HWA TAI INDUSTRIES BERHAD

(Company No:19688-V)

ANNUAL REPORT

2007

contents

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty-Third Annual General Meeting of the Company will be held at The Katerina Hotel, Emerald Room, Level 2, No. 8, Jalan Zabedah, 83000 Batu Pahat, Johor Darul Takzim, Malaysia on Saturday, 28 June 2008 at 11.00 a.m.

AGENDA

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2007 together with the Directors' and Auditors' Reports thereon.

2. To approve the increase in Directors' fee for the year ended 31 December 2007.

3. To re-elect the following Directors who retire in accordance with the Company's Articles of Association:-

   Soo Thien Ming @ Soo Thien See

   Col. (Rtd.) Dato' Ir. Cheng Wah

   Soo Wei Chian

   Mohamed Razif Bin Tan Sri Abdul Aziz

   Lim Keng Kee

4. To appoint Auditors and authorise the Directors to fix their remuneration.

5. To transact any other business appropriate to an Annual General Meeting.

6. As SPECIAL BUSINESS, to consider and, if thought fit, pass the following resolutions:-

   ORDINARY RESOLUTION NO. 1 - AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO THE EMPLOYEES' SHARE OPTION SCHEME

   "That, subject to the Companies Act, 1965 and the Articles of Association of the Company, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 to allot and issue such number of new ordinary shares of RM1.00 each in the capital of the Company as may be required to be issued pursuant to the exercise of options under the Employees' Share Option Scheme which was approved by ordinary resolution at the Extraordinary General Meeting of the Company held on 16 February 2004 and modified by ordinary resolution at the Extraordinary General Meeting of the Company held on 13 December 2004."

   ORDINARY RESOLUTION NO. 2 - AUTHORITY TO ALLOT AND ISSUE SHARES IN GENERAL PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

   "That, subject to the Companies Act, 1965 and the Articles of Association of the Company and approvals from the Securities Commission and Bursa Malaysia Securities Berhad and other relevant governmental or regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 to allot and issue shares in the capital of the Company from time to time upon such terms and conditions and for such purposes as the Directors may in their discretion deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

   SPECIAL RESOLUTION - PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

   "That in line with the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad, the proposed amendments to the Articles of Association of the Company as set out in Appendix I enclosed with the Annual Report 2007, be and are hereby approved."

By Order of the Board
JESSICA CHIN TENG LI (MAICSA 7003181)
Company Secretary

Johor Darul Takzim, Malaysia
5 June 2008

Notice of Annual General Meeting (Cont'd)

NOTES:

A member entitled to attend and vote at the Meeting is entitled to appoint at least 1 proxy to attend and vote instead of him. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least 1 proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. A proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 12, Jalan Jorak, Kawasan Perindustrian Tongkang Pecah, 83010 Batu Pahat, Johor Darul Takzim, Malaysia, not less than 48 hours before the time appointed for holding the Meeting.

EXPLANATORY STATEMENT TO THE SPECIAL BUSINESS:

ORDINARY RESOLUTION NO. 1

On 16 February 2004, the Shareholders of the Company had approved the Employees' Share Option Scheme ("ESOS") and the ESOS was subsequently modified on 13 December 2004. According to Section 132D of the Companies Act, 1965, the approval given by the Shareholders to the Directors of the Company to allot and issue shares pursuant to the ESOS expires at the forthcoming Thirty-Third Annual General Meeting. As such, the Directors seek the Shareholders' renewed approval to allot and issue shares for the ESOS.

ORDINARY RESOLUTION NO. 2

The proposed Ordinary Resolution No. 2, if passed, will give the Directors of the Company the power to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This would avoid any delay and cost involved in convening a general meeting to specifically approve such an issue of shares. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

SPECIAL RESOLUTION

The proposed Special Resolution, if passed, will render the Articles of Association of the Company to be consistent with the new requirements of the Listing Requirements of Bursa Malaysia Securities Berhad.

Statement Accompanying Notice of Annual General Meeting

The Directors standing for re-election at the forthcoming Thirty-Third Annual General Meeting are as follows:-

1. Soo Thien Ming @ Soo Thien See
2. Col. (Rtd.) Dato' Ir. Cheng Wah
3. Soo Wei Chian
4. Mohamed Razif Bin Tan Sri Abdul Aziz
5. Lim Keng Kee

The details of these Directors are set out in the Directors' Profile appearing on pages 5 to 6 of this Annual Report.

Corporate Information

BOARD OF DIRECTORS

Soo Thien Ming @ Soo Thien See (Chairman)
Soo Chung Yee (Group Chief Executive Director)
Col. (Rtd.) Dato' Ir. Cheng Wah
Soo Wei Chian
Mohamed Razif Bin Tan Sri Abdul Aziz
Lim Keng Kee

COMPANY SECRETARY

Jessica Chin Teng Li (MAICSA 7003181)

REGISTERED OFFICE & PRINCIPAL BUSINESS ADDRESS

No. 12 Jalan Jorak
Kawasan Perindustrian Tongkang Pecah
83010 Batu Pahat
Johor Darul Takzim
Malaysia
Tel. No.: 607-415 1688
Fax No.: 607-415 1135

CORPORATE OFFICE

No. 8, Jalan 1/1
Taman Industri Selesa Jaya
43300 Balakong
Selangor Darul Ehsan
Malaysia
Tel. No.: 603-8961 0900
Fax No.: 603-8961 1501

SHARE REGISTRAR

PFA Registration Services Sdn Bhd
Level 13, Uptown 1
No.1, Jalan SS21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel. No.: 603-7718 6000
Fax No.: 603-7722 2311

AUDITORS

Baker Tilly Monteiro Heng
(formerly known as Monteiro & Heng)
Public Accountants
22-1, Jalan Tun Sambanthan 3
50470 Kuala Lumpur
Malaysia

PRINCIPAL BANKERS

RHB Bank Berhad
CIMB Bank Berhad
AmBank (M) Berhad
Bank Islam Malaysia Berhad
Bangkok Bank Berhad
Bank Muamalat Malaysia Berhad

LISTING

Bursa Malaysia Securities Berhad,
Second Board

Profile of the Board of Directors

MR. SOO THIEN MING @ SOO THIEN SEE
- Non-Independent Non-Executive Director

Mr. Soo Thien Ming, Malaysian, aged 60, is the Chairman on the Board of the Company. He was appointed to the Board on 26 April 1996. Mr. Soo is a Barrister-At-Law of Lincoln's Inn, London. He is an advocate and solicitor by profession and has been in practice for 32 years. He is also a Notary Public and Commissioner for Oaths. He holds several directorships in private companies in Malaysia and abroad.

