven by progressive implementation of the 9th Malaysia Plan and on-going demand from industrial sector such as oil and gas, petrochemical, oleochemical, bio-diesel and water related industries.

We plan to expand into new segments by providing a complete range of products to our clients, such as cold rolled cut-to-length shearing services and trading of stainless steel sheets with thickness ranging from 0.4mm to 3mm. With the rising usage of stainless steel grade 200 and 400 series in different segments of industries, we also plan to capture this emerging opportunity by installing new cold rolled cut-to-length machine lines to meet the rising market demand. By gradually widening our product range, we aim to create a leading position in both trading of hot and cold rolled cut-to-length stainless steel plates and its related shearing and slitting services in the long run.

review of **operations**

CHINA DIVISION

The China Division comprises bedding operations, steel wire manufacturing and power plant concession. All the business units under this division are undertaken by the way of joint ventures which are either subsidiaries or associates of the Group.

The bedding division in China continues to operate under a very competitive market scenario. The increase in raw material costs and operating expenses, coupled with fierce competition by industry players to compete in lower end market segment has reduced the bedding division's profitability in FY2007. Significant changes to our business model were made to address pricing competition and avoid competing in lower end market. Over the years, we have introduced more innovative products, identified new niche markets and built up product branding. New marketing strategy and concept to supplement the existing model will be introduced to expand our bedding business in the local front and to enhance our value chain. We shall continue to realign our business strategy to focus on the higher end premium market segment with the aim of achieving distinctive competitive advantages.

In order to address China's trade imbalance with the world, the Chinese government has adopted a series of restrictive policies to suppress the export of steel products, particularly the withdrawal of export duty drawback rates, imposition of 5% export duty and implementation of export permit system. The policy shift has affected our steel wire business under Nantong Dreamland Steel Product, of which our cost advantage competitive edge has reduced substantially in the export markets and led to a reduction in our steel wire profit margin and export volume in FY2007. The continuous appreciation of Chinese currency against the other major global currencies has also reduced the export competitiveness of our joint venture companies that have relied heavily on export markets.

Our power plants' business continues to record remarkable returns and financial performance. Despite having to adhere to many new external regulatory requirements and environmental preservation standards which has led to higher operation cost, our power plants division has managed to achieve the internal budgeted turnover and profit margin. This was made possible through efficient and effective cost control measures, active market expansion activities and execution of prudent financial management. Continuous efforts are being carried out to further expand our steam customer network and execute efficient production management, which will enable this business to preserve its growth rate and continue to be one of the stable profit generators in future.

BEDDING DIVISION - MALAYSIA

In FY2007, the bedding division in Malaysia registered lower revenue of RM35.35 million compared to RM37.26 million in FY2006, a decrease of 5%. This division managed to achieve 75% growth in profitability as reflected in profit before taxation which improved from RM0.77 million in FY2006 to RM1.35 million in FY2007, despite facing multiple challenges in dealing with unstable raw material prices, shift in consumer's preference and keener market competition. The better than expected profit was made possible via adoption of prudent costs management, effective implementation of marketing strategies and shifting of business orientation to focus more on product sales with higher profit margin.

A series of pragmatic sales and marketing strategies were launched during the financial year under review, such as implementation of tactical promotions of new Chiropractic mattresses, introduction of the new imported Duralastic spring system, tie-up with leading international distribution chain Amway and introduction of new outlets at major hypermarkets to reach out to consumers to strengthen Dreamland's leading position in the Malaysian bedding market. Significant improvement in our manufacturing process has yielded cost savings, such as effective management of raw material cost, reduction of production costs, improvement in labour productivity and better sourcing of raw materials.

A recent market survey conducted by an international research group, Synovate, confirmed Dreamland to be one of the most preferred brands by Malaysian consumers. Dreamland brand is ranked No.2 on brand awareness amongst the consumers in general. As such, the main focus going forward is to promote our Chiropractic range of products aggressively to cement Dreamland brand as "The brand in back support mattresses" in Malaysia, Singapore and Brunei.

The division's newly introduced Resta brand encountered fierce market competition especially from the lower end market segment. As we have successfully made inroads into this niche market, particularly in East Malaysia, with improvement in product specifications and promotions, we expect Resta to perform better in the coming financial year.

Going forward, the "Visit Malaysia" year would provide new bedding replacement opportunities in the domestic hotel industry. We will continue to improve our product specifications and quality, invest in brand building, upgrade our human talent and invest in new technology. We are pursuing various efforts to improve the division's performance and to make Dreamland brand a strong regional brand in Asia.

AUDIT COMMITTEE REPORT

(Pursuant to paragraph 15.16 of Bursa Malaysia Securities Listing Requirements)

COMPOSITION

The current members of the Audit Committee, their respective designations and directorships are as follows:

Chairman

Datuk Wan Kassim bin Ahmed
Independent Non-Executive Director

Members

Puan Sri Lee Chou Sarn
Executive Director
(Appointed on 5 September 2006)

Mr Leong Choong Wah
Executive Director
(Resigned on 5 September 2006)

Mr Lim Mun Kee
Independent Non-Executive Director
(Appointed on 1 August 2007)

Mr Leow Ming Fong @ Leow Min Fong
Independent Non-Executive Director
(Resigned on 1 August 2007)

TERMS OF REFERENCE

PURPOSE

The primary objective of the Audit Committee (as a standing committee of the Board) is to assist the Board in the effective discharge of its fiduciary responsibilities for corporate governance, financial reporting and internal control.

REPORTING RESPONSIBILITIES

The Audit Committee will report to the Board on the nature and extent of the functions performed by it and may make such recommendations to the Board on any audit and financial reporting matters as it may think fit.

ATTENDANCE AT MEETINGS

The Head of Finance, the Head of Internal Audit and a representative of External Audit shall normally attend meetings. The Company Secretary shall be the Secretary of the Committee. Other officers may be invited to brief the Committee on issues that are incorporated into the agenda.

FREQUENCY OF MEETINGS

The Committee will meet as frequently as the Chairman shall decide, with due notice of issues to be discussed and should record its conclusions whilst discharging its duties and responsibilities.

QUORUM

The quorum for a meeting shall be two (2) members of whom a majority shall be independent Directors.

AUTHORITY

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. The Committee shall have unrestricted access to both the internal and external auditors and to all employees of the Group. The Committee may, with the approval of the Board, consult legal or other professionals where they consider it necessary to discharge their duties.

DUTIES

The duties of the Audit Committee include the following:

- To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal.
- To discuss with the external auditor before the audit commences, the nature and scope of the audit.
- To review the quarterly and year end financial statements of the Board, focusing on:
  - any changes in accounting policies and practices;
  - major judgmental areas;
  - significant adjustments arising from the audit;
  - the going concern assumption; and
  - compliance with accounting standards and other legal requirements.
- To discuss problems and reservation arising from the interim and final audits and any matter the auditor may wish to discuss (in the absence of management, where necessary).
- To review the external auditor’s management letter and management’s response.
- To review the adequacy of the scope, authority and resources of internal audit function.
- To review the internal audit programmes and results, ensuring that appropriate action is taken on the recommendations of the internal audit function.
- To review any appraisal or assessment of the performance of members of the internal audit function.
- To approve any appointments or termination of senior staff members of the internal audit function.
- To consider any related party transactions that may arise within the Company or Group.
- To consider the major findings of internal investigations and management’s response.

audit committee report

DETAILS OF MEETINGS

The Audit Committee met four times during the financial year ended 30 June 2007 and details of attendance are as follows:

Datuk Wan Kassim bin Ahmed		4/4
Puan Sri Lee Chou Sarn	*(Appointed on 5 September 2006)*	3/3
Mr Leong Choong Wah	*(Resigned on 5 September 2006)*	1/1
Mr Lim Mun Kee	*(Appointed on 1 August 2007)*	0/0
Mr Leow Ming Fong @ Leow Min Fong	*(Resigned on 1 August 2007)*	4/4

SUMMARY OF AUDIT COMMITTEE ACTIVITIES

In discharging its responsibilities for the financial year, the Audit Committee, in particular:

- Reviewed the quarterly and year end financial statements and made recommendation to the Board.
- Reviewed the overall coverage of internal audit.
- Deliberated over the internal audit and compliance reports, ensuring that appropriate actions are taken by management.
- Reviewed the Risk Advisory Committee report to ensure the adequacy and effectiveness of the Group's Risk Management Framework.
- Discussed and reviewed with the external auditors the results of their examination, their auditor's report and management letters in relation to the audit and accounting issues arising from the audit.
- Reviewed the Company's compliance with regards to the Bursa Malaysia Securities Listing Requirements and compliance with accounting standards issued by the Malaysian Accounting Standards Board.

SUMMARY OF INTERNAL AUDIT ACTIVITIES

The Audit Committee of the Board is supported by an Internal Audit Department. The department reports functionally to the Audit Committee and is independent of the activities they audit. During the financial year, the Internal Audit Department conducted, inter alia, the following activities:

- Formulated and agreed with the Audit Committee on the audit plan, strategy and scope of work.
- Reviewed compliance with internal policies and procedures, relevant external rules and regulations, as well as assessed the adequacy and effectiveness of the Group's internal control systems.
- Analysed and assessed key business systems, report findings, and made recommendations to improve effectiveness and efficiency.
- Followed up on internal audit reports to ascertain whether matters which require addressing have been rectified and corrective actions taken are effective.
- Advised on the implementation of the Malaysian Code on Corporate Governance and other regulatory requirements.
- Performed investigations as requested by the Audit Committee and Executive Management.
- Reviewed the Group's risk management framework for adequacy and effectiveness.

This report is made in accordance with resolution(s) of the Board of Directors dated 28 September 2007.

CORPORATE GOVERNANCE STATEMENT

(Pursuant to paragraph 15.26(a) and (b) of Bursa Malaysia Securities Listing Requirements)

The Board of Directors of FACB Industries Incorporated Berhad is committed to its fiduciary responsibility for sound corporate governance in its business practices. Towards this end, the Board supports the recommendations advocated in the Malaysian Code on Corporate Governance ("the Code").

In particular, the Company has complied with Part 2, "Best Practices in Corporate Governance", of the Code whereas the ensuing paragraphs narrates how the Company has applied Part I, "Principles of Corporate Governance", of the Code.

DIRECTORS

THE BOARD

An effective Board leads and controls the Company. Board members' judgement has a bearing on strategies, performances, resources and standards. Three (3) Board Meetings were held during the financial year ended 30 June 2007 with details of attendance presented on page 24 under Other Compliance Statements of this Annual Report. All Directors have attended the Mandatory Accreditation Programme. With the repeal of the Continuing Education Programme, the directors are now subject to an internal Group Training Programme inclined towards accounting, auditing, regulatory and industry issues. On 29 March 2007, an in-house training titled "Malaysian Code on Takeovers and Mergers" was held and attended by the Directors.

BOARD BALANCE

The Board currently consists of eight (8) members; comprising four (4) Executive Directors and four (4) Non-Executive Directors. Among the Non-Executive Directors three (3) are independent, hence, the Board's composition meets the Bursa Malaysia Securities Listing Requirements. Meanwhile, the existing composition reflects a commitment towards achieving a requisite mix of skills and experience in various business and financial competencies. Executive Directors have direct responsibilities for business operations whereas Non-Executive Directors are responsible for bringing independent, objective judgement to bear on Board decisions. The profiles of the Directors are set out on pages 6 and 7 of this Annual Report.

To ensure a balance of power and authority, the roles of Chairman and Chief Executive Officer are distinct and separate. The Board has also formally identified Datuk Wan Kassim bin Ahmed as the senior Independent Non-Executive Director, to whom concerns may be conveyed.

SUPPLY OF INFORMATION

All Directors have full and timely access to information, with Board papers distributed in advance of meetings. These Board papers include the agenda and information covering areas of strategic, operational, financial and compliance matters. The Board has unrestricted access to all staff for any information pertaining to the Group's affairs.

Furthermore, Directors have access to the advice and the services of the Company Secretary and under appropriate circumstances may seek independent professional advice at the Company's expense, in furtherance of their duties.

corporate governance statement

APPOINTMENTS TO THE BOARD

A Nomination Committee with appropriate terms of reference, was established by the Board on 24 June 2002. The Committee comprising wholly of Non-Executive Directors, a majority of whom are independent, are as follows:

1.	Dato' Sulaiman bin Sujak	*Chairman*
2.	Datuk Wan Kassim bin Ahmed	
3.	Mr Leow Ming Fong @ Leow Min Fong	*(Resigned on 1 August 2007)*
4.	Mr Lim Mun Kee	*(Appointed on 1 August 2007)*

During the financial year, the Committee met on 28 May 2007.

This Committee is responsible, inter-alia, for making recommendations to the Board on new nominees for the Board including Board Committees and for assessing directors on an ongoing basis. The Nomination Committee also reviews the Board's required mix of skills and experience and other qualities, including core competencies which non-executive directors should bring to the Board.

RE-ELECTION

In accordance with the Company's Articles of Association, all Directors are subject to retirement from office at least once in each three (3) years, but shall be eligible for re-election. This provision is in line with para 7.28 (2) of the Bursa Malaysia Securities Listing Requirements.

Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129 of the Companies Act, 1965.

DIRECTORS' REMUNERATION

PROCEDURE

A Remuneration Committee with appropriate terms of reference, was established by the Board on 24 June 2002. The Committee comprising wholly Non-Executive Directors, are as follows:

1.	Datuk Wan Kassim bin Ahmed	*Chairman*
2.	Dato' Dr. Abdul Razak bin Abdul	
3.	Mr Leow Ming Fong @ Leow Min Fong	*(Resigned on 1 August 2007)*
4.	Mr Lim Mun Kee	*(Appointed on 1 August 2007)*

During the financial year, the Committee met on 22 August 2006.

THE LEVEL AND MAKE-UP OF REMUNERATION

The Committee's duty is to, inter-alia, make recommendations to the Board on the remuneration for directors with the underlying objective of attracting and retaining directors needed to run the Company successfully. In particular, the remuneration is structured to commensurate with the skills and responsibilities expected of the directors. The level of remuneration also reflects the experience and time demanded of directors to discharge their duties.

While discharging duties, the Directors concerned shall abstain from discussion of their own remuneration.

DISCLOSURE

The details of Directors' remuneration for the financial year are summarized in page 25 under Other Compliance Statements of this Annual Report.

SHAREHOLDERS

DIALOGUE BETWEEN COMPANY AND INVESTORS

The Company acknowledges the importance of communication with investors. Major corporate developments and events are duly and promptly announced via appropriate communication channels.

In particular, dissemination of information includes the distribution of Annual Reports, announcement of quarterly financial performances, issuance of circulars, press releases and holding of press conferences.

THE AGM

The AGM is the principal platform for dialogue with shareholders, wherein, the Board presents the operations and performance of the Group. During the meeting, shareholders are given every opportunity to enquire and comment on matters relating to the Group's business. The Chairman and members of the Board are available to respond to shareholders' queries during this meeting.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The Board is responsible for ensuring a balanced and understandable assessment of the Company's position and prospects in its quarterly and annual reports. The Audit Committee assists the Board by reviewing the disclosure information to ensure completeness, accuracy and validity. A full Directors' Responsibility Statement is set out in page 24 under Other Compliance Statements of this Annual Report.

INTERNAL CONTROL

The Statement on Internal Control set out in pages 22 and 23 of this Annual Report provides an overview of the Company's approach in maintaining a sound system of internal control to safeguard shareholders' investment and the Company's assets.

RELATIONSHIP WITH THE AUDITORS

The Board via the establishment of an Audit Committee, maintains a formal and transparent relationship with the Company's auditors. The role of the Audit Committee in relation to the auditors are detailed in pages 16 to 18 of the Audit Committee Report in this Annual Report.

This statement is made in accordance with resolution(s) of the Board of Directors dated 28 September 2007.

INTERNAL CONTROL STATEMENT

(Pursuant to paragraph 15.27(b) of Bursa Malaysia Securities Listing Requirements)

The Malaysian Code on Corporate Governance ("the code") states that the Board of listed companies should maintain a sound system of internal control to safeguard shareholders' investment and the company's assets. The Bursa Malaysia Securities Listing Requirements requires the Board of listed companies to include in its Annual Report, a statement on the state of internal controls of the Group. In making this statement on internal control, it is essential to address the Principles and Best Practices in the code which relate to internal control.

RESPONSIBILITY

The Board has overall stewardship responsibility for the Group's system of internal control and for reviewing its adequacy and integrity to safeguard shareholders' investment and the Group's assets. However, it should be noted that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. The associated companies have not been dealt with as part of the Group for the purpose of this statement.

INTERNAL CONTROL SYSTEMS

The Group's control system is designed to facilitate achievement of its business objectives. It comprises the underlying control environment, control processes, communication and monitoring systems which manifest themselves as follows:

- Organisational structure with well defined lines of responsibility, delegation of authority, segregation of duties and information flow. The Board has delegated to Executive Management the implementation of the systems of internal control but still maintain full control and direction over appropriate strategic, financial, organisational and compliance issues. The Executive Management convenes regularly to meet its strategic business agenda thus ensuring that the Board, properly apprised, maintains effective supervision over the entire operations.

- Well documented internal operating policies and procedures have been established, periodically reviewed and kept updated in accordance with changes in the operating environment.

- Comprehensive budgeting process for all operating units with periodical monitoring of performance so that major variances are followed up and management action taken.

- Functional limits of authority for revenue and capital expenditure of all operating units. These commitment authority thresholds, working in tandem with budgeting and payment controls, serve to facilitate the approval process whilst keeping potential exposure in check.

- Detailed justification and approval process for major expenditures to ensure congruence with company's strategic objectives.

- Framework for computerised information systems to streamline hardware and software regulations and guidelines for system integrity, effectiveness and efficiency.

- Independent appraisals by internal auditors to ensure ongoing compliance with policies, procedures and legislations whilst assessing the effectiveness of the Group's system of financial, operational and compliance controls.

RISK MANAGEMENT FRAMEWORK

Besides primary ownership over effectiveness of the Group's internal control systems, the Board recognizes its responsibility over the principal risks of various aspects of the Group's business. For long term viability of the Group, it is crucial to achieve a critical balance between risks incurred and potential returns.

In response to the above challenge, the Group has established an in-house structured risk management framework thereby, laying the foundation for an ongoing process for identifying, evaluating, treating, reporting and monitoring the significant risks faced by the Group.

A Risk Advisory Committee ("RAC") comprising senior management personnel responsible, inter-alia, for internal policy communications, acquiring risk management skills, developing skills through education and training, and ensuring adequate scale of recognition, rewards and sanctions was set up on 1 March 2002.

During the financial year, the RAC monitored the Group's significant risks and recommended appropriate treatments. The resultant RAC report is reviewed quarterly by the Audit Committee to ensure the adequacy and effectiveness of the Group's Risk Management Framework.

INTERNAL AUDIT

An in-house Internal Audit function supports the Audit Committee, and by extension, the Board, by providing reasonable independent assurance on the effectiveness of the Group's system of internal control.

In particular, Internal Audit appraise and contribute towards improving the Group's risk management and control systems and reports to the Audit Committee on a quarterly basis. The internal audit work plan which reflects the risk profile of the Group's major business sectors is routinely reviewed and approved by the Audit Committee.

INTERNAL CONTROL ISSUES

Management maintains an ongoing commitment to strengthen the Group's control environment and processes. During the year, there were no material losses caused by breakdown in internal control.

This statement is made in accordance with resolution(s) of the Board of Directors dated 28 September 2007 and has been duly reviewed by the external auditors, pursuant to paragraph 15.24 of the Bursa Malaysia Securities Listing Requirements.

OTHER COMPLIANCE STATEMENTS

1. DIRECTORS' RESPONSIBILITY STATEMENT

PURSUANT TO PARAGRAPH 15.27(A) OF BURSA MALAYSIA SECURITIES LISTING REQUIREMENTS

The Directors are required by Malaysian company law to prepare for each accounting period financial statements which give a true and fair view of the state of affairs of the Group and the Company as at the end of the accounting period and of the results of their operations and cashflows for that period.

In preparing the financial statements the Directors are required to select and apply consistently suitable accounting policies and make reasonable and prudent judgements and estimates. Applicable accounting standards also have to be followed and a statement made to that effect in the financial statements, subject to any material departures being disclosed and explained in the notes to the financial statements. The Directors are required to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business. The Directors are responsible for ensuring proper accounting records are kept which discloses with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1965.

They are also responsible for taking reasonable steps to safeguard the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

2. DIRECTORS' ATTENDANCE AT BOARD MEETINGS

During the financial year, the Board held three (3) formal meetings. The attendance of Directors at the Board Meetings is as follows:

	Board Meetings		
Directors	**30.11.2006**	**30.3.2007**	**28.5.2007**
Tan Sri Datuk Seri Panglima Abdul Kadir bin Haji Sheikh Fadzir *(Resigned on 1 August 2007)*	X	√	√
Dato' Sulaiman bin Sujak	√	√	√
Tan Sri Dr. Chen Lip Keong	√	√	√
Puan Sri Lee Chou Sarn	√	√	√
Dato' Dr. Abdul Razak bin Abdul	X	√	√
Datuk Wan Kassim bin Ahmed	√	√	√
Leow Ming Fong @ Leow Min Fong *(Resigned on 1 August 2007)*	√	√	√
Chen Yiy Hwuan *(Appointed on 1 August 2007)*	N/A	N/A	N/A
Chen Yiy Fon *(Appointed on 1 August 2007)*	N/A	N/A	N/A
Lim Mun Kee *(Appointed on 1 August 2007)*	N/A	N/A	N/A
Leong Choong Wah *(Resigned on 5 September 2006)*	N/A	N/A	N/A
Alternate Director			
Chua Tiam Wee *(Alternate Director to Puan Sri Lee Chou Sarn)*	√	√	√

N/A Not Applicable √ Attended X Not Attended

3. DIRECTORS' REMUNERATION

The aggregate remuneration of Directors for the financial year is categorized as follows:

In RM	Executive	Non-Executive
Fees	-	330,000
Salaries & Other Emoluments	1,014,708	-
Benefits In Kind	51,983	-
Total	**1,066,691**	**330,000**

The number of Directors whose remuneration falls within the following bands is as follows:

	No. of Directors	
Range of remuneration (In RM)	**Executive**	**Non-Executive**
Below 50,000	1	2
50,001 to 100,000	-	2
100,001 to 150,000	-	1
150,001 to 200,000	-	-
200,001 to 250,000	-	-
250,001 to 300,000	2	-
300,001 to 350,000	-	-
350,001 to 400,000	-	-
400,001 to 450,000	-	-
450,001 to 500,000	1	-
Total	**4**	**5**

The above disclosure is in compliance with the Bursa Malaysia Securities Listing Requirements. Nevertheless, it represents a departure from the Principles of Corporate Governance of the Code, which prescribes individual disclosure of directors' remuneration packages. The Board is of the opinion that individual disclosure would impinge upon the directors' reasonable right to privacy and would not significantly enhance shareholders' understanding.

4. UTILISATION OF PROCEEDS

The Securities Commission vide its letter dated 8 April 2003 approved the utilisation of the balance proceeds of RM29.1 million arising from the previous rights issue exercise for the purpose of working capital and investment in Kanzen TPCO Ltd ("KTPCO"), and a sum of RM19.9 million has thereafter been used. KTPCO was principally involved in the manufacturing and sale of stainless steel welded pipes and butt-welded fittings.

other compliance statements

5. SHARE BUY-BACK

During the financial year, the Company did not exercise any share buy-back.

As at 12 October 2007, the Company has bought back a total of 1,279,700 shares and these are presently held as treasury shares.

The Company has neither made any resale nor cancellation of its treasury shares.

6. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial year, the Company did not issue any option, warrant or convertible securities.

7. AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR")

During the financial year, the Company did not sponsor any ADR or GDR programme.

8. SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies.

9. NON-AUDIT FEES

The non-audit fees payable to the external auditors for the financial year amounts to RM171,287/-.

10. VARIATION IN RESULTS

There is no material variance between the results for the financial year and the unaudited results previously announced.

11. PROFIT GUARANTEE

During the year, there was no profit guarantee given by the Company.

12. MATERIAL CONTRACTS INVOLVING DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

(i) On 31 March 1997, a subsidiary Beribu Ukiran Sdn. Bhd. ("BUSB") entered into an agreement with Dapan Holdings Sdn. Bhd. ("DHSB"), a subsidiary of Karambunai Corp Bhd. ("KCB"), to acquire a portion of land for development measuring 127.64 acres at RM45,280,000 in the District of Kota Kinabalu, Sabah.

On the same date, the Company and KCB entered into a shareholders agreement and they hold 60% and 40% equity interests respectively in BUSB.

(ii) On 13 November 2002, BUSB entered into a Project Management and Marketing Agreement with DHSB for the development of Bandar Sierra Phase 3A1 ("Project"). The Project shall cover an area measuring approximately 13.47 acres of the land in item (i) above.

The total consideration for the appointment of DHSB as the project manager will be based on 2% of the total construction cost of the Project. As for the concurrent appointment of marketing manager, the total consideration shall be at 2% of the total selling price of the Project.

DHSB shall act as the project and marketing manager to construct the residential properties and conduct the necessary marketing activities to market and sell all units in respect of the Project.

(iii) Tan Sri Dr. Chen Lip Keong, Datuk Wan Kassim bin Ahmed, Mr Chen Yiy Hwuan and Mr Chen Yiy Fon are directors of KCB whereas Puan Sri Lee Chou Sarn is the spouse of Tan Sri Dr. Chen Lip Keong. Mr Chen Yiy Hwuan and Mr Chen Yiy Fon are the sons of Tan Sri Dr. Chen Lip Keong and Puan Sri Lee Chou Sarn. Accordingly, these directors who are Directors of the Company are deemed interested in items (i) and (ii) above.

There were no other material contracts entered into by the Company and its subsidiaries involving Directors' and substantial shareholders' interests other than as disclosed above.

13. REVALUATION POLICY

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

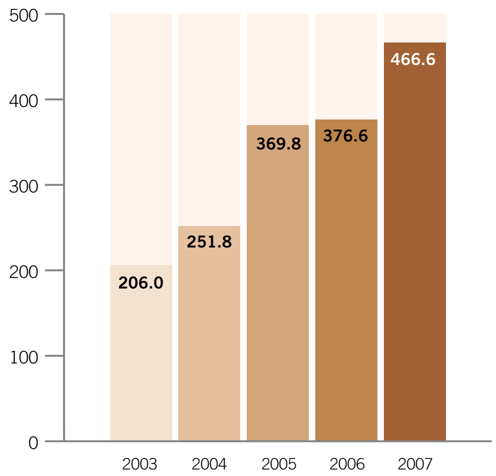
14. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE NATURE

There were no material recurrent related party transactions of a revenue nature during the year.

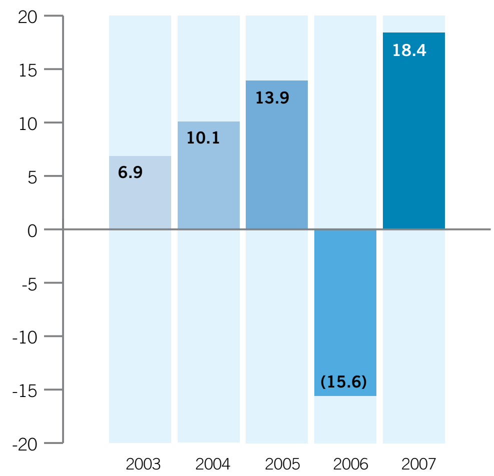
FINANCIAL HIGHLIGHTS

In RM'000	2003	2004	2005	2006	2007
Revenue from continuing operations	206,036	251,811	369,809	376,593	466,569
Profit/(Loss) from continuing operations before taxation	11,110	16,277	22,165	(15,315)	26,779
Profit/(Loss) from discontinued operation before taxation	(53)	(1,889)	(2,498)	(855)	712
Profit/(Loss) attributable to equity holders	6,878	10,080	13,911	(15,610)	18,399
Total assets	330,096	411,593	460,162	445,261	497,435
Shareholders' equity	175,213	183,219	194,901	178,117	207,835
In RM					
Net assets per share	2.23	2.32	2.46	2.24	2.48
In Sen					
Earnings/(Loss) per share	8.08	11.86	16.56	(18.61)	21.93

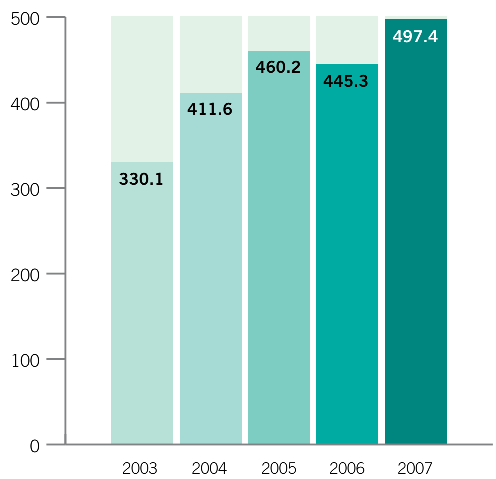
REVENUE FROM CONTINUING OPERATIONS (RM'Million)



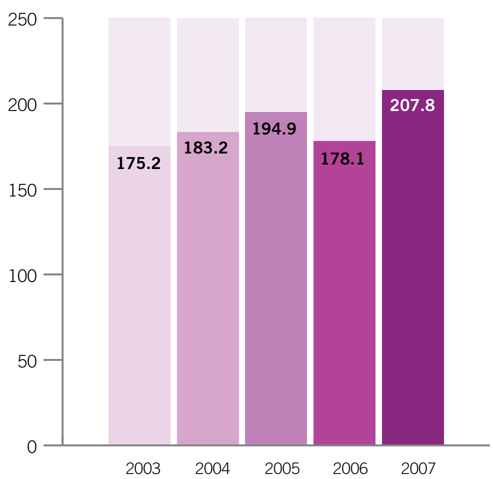
PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS (RM'Million)



TOTAL ASSETS (RM'Million)



SHAREHOLDERS' EQUITY (RM'Million)



FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2007.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and provision of management, cash and treasury services to its subsidiary companies. The principal activities of the subsidiary companies are disclosed in note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	GROUP RM	COMPANY RM
Profit/(Loss) for the year from continuing operations	**21,121,046**	**(1,286,302)**
Profit for the year from discontinued operation	**711,629**	**-**
Profit/(Loss) for the year	**21,832,675**	**(1,286,302)**
Attributable to:		
Equity holders of the Company	**18,398,830**	**(1,286,302)**
Minority interest	**3,433,845**	**-**
	21,832,675	**(1,286,302)**

DIVIDENDS

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

The Directors recommend a final tax exempt dividend of 4% per ordinary share of RM1/- each in respect of the current financial year amounting to RM3,355,312/-, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL DEBTS

Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of provisions for doubtful debts, and have satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would require the writing off of bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps to ensure that any current assets which were unlikely to realise in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person, or

(ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.

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

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature 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.

ISSUE OF SHARES

During the financial year, no new issue of shares was made by the Company.

directors' report

TREASURY SHARES

During the financial year, the Company did not repurchase any of its issued and fully paid ordinary shares.

As at 30 June 2007, the Company held as treasury shares a total of 1,279,700 of its 85,162,500 issued ordinary shares. Such treasury shares are held at a carrying amount of RM1,225,544/- and are disclosed in note 22 to the financial statements.

DIRECTORS OF THE COMPANY

The Directors in office since the date of the last report are:

Tan Sri Dr. Chen Lip Keong	
Dato' Sulaiman Bin Sujak	
Puan Sri Lee Chou Sarn (F)	
Dato' Dr. Abdul Razak Bin Abdul	
Datuk Wan Kassim Bin Ahmed	
Chen Yiy Hwuan	(Appointed on 1.8.07)
Chen Yiy Fon	(Appointed on 1.8.07)
Lim Mun Kee	(Appointed on 1.8.07)
Chua Tiam Wee	(Alternate director to Puan Sri Lee Chou Sarn)
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir	(Resigned on 1.8.07)
Leow Ming Fong @ Leow Min Fong	(Resigned on 1.8.07)

DIRECTORS' INTERESTS

According to the register of Directors' shareholding, the interest of the Directors in office as at the end of the financial year in the shares of the Company during the financial year were as follows:

	Number of Ordinary Shares of RM1/- Each			
	At 1.7.06	Bought	Sold	**At 30.6.07**
DIRECT INTEREST				
Puan Sri Lee Chou Sarn	9,800,000	-	-	**9,800,000**
INDIRECT INTEREST *				
Tan Sri Dr. Chen Lip Keong	7,630,493	-	-	**7,630,493**
Puan Sri Lee Chou Sarn	7,630,493	-	-	**7,630,493**

* Being shares held via corporation(s) in which the Directors are deemed interested. Puan Sri Lee Chou Sarn is the spouse of Tan Sri Dr. Chen Lip Keong.

By virtue of their substantial direct and indirect interest in the shares of the Company, the Directors as disclosed above are also deemed to have an interest in the shares of the subsidiary companies to the extent of the shareholdings of the Company.

None of the other Directors held any shares whether direct or indirect in the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than those disclosed as Directors' remuneration and benefits-in-kind in note 32(a) to 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.

Neither during nor at the end of the financial year, was the Company a party to any arrangements whose object is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SIGNIFICANT EVENTS

Significant events arising during the financial year are disclosed in note 42 to the financial statements.

SUBSEQUENT EVENTS

Significant events arising subsequent to the financial year are disclosed in note 43 to the financial statements.

AUDITORS

The auditors, Messrs. Moore Stephens, have expressed their willingness to continue in office.

On Behalf of the Board

PUAN SRI LEE CHOU SARN **DATO' DR. ABDUL RAZAK BIN ABDUL**

KUALA LUMPUR
11 October 2007

STATEMENT BY **DIRECTORS**

We, the undersigned, being two of the Directors of the Company, state that in the opinion of the Directors, the accompanying financial statements as set out on pages 36 to 107, are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards for Entities Other Than Private Entities in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2007 and of the results of the operations, changes in equity and cash flows of the Group and of the Company for the year ended on that date.

On Behalf of the Board

PUAN SRI LEE CHOU SARN **DATO' DR. ABDUL RAZAK BIN ABDUL**

KUALA LUMPUR
11 October 2007

STATUTORY **DECLARATION**

I, Bong Shee Cheng, NRIC No.: 570115-01-6753, being the officer primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 36 to 107, are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at
Kuala Lumpur in the Federal Territory
On 11 October 2007

BONG SHEE CHENG

Before me

ABAS BIN HASAN No. W392
Commissioner for Oaths

REPORT OF THE **AUDITORS**

TO THE MEMBERS OF FACB INDUSTRIES INCORPORATED BERHAD (Incorporated in Malaysia)

We have audited the financial statements set out on pages 36 to 107.

The preparation of the financial statements are the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on those 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 towards any other person for the content of this report.

We conducted our audit in accordance with the approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. Our audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards for Entities Other Than Private Entities in Malaysia so as to give a true and fair view of:

    (i) the matters required by Section 169 of the Companies Act, 1965, to be dealt with in the financial statements of the Group and of the Company; and

    (ii) the state of affairs of the Group and of the Company as at 30 June 2007 and of the results of the operations, changes in equity and cash flows of the Group and of the Company for the financial year ended on that date;

and

(b) the accounting and other records and the registers required by the Companies Act, 1965, to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We have considered the financial statements and the auditors' reports of the subsidiary companies of which we have not acted as auditors, as indicated in note 8 to the financial statements, being financial statements that are included in consolidated financial statements.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for these purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and in respect of subsidiary companies incorporated in Malaysia, did not include any comment made under Section 174(3) of the Companies Act, 1965.

MOORE STEPHENS
Chartered Accountants
(AF.0282)

AU TAI WEE
1551/01/09 (J)
Partner

KUALA LUMPUR
11 October 2007

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2007

	Note	**2007 RM**	2006 RM
ASSETS			
Non-current assets			
Property, plant and equipment	4	**58,978,517**	105,385,215
Prepaid land lease payments	5	**16,218,668**	17,139,357
Capital work-in-progress	6	**314,033**	-
Land held for property development	7	**50,363,301**	50,153,939
Investment in associated companies	9	**16,256,415**	12,796,768
Other investments	10	**1,241,010**	1,241,010
Deferred tax assets	11	**418,400**	966,600
		143,790,344	187,682,889
Current assets			
Property development costs	12	**19,786,476**	21,577,266
Inventories	13	**123,592,806**	100,178,249
Trade receivables	14	**106,852,296**	89,222,331
Other receivables, deposits and prepayments	15	**13,625,331**	15,871,408
Tax assets	16	**1,829,829**	4,984,217
Amounts owing by associated companies	18	**3,533,945**	3,526,011
Deposits with licensed financial institutions	19	**10,546,684**	7,471,100
Cash and bank balances		**12,949,005**	14,747,301
		292,716,372	257,577,883
Assets of disposal group classified as held for sale	20	**60,928,592**	-
		353,644,964	257,577,883
TOTAL ASSETS		**497,435,308**	445,260,772

	Note	2007 RM	2006 RM
EQUITY AND LIABILITIES			
Equity			
Share capital	21	**85,162,500**	85,162,500
Reserves	22	**122,672,561**	92,954,155
Equity attributable to equity holders of the Company		**207,835,061**	178,116,655
Minority interest		**35,342,309**	33,337,049
Total equity		**243,177,370**	211,453,704
Liabilities			
Non-current liabilities			
Term loans - secured	23	**10,579,640**	20,690,279
Hire purchase payables	24	**120,114**	146,936
Negative goodwill	25	**-**	9,625,348
Deferred tax liabilities	11	**7,982,000**	5,724,000
		18,681,754	36,186,563
Current liabilities			
Trade payables	26	**53,904,016**	51,867,439
Other payables and accruals	27	**46,767,425**	53,455,751
Bank overdraft - unsecured	28	**16,547**	-
Other borrowings	29	**104,282,381**	91,659,988
Taxation		**1,583,129**	637,327
		206,553,498	197,620,505
Liabilities directly associated with assets classified as held for sale	20	**29,022,686**	-
		235,576,184	197,620,505
Total liabilities		**254,257,938**	233,807,068
TOTAL EQUITY AND LIABILITIES		**497,435,308**	445,260,772

The annexed notes form an integral part of, and should be read in conjunction with, this financial statement.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2007

	Note	**2007 RM**	2006 RM
Continuing Operations			
Revenue	30	**466,568,767**	376,592,658
Direct operating costs	31	**(404,825,919)**	(363,725,866)
Gross profit		**61,742,848**	12,866,792
Other operating revenue		**2,909,844**	2,810,592
Selling and distribution costs		**(9,542,611)**	(10,810,071)
Administration costs		**(19,253,691)**	(15,983,020)
Other operating costs		**(4,831,928)**	(1,445,004)
Profit/(Loss) from operations		**31,024,462**	(12,560,711)
Finance costs		**(6,163,186)**	(4,980,511)
Share of associated companies results after tax		**1,917,305**	2,226,454
Profit/(Loss) before taxation	32	**26,778,581**	(15,314,768)
Taxation	33	**(5,657,535)**	2,447,373
Profit/(Loss) for the year from continuing operations		**21,121,046**	(12,867,395)
Discontinued Operation			
Profit/(Loss) for the year from discontinued operation	20	**711,629**	(855,191)
Profit/(Loss) for the year		**21,832,675**	(13,722,586)
Attributable to:			
Equity holders of the Company		**18,398,830**	(15,609,893)
Minority interest		**3,433,845**	1,887,307
		21,832,675	(13,722,586)
Earnings/(Loss) per share attributable to equity holders of the Company (sen):			
Basic, for profit/(loss) from continuing operations		**21.41**	(17.99)
Basic, for profit/(loss) from discontinued operation		**0.52**	(0.62)
Basic, for profit/(loss) for the year	34	**21.93**	(18.61)

The annexed notes form an integral part of, and should be read in conjunction with, this financial statement.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2007

		← Non-Distributable		→	Distributable				
	Share Capital RM	Share Premium RM	Reserves of Subsidiary Companies* RM	Translation Reserve RM	Retained Earnings RM	Treasury Shares RM	Sub Total RM	Minority Interest RM	Total Equity RM
At 1.7.05	85,162,500	28,989,335	144,726	902,985	80,927,173	(1,225,544)	194,901,175	30,144,166	225,045,341
Transfer	-	-	27,956	-	(27,956)	-	-	-	-
Translation gain	-	-	-	637,242	-	-	637,242	-	637,242
Income/(expenses) recognised directly in equity	-	-	27,956	637,242	(27,956)	-	637,242	-	637,242
Loss for the year	-	-	-	-	(15,609,893)	-	(15,609,893)	1,887,307	(13,722,586)
Total income/(expenses) recognised for the year	-	-	27,956	637,242	(15,637,849)	-	(14,972,651)	1,887,307	(13,085,344)
Dividends (note 35)	-	-	-	-	(1,811,869)	-	(1,811,869)	(194,424)	(2,006,293)
Subscription of shares in a subsidiary company	-	-	-	-	-	-	-	1,500,000	1,500,000
At 30.6.06	**85,162,500**	**28,989,335**	**172,682**	**1,540,227**	**63,477,455**	**(1,225,544)**	**178,116,655**	**33,337,049**	**211,453,704**
Effects of adopting FRS 3 (note 45(a)(i))	**-**	**-**	**-**	**-**	**9,625,348**	**-**	**9,625,348**	**-**	**9,625,348**
Transfer	**-**	**-**	**20,255**	**-**	**(20,255)**	**-**	**-**	**-**	**-**
Translation gain	**-**	**-**	**-**	**1,694,228**	**-**	**-**	**1,694,228**	**-**	**1,694,228**
Income/(expenses) recognised directly in equity	**-**	**-**	**20,255**	**1,694,228**	**(20,255)**	**-**	**1,694,228**	**-**	**1,694,228**
Profit for the year	**-**	**-**	**-**	**-**	**18,398,830**	**-**	**18,398,830**	**3,433,845**	**21,832,675**
Total income/(expenses) recognised for the year	**-**	**-**	**20,255**	**1,694,228**	**18,378,575**	**-**	**20,093,058**	**3,433,845**	**23,526,903**
Dividends	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,428,585)**	**(1,428,585)**
At 30.6.07	**85,162,500**	**28,989,335**	**192,937**	**3,234,455**	**91,481,378**	**(1,225,544)**	**207,835,061**	**35,342,309**	**243,177,370**

* The reserves of the subsidiary companies incorporated in The People's Republic of China are maintained in accordance with the regulatory requirements there and are not distributable as cash dividends.