He is the Chairman of the Nomination Committee, Remuneration Committee and Employee Share Option Scheme ("ESOS") Committee.

Mr. Soo has a direct shareholding of 12,372,627 ordinary shares of RM1/- each in the Company as at 30 April 2008. He is deemed to have an interest in the equity holdings held by the Company in its subsidiaries by virtue of his controlling interest in the Company. Mr. Soo also has a direct interest of 2,977,123 warrants in the Company as at 30 April 2008.

He is the father of Mr. Soo Chung Yee, the Group Chief Executive Director of the Company.

Mr. Soo does not have any conflict of interest with the Company nor any conviction for any offence.

MR. SOO CHUNG YEE
- Non-Independent Executive Director

Mr. Soo Chung Yee, Malaysian, aged 29, is the Group Chief Executive Director. He was appointed to the Board on 16 August 2004. Mr. Soo holds a Bachelor of Arts from the University of Derby, United Kingdom. He was awarded the Asia Pacific Entrepreneurship Award (Emerging Entrepreneur - Malaysia) in 2007. He also holds several directorships in private companies in Malaysia and abroad.

He is a member of the Remuneration Committee and ESOS Committee.

He is the son of Mr. Soo Thien Ming, the Chairman of the Company.

Mr. Soo does not have any interest in the securities of the Company or its subsidiaries. He also does not have any conflict of interest with the Company nor any conviction for any offence.

YBHG. COL. (RTD.) DATO' IR. CHENG WAH
- Independent Non-Executive Director

YBhg. Col. (Rtd.) Dato' Ir. Cheng Wah, Malaysian, aged 68, was appointed to the Board on 1 August 2005. He graduated from the University of Malaya with a Bachelor of Engineering (Civil). He is a Professional Engineer with the Board of Engineers, Malaysia. He is also a graduate of the Royal Military Academy Sandhurst, United Kingdom and the Command and General Staff College, Fort Leavenworth, United States of America. He had served about 26 years i.e. from the period of December 1957 to September 1983 in the Malaysian Armed Forces. He had held various positions in the Malaysian Armed Forces including the positions of Director of Armed Forces Works, Logistic Division, Ministry of Defence in 1978 and Director of Logistic, Ministry of Defence in 1980 before retiring in September 1983. Upon retirement in 1983, he joined Resorts World Berhad as Senior Vice President (Property Development) till June 2004. Currently, he sits on the Board of two other listed companies, PacificMas Berhad and Tamandam Bonded Warehouse Berhad. He is also a director in several other non-listed companies.

YBhg. Col. (Rtd.) Dato' Ir. Cheng Wah is the Chairman of the Audit Committee.

He has a direct shareholding of 20,000 ordinary shares of RM1/- each in the Company as at 30 April 2008. He does not have any interest in the securities of its subsidiaries.

He does not have any family relationship with any directors and/or major shareholders of the Company. He does not have any conflict of interest with the Company nor any conviction for any offence.

MR. SOO WEI CHIAN
- Independent Non-Executive Director

Mr. Soo Wei Chian, Malaysian, aged 39, was appointed to the Board on 1 August 2005. He holds a Masters of Business Administration, University of Strathclyde, United Kingdom. He is a fellow member of the Chartered Institute of Management Accountants, United Kingdom and a member of the Malaysian Institute of Accountants. He held financial positions in UEM and Berjaya groups of companies for the period between 1991 and 1995. He joined NV Multi Corporation Berhad ("NV Multi") as the Finance Manager in 1995 and he now holds the position of Executive Director in NV Multi.

Mr. Soo sits on the Audit Committee, Nomination Committee, Remuneration Committee and ESOS Committee.

He does not have any family relationship with any directors and/or major shareholders of the Company. He does not have any interest in the securities of the Company or its subsidiaries. He does not have any conflict of interest with the Company nor any conviction for any offence.

ENCIK MOHAMED RAZIF BIN TAN SRI ABDUL AZIZ
- Independent Non-Executive Director

Encik Mohamed Razif Bin Tan Sri Abdul Aziz, Malaysian, aged 47, was appointed to the Board on 20 March 2006. He is a Barrister-at-law from Lincoln's Inn, United Kingdom. He was admitted as an Advocate and Solicitor of the High Court of Malaya in 1985. He specialises in corporate, financial services and conveyancing matters and has handled numerous housing projects for major developers and a variety of corporate as well as off-shore loan documentations. He is also specialised in Syariah Corporate Law and Syariah Conveyancing/Security documentation. He is an advisor for internal disciplinary inquiry committees of various organisations. He is also involved in Commercialisation of Biotechnology Products and Services and familiar with the Malaysian Intellectual Property laws. He is a committee member of the Kuala Lumpur Malay Chamber of Commerce and is the Chairman of the Professional Committee of the said Chamber. He is the Deputy President of Southampton University United Kingdom Alumni and a committee member of both the Malay College Old Boys Association (MCOBA) and Lincoln's Inn Alumni. He holds non-executive directorships in various companies.

Encik Mohamed Razif sits on the Audit Committee and Nomination Committee.

He does not have any family relationship with any directors and/or major shareholders of the Company. He does not have any interest in the securities of the Company or its subsidiaries. He does not have any conflict of interest with the Company nor any conviction for any offence.