The annexed notes form an integral part of, and should be read in conjunction with, this financial statement.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 RM	2006 RM
Cash Flows from Operating Activities			
Profit/(Loss) before taxation			
- Continuing operations		**26,778,581**	(15,314,768)
- Discontinued operation		**711,629**	(855,191)
Adjustments for:			
Allowance for doubtful debts		**1,202,994**	926,826
Amortisation of prepaid land lease payments		**223,932**	223,932
Depreciation of property, plant and equipment		**8,359,598**	7,668,872
Interest expense		**6,629,911**	5,523,530
Interest revenue		**(323,621)**	(253,948)
Write down of inventories		**114,767**	9,085,272
Amortisation of negative goodwill		**-**	(1,560,867)
Gain on disposal of property, plant and equipment		**(29,180)**	(14,088)
Property, plant and equipment written off		**3,595**	2,226
Reversal of inventories written down		**(704)**	(450,000)
Share of associated companies results after tax		**(1,917,305)**	(2,226,454)
Reversal of allowance for doubtful debts		**(113,241)**	(14,998)
Unrealised loss on foreign exchange		**2,410,288**	1,005,230
Operating profit before working capital changes		**44,051,244**	3,745,574
Decrease/(Increase) in property development costs		**1,790,790**	(7,039,964)
(Increase)/Decrease in inventories		**(30,508,372)**	37,407,367
Increase in trade and other receivables		**(24,517,513)**	(15,145,886)
Increase in trade and other payables		**12,937,318**	10,328,466
Cash generated from operations		**3,753,467**	29,295,557
Interest received		**323,227**	253,628
Income tax paid		**(1,935,158)**	(7,392,980)
Income tax refund		**3,168,013**	8,415
Interest paid		**(6,571,534)**	(5,563,189)
Net cash (used in)/generated from operating activities		**(1,261,985)**	16,601,431

	Note	2007 RM	2006 RM
Cash Flows from Investing Activities			
Additional investment in an associated company		**(3,644,130)**	-
Purchase of other investment		**-**	(1,200,000)
Capital work-in-progress incurred		**(314,033)**	(8,514,164)
Dividend received from associated companies		**2,097,137**	583,155
Expenses incurred for land held for property development		**(209,362)**	(1,334,897)
Purchase of property, plant and equipment	36	**(2,379,014)**	(2,284,203)
Proceeds from disposal of property, plant and equipment		**48,475**	14,261
Repayments to associated companies		**(3,490)**	(4,024)
Net cash used in investing activities		**(4,404,417)**	(12,739,872)
Cash Flows from Financing Activities			
Drawdown of bankers' acceptance		**133,926,000**	111,761,000
Drawdown of trade loans		**-**	29,403,979
Drawdown of term loans		**4,600,000**	22,714,229
Drawdown of revolving credit		**-**	1,103,393
Dividend paid		**-**	(1,811,869)
Proceeds from minority shareholder on subscription of shares in a subsidiary company		**-**	1,500,000
Repayments of hire purchase payables		**(104,112)**	(94,796)
Repayments of trade loans		**(16,707,634)**	(38,539,249)
Repayments of bankers' acceptance		**(95,645,000)**	(116,765,384)
Repayments of negotiated bills		**-**	(583,365)
Repayments of revolving credits		**(2,603,393)**	(500,000)
Repayments of term loans		**(9,544,731)**	(11,068,753)
Dividend paid to minority shareholders by subsidiary companies		**(1,428,585)**	(194,424)
Net cash generated from/(used in) financing activities		**12,492,545**	(3,075,239)
Net increase in cash and cash equivalents		**6,826,143**	786,320
Effect of exchange rate changes		**(97,391)**	(393,936)
Cash and cash equivalents at beginning of the year		**22,218,401**	21,826,017
Cash and cash equivalents at end of the year		**28,947,153**	22,218,401
Cash and cash equivalents comprise:			
Cash and cash equivalents from continuing operations	37	**23,479,142**	22,218,401
Cash and bank balances classifield as held for sale	20	**5,468,011**	-
		28,947,153	22,218,401

The annexed notes form an integral part of, and should be read in conjunction with, this financial statement.

BALANCE SHEET

AS AT 30 JUNE 2007

	Note	2007 RM	2006 RM
ASSETS			
Non-current assets			
Property, plant and equipment	4	**30,726**	47,833
Investment in subsidiary companies	8	**28,356,102**	28,356,102
Other investments	10	**1,241,010**	1,241,010
		29,627,838	29,644,945
Current assets			
Other receivables, deposits and prepayments	15	**90,090**	100,005
Tax assets	16	**-**	2,157,066
Amounts owing by subsidiary companies	17	**91,488,227**	94,331,877
Deposits with licensed financial institutions	19	**5,100,924**	2,529,884
Cash and bank balances		**2,259,577**	2,189,801
		98,938,818	101,308,633
TOTAL ASSETS		**128,566,656**	130,953,578
EQUITY AND LIABILITIES			
Equity			
Share capital	21	**85,162,500**	85,162,500
Reserves	22	**31,616,142**	32,902,444
Total equity		**116,778,642**	118,064,944
Liabilities			
Current liabilities			
Other payables and accruals	27	**287,958**	306,170
Amounts owing to subsidiary companies	17	**3,686,043**	3,582,464
Other borrowings	29	**7,500,000**	9,000,000
Taxation		**314,013**	-
		11,788,014	12,888,634
TOTAL EQUITY AND LIABILITIES		**128,566,656**	130,953,578

The annexed notes form an integral part of, and should be read in conjunction with, this financial statement.

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2007

	Note	**2007 RM**	2006 RM
Revenue	30	**980,000**	-
Other operating revenue		**1,443,194**	1,397,869
Administration costs		**(906,228)**	(1,052,370)
Other operating costs		**(1,948,893)**	(1,051,366)
Loss from operations		**(431,927)**	(705,867)
Finance costs		**(652,444)**	(680,930)
Loss before taxation	32	**(1,084,371)**	(1,386,797)
Taxation	33	**(201,931)**	(603)
Loss for the year		**(1,286,302)**	(1,387,400)

The annexed notes form an integral part of, and should be read in conjunction with, this financial statement.

STATEMENT OF **CHANGES IN EQUITY**

FOR THE YEAR ENDED 30 JUNE 2007

		← Non-Distributable	→	Distributable		
	Share Capital RM	Share Premium RM	Revaluation Reserve RM	Retained Earnings RM	Treasury Shares RM	Total Equity RM
At 1.7.05						
As previously stated	85,162,500	28,989,335	4,424,349	19,833,110	(1,225,544)	137,183,750
Effects of adopting FRS 127 (note 45 (e))	-	-	(4,424,349)	(11,495,188)	-	(15,919,537)
As restated	85,162,500	28,989,335	-	8,337,922	(1,225,544)	121,264,213
Loss for the year	-	-	-	(1,387,400)	-	(1,387,400)
Dividends (note 35)	-	-	-	(1,811,869)	-	(1,811,869)
At 30.6.06	**85,162,500**	**28,989,335**	**-**	**5,138,653**	**(1,225,544)**	**118,064,944**
Loss for the year	**-**	**-**	**-**	**(1,286,302)**	**-**	**(1,286,302)**
At 30.6.07	**85,162,500**	**28,989,335**	**-**	**3,852,351**	**(1,225,544)**	**116,778,642**

The annexed notes form an integral part of, and should be read in conjunction with, this financial statement.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 RM	2006 RM
Cash Flows from Operating Activities			
Loss before taxation		**(1,084,371)**	(1,386,797)
Adjustments for:			
Depreciation of property, plant and equipment		**17,107**	47,051
Dividend revenue		**(980,000)**	-
Interest expense		**529,944**	547,180
Interest revenue		**(1,434,214)**	(1,397,869)
Unrealised loss on foreign exchange		**1,948,693**	1,046,499
Operating loss before working capital changes		**(1,002,841)**	(1,143,936)
Decrease in other receivables		**10,309**	345,630
Decrease in other payables		**(9,767)**	(102,680)
Cash used in operations		**(1,002,299)**	(900,986)
Interest received		**95,122**	61,629
Tax refund		**2,533,748**	-
Interest paid		**(538,389)**	(516,240)
Net cash generated from/(used in) operating activities		**1,088,182**	(1,355,597)
Cash Flows from Investing Activities			
Purchase of other investment		**-**	(1,200,000)
Dividend received		**715,400**	-
Repayments from subsidiary companies		**2,233,655**	1,309,232
Net cash generated from investing activities		**2,949,055**	109,232
Cash Flows from Financing Activities			
Advances from subsidiary companies		**103,579**	3,023,605
Dividend paid		**-**	(1,811,869)
Repayments of revolving credit		**(1,500,000)**	(500,000)
Net cash (used in)/generated from financing activities		**(1,396,421)**	711,736
Net increase/(decrease) in cash and cash equivalents		**2,640,816**	(534,629)
Cash and cash equivalents at beginning of the year		**4,719,685**	5,254,314
Cash and cash equivalents at end of the year	37	**7,360,501**	4,719,685

The annexed notes form an integral part of, and should be read in conjunction with, this financial statement.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2007

1. CORPORATE INFORMATION

The Company is a public limited company, incorporated and domiciled in Malaysia, and listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office and principal place of business is located at MNI Twins, Tower 1, Level 13, 11 Jalan Pinang, 50450 Kuala Lumpur.

The principal activities of the Company are investment holding and provision of management, cash and treasury services to its subsidiary companies. The principal activities of the subsidiary companies are disclosed in note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue in accordance with the Board of Directors' resolution dated 11 October 2007.

2. BASIS OF PREPARATION

The financial statements of the Group and of the Company comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards for Entities Other Than Private Entities issued by the Malaysian Accounting Standards Board ("MASB").

The measurement bases applied in the presentation of the financial statements of the Group and of the Company included cost, recoverable amount, realisable value and revalued amount. Estimates are used in measuring these values.

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency. All financial information presented in RM has been rounded to nearest RM, unless otherwise stated.

The preparation of financial statements of the Group and of the Company requires management to make assumptions, estimates and judgements that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Assumptions and estimates are reviewed on an ongoing basis and are recognised in the period in which the assumption or estimate is revised.

Significant areas of estimation, uncertainty and critical judgements used in applying accounting principles that have significant effect on the amount recognised in the financial statements are as follows:

(i) depreciation of property, plant and equipment (note 4) – The cost of property, plant and equipment is depreciated on a straight line method over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 50 years. These are common life expectancies applied generally. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation changes could be revised;

(ii) impairment of property, plant and equipment (note 4) – The measurement of the recoverable amount of cash generating units ("CGU") are determined based on the value-in-use method, which requires the use of cash flow projections based on financial budgets approved by management;

(iii) deferred tax assets (note 11) – Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the future financial performance of the subsidiary companies and the Company and on the assumption that there will not be any substantial change (more than 50%) in the shareholdings of the subsidiary companies concerned;

2. BASIS OF PREPARATION (CONT'D)

(iv) property development (note 12) – Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the development project. In making the judgement, the subsidiary company evaluates based on past experience and work of specialists; and

(v) revenue recognition (note 30) – The percentage-of-completion method requires the subsidiary company to estimate the proportion of property development costs incurred for work performed to-date bears to the estimated total development costs.

3. SIGNIFICANT ACCOUNTING POLICIES

On 1 July 2006, the Group and the Company adopted the following Financial Reporting Standards ("FRS") issued by MASB which are mandatory for accounting periods beginning on or after 1 January 2006.

FRS 2	Share-based Payment
FRS 3	Business Combination
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 104	Depreciation Accounting
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 129	Financial Reporting in Hyperinflationary Economics
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments : Disclosures and Presentation
FRS 133	Earnings per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

In addition, the Group and the Company have early adopted the following new and revised FRSs for the financial period beginning 1 July 2006:

FRS 117	Leases
FRS 124	Related Party Disclosures

The adoption of these FRSs does not have any material financial impact on the Group and on the Company, or any significant changes in accounting policies of the Group and of the Company except as disclosed in note 45 to the financial statements.

The Group and the Company have not early adopted the FRS 139 - Financial Instruments : Recognition and Measurement, for which MASB has yet to announce the effective date.

The impact of applying this standard on these financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors is not required to be disclosed by virtue of exemption provided under paragraph 103AB of FRS 139.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary companies which are disclosed in note 8 to the financial statements made up to the end of the financial year.

Intragroup balances, transactions and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless cost cannot be recovered.

The results of the subsidiary companies acquired or disposed of during the financial year are included in the consolidated financial statements based on the purchase method from the effective date of acquisition or up to the effective date of disposal respectively. The assets, liabilities and the contingent liabilities assumed of a subsidiary company are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet.

Goodwill or negative goodwill acquired in a business combination represents the difference between the purchase consideration and the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary companies at the date of acquisition.

Any excess of the cost of the acquisition over the Group's interest in the 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 as negative goodwill in the income statement.

Minority interest 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.

(b) Intangible Asset

Goodwill

Goodwill is allocated to CGU and is stated at cost less accumulated impairment losses, if any. Impairment test is performed annually. Goodwill is also tested for impairment when indication of impairment exists. Impairment losses recognised are not reversed in subsequent periods.

Upon the disposal of interest in the subsidiary company, the related goodwill will be included in the computation of gain or loss on disposal of interest in the subsidiary company in the consolidated statement.

(c) Subsidiary Company

A subsidiary company is a company in which the Group has the power, directly or indirectly, to exercise control over its financial and operating policies so as to obtain benefits from its activities.

Investment in subsidiary companies, which are eliminated on consolidation, are stated at cost less accumulated impairment losses, if any, in the Company's financial statements. An impairment loss is recognised when there is an impairment in the value of the investment determined on an individual basis and is charged to income statement as an expense. The difference between net disposal proceeds and its carrying amount is charged or credited to income statement upon disposal of the investment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Associated Company

An associated company is defined as a company, not being a subsidiary company, in which the Group has a long term equity interest and where it exercises significant influence over the financial and operating policies of the company.

Investment in associated companies are stated at cost less accumulated impairment losses, if any, in the Group's financial statements.

The Group's share of post-acquisition results of the associated companies is accounted for using the equity method of accounting in the income statement. Under the equity method, the investment in associated companies are stated at cost plus adjustments for post-acquisition changes in the Group's share of net assets of the associated companies. On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is recognised in the income statements.

The Group's share of post-acquisition losses is restricted to the carrying value of the investment in associated companies. Should the associated companies subsequently report profits, the Group will only resume to recognise its share of profits after its share of profits equals to its share of losses previously not recognised.

Where audited financial statements of the associated companies are not co-terminous with those of the Group, the share of results is based on the unaudited management financial statements made up to the financial year end of the Group.

(e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost or at valuation less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that are directly attributable to the acquisition of the asset. Subsequent costs are included in the assets' carrying amount or recognised as separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Depreciation on property, plant and equipment is calculated on the straight line method to write off the cost or revalued amount of the property, plant and equipment over their estimated useful lives.

The principal annual rates used for this purpose are:

Buildings	2%
Plant and machinery	5% - 18%
Office equipment, furniture, fittings, renovations and motor vehicles	10% - $33^1/_3$%

The residual values, useful lives and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the income statement.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

Buildings stated at valuation are based on a valuation by professional valuers on an open market basis. The Directors does not adopt a policy of regular revaluation of such properties.

The valuations of the buildings have not been updated and continue to be stated at their last revalued amount less accumulated depreciation and accumulated impairment losses, if any. This is in accordance with the transitional provisions issued by MASB on adoption of International Accounting Standard No. 16 (Revised) on Property, Plant and Equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Impairment of Assets

The carrying amounts of assets other than inventories and financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of fair value less cost of sales and the value in use, which is measured by reference to the discounted future cash flows and is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for CGU to which the asset belongs to. An impairment loss is recognised whenever the carrying amount of an item of assets exceeds its recoverable amount.

An impairment loss is recognised as an expense in the income statement. However, an impairment loss on a revalued asset will be treated as a revaluation deficit to the extent that the loss does not exceed the amount held in revaluation reserve in respect of the same asset.

Any subsequent increase in recoverable amount of an asset, other than goodwill, due to a reversal of impairment loss is restricted to the carrying amount that would have been determined (net of accumulated depreciation, where applicable) had no impairment loss been recognised in prior financial years. The reversal of impairment loss is recognised as revenue in the income statement. However, the reversal of impairment loss on a revalued asset will be treated as revaluation surplus to the extent that the reversal does not exceed the amount previously held in revaluation reserve of the same asset.

(g) Capital Work-In-Progress

Capital work-in-progress consist of expenditure incurred on construction of property, plant and equipment which takes a substantial period of time to be ready for their intended use.

This expenditure is stated at cost and no depreciation is provided. Upon completion of construction, the cost will be transferred to property, plant and equipment.

(h) Land Held for Property Development

Land held for property development are carried at cost less accumulated impairment losses, if any, and classified as non-current assets where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle.

Land held for property development are 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.

(i) Property Development Costs

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. Costs consist of land and construction costs and other development expenditure including related overheads and capitalised borrowing costs.

When the financial outcome of a development activity can be reliably estimated, property development revenue and costs are recognised in the income statement by reference to the stage of completion of development activities at the balance sheet date. The stage of completion is measured by reference to the proportion of property development cost incurred for work performed to-date bears to the estimated total property development costs.