MR. LIM KENG KEE
- Independent Non-Executive Director

Mr. Lim Keng Kee, Malaysian, aged 46, was appointed to the Board on 14 November 2007. He holds a Masters in Business Administration with distinction from the University of Hull, England. Mr. Lim was General Manager, Asia Pacific, Thomson Financial BankWatch, the boutique credit rating agency of the Thomson Corporation (NYSE: TOC; TSX: TOC); a leading global provider of integrated information-based solutions to business and professional customers. He has experience in numerous industries including gaming; wood derived industry; insurance; financial services; light structural projects; information technology; event management; and maritime education.

Mr. Lim is a member of the Audit Committee.

He does not have any family relationship with any directors and/or major shareholders of the Company. He does not have any interest in the securities of the Company or its subsidiaries. He does not have any conflict of interest with the Company nor any conviction for any offence.

DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

During the financial year ended 31 December 2007, a total of four (4) Directors' Meetings were held. The details of attendance of Directors at these Meetings are as follows:

Name of Director	Number of Meetings Attended
Soo Thien Ming @ Soo Thien See	4 of 4
Soo Chung Yee	4 of 4
Col. (Rtd.) Dato' Ir. Cheng Wah	4 of 4
Soo Wei Chian	4 of 4
Mohamed Razif Bin Tan Sri Abdul Aziz	4 of 4
Lim Keng Kee (Appointed on 14 November 2007)	0 of 0
Noorhamimah Binti Mohd. Baseri (Resigned on 1 August 2007)	2 of 2
Wong Chee Kheen (Resigned on 3 May 2007)	1 of 1
Raja Zainal Abidin bin Raja Hussin (Resigned on 13 February 2007)	0 of 0

Audit Committee Report

1. COMPOSITION OF AUDIT COMMITTEE

Col. (Rtd.) Dato' Ir. Cheng Wah (Chairman)	Independent Non-Executive Director
Soo Wei Chian (MIA)	Independent Non-Executive Director
Mohamed Razif Bin Tan Sri Abdul Aziz	Independent Non-Executive Director
Lim Keng Kee	Independent Non-Executive Director

2. TERMS OF REFERENCE OF AUDIT COMMITTEE

MEMBERSHIP

1. An Audit Committee shall be appointed by the Directors from among their number (except Alternate Directors) pursuant to a resolution of the Board of Directors which fulfils the following requirements:

   (a) The Audit Committee must be composed of no fewer than 3 Members;
   (b) All Members of the Audit Committee must be Non-Executive Directors, with majority of them being Independent Directors; and
   (c) At least one Member of the Audit Committee:
      (i) Must be a member of the Malaysian Institute of Accountants; or
      (ii) If he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
         (1) He must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or
         (2) He must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
      (iii) Fulfils such other requirements as prescribed or approved by Bursa Malaysia.

2. The Members of the Audit Committee shall elect a Chairman from among their number who shall be an Independent Director.

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

4. The terms of office and performance of the Audit Committee and each of its Members shall be reviewed by the Board of Directors no less than once every 3 years.

MEETINGS

1. Meetings shall be held not less than 4 times a year.

2. Upon the request of the External Auditor, the Chairman of the Audit Committee shall convene a meeting of the Committee to consider any matters the External Auditor believes should be brought to the attention of the Directors or Shareholders. The External Auditor has the right to appear and be heard at any meeting of the Audit Committee and shall appear before the Committee when required to do so by the Committee.

3. The Chairman shall convene a meeting whenever any Member of the Audit Committee requests for a meeting.

4. Written notice of the meeting together with the agenda shall be given to the Members of the Audit Committee and the External Auditor, where applicable.

5. The quorum for a meeting shall be 2 Provided Always that the majority of Members present must be Independent Directors and any decision shall be by a simple majority. The Chairman shall not have a casting vote.

6. The other Board Members, Accounts Manager, the Head of Internal Audit (if any), any employee of the Company and a representative of the External Auditors may be invited to attend meetings. If necessary, the Audit Committee shall meet with the External Auditors without any Executive Board Member present.

7. The Company Secretary shall be the secretary of the Audit Committee.

Audit Committee Report (Cont'd)

2. TERMS OF REFERENCE OF AUDIT COMMITTEE (Cont'd)

AUTHORITY

The Audit Committee is authorised by the Board of Directors to:

a) Investigate any activity within its terms of reference.
b) Seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee.
c) Obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

The Audit Committee shall have direct access to the External Auditor and person(s) carrying out the internal audit function or activity and be able to convene meetings with the External Auditor, Internal Auditor or both, excluding the attendance of other members of the Board and employees of the Company, whenever necessary.

The Audit Committee shall be empowered to appoint and remove the Internal Auditor. The internal audit function shall report directly to the Audit Committee.

DUTIES

The duties of the Audit Committee shall be:

1. To recommend the nomination of a person or persons as External Auditors.

2. To review the following and report the same to the Board of Directors:-

    a. With the External Auditor, the audit plan;
    b. With the External Auditor, his evaluation of the system of internal controls;
    c. With the External Auditor, his audit report;
    d. The assistance given by the employees of the Company to the External Auditor;
    e. The adequacy of the scope, functions, competency and resources of the Internal Audit functions and that it has the necessary authority to carry out its work;
    f. The Internal Audit programme, processes, the results of the Internal Audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the Internal Audit function;
    g. The quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
        i) Changes in or implementation of major accounting policy changes;
        ii) Significant and unusual events; and
        iii) Compliance with accounting standards and other legal requirements;
    h. Any related party transaction and conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions of management integrity;
    i. Any letter of resignation from the External Auditors of the Company; and
    j. Whether there is reason (supported by grounds) to believe that the Company's External Auditor is not suitable for re-appointment; and

3. To discuss problems and reservations arising from the interim and final audits, and matters the External Auditor may wish to discuss (in the absence of management where necessary).

4. To keep under review the effectiveness of internal control systems, and in particular review the External Auditor's management letter and management's response.

5. To consider other topics, as agreed to by the Audit Committee and the Board of Directors.

2. TERMS OF REFERENCE OF AUDIT COMMITTEE (Cont'd)

PROCEDURES

Each Audit Committee may regulate its own procedure and in particular the calling of meetings, the notice to be given of such meetings, the voting and proceedings thereat, the keeping of minutes and the custody, production and inspection of such minutes.