When 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Property Development Costs (cont'd)

Any expected loss on a development project is recognised as an expense immediately.

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

Accrued billings, as trade receivables, represents the excess of revenue recognised in the income statement over billings to purchasers. Progress billings, as trade payables, represents the excess of billings to purchasers over revenue recognised in the income statement.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of raw materials, spare parts and consumables are determined on the weighted average basis. Cost of finished goods and work-in-progress include the cost of raw materials, direct labour and appropriate production overheads, determined on first-in first-out basis.

(k) Disposal Group Held for Sale and Discontinued Operation

Disposal group is classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of all the assets and liabilities in a disposal group are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale has been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary company acquired exclusively with a view to resale.

(l) Lease Payments

i. Finance Lease

Assets acquired by way of hire purchase or finance lease where the Group assumes substantially all the benefits and risks of ownership are classified as property, plant and equipment.

Finance lease are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the remaining balance. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the income statement over the lease period.

ii. Operating Lease

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease. In the case of the lease of land, the minimum lease payments or the up-front payments representing the prepaid land lease payments are amortised on a straight-line basis over the lease term.

The Group had previously revalued its leasehold land and have retained the unamortised revalued amount as the surrogate cost of prepaid land lease payments in accordance with the transitional provisions in FRS 117.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Interest Capitalisation

Interest incurred on borrowings is capitalised during the period when activities to plan, develop and construct the assets are in progress. Capitalisation of borrowing costs ceases when the assets are ready for their intended use or sale.

All other interests are recognised in income statement in the period in which they are incurred.

(n) Treasury Shares

When issued shares of the Company are repurchased, the consideration paid, including any attributable transaction costs is presented as a change in equity. Repurchased shares that have not been cancelled are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the income statements on the sale, re-issuance or cancellation of treasury shares. When treasury shares are re-issued by resale, the difference between the sales consideration and the carrying amount of the treasury shares is shown as a movement in equity.

(o) Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(p) Foreign Currencies

i. Transactions in Foreign Currencies

Transactions in foreign currencies are translated into Ringgit Malaysia at the rates of exchange ruling at the time of the transaction date. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, regardless of the currency of the monetary item, are recognised in the Group's income statement. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operations, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in income statement. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operations, are recognised in income statement for the period.

ii. Translation of Foreign Currency Financial Statements

Assets, liabilities and reserves of foreign subsidiaries are translated into Ringgit Malaysia at the rates of exchange as at the financial year end. Income statements items are translated at the average rate of exchange for the year which approximate the exchange rate at the date of transaction. The translation differences arising therefrom are recorded as movement in translation reserve. Upon disposal of a foreign subsidiary, the cumulative amount of translation differences at the date of disposal of the subsidiary is taken to the consolidated income statement.

Goodwill and fair value adjustments arising from the acquisition of foreign operations on or after 1 July 2006 are translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose from the acquisition of foreign subsidiary companies before 1 July 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rate prevailing at the date of acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Taxation

Taxation in the income statement represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the year and any adjustments recognised in the year for current tax of prior financial years.

Deferred tax is recognised, using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill 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 in which the assets are realised or the liabilities are settled.

Deferred tax is recognised in equity when it relates to items recognised directly in equity. When deferred tax arises from business combination that is an acquisition, the deferred tax is included in the resulting goodwill or negative goodwill.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxation authority to offset or when it is probable that future taxable income will be available against which the assets can be utilised.

(r) Employee Benefits

i. Short Term Employee Benefits

Wages, salaries and bonuses are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

ii. Defined Contribution Plans

As required by law, companies in Malaysia and The People's Republic of China make contributions to the relevant social securities or state pension scheme. Such contributions are recognised as an expense in the income statement as incurred.

(s) Revenue Recognition

i. Goods Sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

ii. Rental Revenue

Rental revenue is recognised on accrual basis.

iii. Services

Revenue from services is recognised as and when services are performed.

iv. Interest Revenue

Interest revenue is recognised on an accrual basis using the effective interest method.

v. Dividend Revenue

Dividend revenue is recognised when the right to receive payment is established.

vi. Revenue from Property Development

Revenue from development property sold is recognised based on the percentage of completion method which is measured by reference to the proportion of property development costs incurred for work performed to-date bears to the estimated total property development costs when the financial outcome of the development activity can be reliably estimated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Financial Instruments

Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to financial instruments classified as assets or liabilities are reported as expense or revenue. 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 either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The recognised financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables, other non-current investments, hire purchase payables, bank borrowings and ordinary shares. These instruments are recognised in the financial statements when a contract or contractual arrangement has been entered into with the counter-parties.

The unrecognised financial instruments comprise financial guarantees given to third parties for subsidiary companies' banking facilities and derivative financial instruments such as foreign exchange forward contracts. The financial guarantees would be recognised as liabilities when obligations to pay the counter-parties are assessed as being probable. The derivatives are recognised only when underlying transactions occur or when settled.

i. Cash and Cash Equivalents
Cash and cash equivalents comprise cash and bank balances, demand deposits, bank overdrafts and short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

ii. Receivables
Receivables are stated at cost less allowance for doubtful debts, if any, which are the anticipated realisable values. Known bad debts are written off and specific allowance is made for those debts considered to be doubtful of collection. In addition, general allowances are made to cover possible losses which are not specifically identified.

iii. Payables
Payables are stated at cost which are the fair values of the considerations to be paid in the future for goods and services received.

iv. Other Non-Current Investments
Non-current investments other than investments in subsidiary companies and associated companies are stated at cost less allowance for diminution in value, if any.

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

v. 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 income statement. On disposal of marketable securities, the difference between the net disposal proceeds and the carrying amount is recognised in income statement.

vi. Interest Bearing Bank Borrowings
Interest bearing bank borrowings including overdrafts, bankers' acceptances, revolving credit, hire purchase payables and loans are stated at the amount of proceeds received, net of transaction costs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Financial Instruments (cont'd)

vii. Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction, other than in the context of a business combination, are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those external costs directly attributable to the equity transaction which would otherwise have been avoided. Costs of issuing equity securities in connection with a business combination are included in the cost of acquisition.

viii. Derivative Financial Instruments

Derivative financial instruments such as foreign exchange forward contracts are not recognised in the financial statements on inception.

The underlying foreign currency assets and liabilities are translated at their respective hedged exchange rate and all exchange gains or losses are recognised as revenue or expense in the income statement in the same period as the exchange differences on the underlying hedged items. Exchange gains or losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transactions, at which time they are included in the measurement of such transactions.

4. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Buildings RM	Plant & Machinery RM	Office Equipment, Furniture, Fittings, Renovations & Motor Vehicles RM	Total RM
COST/VALUATION				
At 1.7.06	**61,150,351**	**122,287,989**	**9,507,941**	**192,946,281**
Additions	**178,569**	**1,717,333**	**583,112**	**2,479,014**
Disposals	**-**	**(47,760)**	**(766,654)**	**(814,414)**
Written off	**-**	**(114,514)**	**(331,415)**	**(445,929)**
Classified as held for sale (note 20)	**(22,606,968)**	**(21,830,246)**	**(933,761)**	**(45,370,975)**
At 30.6.07	**38,721,952**	**102,012,802**	**8,059,223**	**148,793,977**

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

GROUP

	Buildings RM	Plant & Machinery RM	Office Equipment, Furniture, Fittings, Renovations & Motor Vehicles RM	Total RM
ACCUMULATED DEPRECIATION				
At 1.7.06	**12,338,766**	**68,070,860**	**7,151,440**	**87,561,066**
Charge for the year	**1,747,780**	**5,917,064**	**694,754**	**8,359,598**
Disposals	**-**	**(28,816)**	**(766,303)**	**(795,119)**
Written off	**-**	**(114,500)**	**(327,834)**	**(442,334)**
Classified as held for sale (note 20)	**(2,317,918)**	**(2,248,021)**	**(301,812)**	**(4,867,751)**
At 30.6.07	**11,768,628**	**71,596,587**	**6,450,245**	**89,815,460**
NET BOOK VALUE				
At 30.6.07	**26,953,324**	**30,416,215**	**1,608,978**	**58,978,517**
COST/VALUATION				
At 1.7.05	61,285,276	111,874,698	9,109,800	182,269,774
Additions	-	1,824,859	459,344	2,284,203
Disposals	-	(186,242)	(119,165)	(305,407)
Transfer from capital work-in-progress (note 6)	-	10,656,013	-	10,656,013
Written off	-	(1,891,920)	(66,382)	(1,958,302)
Reclassification	(134,925)	10,581	124,344	-
At 30.6.06	61,150,351	122,287,989	9,507,941	192,946,281
ACCUMULATED DEPRECIATION				
At 1.7.05	10,831,321	64,689,268	6,632,915	82,153,504
Charge for the year	1,507,445	5,470,268	691,159	7,668,872
Disposals	-	(186,225)	(119,009)	(305,234)
Written off	-	(1,889,717)	(66,359)	(1,956,076)
Reclassfication	-	(12,734)	12,734	-
At 30.6.06	12,338,766	68,070,860	7,151,440	87,561,066
NET BOOK VALUE				
At 30.6.06	48,811,585	54,217,129	2,356,501	105,385,215

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

Analysis of cost and valuation:

GROUP

	Buildings RM	Plant & Machinery RM	Office Equipment, Furniture, Fittings, Renovations & Motor Vehicles RM	Total RM
2007				
COST/VALUATION				
At valuation	**27,290,000**	**-**	**-**	**27,290,000**
At cost	**11,431,952**	**102,012,802**	**8,059,223**	**121,503,977**
	38,721,952	**102,012,802**	**8,059,223**	**148,793,977**
NET BOOK VALUE				
At valuation	**18,745,149**	**-**	**-**	**18,745,149**
At cost	**8,208,175**	**30,416,215**	**1,608,978**	**40,233,368**
	26,953,324	**30,416,215**	**1,608,978**	**58,978,517**
2006				
COST/VALUATION				
At valuation	27,290,000	-	-	27,290,000
At cost	33,860,351	122,287,989	9,507,941	165,656,281
	61,150,351	122,287,989	9,507,941	192,946,281
NET BOOK VALUE				
At valuation	19,290,948	-	-	19,290,948
At cost	29,520,637	54,217,129	2,356,501	86,094,267
	48,811,585	54,217,129	2,356,501	105,385,215

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

COMPANY

	Office Equipment RM	Renovation RM	Furniture & Fittings RM	Motor Vehicles RM	Total RM
COST					
At 1.7.06	**71,041**	**190,182**	**141,671**	**877,246**	**1,280,140**
At 30.6.07	**71,041**	**190,182**	**141,671**	**877,246**	**1,280,140**
ACCUMULATED DEPRECIATION					
At 1.7.06	**54,384**	**166,000**	**134,679**	**877,244**	**1,232,307**
Charge for the year	**9,255**	**5,744**	**2,108**	**-**	**17,107**
At 30.6.07	**63,639**	**171,744**	**136,787**	**877,244**	**1,249,414**
NET BOOK VALUE					
At 30.6.07	**7,402**	**18,438**	**4,884**	**2**	**30,726**
COST					
At 1.7.05	71,041	190,182	141,671	877,246	1,280,140
At 30.6.06	71,041	190,182	141,671	877,246	1,280,140
ACCUMULATED DEPRECIATION					
At 1.7.05	43,365	144,136	120,511	877,244	1,185,256
Charge for the year	11,019	21,864	14,168	-	47,051
At 30.6.06	54,384	166,000	134,679	877,244	1,232,307
NET BOOK VALUE					
At 30.6.06	16,657	24,182	6,992	2	47,833

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

(a) Property, plant and equipment of the Group pledged to licensed banks for banking facilities as disclosed in notes 23 and 29 to the financial statements are as follows:

	GROUP	
	2007	2006
	RM	RM
Net Book Value		
Buildings	**-**	21,131,813
Plant and machinery	**20,373,718**	23,053,165
	20,373,718	44,184,978

(b) The buildings of the Group were separately revalued by professional valuers on an open market basis in the following years:

	Valuation Amount RM
GROUP	
November 1991	3,690,000
March 1992	23,600,000
	27,290,000

The net book value of buildings of the Group had no revaluation been made would be RM18,349,126/- (2006 : RM18,829,224/-).

(c) Motor vehicles acquired under hire purchase instalment plan are as follows:

	GROUP	
	2007	2006
	RM	RM
Cost	**733,375**	621,833
Net Book Value	**262,240**	280,641

5. PREPAID LAND LEASE PAYMENTS

	GROUP 2007 RM	2006 RM
At beginning of the year	**17,139,357**	17,363,289
Amortisation for the year	**(223,932)**	(223,932)
	16,915,425	17,139,357
Less: Classified as held for sale (note 20)	**(696,757)**	-
At end of the year	**16,218,668**	17,139,357
Analysed as follows:		
Long term leasehold land	**15,319,578**	15,502,510
Short term leasehold land	**899,090**	1,636,847
	16,218,668	17,139,357

The short term leasehold land of the Group has an unexpired lease period of less than 50 years whereas the long term leasehold land of the Group has an unexpired lease period of more than 50 years.

In previous year, the short term leasehold land of RM711,987/- has been pledged to a foreign licensed bank for banking facilities as disclosed in notes 23 and 29 to the financial statements.

The leasehold land of the Group were revalued in 1991 and 1992 by independent professional valuers to reflect the market value on existing use basis. As allowed by the transitional provisions of FRS 117, where the leasehold land had been previously revalued, the unamortised revalued amount of leasehold land is retained as the surrogate cost of prepaid land lease payments and is amortised over the remaining lease term of the leasehold land.

6. CAPITAL WORK-IN-PROGRESS

	GROUP 2007 RM	2006 RM
At cost,		
At beginning of the year	**-**	2,141,849
Additions during the year	**314,033**	8,514,164
Transfer to property, plant and equipment (note 4)	**-**	(10,656,013)
At end of the year	**314,033**	-

The capital work-in-progress is in respect of computer system, acquisition and construction of plant and machinery by subsidiary companies, Restonic (M) Sdn. Bhd. and Kanzen Tetsu Sdn. Bhd. ("KTSB") respectively.

7. LAND HELD FOR PROPERTY DEVELOPMENT

	GROUP	
	2007	2006
	RM	RM
At cost,		
Leasehold land	**40,501,544**	40,501,544
Development costs		
At beginning of the year	**9,652,395**	8,317,498
Additions during the year	**209,362**	1,334,897
At end of the year	**9,861,757**	9,652,395
	50,363,301	50,153,939

This represents land and development expenditure incurred on a piece of land measuring 114.17 acres (2006 : 114.17 acres). This piece of land is part of a portion of leasehold land measuring 127.64 acres in the District of Kota Kinabalu, Sabah which is acquired from Dapan Holdings Sdn. Bhd. (“DHSB”), a subsidiary company of Karambunai Corp Bhd. (“KCB”), in which certain Directors of the Company have interest.

Included in the above leasehold land is a parcel of land measuring 105.77 acres (2006 : 105.77 acres) held under a master title which is in the process of being subdivided and is still in the name of the vendor. The parcel of land is pledged for banking facilities granted to the vendor.

8. INVESTMENT IN SUBSIDIARY COMPANIES

	COMPANY	
	2007	2006
	RM	RM
Unquoted shares, at cost	**11,701,102**	11,701,102
At Directors’ valuation - 1992		
As previously stated	**32,674,537**	32,674,537
Effects of adopting FRS 127 (note 45(e))	**(15,919,537)**	(15,919,537)
As restated	**16,755,000**	16,755,000
At cost	**28,456,102**	28,456,102
Less: Impairment loss	**(100,000)**	(100,000)
	28,356,102	28,356,102

8. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Included in the above are:

(a) 3,000,000 ordinary shares of RM1/- each representing 30% equity interest in a subsidiary company, KTSB pledged to a licensed bank for a revolving credit facility as disclosed in note 29 to the financial statements; and

(b) 3,700,000 ordinary shares of RM1/- each representing 37% equity interest in a subsidiary company, KTSB registered in the name of Malaysia Nominees (Tempatan) Sendirian Berhad and pledged to a licensed bank for banking facilities as disclosed in notes 20, 23 and 29 to the financial statements.

The subsidiary companies are as follows:

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest Direct 2007	Direct 2006	Indirect 2007	Indirect 2006
Held by the Company						
Beribu Ukiran Sdn. Bhd.	Malaysia	Property development	**60%**	60%	**-**	-
Creation Holdings Berhad	Malaysia	Dormant	**100%**	100%	**-**	-
Dreamland Spring Sdn. Bhd.	Malaysia	Investment holding	**100%**	100%	**-**	-
Dream Tours Sdn. Bhd.	Malaysia	Dormant	**100%**	100%	**-**	-
Estasi Stainlessware Sdn. Bhd.	Malaysia	Dormant	**100%**	100%	**-**	-
* Global Glister Limited	Hong Kong	Investment holding	**100%**	100%	**-**	-
Kanzen Chuzoo Sdn. Bhd.	Malaysia	Dormant	**100%**	100%	**-**	-
Kanzen Hartanah Sdn. Bhd.	Malaysia	Dormant	**100%**	100%	**-**	-
Kanzen Land Sdn. Bhd.	Malaysia	Dormant	**100%**	100%	**-**	-
Kanzen Management Sdn. Bhd.	Malaysia	Providing management and secretarial services	**100%**	100%	**-**	-
Kanzen Properties Sdn. Bhd.	Malaysia	Dormant	**100%**	100%	**-**	-
Kanzen Shindo Sdn. Bhd.	Malaysia	Dormant	**70%**	70%	**-**	-
Kanzen Tetsu Sdn. Bhd.	Malaysia	Manufacture and sale of stainless steel welded pipes and butt-weld fittings	**100%**	100%	**-**	-
Kanzen Ventures Sdn. Bhd.	Malaysia	Investment holding	**100%**	100%	**-**	-
* Restonic (M) Sdn. Bhd.	Malaysia	Investment holding	[**]**50%**[+1]	[**]50%[+1]	**-**	-

8. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest Direct 2007	Direct 2006	Indirect 2007	Indirect 2006
Held through Dreamland Spring Sdn. Bhd.						
* Dreamland Qingdao Pte. Ltd.	The People's Republic of China	Manufacture and marketing of the Dreamland range of mattresses and sofa	**-**	-	**51%**	51%
* Dreamland Xian Pte. Ltd.	The People's Republic of China	Manufacture and marketing of the Dreamland range of mattresses	**-**	-	**52%**	52%
* Nantong Dreamland Steel Products Co. Ltd.	The People's Republic of China	Manufacture and sale of steel wire products	**-**	-	**55%**	55%
Held through Global Glister Limited						
* Kanzen TPCO Ltd.	The People's Republic of China	Manufacture and sale of stainless steel welded pipes and butt-weld fittings	**-**	-	**60%**	60%
Held through Kanzen Tetsu Sdn. Bhd.						
Kanzen Kagu Sdn. Bhd.	Malaysia	Manufacture and sale of carbon steel pipes	**-**	-	**100%**	100%
Kanzen Marketing Sdn. Bhd.	Malaysia	Dormant	**-**	-	**100%**	100%
Kanzen Stainless Processors Sdn. Bhd.	Malaysia	Providing slitting and shearing services and trading in stainless steel plates	**-**	-	**70%**	70%
Held through Kanzen Ventures Sdn. Bhd.						
Kanzen Energy Ventures Sdn. Bhd.	Malaysia	Investment holding	**-**	-	**55%**	55%
Held through Restonic (M) Sdn. Bhd.						
* Dreamland Corporation (Malaysia) Sdn. Bhd.	Malaysia	Wholesale dealership of mattresses, furniture and related accessories	**-**	-	****50%+1**	**50%+1
* Dreamland Spring Manufacturing Sdn. Bhd.	Malaysia	Manufacture and wholesale dealership of mattresses	**-**	-	****50%+1**	**50%+1

8. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest Direct 2007	Direct 2006	Indirect 2007	Indirect 2006
Held through Restonic (M) Sdn. Bhd. (cont'd)						
* Eurocoir Products Sdn. Bhd.	Malaysia	Manufacture and sale of polyester fibre and polyester pillows and bolsters	**-**	-	****50%+1**	**50%+1
* Dream Products Sdn. Bhd.	Malaysia	Manufacture and sale of synthetic foam, bedding coordinates, cushion seats, polyester, sponge pillows and bolsters	**-**	-	****50%+1**	**50%+1
* Dream Crafts Sdn. Bhd.	Malaysia	Marketing and sales promotion of furniture, mattresses and related accessories	**-**	-	****50%+1**	**50%+1
* Sleepmaker Sdn. Bhd.	Malaysia	Dormant	**-**	-	****50%+1**	**50%+1
* Dreamland (Singapore) Pte. Ltd.	Singapore	Marketing and sales promotion of furniture, mattresses and related accessories	**-**	-	****50%+1**	**50%+1

* Audited by other professional firms of chartered accountants.
** The equity interests of the Company is 50% plus 1 share.