3. AUDIT COMMITTEE MEETING

During the financial year ended 31 December 2007, four (4) Audit Committee Meetings were held. Details of the attendance of each Committee Member are as follows:-

Name of Audit Committee Member	Attendance
Col. (Rtd.) Dato' Ir. Cheng Wah (Chairman)	4 of 4
Soo Wei Chian	4 of 4
Mohamed Razif Bin Tan Sri Abdul Aziz	4 of 4
Lim Keng Kee (Appointed on 14 November 2007)	0 of 0
Airique Soo Chung Yee (Appointed on 28 May 2007; Resigned on 18 December 2007)	2 of 2
Noorhamimah Binti Mohd. Baseri (Resigned on 1 August 2007)	2 of 2
Wong Chee Kheen (Resigned on 3 May 2007)	1 of 1
Y.M. Raja Zainal Abidin Bin Raja Hussin (Resigned on 13 February 2007)	0 of 0

4. ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 December 2007, the activities of the Audit Committee included the following:

a. Reviewed and recommended for Board approval the quarterly financial results for public announcement.
b. Reviewed and discussed with the External Auditors the audit planning memorandum before commencement of the year end audit.
c. Reviewed and discussed the External Auditors' findings during the course of their year end audit and the management's response.
d. Reviewed and recommended for Board approval the Group's audited financial year end statement.
e. Reviewed the related party transactions that had arisen within the Company and Group.
f. Reviewed the internal audit reports.
g. Convened meetings with the External Auditor excluding the attendance of the Executive Members of the Audit Committee. Two of such meetings were held during the financial year.

5. INTERNAL AUDIT

The Internal Audit function involves the implementation of independent and systematic reviews of the processes and guidelines of the Group and the reporting of their application and compliance to the Audit Committee and Board of Directors. The Internal Audit function also involves the reporting of the state of internal control of the various operations within the Group and the extent of compliance with the established policies and procedures and the suggestion of any additional improvement opportunities in the areas of internal control, systems and efficiency improvement.

During the financial year ended 31 December 2007, the following Internal Audit activities were carried out:-

a. Mapping of the current state of procedures and process.
b. Testing, evaluating and identifying potential areas that lack internal control.
c. Analysing and assessing certain key operation processes, report findings and make recommendation for improvements.
d. Reviewing compliance with established policies and procedures, as well as assessing the adequacy and effectiveness of the Group's internal control.
e. Performing ad-hoc task as requested by the Audit Committee.

Statement of Corporate Governance

BOARD OF DIRECTORS

A. The Board

The Board leads and controls the Group. The Board is bestowed with the duty and responsibility to ensure the interests of the shareholders are protected.

Where appropriate, formal structures and committees are in place to facilitate the Board in carrying out its duties. All Board committees report to the Board.

The Board meets on a regular and scheduled basis, at least 4 times a year.

B. Composition and Board Balance

The Board comprises 6 members to reflect the interests of the major shareholders, management, and minority shareholders.

The Chairman, who is a Non Independent Non Executive Director, heads the Board with an Executive Director and 4 Independent Non Executive Directors.

The Directors together bring a wide range of business, financial, industrial and legal experience to lead the Group in the area of business strategies, performance, utilization of resources and standards of conduct.

Generally, the Executive Director is responsible for carrying out the day to day operational functions while the Non Executive Directors will play the supporting role by contributing their knowledge and experience in the business strategic plans.

Where areas of conflict of interest arise, the Director concerned will have to declare his interest and abstain from participating in the decision making process.

The Board also set up a Management Council to assist the Board in the management of the operations of the Group. The Management Council is responsible to review the performance of the Group operations and any other pertinent issues pertaining to the performance of the Group.

C. Supply of Information

A Board report is prepared prior to the Board meeting and sufficient notice is given to the Directors to review the papers and agenda for the meeting.

Generally, the Board papers provide information on the operating results, financial, corporate development, minutes of Board Committees, acquisitions and disposals proposals, if any.

In furtherance of the Directors' duties, all members, either as full Board or in their individual capacities, will have access to all information of the Group.

Directors are also free to seek independent advice should the need arise and have direct access to the advice and services of the Company Secretary.

D. Appointments to the Board

In compliance with the Malaysian Code of Corporate Governance on the appointment of Directors, the Board has on 27th November 2001 set up a Nomination Committee to advise the Board on the nomination of new Board members and assess Directors on an ongoing basis.

The Nomination Committee comprises Mr. Soo Thien Ming, En. Mohamed Razif Bin Tan Sri Abdul Aziz and Mr. Soo Wei Chian. Mr. Soo Thien Ming is the Chairman of the Nomination Committee.

The Committee shall make recommendations to the Board on the appropriate appointments of new Directors and also to fill seats on committees of the Board.

BOARD OF DIRECTORS (Cont'd)

D. Appointments to the Board (Cont'd)

In addition, the Nomination Committee assess the contribution of individual Board members the effectiveness of the Board, and the committees of the Board.

The duties and responsibilities are spelt out in the Terms of Reference of the Nomination Committee.

E. Re-election

In accordance to the Company's Articles of Association, an election of Directors shall take place each year at an Annual General Meeting and all Directors shall retire from office once at least in every 3 years. In addition, a Director who attains the age over 70 retires at every Annual General Meeting pursuant to the Companies Act, 1965. Directors appointed by the Board are subject to retirement at the next Annual General Meeting held following their appointments in accordance with the Company's Articles of Association. All retiring Directors are eligible for re-election.

DIRECTORS' TRAINING

During the financial year, certain Directors have attended trainings in a various areas to enhance their skills so as to contribute more effectively to the Company. Directors who have not attended any formal training during the financial year, are well-informed of the latest developments on the various relevant rules and regulations as all Directors were updated by the Management, by providing them with reading materials on such new developments. Mr. Lim Keng Kee, who was appointed on 14 November 2007, has completed the Mandatory Accreditation Programme in compliance with the requirements of Bursa Malaysia.

DIRECTORS' REMUNERATION

The Board set up the Remuneration Committee on 27th November 2001 to review the policy and make recommendations to the Board on the remuneration package and benefits annually as accorded to the Executive Directors. The Executive Directors shall not participate in the decision makings relating to their own remunerations.

The members of the Remuneration Committee comprises Mr. Soo Thien Ming, Mr. Soo Chung Yee and Mr. Soo Wei Chian. Mr. Soo Thien Ming is the Chairman of the Committee.

Fees payable to the Directors are recommended by the Board with the approval from shareholders at the Annual General Meeting.

Generally, the remuneration package will be structured according to the skills, experience and performance of the Executive Directors to ensure the Group attracts and retains the Directors needed to run the Group successfully, whereas the remuneration package for the Non Executive Directors will hinge on their contribution to the Group in terms of their knowledge and experience.

The breakdown of the Directors' remuneration including the estimated monetary value of benefit in kind for the financial year under review is disclosed in Note 25(a) to the financial statements.

SHAREHOLDERS

Dialogue between the Group and Investors

The Group recognizes the importance of accountability to the shareholders and as such conveys information on the Group's performance, directions, other matters of interest to the shareholders by way of annual reports, relevant circulars, public announcements and the issuance of press releases.

Statement of Corporate Governance (Cont'd)

SHAREHOLDERS (Cont'd)

Annual General Meeting

Annual General Meeting is used as a primary mode of communication to report on the Group's performance. Notice of Annual General Meeting is issued 21 days before the date of meeting.

At the Annual General Meeting, shareholders are encouraged to raise any questions pertaining to any issues regarding the Group.

The Chairman, assisted by the Directors are available to answer any queries and discuss matters pertaining to the business activities of the Group.

ACCOUNTABILITY AND AUDIT

Financial Reporting

In preparing the annual financial statements and quarterly announcements, the Directors take steps to ensure a clear, balanced and understandable assessment of the Group's positions and prospects.

The Statement by Directors pursuant to section 169 of the Companies Act, 1965 is set out on page 67 of this Annual Report.

Internal controls

The Board recognizes its responsibilities to maintain a sound system of internal controls to safeguard shareholders investment and Group's assets.

The review of the system of internal control is set out under the Statement of Internal Control set out on page 13 of this Annual Report.

Audit Committee / Relationship with Auditors.

The Audit Committee works closely with the external auditors and maintains a transparent professional relationship with them.

A summary of the activities of the Audit Committee during the year are set out in the Audit Committee Report on pages 7 to 9 of this Annual Report.

Employees' Share Option Scheme ("ESOS") Committee

The ESOS Committee was formed in 2004 in accordance with the Bye-Laws to administer the Company's ESOS.

The ESOS Committee comprises Mr. Soo Thien Ming, Mr. Soo Chung Yee and Mr. Soo Wei Chian. Mr. Soo Thien Ming is the Chairman of the ESOS Committee.

The ESOS Committee may, at its sole and absolute discretion at any time during the duration of the ESOS, make offers to selected eligible employees based on the criteria for allotment as set forth in the Bye-Laws. The ESOS Committee must ensure that the allocation of options is verified by the Audit Committee.

Statement of Internal Control

BOARD RESPONSIBILITY

The Board of Directors recognises its overall responsibility for maintaining the Group's system of Internal Control and risk management to safeguard shareholders' investment and the Group's assets, as well as for reviewing the adequacy and integrity of the internal control system. Due to limitations inherent in any system of internal control, it is important to note that the system is designed to manage rather than eliminate risk of failure to achieve corporate objectives. Therefore, the system can only provide reasonable and not absolute assurance against material misstatement or loss.

RISK MANAGEMENT

The Board also recognises that risk management should be an integral part of the Group culture and is a continuous on going process of identifying, evaluating, minimising and managing of risk. The management is responsible for creating risk awareness culture and to build the necessary environment for effective risk management. In addition, the Heads of Department are responsible for managing the risk of their department on a day to day basis. Significant issues related to internal controls and risk management are highlighted to the Board. If deemed necessary, assistance from external parties shall be consulted on issues in which the Board needs to seek an opinion.

KEY ELEMENTS OF INTERNAL CONTROLS

Key elements of the Group's internal controls that have been in place include the following:

1. The Group has a well defined organisation structure with clear lines of reporting, responsibilities and level of authority.
2. There are clear definition of authorisation procedure for major operating functions including purchases, capital expenditures, payment, credit control and stock control. Authority of the Directors is required for key treasury matters including loan and trade financing, cheque signatories and opening of bank accounts.
3. There is a budgeting and business planning process each year to establish plans and targets for each operating units. The performance of each operating unit is monitored through monthly reports.
4. The Group's management team meets regularly to review and monitor the business development, discuss and resolve key operational and management issues and review the financial performance against the business plan and budget for each operating units within the Group.

   The management also regularly highlights the significant issues and changes in the business, major policy matters, external environment affecting the Group and financial performance of each operating unit to the Board of Directors and Audit Committee.
5. Adequate financial and operational information systems are in place to capture and present timely and pertinent business information.
6. The Audit Committee reviews the quarterly financial results and yearly audited financial statements prior to the approval by the Board of Directors.
7. The Audit Committee also reviews the internal auditor's reports and monitors the status of the implementation of corrective actions to address internal control weaknesses.
8. In addition to the internal controls, the Board of Directors and management have ensured that safety and health regulations have been considered and complied with.
9. The Company was accredited ISO 9002 since 1996 and upgraded to MS ISO 9001 : 2000 quality management systems since year 2002. Documented internal procedures and standard operating procedures have been put in place and surveillance audits are conducted by the assessors of the ISO certification body to ensure that the system is adequately implemented.
10. Strong emphasis is also given to food safety. The Company was accredited the Hazard Analysis Critical Control Point (HACCP) system certification since year 2000 and upgraded to Integrated Quality Management & HACCP System certificate since 2002. Good Manufacturing Practice is documented and practiced to ensure food safety.
11. In ensuring each operating unit is functioning efficiently, much emphasis is placed on personnel employed. The professionalism and competence of the staff are maintained through a structural recruitment process, performance appraisal system and wide variety of training and development programs.

This Statement of Internal Control had been reviewed by the External Auditor.