(a) The financial statements of the subsidiary companies namely Dreamland Qingdao Pte. Ltd., Dreamland Xian Pte. Ltd. and Nantong Dreamland Steel Products Co. Ltd. are consolidated based on the audited financial statements for the financial year ended 31 December 2006 and management financial statements for the six months ended 30 June 2007.

(b) The paid-up capital of Restonic (M) Sdn. Bhd. comprises:

	RM
Ordinary "A" shares	12,250,000
Ordinary "B" shares	5,249,999
Preference shares	7,000,000
	24,499,999

The ordinary "A" shares and ordinary "B" shares carry the same rights with respect to each other in the equity share capital of the company.

The preference shares at a fixed non-cumulative rate of 0.001% per annum are irredeemable and rank for preferential dividend in priority to all other classes of shares in the capital of the company and can participate in any distribution of dividends by the company and in the event of the company being wound-up, participate in the distribution of capital. The preference shares do not entitle the holders to vote at any general meeting of the company.

9. INVESTMENT IN ASSOCIATED COMPANIES

	GROUP	
	2007	2006
	RM	RM
Unquoted shares, at cost		
At beginning of the year	**10,960,289**	10,960,289
Additions during the year	**3,644,130**	-
At end of the year	**14,604,419**	10,960,289
Group's share of post-acquisition reserves	**1,651,996**	1,836,479
	16,256,415	12,796,768
Represented by:		
Group's share of net assets	**16,256,415**	12,796,768

The associated companies are as follows:

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest 2007	Effective Equity Interest 2006
Held through Dreamland Spring Sdn. Bhd.				
Dreamland Dalian Pte. Ltd.	The People's Republic of China	Manufacture and marketing of spring mattresses and wooden furniture	**40%**	40%
Dreamland Jiujiang Pte. Ltd.	The People's Republic of China	Manufacture and marketing of spring mattresses	**41.6%**	41.6%
Dreamland Lianyungang Pte. Ltd.	The People's Republic of China	Manufacture and marketing of spring mattresses	**40%**	40%
Dreamland Shanghai Pte. Ltd.	The People's Republic of China	Manufacture and marketing of spring mattresses	**40%**	40%
Dreamland Tianjin Pte. Ltd.	The People's Republic of China	Manufacture and marketing of spring mattresses, metal furniture and leather furniture	**40%**	40%
Held through Kanzen Energy Ventures Sdn. Bhd.				
Jiangyin Binjiang Power Supply Co. Ltd.	The People's Republic of China	Supply of electricity and steam	**16.5%**	16.5%
Jiangyin Chengdong Power Supply Co. Ltd.	The People's Republic of China	Supply of electricity and steam	**16.5%**	16.5%

9. INVESTMENT IN ASSOCIATED COMPANIES (CONT'D)

(a) The Group equity accounts for its share of post-acquisition reserves of the associated companies based on audited financial statements for the financial year ended 31 December 2006 and management financial statements for the six months ended 30 June 2007.

(b) The Group has excluded its share of losses of the associated companies, Dreamland Jiujiang Pte. Ltd. and Dreamland Lianyungang Pte. Ltd., from the financial statements following the discontinuation of equity accounting as the carrying amount of these investments have reached nil. The results not recognised are as follows:

	GROUP	
	2007	2006
	RM	RM
Loss for the year	**197**	180
Accumulated losses	**231,400**	231,203

The summarised financial information of the associated companies are as follows:

	GROUP	
	2007	2006
	RM	RM
Total assets	**143,484,717**	185,010,340
Total liabilities	**84,869,474**	137,150,552
Revenue	**114,235,282**	108,068,093
Profit for the year	**6,605,648**	6,931,687

10. OTHER INVESTMENTS

	GROUP/COMPANY	
	2007	2006
	RM	RM
Unquoted shares in Malaysia		
At cost	**56,500**	56,500
Less: Allowance for diminution in value	**(16,500)**	(16,500)
	40,000	40,000
5-Year MYR-KLIBOR Callable Range Accrual Investment		
At cost	**1,200,000**	1,200,000
Quoted shares in Malaysia		
At cost	**3,700**	3,700
Less: Allowance for diminution in value	**(2,690)**	(2,690)
	1,010	1,010
Net carrying amount	**1,241,010**	1,241,010
Market value		
Quoted shares in Malaysia	**1,380**	830

The 5-Year MYR-KLIBOR Callable Range Accrual Investment will mature in 2010 and is pledged to a licensed bank for banking facilities granted to a subsidiary company, Kanzen TPCO Ltd. ("KTPCO") as disclosed in notes 20, 23 and 29 to the financial statements.

11. DEFERRED TAX ASSETS/(LIABILITIES)

	GROUP	
	2007	2006
	RM	RM
DEFERRED TAX ASSETS		
At beginning of the year	**966,600**	406,000
Transfer (to)/from income statement (note 33)	**(548,200)**	560,600
At end of the year	**418,400**	966,600
DEFERRED TAX LIABILITIES		
At beginning of the year	**(5,724,000)**	(8,303,800)
Transfer (from)/to income statement (note 33)	**(2,258,000)**	2,579,800
At end of the year	**(7,982,000)**	(5,724,000)

This is in respect of estimated deferred tax assets/(liabilities) arising from the following temporary differences:

	GROUP	
	2007	2006
	RM	RM
DEFERRED TAX ASSETS		
Difference between the carrying amounts of property, plant and equipment and their tax base	**1,000**	(3,959,500)
Unabsorbed capital allowances	**41,000**	2,178,500
Unrelieved tax losses	**30,000**	2,451,600
Deductible temporary differences arising from expenses	**346,400**	296,000
	418,400	966,600
DEFERRED TAX LIABILITIES		
Difference between the carrying amounts of property, plant and equipment and their tax base	**(4,274,638)**	(476,500)
Difference between the carrying amounts of industrial building and their tax base	**(1,085,500)**	(1,113,000)
Unabsorbed capital allowances	**146,000**	195,000
Unrelieved tax losses	**404,100**	304,000
Deductible temporary differences arising from expenses	**1,139,266**	72,800
Surplus arising from revaluation of leasehold land and buildings	**(4,311,228)**	(4,706,300)
	(7,982,000)	(5,724,000)

11. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

The deferred tax assets and liabilities are not available for set-off as they arise from different taxable entities within the Group.

The estimated amount of temporary differences for which no deferred tax assets is recognised in the financial statements are as follows:

	GROUP		COMPANY	
	2007 RM	2006 RM	**2007 RM**	2006 RM
Difference between the carrying amounts of property, plant and equipment and their tax base	**4,500**	13,600	**5,700**	15,000
Unrelieved tax losses	**5,149,300**	5,334,300	**-**	-
Unabsorbed capital allowances	**2,043,400**	1,899,200	**-**	-
	7,197,200	7,247,100	**5,700**	15,000

The unrelieved tax losses and unabsorbed capital allowances are available for offset against future taxable profits of the respective subsidiary companies in Malaysia subject to no substantial changes in shareholdings of the subsidiary companies under Section 44(5A) and 5(B) of the Income Tax Act, 1967. These deferred tax assets are not recognised as it is not probable that taxable profits will be available against which the unrelieved tax losses and unabsorbed capital allowances can be utilised.

12. PROPERTY DEVELOPMENT COSTS

	GROUP	
	2007 RM	2006 RM
At cost,		
Leasehold land	**4,778,456**	4,778,456
Development costs		
At beginning of the year	**41,890,822**	16,307,176
Additions during the year	**1,316,808**	25,583,646
At end of the year	**43,207,630**	41,890,822
	47,986,086	46,669,278
Less: Cost recognised as an expense in income statement		
- previous years	**(25,092,012)**	(6,548,330)
- current year	**(3,107,598)**	(18,543,682)
	(28,199,610)	(25,092,012)
	19,786,476	21,577,266

The land measuring 13.47 acres (2006 : 13.47 acres), is part of a portion of the leasehold land measuring 127.64 acres in the District of Kota Kinabalu, Sabah as mentioned in note 7 to the financial statements.

13. INVENTORIES

	GROUP	
	2007	2006
	RM	RM
At cost,		
Finished goods	**47,847,986**	50,818,414
Raw materials	**62,931,961**	35,114,402
Work-in-progress	**11,853,176**	13,118,172
Spare parts and consumables	**450,889**	935,752
	123,084,012	99,986,740
At fair value less cost to sell,		
Raw materials	**508,794**	191,509
	123,592,806	100,178,249

14. TRADE RECEIVABLES

	GROUP	
	2007	2006
	RM	RM
Trade receivables	**110,277,340**	92,292,056
Less: Allowance for doubtful debts	**(3,425,044)**	(3,069,725)
	106,852,296	89,222,331

In previous year, trade receivables of the Group included an amount of RM39,687/- owing by TPCO Investment Co. Ltd. ("TPCOI"), a corporate shareholder of a subsidiary company, KTPCO.

The Group's normal trade credit term ranges from 14 to 90 days.

14. TRADE RECEIVABLES (CONT'D)

The foreign currency exposure profile is as follows:

	<--------Functional Currencies of Group--------> Ringgit Malaysia RM	Chinese Renminbi RM	Total RM
2007			
Pound Sterling	**2,047,170**	**-**	**2,047,170**
Euro	**60,916**	**-**	**60,916**
Singapore Dollar	**2,828,607**	**-**	**2,828,607**
United States Dollar	**27,073,270**	**663,522**	**27,736,792**
	32,009,963	**663,522**	**32,673,485**
2006			
Pound Sterling	798,906	-	798,906
Euro	417,076	-	417,076
Singapore Dollar	6,040,064	-	6,040,064
United States Dollar	15,250,245	788,277	16,038,522
	22,506,291	788,277	23,294,568

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2007 RM	2006 RM	**2007 RM**	2006 RM
Other receivables	**10,404,195**	11,898,437	**8,000**	15,915
Less: Allowance for doubtful debts	**(52,977)**	(57,577)	**-**	-
	10,351,218	11,840,860	**8,000**	15,915
Sundry deposits	**2,268,991**	1,949,980	**65,184**	67,184
Prepayments	**1,005,122**	2,080,568	**16,906**	16,906
	13,625,331	15,871,408	**90,090**	100,005

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

The foreign currency exposure profile is as follows:

	<--------Functional Currencies of Group-------->		
	Ringgit Malaysia RM	Hong Kong Dollar RM	Total RM
2007			
United States Dollar	**57**	**8,359,302**	**8,359,359**
2006			
United States Dollar	57	8,930,694	8,930,751

16. TAX ASSETS

This is in respect of tax instalments paid in advance and tax recoverable from Inland Revenue Board ("IRB").

Included in tax assets of the Group is an amount of RM1,244,709/- (2006 : RM1,244,709/-) in respect of payment for additional tax assessment due to the disallowance of certain allowances claimed by the subsidiary company, Kanzen Kagu Sdn. Bhd. ("KKSB"). KKSB has appealed to the Special Commissioners of Income Tax. The amount has not been recognised in the income statement pending the appeal.

17. AMOUNTS OWING BY/(TO) SUBSIDIARY COMPANIES

	COMPANY	
	2007 RM	2006 RM
Amount owing by:		
Beribu Ukiran Sdn. Bhd.	**32,468,230**	31,559,875
Global Glister Limited	**30,054,598**	30,600,411
Kanzen Energy Ventures Sdn. Bhd.	**642,380**	-
Kanzen Hartanah Sdn. Bhd.	**22,282**	20,217
Kanzen Kagu Sdn. Bhd.	**9,454,627**	12,670,258
Kanzen Land Sdn. Bhd.	**22,322**	20,257
Kanzen Management Sdn. Bhd.	**6,682,315**	6,780,666
Kanzen Tetsu Sdn. Bhd.	**7,926,700**	8,416,700
Kanzen TPCO Ltd.	**941,941**	1,002,443
Kanzen Ventures Sdn. Bhd.	**3,472,832**	3,461,050
	91,688,227	94,531,877

17. AMOUNTS OWING BY/(TO) SUBSIDIARY COMPANIES (CONT'D)

	COMPANY	
	2007	2006
	RM	RM
Amount owing by: (cont'd)	**91,688,227**	94,531,877
Less: Allowance for doubtful debts		
Kanzen Management Sdn. Bhd.	**(200,000)**	(200,000)
	91,488,227	94,331,877
Amount owing to:		
Dreamland Spring Sdn. Bhd.	**(3,686,043)**	(1,370,514)
Kanzen Energy Ventures Sdn. Bhd.	**-**	(2,211,950)
	(3,686,043)	(3,582,464)

Included in the amount owing by KTSB is an amount of RM7,029,693/- (2006 : RM8,065,693/-) which is assigned to a licensed bank for the revolving credit facility granted to the Company as disclosed in note 29 to the financial statements.

These amounts are non-trade in nature, unsecured, interest free and with no fixed term of repayment except for the amount owing by Global Glister Limited ("GGL") which bears interest at rates ranging from 5.33% to 5.38% (2006 : 3.43% to 5.23%) per annum.

The foreign currency exposure profile is as follows:

	Functional Currency of Company	
	2007	2006
	RM	RM
United States Dollar	**30,996,539**	31,606,534
Chinese Renminbi	**-**	(3,680)
	30,996,539	31,602,854

18. AMOUNTS OWING BY ASSOCIATED COMPANIES

	GROUP	
	2007	2006
	RM	RM
Dreamland Dalian Pte. Ltd.	**561,706**	561,706
Dreamland Shanghai Pte. Ltd.	**545,584**	594,046
Dreamland Tianjin Pte. Ltd.	**74,290**	696,228
Jiangyin Binjiang Power Supply Co. Ltd.	**806,809**	821,485
Jiangyin Chengdong Power Supply Co. Ltd.	**1,545,556**	852,546
	3,533,945	3,526,011

These amounts are non-trade in nature, unsecured, interest free and with no fixed term of repayment.

The foreign currency exposure profile is as follows:

	Functional Currency of Group	
	2007	2006
	RM	RM
United States Dollar	**3,283**	-
Chinese Renminbi	**3,530,662**	3,526,011
	3,533,945	3,526,011

19. DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS

Included in deposits with licensed financial institutions of the Group and of the Company are:

(a) an amount of RM213,930/- (2006 : RM207,334/-) pledged to a licensed bank for revolving credit facility granted to the Company as disclosed in note 29 to the financial statements; and

(b) an amount of RM2,396,994/- (2006 : RM2,322,550/-) pledged to a licensed bank for bank guarantee facility granted to a subsidiary company, Beribu Ukiran Sdn. Bhd. (“BUSB”).

The deposits of the Group and of the Company bear effective interest at rates ranging from 2.50% to 4.50% (2006 : 2.20% to 3.30%) and 2.50% to 3.20% (2006 : 3.10% to 3.30%) per annum respectively.

20. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 27 April 2007, the Company announced the decision to dispose its subsidiary company, KTPCO, which is involved in the manufacturing of stainless steel welded pipes and butt-weld fittings in Tianjin, The People’s Republic of China. The decision is consistent with the Group’s long-term strategy to maximise growth and profitability by disposing KTPCO, which has been under performing over the last few years.

As at 30 June 2007, the assets and liabilities of KTPCO have been presented on the consolidated balance sheet as a disposal group held for sale and results from this subsidiary company is presented separately on the consolidated income statement as discontinued operation.

20. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONT'D)

a) The results of the discontinued are as follows:

	2007 RM	2006 RM
Revenue	**35,013,899**	30,370,238
Direct operating costs	**(31,196,121)**	(28,907,150)
Gross profit	**3,817,778**	1,463,088
Other operating revenue	**886,668**	1,470,621
Selling and distribution costs	**(63,693)**	(55,366)
Administration costs	**(1,891,680)**	(2,084,699)
Other operating costs	**(94,224)**	(20,016)
Profit from discontinued operation	**2,654,849**	773,628
Finance costs	**(1,943,220)**	(1,628,819)
Profit/(Loss) for the year from discontinued operation	**711,629**	(855,191)
Attributable to:		
Equity holders of the Company	**435,169**	(519,807)
Minority interest	**276,460**	(335,384)
	711,629	(855,191)

The following amounts have been included in arriving at profit/(loss) before taxation of the discontinued operation:

	2007 RM	2006 RM
Allowance for doubtful debts	**92,958**	-
Amortisation of prepaid land lease payments	**15,230**	15,230
Auditors' remuneration	**41,768**	1,610
Depreciation of property, plant and equipment	**1,508,093**	1,458,897
Interest expense	**1,230,561**	1,177,459
Interest revenue	**(50,332)**	(28,805)
Net gain on foreign exchange - realised	**(221,673)**	(694,914)
- unrealised	**(610,056)**	(273,539)
Reversal of inventories written down	**-**	(450,000)

20. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONT'D)

b) The cash flows attributable to the discontinued operation are as follows:

	2007 RM	2006 RM
Operating cash flows	**9,934,543**	(2,672,198)
Investing cash flows	**(706,901)**	11,410
Financing cash flows	**(12,799,173)**	15,315,047
Total cash flows	**(3,571,531)**	12,654,259

c) The major classes of assets and liabilities of KTPCO classified as held for sale on the consolidated balance sheet as at 30 June 2007 are as follows:

	2007 RM
ASSETS	
Property, plant and equipment	**40,503,224**
Prepaid land lease payments	**696,757**
Inventories	**6,979,752**
Trade receivables	**4,398,257**
Other receivables, deposits and prepayments	**2,882,591**
Cash and bank balances	**5,468,011**
Assets of disposal group classified as held for sale	**60,928,592**
LIABILITIES	
Term loan	**5,202,148**
Trade payables	**2,203,028**
Other payables and accruals	**15,283,460**
Other borrowings	**6,334,050**
Liabilities directly associated with assets classified as held for sale	**29,022,686**

20. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONT'D)

Included in disposal group classified as held for sale are:

(a) the secured term loan which bears effective interest at a rate of 5.67% per annum and is secured as follows:

(i) corporate guarantee from a subsidiary company, KTSB;

(ii) a charge over the 3,700,000 ordinary shares with a par value of RM1/- each in a subsidiary company, KTSB as disclosed in note 8 to the financial statements; and

(iii) a charge over other investment of RM1,200,000/- of the Company as disclosed in note 10 to the financial statements.

(b) the unsecured term loan which bears effective interest at a rate of 5.91% per annum and is supported by the corporate guarantee from Tianjin Pipe Corporation Limited ("TPCO"), the parent company of a corporate shareholder, TPCOI;

(c) included in trade receivables is an amount of RM39,687/- owing by a corporate shareholder, TPCOI;

(d) included in trade payables is an amount of RM1,527,376/- due to a corporate shareholder, TPCOI; and

(e) included in other payables are amounts of RM12,858,701/- and RM52,085/- due to a corporate shareholder, TPCOI and TPCO, the parent company of TPCOI respectively.