Directors' Responsibility Statement and Other Information

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors is required under Paragraph 15.27(a) of the Listing Requirements of the Bursa Malaysia Securities Berhad to issue a statement explaining their responsibility for preparing the annual audited financial statements.

The Directors are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the financial year end and of the results and cashflows of the Company and of the Group for the financial year then ended.

The Directors consider that, in preparing the financial statements of the Company and of the Group for the financial year ended 31 December 2007 as set out herein on pages 22 to 66 of this Annual Report, the Company and the Group have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors also consider that all applicable approved accounting standards in Malaysia have been followed and confirm that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the provisions of the Companies Act, 1965.

The Directors are also responsible for taking such steps that are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

OTHER INFORMATION

Sanctions and/or Penalties

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

Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving Directors and substantial shareholders.

Non-Audit Fees

There were no non-audit fees paid to the Auditors, Messrs. Baker Tilly Monteiro Heng (formerly known as Messrs. Monteiro & Heng), or a firm or company affiliated to them, during the financial year.

Utilisation of Proceeds

The Company did not implement any fund raising exercise during the financial year.

Share Buy-Backs

The Company did not make any share buy-back during the financial year.

Options and Warrants

During the financial year 2004, the Company issued 19,845,000 free detachable warrants ("Warrants") at an exercise price of RM1.74 and the period of the Warrants is five years from the date of issuance of the Warrants. None of the Warrants was exercised during the financial year.

The Company also implemented an Employees' Share Option Scheme ("ESOS") during the financial year 2004 which shall be in force for a period of five years from the date of the implementation of the ESOS with an option to renew for a further period of up to five years. No ESOS was exercised during the financial year.

American Depository Receipt ("ADR") or Global Depository Receipt ("GDR")

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

Variation in Results

There was no material variation between the audited results for the financial year ended 31 December 2007 and the unaudited results previously released for the financial quarter ended 31 December 2007.

Profit Guarantee

The Company did not make any arrangement during the financial year which requires profit guarantee.

Recurrent Related Party Transaction of a Revenue Nature

There was no recurrent related party transaction of a revenue nature which requires Shareholders' mandate during the financial year.

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the 33rd Annual Report and the Audited Financial Statements of Hwa Tai Industries Berhad and its group of companies for the financial year ended 31 December 2007.

BUSINESS ENVIRONMENT

The business climate in the year under review has been most testing, with the sharp price increase across a range of commodities and also uncertainties arising from the global economy. These had taken a toll on the Group's result.

FINANCIAL REVIEW

These challenges in the business climate had pushed the Group to strive harder and albeit these difficulties, the Group managed to record a higher turnover of RM71.05 million for the 2007 financial year, a 3% jump from the previous financial year.

These pressures especially from the escalating prices of raw material had resulted in the Group suffering a pre-tax loss of RM1.89 million against a profit in the previous financial year.

CORPORATE DEVELOPMENTS

The Company's participation in 48% equity interest in Shan Dong Yingerle Hwa Tai Food Industry Co. Ltd. (formerly Yantai Baby-joy Group (Qingyun) Co., Ltd.), a company involved in the manufacturing of confectionery and other food products in China, has begun to show results and contributed a small profit of RM12,222/-.

CORPORATE SOCIAL RESPONSIBILITY

It is the Hwa Tai Group's policy to be a responsible corporate organization, generating positive impact on the community we operate in and on the environment around us. We strive to provide customers with the highest quality of our products. Not forgetting our responsibility towards the less fortunate in our society, we have also carried out various social welfare activities throughout the year. Our employees are also constantly reminded and encouraged to participate in conserving energy and resources, whenever possible.

OUTLOOK AND FUTURE PROSPECTS

Although the impact on the economy of Malaysia by external factors, such as the impending slowdown of the US economy and rising commodity prices, would cause some concerns, the outlook of the domestic economy remains positive with expected growth to be driven mainly by the domestic demand, thanks to the economic initiatives by the Malaysian Government such as the Ninth Malaysian Plan. With this, the Group is cautiously optimistic that it will perform better in year 2008.

ACKNOWLEDGEMENT

Since the last Annual General Meeting in June 2007, there were a couple of changes on the Board of Directors. The Board and I are pleased to welcome Mr. Lim Keng Kee who was appointed as Independent Director on 14 November 2007. Cik Noorhamimah Binti Mohd. Baseri has resigned as Independent Director on 1 August 2007 and the Board wishes to record its appreciation for her invaluable contributions and guidance to the Group.

On behalf of the Board, I wish to thank our customers, suppliers, distributors, bankers, business associates and regulatory authorities, all of whom the Group is ever dependent on.

To all employees of the Group, we express our gratitude and appreciation for your dedication, loyalty and care for the well-being of the Hwa Tai Group.

Finally, the Board wishes to express its deep appreciation to all shareholders for your continued support.

SOO THIEN MING @ SOO THIEN SEE
Chairman

5 June 2008

Directors' Report

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31st December 2007.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of a biscuit manufacturer and investment holding. The principal activities of the subsidiary companies and the associated company are disclosed in Note 7 and Note 8 to the financial statements.

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

RESULTS

	Group RM	Company RM
Loss for the financial year	(1,229,162)	(1,220,906)
Attributable to:-		
Equity holders of the Company	(1,229,162)	(1,220,906)
Minority interests	–	–
	(1,229,162)	(1,220,906)

DIVIDENDS

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

The directors do not recommend the payment of any dividend in respect of the financial year ended 31st December 2007.

RESERVES AND PROVISIONS

All material transfers to and from reserves and provisions during the financial year have been 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 proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or making of allowance for doubtful debts 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, other than debts, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company had been written down to an amount that they might be expected to realise.

At the date of this report, the directors are not aware of any circumstances that 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 methods 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 and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, or

(ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year, other than as disclosed in Note 30 to the financial statements.

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

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, that would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

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, in the opinion of the directors, 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 AND DEBENTURES

The Company has not issued any shares or debentures during the financial year.