The foreign currency exposure profile is as follows:

	Functional Currency of Disposal Group Chinese Renminbi **2007** **RM**
United States Dollar	
Trade receivables	**3,096,303**
Cash and bank balances	**1,886,967**
Term loan	**5,202,148**
Trade payables	**78,820**
Other payables and accruals	**189,908**
Other borrowings	**1,734,050**
	12,188,196

21. SHARE CAPITAL

	GROUP/COMPANY	
	2007	2006
	RM	RM
Authorised:		
200,000,000 ordinary shares of RM1/- each	**200,000,000**	200,000,000
Issued and fully paid:		
85,162,500 ordinary shares of RM1/- each	**85,162,500**	85,162,500

The number of issued and fully paid ordinary shares with voting rights as at the financial year end are as follows:

	GROUP/COMPANY	
	2007	2006
	Number of Shares	
Issued and fully paid ordinary shares of RM1/- each		
Total number of issued and fully paid ordinary shares	**85,162,500**	85,162,500
Less: Ordinary shares held as treasury shares (note 22)	**(1,279,700)**	(1,279,700)
	83,882,800	83,882,800

22. RESERVES

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	RM	RM	**RM**	RM
DISTRIBUTABLE				
Retained profits	**91,481,378**	63,477,455	**3,852,351**	5,138,653
NON-DISTRIBUTABLE				
Share premium	**28,989,335**	28,989,335	**28,989,335**	28,989,335
Translation reserve	**3,234,455**	1,540,227	**-**	-
Reserves of subsidiary companies*	**192,937**	172,682	**-**	-
	32,416,727	30,702,244	**28,989,335**	28,989,335
Treasury shares	**(1,225,544)**	(1,225,544)	**(1,225,544)**	(1,225,544)
	122,672,561	92,954,155	**31,616,142**	32,902,444

* The reserves of the subsidiary companies incorporated in The People's Republic of China are maintained in accordance with the regulatory requirements there and are not distributable as cash dividends.

22. RESERVES (CONT'D)

	GROUP/COMPANY			
	Number of Shares	**2007 RM**	Number of Shares	2006 RM
TREASURY SHARES				
Shares repurchased				
At beginning and end of the year	**1,279,700**	**1,225,544**	1,279,700	1,225,544

There were no shares repurchased during the financial year.

No resale, cancellation or distribution of treasury shares were made during the financial year.

23. TERM LOANS - SECURED

	GROUP	
	2007 RM	2006 RM
CURRENT LIABILITIES		
Within 1 year (note 29)	**2,729,506**	9,099,796
NON-CURRENT LIABILITIES		
More than 1 year but less than 5 years	**10,579,640**	19,249,856
More than 5 years	**-**	1,440,423
	10,579,640	20,690,279
	13,309,146	29,790,075

The term loans of the subsidiary companies bear effective interest at rates ranging from 5.00% to 8.50% (2006 : 5.00% to 7.00%) per annum and are secured as follows:

(a) a fixed charge on plant and machinery as disclosed in note 4 to the financial statements;

(b) corporate guarantee from the Company;

and in previous year included:

(c) a fixed charge on property, plant and equipment and leasehold land as disclosed in notes 4 and 5 to the financial statements;

(d) corporate guarantees from the Company and a subsidiary company, KTSB;

(e) a charge over the 3,700,000 ordinary shares with a par value of RM1/- each in a subsidiary company, KTSB as disclosed in note 8 to the financial statements; and

(f) a charge over other investment of RM1,200,000/- of the Company as disclosed in note 10 to the financial statements.

23. TERM LOANS - SECURED (CONT'D)

The foreign currency exposure profile is as follows:

	Functional Currency of Group Chinese Renminbi	
	2007	2006
	RM	RM
United States Dollar		
- Current liabilities (note 29)	**-**	6,369,298
- Non-current liabilities	**-**	7,282,393
	-	13,651,691

24. HIRE PURCHASE PAYABLES

	GROUP	
	2007	2006
	RM	RM
Total instalment payables	**261,859**	266,559
Less: Future finance charges	**(17,870)**	(18,458)
Total present value of hire purchase liabilities	**243,989**	248,101
Payable within 1 year		
Total instalment payables	**133,764**	113,208
Less: Future finance charges	**(9,889)**	(12,043)
Present value of hire purchase liabilities (note 29)	**123,875**	101,165
Payable after 1 year but not later than 5 years		
Total instalment payables	**128,095**	153,351
Less: Future finance charges	**(7,981)**	(6,415)
Present value of hire purchase liabilities	**120,114**	146,936
Total present value of hire purchase liabilities	**243,989**	248,101

The hire purchase payables bear effective interest at rates ranging from 6.09% to 7.50% (2006 : 6.09% to 6.54%) per annum.

25. NEGATIVE GOODWILL

	GROUP	
	2007	2006
	RM	RM
At cost,		
At beginning of the year	**15,608,672**	15,608,672
Effects of adopting FRS 3	**(15,608,672)**	-
At end of the year	**-**	15,608,672
Less: Accumulated amortisation		
At beginning of the year	**(5,983,324)**	(4,422,457)
Effects of adopting FRS 3	**5,983,324**	-
Amortisation during the year	**-**	(1,560,867)
At end of the year	**-**	(5,983,324)
	-	9,625,348

26. TRADE PAYABLES

Included in trade payables of the Group are:

(a) an amount of RM5,068,151/- (2006 : RM2,147,969/-) being progress billings in respect of property development costs of a subsidiary company, BUSB;

(b) retention sums amounting to RM1,982,935/- (2006 : RM2,107,654/-) in respect of property development costs of a subsidiary company, BUSB; and

(c) in previous year, an amount of RM1,527,376/- due to a corporate shareholder, TPCOI.

The normal trade credit term granted by trade payables to the Group ranges from 30 to 90 days.

The foreign currency exposure profile is as follows:

	<--------Functional Currencies of Group-------->		
	Ringgit Malaysia RM	Chinese Renminbi RM	Total RM
2007			
Japanese Yen	**15,509**	**-**	**15,509**
United States Dollar	**26,975,318**	**-**	**26,975,318**
	26,990,827	**-**	**26,990,827**
2006			
Japanese Yen	13,140	-	13,140
Singapore Dollar	64,190	-	64,190
United States Dollar	21,661,683	82,754	21,744,437
	21,739,013	82,754	21,821,767

27. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	RM	RM	**RM**	RM
Other payables	**32,958,075**	44,108,719	**62,075**	73,395
Deposits received	**22,000**	22,100	**-**	-
Accruals	**13,787,350**	9,324,932	**225,883**	232,775
	46,767,425	53,455,751	**287,958**	306,170

Included in other payables:

(a) of the Group and of the Company are amounts of RM8,678,817/- and RM17,105/- respectively due to a corporate shareholder, KCB;

(b) of the Group is an amount of RM15,900,000/- due to DHSB, a subsidiary company of KCB in respect of outstanding purchase consideration for the Group's development land;

(c) of the Group is an amount of RM2,267,401/- due to FACB Capital Sdn. Bhd. ("FACBC"), a subsidiary company of KCB; and

(d) of the Group is an amount of RM5,508/- due to Shanghai Chong Kee Construction Sdn. Bhd. ("SCK"), a corporate shareholder of a subsidiary company, Kanzen Energy Ventures Sdn. Bhd. ("KEV").

In previous year, included in other payables:

(a) of the Group and of the Company are amounts of RM8,679,150/- and RM17,438/- respectively due to a corporate shareholder, KCB;

(b) of the Group is an amount of RM15,900,000/- due to DHSB, a subsidiary company of KCB in respect of outstanding purchase consideration for the Group's development land;

(c) of the Group is an amount of RM2,267,401/- due to FACBC, a subsidiary company of KCB;

(d) of the Group is an amount of RM8,651,876/- due to TPCOI, a corporate shareholder of a subsidiary company, KTPCO;

(e) of the Group is an amount of RM5,508/- due to SCK, a corporate shareholder of a subsidiary company, KEV; and

(f) of the Group is an amount of RM32,453/- due to TPCO, a parent company of TPCOI.

These amounts are unsecured and with no fixed term of repayment.

The foreign currency exposure profile is as follows:

	<--------Functional Currencies of Group-------->		
	Ringgit Malaysia	Chinese Renminbi	Total
	RM	RM	RM
2007			
United States Dollar	**580,787**	**-**	**580,787**
2006			
United States Dollar	323,681	310,072	633,753

28. BANK OVERDRAFT - UNSECURED

The bank overdraft of the Group is supported by corporate guarantee from the Company and bears effective interest at a rate of 8.25% (2006 : Nil) per annum.

29. OTHER BORROWINGS

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	RM	RM	**RM**	RM
SECURED				
Hire purchase payables (note 24)	**123,875**	101,165	**-**	-
Trade loans	**-**	9,580,287	**-**	-
Revolving credits	**7,500,000**	10,103,393	**7,500,000**	9,000,000
Term loans (note 23)	**2,729,506**	9,099,796	**-**	-
	10,353,381	28,884,641	**7,500,000**	9,000,000
UNSECURED				
Bankers' acceptance	**93,929,000**	55,648,000	**-**	-
Trade loans	**-**	7,127,347	**-**	-
	93,929,000	62,775,347	**-**	-
	104,282,381	91,659,988	**7,500,000**	9,000,000

The secured revolving credit facilities and trade loans bear effective interest at a rate of 6.25% per annum and are secured as follows:

(a) a charge over the 3,000,000 ordinary shares with a par value of RM1/- each in a subsidiary company, KTSB as disclosed in note 8 to the financial statements;

(b) a charge over the fixed deposit of RM213,930/- of the Company as disclosed in note 19 to the financial statements; and

(c) Deed of Assignment on advances given by the Company to a subsidiary company, KTSB of RM7,029,693/- as disclosed in note 17 to the financial statements.

In previous year, the secured revolving credit facilities and trade loans bear effective interest at rates ranging from 5.33% to 7.01% per annum and are secured as follows:

(a) a charge over the 6,700,000 ordinary shares with a par value of RM1/- each in a subsidiary company, KTSB as disclosed in note 8 to the financial statements;

(b) a charge over the fixed deposit of RM207,334/- of the Company as disclosed in note 19 to the financial statements;

(c) Deed of Assignment on advances given by the Company to a subsidiary company, KTSB of RM8,065,693/- as disclosed in note 17 to the financial statements;

(d) a fixed charge on leasehold land and buildings as disclosed in notes 4 and 5 to the financial statements;

(e) a charge over other investment of RM1,200,000/- of the Company as disclosed in note 10 to the financial statements; and

(f) corporate guarantee from a subsidiary company, KTSB.

29. OTHER BORROWINGS (CONT'D)

The unsecured bankers' acceptance bears interest at rates ranging from 3.23% to 5.09% (2006 : 4.03% to 4.83%) per annum and is supported by corporate guarantees from the Company.

In previous year, the unsecured trade loans bear effective interest at rates ranging from 6.10% to 6.19% per annum and are supported by the corporate guarantees from the Company and a subsidiary company, KKSB.

The interest rates, securities and repayment terms of the term loans of the Group are disclosed in notes 20 and 23 to the financial statements.

The foreign currency exposure profile is as follows:

	<--------Functional Currencies of Group-------->		
	Ringgit Malaysia RM	Chinese Renminbi RM	Total RM
2006			
United States Dollar			
- revolving credit	-	1,103,393	1,103,393
- term loans (note 23)	-	6,369,298	6,369,298
- trade loans	7,127,347	9,580,287	16,707,634
	7,127,347	17,052,978	24,180,325

30. REVENUE

Revenue comprises the following:

	GROUP		COMPANY	
	2007 RM	2006 RM	**2007 RM**	2006 RM
Sale of goods	**463,799,946**	355,883,942	**-**	-
Attributable property development revenue	**2,768,821**	20,708,716	**-**	-
Dividend revenue	**-**	-	**980,000**	-
	466,568,767	376,592,658	**980,000**	-

31. DIRECT OPERATING COSTS

Direct operating costs comprise the following:

	GROUP 2007 RM	GROUP 2006 RM
Costs of goods sold	**401,640,190**	345,116,017
Attributable property development costs	**3,107,598**	18,543,682
Others	**78,131**	66,167
	404,825,919	363,725,866

32. PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before taxation is arrived at after charging/(crediting):

(a) Directors' remuneration

EXECUTIVE DIRECTORS

Tan Sri Dr. Chen Lip Keong
Puan Sri Lee Chou Sarn
Chua Tiam Wee (alternate director to Puan Sri Lee Chou Sarn)
Leong Choong Wah

NON-EXECUTIVE DIRECTORS

Dato' Sulaiman bin Sujak
Dato' Dr. Abdul Razak bin Abdul
Datuk Wan Kassim bin Ahmed
Tan Sri Datuk Seri Panglima Abdul Kadir bin Haji Sheikh Fadzir
Leow Ming Fong @ Leow Min Fong

	GROUP 2007 RM	GROUP 2006 RM	COMPANY 2007 RM	COMPANY 2006 RM
Directors' fees - Non-Executive Directors	**330,000**	235,000	**330,000**	235,000
Other emoluments consist of salary, bonus, employees provident fund and allowances - Executive Directors	**1,014,708**	1,582,344	**-**	-
Benefits-in-kind - estimated monetary value of other benefits - Executive Directors	**51,983**	64,000	**-**	-

32. PROFIT/(LOSS) BEFORE TAXATION (CONT'D)

(b) Other items

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	RM	RM	**RM**	RM
Allowance for doubtful debts	**1,110,036**	926,826	**-**	-
Amortisation of prepaid land lease payments	**208,702**	208,702	**-**	-
Auditors' remuneration				
- current year	**149,514**	130,881	**13,200**	11,000
- overprovision in prior year	**-**	(2,100)	**-**	-
Depreciation of property, plant and equipment	**6,851,505**	6,209,975	**17,107**	47,051
Interest expense	**5,399,350**	4,346,071	**529,944**	547,180
Write down of inventories	**114,767**	9,085,272	**-**	-
Net loss/(gain) on foreign exchange				
- realised	**433,031**	(291,828)	**-**	204
- unrealised	**3,020,344**	1,278,769	**1,948,693**	1,046,499
Property, plant and equipment written off	**3,595**	2,226	**-**	-
Rental expenses				
- equipment	**23,540**	22,000	**-**	-
- premises	**911,020**	773,908	**12,300**	11,585
Gain on disposal of property, plant and equipment	**(29,180)**	(14,088)	**-**	-
Reversal of allowance for doubtful debts	**(113,241)**	(14,998)	**-**	-
Amortisation of negative goodwill	**-**	(1,560,867)	**-**	-
Bad debts recovered	**(6,879)**	(79,791)	**-**	-
Interest revenue	**(273,289)**	(225,143)	**(1,434,214)**	(1,397,869)
Rental revenue	**(9,436)**	(9,436)	**-**	-
Reversal of inventories written down	**(704)**	-	**-**	-

(c) Staff costs

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	RM	RM	**RM**	RM
Staff costs	**27,901,313**	27,181,309	**48,582**	43,833

Included in staff costs are:

Social security contributions and contributions to defined contribution plan	**2,518,923**	2,420,491	**4,679**	5,262

33. TAXATION

	GROUP 2007 RM	GROUP 2006 RM	COMPANY 2007 RM	COMPANY 2006 RM
Based on results for the year	**2,306,786**	1,162,305	**221,000**	-
Deferred tax relating to origination and reversal of temporary differences (note 11)				
Deferred tax assets	**548,200**	(560,600)	**-**	-
Deferred tax liabilities	**2,258,000**	(2,579,800)	**-**	-
	2,806,200	(3,140,400)	**-**	-
	5,112,986	(1,978,095)	**221,000**	-
Under/(Over)provision in prior year	**544,549**	(469,278)	**(19,069)**	603
Tax expense/(credit)	**5,657,535**	(2,447,373)	**201,931**	603

The reconciliations from the tax amount at statutory tax rate to the Group's and the Company's tax expense are as follows:

	GROUP 2007 RM	GROUP 2006 RM	COMPANY 2007 RM	COMPANY 2006 RM
Profit/(Loss) before taxation	**26,778,581**	(15,314,768)	**(1,084,371)**	(1,386,797)
Taxation at Malaysian statutory tax rate at 27% (2006 : 28%)	**7,230,200**	(4,288,100)	**(292,800)**	(388,000)
Effect of lower tax rate for Malaysian subsidiary companies with issued and fully paid share capital of RM2.5 million and below	**(82,854)**	(111,220)	**-**	-
Effect of different tax rates in foreign jurisdiction	**126,800**	996,500	**-**	-
Tax effect of non-taxable revenue	**(482,726)**	(1,092,894)	**(361,400)**	(374,000)
Tax effect of non-deductible expenses	**2,014,465**	3,310,275	**875,200**	762,000
Share of results of associated companies	**(517,600)**	(623,400)	**-**	-
Double deduction incentives	**(72,200)**	(89,000)	**-**	-
Balance carried down	**8,216,085**	(1,897,839)	**221,000**	-

33. TAXATION (CONT'D)

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	RM	RM	**RM**	RM
Balance brought down	**8,216,085**	(1,897,839)	**221,000**	-
Deferred tax assets not recognised during the year	**38,000**	(34,100)	**-**	-
Utilisation of reinvestment allowances	**(2,083,500)**	(16,900)	**-**	-
Utilisation of deferred tax assets previously not recognised	**(46,200)**	(17,760)	**-**	-
Deferred tax liabilities (over)/underprovided in prior year	**(608,057)**	4,564	**-**	-
Under/(Over)provision in prior years	**544,549**	(469,278)	**(19,069)**	603
Reduction in opening deferred tax resulting from reduction in tax rates	**(403,200)**	-	**-**	-
Others	**(142)**	(16,060)	**-**	-
Tax expense/(credit)	**5,657,535**	(2,447,373)	**201,931**	603

Subject to agreement by the IRB:

(a) the Company has tax exempt income available for distribution by way of tax exempt dividend of approximately RM10,109,000/- (2006 : RM10,109,000/-).

(b) the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967, to frank future payment of dividends out of its entire retained earnings as at 30 June 2007, without incurring additional tax liability.

34. EARNINGS/(LOSS) PER SHARE

The earnings/(loss) per share are calculated by dividing the profit/(loss) for the year attributable to equity holders of the Company by the number of ordinary shares in issue during the financial year.

	GROUP	
	2007	2006
	RM	RM
Profit/(Loss) from continuing operations attributable to equity holders of the Company	**17,963,661**	(15,090,086)
Profit/(Loss) from discontinued operation attributable to equity holders of the Company	**435,169**	(519,807)
Profit/(Loss) attributable to equity holders of the Company	**18,398,830**	(15,609,893)

34. EARNINGS/(LOSS) PER SHARE (CONT'D)

	GROUP 2007	GROUP 2006
Number of ordinary shares in issue	**83,882,800**	83,882,800

	GROUP 2007 sen	GROUP 2006 sen
Basic earnings/(loss) per share for:		
Profit/(Loss) from continuing operations	**21.41**	(17.99)
Profit/(Loss) from discontinued operation	**0.52**	(0.62)
Profit/(Loss) for the year	**21.93**	(18.61)

35. DIVIDENDS

In previous year, the Company paid a final dividend of 3% per share less 28% taxation amounting to RM1,811,869/- (2.16 sen per share) in respect of the financial year ended 30 June 2005.

The Directors recommend a final tax exempt dividend of 4% per ordinary share of RM1/- each in respect of the current financial year amounting to RM3,355,312/-, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

36. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group acquired property, plant and equipment with aggregate cost of RM2,479,014/- (2006 : RM2,284,203/-) of which RM100,000/- (2006 : Nil) were acquired by way of hire purchase financing. Cash payments of RM2,379,014/- (2006 : RM2,284,203/-) were made to purchase property, plant and equipment.

37. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	RM	RM	**RM**	RM
Cash and bank balances	**12,942,627**	14,682,755	**2,259,577**	2,189,801
Cash held under housing development account	**6,378**	64,546	**-**	-
Deposits with licensed financial institutions	**10,546,684**	7,471,100	**5,100,924**	2,529,884
	23,495,689	22,218,401	**7,360,501**	4,719,685
Bank overdraft - unsecured	**(16,547)**	-	**-**	-
	23,479,142	22,218,401	**7,360,501**	4,719,685

Deposits with licensed financial institutions which are not freely available for the Group and the Company's use are as disclosed in note 19 to the financial statements.

Cash held under housing development account of the Group amounting to RM6,378/- (2006 : RM64,546/-) is not freely available to the Group and is maintained pursuant to the requirements of the Housing Developers (Housing Development Account) Regulations, 1991.

The foreign currency exposure profile is as follows:

	<------------------- Functional Currencies of Group	-------------------->		
	Ringgit Malaysia	Chinese Renminbi	Hong Kong Dollar	Total
	RM	RM	RM	RM
2007				
Euro	**3,830**	**-**	**-**	**3,830**
Singapore Dollar	**38**	**-**	**-**	**38**
United States Dollar	**100**	**16,949**	**33,249**	**50,298**
Others	**5,674**	**-**	**-**	**5,674**
	9,642	**16,949**	**33,249**	**59,840**
2006				
Chinese Renminbi	905,743	-	-	905,743
Euro	3,830	-	-	3,830
United States Dollar	908	4,983,529	50,066	5,034,503
Others	8,118	-	-	8,118
	918,599	4,983,529	50,066	5,952,194

The cash and bank balances bear effective interest at a rate of 0.72% (2006 : 0.72%) per annum.

38. CONTINGENT LIABILITIES

	COMPANY 2007 RM	2006 RM
SECURED		
Placement of fixed deposit by the Company for bank guarantee granted to a subsidiary company		
- Beribu Ukiran Sdn. Bhd.	**2,100,000**	2,100,000
In respect of 3,700,000 ordinary shares in a subsidiary company, KTSB pledged to a licensed bank for banking facilities granted to a subsidiary company		
- Kanzen TPCO Ltd.	**6,936,000**	12,828,000
	9,036,000	14,928,000
UNSECURED		
In respect of corporate guarantees by the Company for banking facilities granted to subsidiary companies		
- Kanzen Kagu Sdn. Bhd.	**14,573,000**	6,772,000
- Kanzen Stainless Processors Sdn. Bhd.	**14,239,000**	8,652,000
- Kanzen Tetsu Sdn. Bhd.	**86,093,000**	69,831,000
	114,905,000	85,255,000
	123,941,000	100,183,000

39. CAPITAL COMMITMENTS

	GROUP 2007 RM	2006 RM
Capital expenditure		
- Approved but not contracted for	**14,042,628**	10,150,790
- Approved and contracted for	**247,803**	-
	14,290,431	10,150,790

40. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Significant intra-group transactions are as follows:

	COMPANY	
	2007	2006
	RM	RM
TRADE		
Dividend revenue received from a subsidiary company		
- Restonic (M) Sdn. Bhd.	**(980,000)**	-
NON-TRADE		
Interest revenue received and receivable from a subsidiary company		
- Global Glister Limited	**(1,338,698)**	(1,335,676)
Secretarial fees paid to a subsidiary company		
- Kanzen Management Sdn. Bhd.	**24,000**	24,000

(b) Significant transactions with related parties are as follows:

	GROUP	
	2007	2006
	RM	RM
TRADE		
Project management and marketing fees paid and payable to		
Dapan Holdings Sdn. Bhd. in which certain Directors of the Company have interest	**526,872**	196,070
NON-TRADE		
Paid to corporate shareholders of subsidiary companies		
Arcelor Stainless International		
- technical fees	**-**	15,355
Pacific Brand Household Products Pty. Limited		
- management fees	**-**	220,000
- upkeep and maintenance of computer equipment	**254,492**	99,000

The above transactions have been entered in the ordinary course of business and have been established under negotiated terms.

Information regarding outstanding balances arising from related party transactions as at 30 June 2007 are disclosed in notes 14, 17, 18, 20, 26 and 27 to the financial statements.

40. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

(c) Compensation of key management personnel

Key management personnel includes personnel having authority and responsibility for planning, directing and controlling the activities of the entities, directly or indirectly, including any Executive Director of the Group.

The remunerations of the key management are as follows:

	GROUP	
	2007	2006
	RM	RM
Short term employees benefits	**1,014,708**	1,582,344

41. SEGMENT INFORMATION - GROUP

Segment information is presented in respect of the Group's business and geographical segments.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest bearing assets and revenue, interest bearing loans and expenses and tax assets, liabilities and expense.

Segment capital expenditure is the total cost incurred during the financial year to acquire segment assets that are expected to be used for more than one accounting period.

The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established under negotiated terms.

Business Segments

The Group comprises the following four major business segments:

(i) Steel manufacturing - manufacturing of stainless steel welded pipes and butt-weld fittings and carbon steel pipes, trading in stainless steel plates, providing slitting and shearing services.

(ii) Bedding - manufacturing and marketing of mattresses, bedding related products, furniture and steel wire.

(iii) Other operations - investment holding, provision of management and secretarial services and supply of electricity and steam.

(iv) Property development - property development.

Geographical Segments

The Group operates in three principal geographical areas of the world:

(i) Malaysia - manufacturing of stainless steel welded pipes and butt-weld fittings and carbon steel pipes, trading in stainless steel plates, providing slitting and shearing services, mattresses, bedding related products, investment holding, provision of management and secretarial services and property development.

(ii) The People's Republic of China - manufacturing of stainless steel welded pipes and butt-weld fittings, mattresses, bedding related products, furniture, steel wire and supply of electricity and steam.

(iii) Hong Kong - investment holding.

41. SEGMENT INFORMATION – GROUP (CONT'D)

(a) Primary Reporting Format - Major Business Segments

	<---------- Continuing Operations ----------					---------->	Discontinued Operation	
	Steel Manufacturing RM	Bedding RM	Other Operations RM	Property Development RM	Eliminations RM	Consolidated RM	Steel Manufacturing RM	Consolidated RM
2007								
REVENUE								
External revenue	**403,228,970**	**60,570,976**	**-**	**2,768,821**	**-**	**466,568,767**	**35,013,899**	**501,582,666**
Inter-segment revenue	**324,944**	**-**	**84,000**	**-**	**(408,944)**	**-**	**-**	**-**
Total revenue	**403,553,914**	**60,570,976**	**84,000**	**2,768,821**	**(408,944)**	**466,568,767**	**35,013,899**	**501,582,666**
RESULT								
Segment result	**31,625,799**	**1,740,616**	**(2,996,330)**	**(382,748)**	**-**	**29,987,337**	**1,891,858**	**31,879,195**
Interest expense						**(5,399,350)**	**(1,230,561)**	**(6,629,911)**
Interest revenue						**273,289**	**50,332**	**323,621**
Share of associated companies results after tax	**-**	**-**	**1,917,305**	**-**	**-**	**1,917,305**	**-**	**1,917,305**
Taxation						**(5,657,535)**	**-**	**(5,657,535)**
Profit after taxation but before miniority interest						**21,121,046**	**711,629**	**21,832,675**
Minority interest						**(3,157,385)**	**(276,460)**	**(3,433,845)**
Profit for the year attributable to equity holders of the Company						**17,963,661**	**435,169**	**18,398,830**

41. SEGMENT INFORMATION – GROUP (CONT'D)

(a) Primary Reporting Format - Major Business Segments (cont'd)

	<--- Continuing Operations					--->	Discontinued Operation	
	Steel Manufacturing RM	Bedding RM	Other Operations RM	Property Development RM	Eliminations RM	Consolidated RM	Steel Manufacturing RM	Consolidated RM
2007								
OTHER INFORMATION								
Segment assets	**285,074,224**	**31,124,305**	**15,634,257**	**75,622,602**	**-**	**407,455,388**	**60,928,592**	**468,383,980**
Investment in associated companies	**-**	**-**	**16,256,415**	**-**	**-**	**16,256,415**	**-**	**16,256,415**
Unallocated corporate assets						**12,794,913**	**-**	**12,794,913**
Consolidated total assets						**436,506,716**	**60,928,592**	**497,435,308**
Segment liabilities	**43,273,015**	**12,566,447**	**348,370**	**44,483,609**	**-**	**100,671,441**	**17,486,488**	**118,157,929**
Unallocated corporate liabilities						**124,563,811**	**11,536,198**	**136,100,009**
Consolidated total liabilities						**225,235,252**	**29,022,686**	**254,257,938**
Amortisation of prepaid land lease payments	**182,932**	**25,770**	**-**	**-**	**-**	**208,702**	**15,230**	**223,932**
Capital expenditure	**1,669,830**	**416,316**	**-**	**-**	**-**	**2,086,146**	**706,901**	**2,793,047**
Depreciation of property, plant and equipment	**6,096,527**	**736,563**	**18,415**	**-**	**-**	**6,851,505**	**1,508,093**	**8,359,598**
SIGNIFICANT NON-CASH EXPENSES OTHER THAN DEPRECIATION								
Allowance for doubtful debts	**-**	**1,110,036**	**-**	**-**	**-**	**1,110,036**	**92,958**	**1,202,994**
Write down of inventories	**-**	**114,767**	**-**	**-**	**-**	**114,767**	**-**	**114,767**
Property, plant and equipment written off	**3,581**	**14**	**-**	**-**	**-**	**3,595**	**-**	**3,595**

41. SEGMENT INFORMATION – GROUP (CONT'D)

(a) Primary Reporting Format - Major Business Segments (cont'd)

	<---------- Continuing Operations					---------->	Discontinued Operation	
	Steel Manufacturing RM	Bedding RM	Other Operations RM	Property Development RM	Eliminations RM	Consolidated RM	Steel Manufacturing RM	Consolidated RM
2006								
REVENUE								
External revenue	298,465,426	57,418,516	-	20,708,716	-	376,592,658	30,370,238	406,962,896
Inter-segment revenue	21,596,188	-	84,000	-	(21,680,188)	-	-	-
Total revenue	320,061,614	57,418,516	84,000	20,708,716	(21,680,188)	376,592,658	30,370,238	406,962,896
RESULT								
Segment result	(16,417,003)	1,511,173	(650,164)	2,135,700	-	(13,420,294)	293,463	(13,126,831)
Interest expense						(4,346,071)	(1,177,459)	(5,523,530)
Interest revenue						225,143	28,805	253,948
Share of associated companies results after tax	-	-	2,226,454	-	-	2,226,454	-	2,226,454
Taxation						2,447,373	-	2,447,373
Loss after taxation but before minority interest						(12,867,395)	(855,191)	(13,722,586)
Minority interest						(2,222,691)	335,384	(1,887,307)
Loss for the year attributable to equity holders of the Company						(15,090,086)	(519,807)	(15,609,893)

41. SEGMENT INFORMATION – GROUP (CONT'D)

(a) Primary Reporting Format - Major Business Segments (cont'd)

	<----- Continuing Operations					----->	Discontinued Operation	
	Steel Manufacturing RM	Bedding RM	Other Operations RM	Property Development RM	Eliminations RM	Consolidated RM	Steel Manufacturing RM	Consolidated RM
2006								
OTHER INFORMATION								
Segment assets	291,126,919	31,845,815	17,054,943	79,014,410	-	419,042,087	-	419,042,087
Investment in associated companies	-	-	12,796,768	-	-	12,796,768	-	12,796,768
Unallocated corporate assets						13,421,917	-	13,421,917
Consolidated total assets						445,260,772	-	445,260,772
Segment liabilities	44,970,191	11,623,864	358,854	48,370,281	-	105,323,190	-	105,323,190
Unallocated corporate liabilities						128,483,878	-	128,483,878
Consolidated total liabilities						233,807,068	-	233,807,068
Amortisation of prepaid land lease payments	182,932	25,770	-	-	-	208,702	15,230	223,932
Capital expenditure	10,324,986	472,931	450	-	-	10,798,367	-	10,798,367
Depreciation of property, plant and equipment	5,263,514	897,203	49,258	-	-	6,209,975	1,458,897	7,668,872
SIGNIFICANT NON-CASH EXPENSES OTHER THAN DEPRECIATION								
Allowance for doubtful debts	-	926,826	-	-	-	926,826	-	926,826
Write down of inventories	9,066,471	18,801	-	-	-	9,085,272	-	9,085,272
Property, plant and equipment written off	1	2,225	-	-	-	2,226	-	2,226

41. SEGMENT INFORMATION - GROUP (CONT'D)

(b) Secondary Reporting Format - Geographical Segments

Segment revenue based on geographical location of its customers:

	Continuing Operations		Discontinued Operation		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	RM	RM	**RM**	RM	**RM**	RM
Malaysia	**249,062,269**	208,671,589	**-**	-	**249,062,269**	208,671,589
Africa	**6,344,152**	5,461,860	**-**	-	**6,344,152**	5,461,860
Asia	**78,526,187**	58,054,837	**13,330,237**	3,321,196	**91,856,424**	61,376,033
Australia & New Zealand	**14,391,624**	10,743,739	**-**	-	**14,391,624**	10,743,739
Europe	**33,662,099**	31,034,902	**-**	-	**33,662,099**	31,034,902
North America	**81,746,221**	60,287,503	**21,683,662**	27,049,042	**103,429,883**	87,336,545
South America	**2,836,215**	2,338,228	**-**	-	**2,836,215**	2,338,228
	466,568,767	376,592,658	**35,013,899**	30,370,238	**501,582,666**	406,962,896

The following is the analysis of the carrying amount of segment assets and capital expenditure, analysed by the Group's geographical segments:

	<---------------------- Continuing Operations			------------------------>	Discontinued Operation	
	Malaysia	Hong Kong	The People's Republic of China	Consolidated	The People's Republic of China	Consolidated
	RM	RM	RM	RM	RM	RM
2007						
Segment assets	**391,882,505**	**8,393,966**	**7,178,917**	**407,455,388**	**60,928,592**	**468,383,980**
Investment in associated companies	**16,256,415**	**-**	**-**	**16,256,415**	**-**	**16,256,415**
Unallocated corporate assets				**12,794,913**	**-**	**12,794,913**
Consolidated total assets				**436,506,716**	**60,928,592**	**497,435,308**
Capital expenditure	**1,958,163**	**-**	**127,983**	**2,086,146**	**706,901**	**2,793,047**

41. SEGMENT INFORMATION - GROUP (CONT'D)

(b) Secondary Reporting Format - Geographical Segments (cont'd)

	<---------------------- Continuing Operations			------------------------>	Discontinued Operation	
	Malaysia RM	Hong Kong RM	The People's Republic of China RM	Consolidated RM	The People's Republic of China RM	Consolidated RM
2006						
Segment assets	333,072,326	8,982,275	76,987,486	419,042,087	-	419,042,087
Investment in associated companies	12,796,768	-	-	12,796,768	-	12,796,768
Unallocated corporate assets				13,421,917	-	13,421,917
Consolidated total assets				445,260,772	-	445,260,772
Capital expenditure	10,727,951	-	70,416	10,798,367	-	10,798,367

42. SIGNIFICANT EVENTS

(a) On 27 April 2007, the Company announced that its wholly-owned subsidiary company, GGL has entered into a Share Transfer Agreement with TPCOI ("Agreement") on 24 April 2007 to dispose of its entire 60% registered shareholding in KTPCO to TPCOI, its joint venture partner in KTPCO ("Proposed Disposal"). TPCOI holds the remaining 40% shareholding in KTPCO.

The salient terms of the Agreement are as follows:

(i) the sale consideration of the Proposed Disposal of USD4,351,285/- was determined on a willing buyer seller basis.

(ii) GGL's 60% shareholding in KTPCO is sold to TPCOI free of encumbrances.

(iii) The Agreement shall take effect after obtaining approvals from Tianjin State-Owned Assets Supervision And Administration Commission and Tianjin Commission Of Commerce, China. Such applications shall be made by TPCOI within 10 working days after execution by both parties of the Agreement.

(iv) TPCOI or its affiliated company or KTPCO shall fully settle the loan provided by Oversea-Chinese Banking Corporation Limited, Tianjin, China to KTPCO of principal sum USD3,460,727/- and relevant interest within 15 working days after obtaining the approvals as stated in item (iii) above. The Company shall cease to be a guarantor to the said loan upon the full repayment.

(v) TPCOI or its affiliated company or KTPCO shall repay the trade/financial support provided by the Group to KTPCO of USD2,807,507/- within 15 working days after obtaining the approvals as stated in item (iii) above.

(vi) Sale consideration (after deducting tax, if applicable, on the part of the vendor i.e. GGL) shall be paid by TPCOI in cash and in one lump sum within 20 working days after obtaining the approvals as stated in item (iii) above.

The rationale for the above Proposed Disposal is mainly due to the unsatisfactory performance in KTPCO.

As at 11 October 2007, the salient terms of the Agreement referred to above have been met.

42. SIGNIFICANT EVENTS (CONT'D)

(b) On 27 October 2006, KEV subscribed for an additional registered capital of RMB7,861,793/- or RM3,644,130/- in Jiangyin Chengdong Power Supply Co. Ltd. ("JCP"). JCP has increased its total registered capital to RMB41,500,000/-. The shareholding held by KEV in JCP after the increase remained the same at 30%.

43. SUBSEQUENT EVENTS

(a) On 22 August 2007, the Company announced that a final tax exempt dividend of 4% per ordinary share of RM1/- each in respect of the financial year ended 30 June 2007, subject to the shareholders' approval at the forthcoming Annual General Meeting to be convened.

(b) On 1 October 2007, the Company announced that GGL has received the full sale consideration on the disposal of its entire 60% registered shareholding in KTPCO to TPCOI, its joint venture partner in KTPCO. With effect from 1 October 2007, KTPCO ceases to be a subsidiary company of the Group.

44. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Policies

The Group's financial risk management policy seeks to ensure optimal allocation of financial resources for the development of the Group's businesses whilst managing its risks.

The main risks and corresponding management policies arising from the Group and the Company's normal course of business are as follows:

i. Foreign Exchange Risk

Certain foreign exchange exposures are hedged with forward foreign exchange contracts to limit exposure on foreign currency receivables and payables, and on cash flows generated from anticipated transactions denominated in foreign currencies.

As at balance sheet date, the Group has entered into forward foreign exchange contracts with the following notional amounts and maturities:

GROUP

Hedged Item	Currency	Average Contract Rate RM	Total Notional Amounts RM	Maturity Within 1 Year RM
2007				
Export sales	Pound Sterling	**6.6968**	**2,024,042**	**2,024,042**
Export sales	Singapore Dollar	**2.2267**	**1,209,098**	**1,209,098**
Export sales	United States Dollar	**3.4105**	**26,991,072**	**26,991,072**
Export sales	Euro	**4.5821**	**61,271**	**61,271**
2006				
Export sales	Pound Sterling	6.5612	2,855,800	2,855,800
Export sales	Singapore Dollar	2.2860	4,884,808	4,884,808
Export sales	United States Dollar	3.6217	28,853,120	28,853,120
Export sales	Euro	4.5010	499,914	499,914

44. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (cont'd)

i. Foreign Exchange Risk (cont'd)

COMPANY

Hedged Item	Currency	Average Contract Rate RM	Total Notional Amounts RM	Maturity Within 1 Year RM
2007				
Sales proceeds from disposal of a subsidiary company, KTPCO	United States Dollar	**3.4490**	**7,242,900**	**7,242,900**

The net unrecognised (loss)/gain as at 30 June 2007 on forward contracts used to hedge foreign currency sales are as follows:

	GROUP		COMPANY	
	2007 RM	2006 RM	**2007 RM**	2006 RM
Net unrecognised (loss)/gain	**(243,262)**	(527,607)	**31,500**	-

ii. Interest Rate Risk

The Group's exposure to interest rate risk relates to interest bearing financial liabilities and financial assets. Interest bearing financial liabilities comprise hire purchase payables, loans, bankers' acceptances, revolving credit and overdraft facilities. Interest bearing financial assets include deposits which are short term in nature, placed for better yield returns than cash at banks and to satisfy conditions for bank guarantee and borrowing facilities granted to the Group.

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

iii. Market Risk

The Group's principal exposure to market risk arises from the quoted investment held for long term purposes. As the amount held is not significant, exposure to market risk is negligible.

iv. Credit Risk

The Group's exposure to credit risk arises from its receivables and the maximum risk associated with recognised financial assets is the carrying amounts as presented in the balance sheet.

The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit assessments, approvals, credit limits and monitoring procedures.

The Group does not have any significant exposure to any individual customer.

v. Liquidity and Cash Flow Risks

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position.