EMPLOYEES' SHARE OPTION SCHEME

The Company's Employees' Share Option Scheme ("ESOS") is governed by the by-laws which was approved by the shareholders at an Extraordinary General Meeting held on 16th February 2004 and subsequently amended at an Extraordinary General Meeting held on 13th December 2004 and shall be in force for a period of five (5) years from the date of implementation on 6th May 2004, with an option to renew for a further period of up to five (5) years.

The main features of the ESOS are as follows:-

(a) The maximum number of new ordinary shares in the Company which may be made available under the share options ("Options") granted pursuant to the ESOS shall not exceed fifteen percent (15%) of the issued and paid-up share capital of the Company at any one time during the duration of the ESOS, or such percentage of the issued and paid-up share capital of the Company as may be permitted by the authorities from time to time during the duration of the ESOS. The Company will for the duration of the ESOS make available sufficient number of unissued shares in the authorised share capital of the Company to satisfy all outstanding Options which may be exercisable from time to time throughout the duration of the ESOS.

EMPLOYEES' SHARE OPTION SCHEME (Cont'd)

(b) An Eligible Employee is any Director or employee of the Company or its subsidiaries ("the Group") who at the date of offer:-

(i) has attained at least eighteen (18) years of age;

(ii) is not an employee on probation nor an employee on a fixed term contract of less than two (2) years' duration, whether renewable or not;

(iii) in the case of the Director or employee of a corporation which is acquired by the Group during the duration of the ESOS and such corporation becomes a subsidiary of the Company upon completion of such acquisition, the Director or employee must not be an employee on probation nor an employee on a fixed term contract of less than two (2) years' duration, whether renewable or not, following the date that such corporation becomes or is deemed to be a subsidiary of the Company;

(iv) is not a participant of any other employees share option scheme implemented by any other corporation within the Group and which is in force for the time being;

(v) the Executive Director or employee has attained the mandatory retirement age of fifty five (55) years old and has served for a continuous period of at least one (1) year in any corporation in the Group prior to attaining the said mandatory retirement age, and has been subsequently offered continued employment with such corporation for a minimum period of one (1) year and at the time of consideration for the offer, he continues to be so employed.

No Eligible Employee of the Group shall participate at any time in more than one (1) employee share option scheme implemented by any corporation within the Group.

(c) Basis of allotment and maximum allowable allotment to eligible employees:-

(i) The aggregate number of Options to be offered to any Eligible Employee in accordance with the ESOS shall be determined at the discretion of the ESOS Committee, subject to the maximum allowable limits for the category corresponding to his/her position.

(ii) Subject always to the directive, policies, instructions and guidelines of the relevant authorities and all applicable laws, not more than fifty percent (50%) of the Options available under the ESOS shall be allocated in aggregate to Directors and senior management of the Group but not more than ten percent (10%) of the Options available under the ESOS shall be allocated to any individual Eligible Employee of the Group who either singly or collectively through persons connected with the Eligible Employee holds twenty percent (20%) or more in the issued and paid-up share capital of the Company.

(iii) In the event that an Eligible Employee is promoted, the maximum allowable limit applicable to such Eligible Employee shall, upon such promotion, be the maximum allowable limit for the category corresponding to his/her new grade.

(iv) Notwithstanding the above, the number of Options to be offered to each Eligible Employee shall be at the sole and absolute discretion of the ESOS Committee, subject to each Eligible Employee's maximum allowable limit. In exercising its discretion in considering the number of Options to be offered, the ESOS Committee shall take into consideration (inter alia) the seniority, position, performance and length of service of each Eligible Employee. The decision of the ESOS Committee shall be final and binding.

(d) The price at which a grantee is entitled to subscribe for each new share shall be based on the weighted average market price of the ordinary shares of the Company as shown in the daily official list issued by Bursa Malaysia Securities Berhad for the five (5) market days immediately preceding the offer date, subject to a discount of not more than ten percent (10%) or at the par value of the shares, whichever is higher.

EMPLOYEES' SHARE OPTION SCHEME (Cont'd)

(e) The Options granted to a grantee under the ESOS is, subject to the provisions of By-Law 17 (Termination and/or Suspension of Exercise of Options), exercisable only by that grantee during his/her lifetime and whilst he/she is in the employment of the Group and within the option period.

Upon acceptance of an offer, the grantee may during the option period exercise the Options, during normal business hours on a market day in such manner and subject to such conditions as are stipulated in the offer letter, provided always that the exercise of the Options shall be subject to the following limits, save as otherwise expressly provided:-

Number of Option Shares Granted	Maximum Percentage of Option Shares Exercisable by the Selected Eligible Employee within each particular year of the Option Period*		
	Year 1	Year 2	Year 3 onwards
Below 20,000	100%	–	–
20,000 and above	60%**	80%	100%

* Cumulative
** 60% or 20,000 Option Shares, whichever is the higher

Options exercisable in a particular year but not exercised may be carried forward to the subsequent years provided that no Options shall be exercised beyond the last day of the option period. Any Options that remain unexercised at the expiry of the option period shall automatically lapse and be null and void and be of no further force and effect.

(f) The new shares to be allotted and issued upon any exercise of an Option shall upon such allotment and issuance rank pari passu in all respects with the then existing issued and fully paid-up share capital of the Company, save and except that they will not be entitled to any dividend rights, allotments and/or other distributions, declared, made or paid to shareholders the entitlement date of which precedes the relevant date of allotment of the new shares and will be subject to all the provisions of the Articles of Association of the Company relating to voting, transfer, transmission and otherwise of the shares.