44. FINANCIAL INSTRUMENTS (CONT'D)

(b) Fair Values

The methods and assumptions used to estimate the fair value of the following classes of financial assets and liabilities are as follows:

i. Cash and Cash Equivalents, Trade and Other Receivables and Payables
The carrying amounts approximate fair values due to the relatively short term maturities of these financial assets and liabilities.

ii. Quoted Investment
The fair value of quoted investment is determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.

iii. Borrowings
The carrying amounts of short term bank borrowings approximate fair values due to the relatively short term maturities of these financial liabilities.

The carrying amounts of long term floating rate loans approximate their fair values.

The fair values of hire purchase and fixed rate term loans are estimated using discounted cash flow analysis, based on current lending rates for similar types of borrowing arrangements.

iv. Forward Foreign Exchange Contracts
The fair values of forward foreign exchange contracts are the amounts that would be payable or receivable on termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and forward exchange rate as at the balance sheet date applied to a contract of similar quantum and maturity profile.

The carrying amounts of financial assets and liabilities recognised in the balance sheet approximate their fair values except for the following:

		GROUP		COMPANY	
	Note	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
2007					
Other investments					
- 5-Year MYR-KLIBOR Callable Range Accrual Investment	10	**1,200,000**	**# -**	**1,200,000**	**# -**
- Quoted investment	10	**1,010**	**1,380**	**1,010**	**1,380**
- Unquoted investment	10	**40,000**	**# -**	**40,000**	**# -**
Term loans	23	**13,309,146**	**13,058,441**	**-**	**-**
Hire purchase payables	24	**243,989**	**236,747**	**-**	**-**
Forward foreign exchange contracts	44(a)(i)	**-**	**(243,262)**	**-**	**31,500**
Contingent liabilities	38	**-**	**-**	**-**	*** -**

44. FINANCIAL INSTRUMENTS (CONT'D)

(b) Fair Values (cont'd)

	Note	Group Carrying Amount RM	Group Fair Value RM	Company Carrying Amount RM	Company Fair Value RM
2006					
Other investments					
- 5-Year MYR-KLIBOR Callable Range Accrual Investment	10	1,200,000	# -	1,200,000	# -
- Quoted investment	10	1,010	830	1,010	830
- Unquoted investment	10	40,000	# -	40,000	# -
Term loans	23	29,790,075	29,597,858	-	-
Hire purchase payables	24	248,101	278,916	-	-
Forward foreign exchange contracts	44(a)(i)	-	(527,607)	-	-
Contingent liabilities	38	-	-	-	* -

It is not practical to estimate the fair value of 5-Year MYR-KLIBOR Callable Range Accrual Investment and unquoted investment because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

* It is not practical to estimate the fair value of the contingent liabilities reliably due to uncertainties of timing, costs and eventual outcome.

45. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs

The adoption of the FRSs as set out in note 3 to the financial statements does not have any material financial impact on the Group and on the Company or any significant changes in accounting policies of the Group and of the Company except as follows:

(a) FRS 3 : Business Combinations, FRS 136 : Impairment of Assets and FRS 138 : Intangible Assets

i. Goodwill and Negative Goodwill

Prior to 1 July 2006, goodwill and negative goodwill was amortised on a straight-line basis over a period of ten and twenty years or the expected useful life, whichever is shorter. Goodwill on consolidation is tested for impairment annually or when indication of impairment exists.

With the adoption of FRS 3, the excess of cost of acquisition over the fair value of identifiable assets, liabilities and contingent liabilities acquired is retained in the balance sheet as goodwill, while the shortfall is credited to income statement in the year of acquisition. Goodwill is carried at cost less accumulated impairment losses and is tested for impairment annually or when indication of impairment exists.

The adoption of FRS 3 has resulted in the discontinuation of amortisation of negative goodwill. In accordance with the transitional provisions of FRS 3, the carrying amount of negative goodwill of RM9,625,348/- is adjusted to the opening retained earnings. The effect of this is a reduction in amortisation credit of RM1,560,867/- for the year ended 30 June 2007.

45. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs (CONT'D)

(a) FRS 3 : Business Combinations, FRS 136 : Impairment of Assets and FRS 138 : Intangible Assets (cont'd)

ii. Accounting for Acquisitions

Prior to 1 July 2006, the Group did not recognise separately the acquiree's contingent liabilities at the acquisition date as part of allocating the cost of a business combination. Upon FRS 3, contingent liabilities are now separately recognised, provided their fair values can be measured reliably.

The above change in accounting policy has no financial impact on the financial statements of the Group.

(b) FRS 5 : Non-Current Assets Held for Sale and Discontinued Operation

Prior to 1 July 2006, disposal groups held for sale were neither classified nor presented as current assets or liabilities. There were no differences in the measurement of disposal groups held for sale and those for continuing use. Upon the adoption of FRS 5, disposal groups held for sale are classified as current assets and current liabilities and are stated at the lower of carrying amount and fair value less costs to sell.

Prior to 1 July 2006, the Group would have recognised a discontinued operation at the earlier of the date of the Group enters into a binding sale agreement and the date the Board of Directors has approved and announced a formal disposal plan. FRS 5 requires a component of an entity to be classified as a discontinued operation when the criteria to be classified as held for sale has been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary company acquired exclusively with a view to resale. The principal impact of this change in accounting policy is that a discontinued operation is recognised by the Group at a later point than it would be under the previous accounting policy due to the stricter criteria in FRS 5.

The Group has applied FRS 5 prospectively in accordance with the transitional provisions. However, as required by FRS 5, certain comparatives of the Group have been re-presented due to the current financial year's discontinued operation. This change has no impact on the Company's income statement for the year ended 30 June 2007.

(c) FRS 101 : Presentation of Financial Statements

Prior to 1 July 2006, minority interest at the balance sheet date was presented in the consolidated balance sheet separately from liabilities and equity. Upon the adoption of the revised FRS 101, minority interest is now presented within total equity. In the consolidated income statement, minority interest is presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the statement of changes in equity. The revised FRS 101 also requires disclosures, on the face of the statement of changes in equity, total recognised income and expense for the year, showing separately the amounts attributable to equity holders of the Company and to minority interest.

Prior to 1 July 2006, the Group's share of taxation of associated companies accounted for using the equity method was included as part of the Group's income tax expense in the consolidated income statement. Upon the adoption of the revised FRS 101, the share of taxation of associated companies accounted for using the equity method are now included in the respective share of profit and loss reported in the consolidated income statement before arriving at the Group's profit or loss before taxation.

The changes in presentation are applied retrospectively and the comparative amounts have been restated.

45. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs (CONT'D)

(d) FRS 117 : Leases

Prior to 1 July 2006, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land and buildings. Leases of land and buildings are classified as operating or finance leases in the same way as leases or other assets and the land and building elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land held for own use is now classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interest in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid land lease payments and are amortised on a straight-line basis over the lease term.

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 July 2006, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid land lease payments as allowed by the transitional provisions. The reclassification of leasehold land as prepaid land lease payments has been accounted for retrospectively and as disclosed in note 46 to the financial statements, certain comparatives have been restated.

(e) FRS 127 : Consolidated and Separate Financial Statements

Prior to 1 July 2006, investment in subsidiary companies were stated at cost or at directors' valuation, less any impairment losses. Certain investments were revalued in 1992. With the adoption of FRS 127, all investment in subsidiary companies are now stated at cost.

In accordance with the transitional provisions, FRS 127 has been applied restrospectively and the comparatives have been restated as disclosed in note 46 to the financial statements. The adjustment in investment in subsidiary companies of RM15,919,537/- has been made retrospectively to reflect the investment in subsidiary companies of RM28,356,102/- with the opening retained earnings and comparatives restated accordingly.

(f) Summary of Effects of Adopting New and Revised FRSs on The Current Year's Financial Statements

The following tables provide estimates of the extent to which each of the line items in the balance sheets and income statements for the current financial year is higher or lower than it would have been had the previous policies been applied in the current year:

i. Effects on balance sheet as at 1 July 2006

Description of change	Increase/(Decrease) FRS 3 Note 45(a)(i) RM
GROUP	
Retained earnings brought forward	9,625,348
Negative goodwill	(9,625,348)

45. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs (CONT'D)

(f) Summary of Effects of Adopting New and Revised FRSs on The Current Year's Financial Statements (cont'd)

ii. Effects on balance sheet as at 30 June 2007

Description of change	Increase/(Decrease) FRS 5 Note 45(b) RM	FRS 117 Note 45(d) RM	Total RM
GROUP			
Property, plant and equipment	(40,503,224)	(16,915,425)	(57,418,649)
Prepaid land lease payments	(696,757)	16,915,425	16,218,668
Inventories	(6,979,752)	-	(6,979,752)
Trade receivables	(4,398,257)	-	(4,398,257)
Other receivables, deposits and prepayments	(2,882,591)	-	(2,882,591)
Cash and bank balances	(5,468,011)	-	(5,468,011)
Assets of disposal group classified as held for sale	60,928,592	-	60,928,592
Term loans	(5,202,148)	-	(5,202,148)
Trade payables	(2,203,028)	-	(2,203,028)
Other payables and accruals	(15,283,460)	-	(15,283,460)
Other borrowings	(6,334,050)	-	(6,334,050)
Liabilities directly associated with assets classified as held for sale	29,022,686	-	29,022,686

iii. Effects on income statement for the year ended 30 June 2007

Description of change	Increase/(Decrease) FRS 5 Note 45(b) RM
GROUP	
Revenue	(35,013,899)
Direct operating costs	(31,196,121)
Other operating revenue	(886,668)
Selling and distribution costs	(63,693)
Administration costs	(1,891,680)
Other operating costs	(94,224)
Finance costs	(1,943,220)
Profit for the year from continuing operations	(711,629)
Profit for the year from discontinued operation	711,629

46. COMPARATIVE FIGURES

Certain comparative figures have been restated/reclassified as a result of changes in accounting policies as stated in note 45 to the financial statements and to conform with the newly adoption of FRSs as follows:

(a) Balance Sheet

	As Previously Stated	Increase/(Decrease) FRS 117 Note 5	Increase/(Decrease) FRS 127 Note 8	As Restated/ Reclassified
At 30 June 2006				
GROUP				
Property, plant and equipment	122,524,572	(17,139,357)	-	105,385,215
Prepaid land lease payments	-	17,139,357	-	17,139,357
COMPANY				
Investment in subsidiary companies	44,275,639	-	(15,919,537)	28,356,102
Retained earnings	16,633,841	-	(11,495,188)	5,138,653
Revaluation reserve	4,424,349	-	(4,424,349)	-

(b) Income Statement

	As Previously Stated	Increase/(Decrease) FRS 101 Note 33	Increase/(Decrease) FRS 117 Note 32	As Restated/ Reclassified
At 30 June 2006				
GROUP				
Depreciation of property, plant and equipment	7,892,804	-	(223,932)	7,668,872
Amortisation of prepaid land lease payments	-	-	223,932	223,932
Share of associated companies results after tax	1,807,602	418,852	-	2,226,454
Taxation	2,128,595	318,778	-	2,447,373

LIST OF **PROPERTIES**

AS AT 30 JUNE 2007

Location/ Address	Description	Area m^2 (acres)	Approximate age (year)	Existing use	Tenure	Net book value RM '000	Year of last revaluation/ acquisition*
K8 Lot PLO 25 Tanjong Agas Industrial Estate 84000 Muar Johor Darul Takzim	Land & Building	4,047 (1)	29	Factory Premises	Leasehold for 60 years expiring in 2038	885	1991
Lot 22 Tanjong Agas Industrial Estate 84000 Muar Johor Darul Takzim	Land & Building	6,070 (1.5)	27	Factory Premises	Leasehold for 60 years expiring in 2040	1,134	1991
Lot 24 Tanjong Agas Industrial Estate 84000 Muar Johor Darul Takzim	Land & Building	4,047 (1)	27	Factory Premises	Leasehold for 60 years expiring in 2040	442	1991
PLO 97 Tanjong Agas Industrial Estate 84000 Muar Johor Darul Takzim	Land & Building	6,070 (1.5)	21	Sales Office & Factory Premises	Leasehold for 60 years expiring in 2046	963	1991
Lot 4 Persiaran Perusahaan Seksyen 23 40708 Shah Alam Selangor Darul Ehsan	Land & Building	81,520 (20.144)	17	Factory & Office Premises	Leasehold for 99 years expiring in 2098	39,748	1992
Lot D4-D5 Tianjin Port Free Trade Zone Extended Area, Tianjin The People's Republic of China #	Land & Building	50,000 (12.355)	4	Factory & Office Premises	Leasehold for 50 years expiring in 2053	20,986	2003*
Country Lease No. 015414972 Mile 13, Tuaran Road District of Kota Kinabalu Sabah	Land held for property development	516,541 (127.64)	-	Under development	Leasehold for 999 years expiring in 2905	45,280	1997*

Includes the property of the discontinued operation in note 20 to the financial statements.

SHAREHOLDING **STATISTICS**

AS AT 12 OCTOBER 2007

ANALYSIS OF SHAREHOLDINGS

Authorised Share Capital	:	RM200,000,000/- divided into 200,000,000 ordinary shares of RM1/- each
Issued & Fully Paid-Up	:	RM85,162,500/- divided into 85,162,500 ordinary shares of RM1/- each
Class of Share	:	Ordinary Shares of RM1/- each
Voting Rights	:	1 vote per share

Size of Holdings	No. of Shareholders	No. of Shares #	% #
1 – 99	68	2,160	0.00
100 – 1,000	2,158	2,086,329	2.49
1,001 – 10,000	3,156	12,562,382	14.98
10,001 – 100,000	463	13,991,132	16.68
100,001 – less than 5%	51	19,464,408	23.20
5% and above	3	35,776,389	42.65
Total	**5,899**	**83,882,800**	**100.00**

\# After deducting 1,279,700 treasury shares retained by the Company as per Record of Depositors.

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	% #
1	HSBC Nominees (Tempatan) Sdn. Bhd. *Exempt An For JPMorgan Chase Bank National Association* *(Tan Sri Dr. Chen Lip Keong)*	16,925,000	20.18
2	Permodalan Nasional Berhad	10,477,000	12.49
3	OSK Nominees (Asing) Sdn. Berhad *Blue Velvet Property Corp.*	8,374,389	9.98
4	HSBC Nominees (Asing) Sdn. Bhd. *HSBC-FS For Asian Emerging Countries Fund*	2,613,000	3.11
5	Sumurwang Capital Sdn. Bhd.	1,836,000	2.19
6	Yeoh Kean Hua	1,414,900	1.69
7	CIMB Group Nominees (Tempatan) Sdn. Bhd. *Tan Sri Dr. Chen Lip Keong For Song Meng Kong*	1,335,000	1.59
8	HDM Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Song Meng Kong*	1,100,000	1.31
9	Goh Leong Chuan	768,000	0.92
10	Foo Look Yu	765,000	0.91
11	Yeo Kian Chin	590,400	0.70
12	Puan Sri Lee Chou Sarn	505,493	0.60
13	Quantum Symbol Sdn. Bhd.	445,500	0.53
14	Tan Kian Chuan	427,000	0.51
15	Lee Kok Chong	402,000	0.48

shareholding **statistics**

AS AT 12 OCTOBER 2007

LIST OF THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)

No.	Name of Shareholders	No. of Shares	% #
16	Special Portfolio Sdn. Bhd.	376,200	0.45
17	Mayban Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Lee Chee Kong*	357,400	0.43
18	Tan Kian Aik	337,500	0.40
19	Yeoh Chun Heng	333,000	0.40
20	Sak Moy @ Sak Swee Len	324,000	0.39
21	Yu Noon Ten	321,000	0.38
22	Thun Lian @ Teoh Shok Lian	273,600	0.33
23	Ang Bee Kean	265,200	0.32
24	RHB Capital Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Fong Siling (CEB)*	250,000	0.30
25	Yeo Lee Ling	234,500	0.28
26	TA Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Chai Nam Kiong*	229,000	0.27
27	Teh Bee Gaik	228,115	0.27
28	Tan Kok Sing	200,000	0.24
29	Public Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Tee See Kim (E-TSA)*	180,300	0.21
30	Mayban Securities Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Chai Ming Yau*	180,000	0.21
	Total	**52,068,497**	**62.07**

SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Direct No. of Ordinary Shares held	% #	Indirect No. of Ordinary Shares held	% #
Tan Sri Dr. Chen Lip Keong	16,925,000 *a	20.18	-	-
Permodalan Nasional Berhad	10,477,000	12.49	-	-
Blue Velvet Property Corp	8,374,389 *b	9.98	-	-

Notes:

*a The 16,925,000 ordinary shares are held by HSBC Nominees (Tempatan) Sdn. Bhd. Exempt An For JPMorgan Chase Bank National Association.

*b The 8,374,389 ordinary shares are held by OSK Nominees (Asing) Sdn. Bhd.

DIRECTORS' SHAREHOLDINGS

	Direct No. of Ordinary Shares held	% #	Indirect No. of Ordinary Shares held	% #
Tan Sri Dr. Chen Lip Keong *b	16,925,000 *a	20.18	-	-
Dato' Sulaiman bin Sujak	-	-	-	-
Puan Sri Lee Chou Sarn *b	505,493	0.60	-	-
Dato' Dr. Abdul Razak bin Abdul	-	-	-	-
Datuk Wan Kassim bin Ahmed	-	-	-	-
Chen Yiy Hwuan *b	-	-	-	-
Chen Yiy Fon *b	-	-	-	-
Lim Mun Kee	-	-	-	-
Chua Tiam Wee (Alternate Director to Puan Sri Lee Chou Sarn)	-	-	-	-

Notes:

*a The 16,925,000 ordinary shares are held by HSBC Nominees (Tempatan) Sdn. Bhd. Exempt An For JPMorgan Chase Bank National Association.

*b Puan Sri Lee Chou Sarn is the spouse of Tan Sri Dr. Chen Lip Keong. Mr Chen Yiy Hwuan and Mr Chen Yiy Fon are the sons of Tan Sri Dr. Chen Lip Keong and Puan Sri Lee Chou Sarn.

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PROXY FORM

FACB Industries Incorporated Berhad (48850-K)
(Incorporated In Malaysia)

Number of Shares :	CDS Account No. :

I/We, ____

of ____

being a member of **FACB INDUSTRIES INCORPORATED BERHAD** hereby appoint ____________________

____

of ____

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Twenty Eighth Annual General Meeting of the Company to be held at Anggerik Room, 4th Floor, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 5 December 2007 at 10.00 a.m. and at any adjournment thereof.

No.	Ordinary Resolutions	For	Against
1	Adoption of audited financial statements and reports		
2	Approval of final dividend		
3	Approval of Directors' fees		
4	Re-appointment of Dato' Sulaiman bin Sujak as Director		
5	Re-election of Dato' Dr. Abdul Razak bin Abdul as Director		
6	Re-election of Datuk Wan Kassim bin Ahmed as Director		
7	Re-election of Mr Chen Yiy Hwuan as Director		
8	Re-election of Mr Chen Yiy Fon as Director		
9	Re-election of Mr Lim Mun Kee as Director		
10	Re-appointment of Messrs Moore Stephens as Auditors		
11	Authority pursuant to Section 132D of the Companies Act, 1965		
12	Proposed Renewal of Authority for Share Buy-Back		
	Special Resolution		
13	Proposed Amendment to the Articles of Association of the Company		

(Please indicate with an "X" in the appropriate box against each Resolution how you wish your vote to be cast. If this proxy form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.)

Signed this ____________ day of ________________ 2007

____
Signature/Seal of Shareholder

NOTES:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. Subject to the Companies Act 1965, where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportions of his holding to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or if such appointer is a corporation, either under its common seal or the hand of an officer or attorney duly authorised.
4. The Proxy Form must be completed, signed and deposited at the Company's Registered Office not less than 48 hours before the time set for the Meeting or adjourned meeting.

Affix Stamp

The Company Secretary
FACB Industries Incorporated Berhad (48850-K)
MNI Twins, Tower 1
Level 13, 11 Jalan Pinang
50450 Kuala Lumpur