The summary movement in the options exercisable by the Eligible Employees during the financial year to take up unissued ordinary shares of RM1/- each at the option price of RM1.3138 per share were as follows:-

	Options Exercisable Over Ordinary Shares of RM1/- each				
Total Option Granted	Exercisable At 1.1.2007	Additional Exercisable	Exercised	Lapsed	Exercisable At 31.12.2007
3,222,000	892,700	–	–	329,900	562,800

On 7th April 2008, the Company was granted an exemption by the Companies Commission of Malaysia from having to disclose the details of options holders who have been granted options in aggregate of less than 80,000 options. The details of the option holders granted options in aggregate of 80,000 and above during the financial year are set out below:-

		Options Exercisable Over Ordinary Shares of RM1/- each				
	Total Options Granted	Exercisable at 1.1.2007	Additional Exercisable	Exercised	Lapsed	Exercisable At 31.12.2007
Tai Chee Moi	100,000	100,000	–	–	100,000	–
Chia Seor Boay	80,000	79,000	–	–	–	79,000

WARRANTS 2004/2009

In the financial year 2004, the Company issued 19,845,000 free detachable warrants. The detachable warrants carry the rights to subscribe for 1 new ordinary share of RM1/- each at the exercise price of RM1.74 within the exercisable period of five (5) years from the date of the issuance of the warrants.

Upon the expiry of the exercise period, any unexercised warrants will lapse and cease to be valid for any purpose.

As at the end of the financial year, no exercise of warrants had taken place.

DIRECTORS

The directors in office since the date of the last report are:-

Soo Thien Ming @ Soo Thien See	
Soo Chung Yee	
Col. (Rtd.) Dato' Ir. Cheng Wah	
Soo Wei Chian	
Mohamed Razif Bin Tan Sri Abdul Aziz	
Lim Keng Kee	- appointed on 14.11.2007
Wong Chee Kheen	- resigned on 3.5.2007
Noorhamimah Binti Mohd Baseri	- resigned on 1.8.2007

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of those directors who held office at the end of the financial year in shares, warrants and options in the Company during the financial year ended 31st December 2007 are as follows:-

	Number of ordinary shares of RM1/- each			
	At 1.1.2007	Bought	Sold	At 31.12.2007
Soo Thien Ming @ Soo Thien See				
- direct	11,036,827	1,214,200	–	12,251,027
Soo Chung Yee				
- direct	36,000	–	(36,000)	–
Col. (Rtd) Dato' Ir. Cheng Wah				
- direct	20,000	–	–	20,000

	Number of warrants for shares of RM1/- each, exercisable at RM1.74 per share			
	At 1.1.2007	Offered/ Bought	Exercised/ Sold	At 31.12.2007
Soo Thien Ming @ Soo Thien See				
- direct	2,977,123	–	–	2,977,123

Soo Thien Ming @ Soo Thien See is deemed to have an interest in the shares held by the Company in its related corporations by virtue of his controlling interest in the Company.

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in shares, warrants or options 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 a benefit (other than as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company or any of its related corporations a party to any arrangement whose object was 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 apart from the Directors' entitlements to subscribe for new ordinary shares in the Company under the ESOS of the Company.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 34 to the financial statements.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng, formerly known as Monteiro & Heng, have expressed their willingness to continue in office.

On behalf of the Board,

SOO THIEN MING @ SOO THIEN SEE
Director

SOO CHUNG YEE
Director

Kuala Lumpur
21st April 2008

Balance Sheets As at 31 December 2007

	Note	GROUP 2007 RM	GROUP 2006 RM	COMPANY 2007 RM	COMPANY 2006 RM
ASSETS					
Non-currents assets					
Property, plant and equipment	4	**18,920,423**	21,671,991	**17,846,041**	17,309,090
Investment properties	5	**4,972,490**	5,853,261	**4,972,490**	7,445,918
Prepaid land lease payments	6	**1,484,037**	1,275,793	**754,863**	525,059
Investment in subsidiary companies	7	**–**	–	**5,837,072**	5,837,072
Investment in an associate	8	**1,803,679**	–	**1,791,457**	–
Amount owing by subsidiary companies	9	**–**	–	**407,869**	416,498
Goodwill on consolidation	10	**–**	–	**–**	–
		27,180,629	28,801,045	**31,609,792**	31,533,637
Current assets					
Inventories	11	**5,453,951**	4,408,063	**4,693,349**	3,687,474
Trade and sundry receivables	12	**29,498,099**	22,091,630	**22,981,624**	14,977,492
Tax recoverable		**621,399**	587,212	**551,492**	525,710
Amount owing by subsidiary companies	9	**–**	–	**15,644,637**	16,360,286
Cash and bank balances		**1,875,203**	517,565	**1,236,026**	108,507
		37,448,652	27,604,470	**45,107,128**	35,659,469
Non-current asset held for sale	13	**365,539**	–	**–**	–
		37,814,191	27,604,470	**45,107,128**	35,659,469
TOTAL ASSETS		**64,994,820**	56,405,515	**76,716,920**	67,193,106
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	14	**40,042,400**	40,042,400	**40,042,400**	40,042,400
Capital reserve	15	**7,664**	7,664	**7,664**	7,664
Accumulated losses		**(25,562,664)**	(24,333,502)	**(5,269,357)**	(4,048,451)
Shareholders' funds		**14,487,400**	15,716,562	**34,780,707**	36,001,613
Minority interest		**–**	–	**–**	–
Total Equity		**14,487,400**	15,716,562	**34,780,707**	36,001,613

Balance Sheets (Cont'd)

	Note	GROUP 2007 RM	GROUP 2006 RM	COMPANY 2007 RM	COMPANY 2006 RM
Non-currents liabilities					
Hire purchase liabilities	16	**321,136**	533,073	**321,136**	413,418
Term loans	17	**–**	185,897	**–**	–
Deferred taxation	18	**–**	664,566	**–**	593,573
		321,136	1,383,536	**321,136**	1,006,991
Current liabilities					
Trade and sundry payables	19	**27,721,341**	20,215,187	**19,020,431**	13,221,316
Amount owing to a subsidiary company	20	**–**	–	**376,896**	399,003
Hire purchase liabilities	16	**207,606**	409,513	**207,606**	312,377
Provisions	21	**1,285,847**	821,070	**1,285,847**	533,172
Short term borrowings	22	**17,531,000**	15,552,350	**17,531,000**	13,718,833
Term loans	17	**91,129**	149,832	**–**	–
Tax payable		**156,064**	157,664	**–**	–
Bank overdrafts	23	**3,193,297**	1,999,801	**3,193,297**	1,999,801
		50,186,284	39,305,417	**41,615,077**	30,184,502
Total liabilities		**50,507,420**	40,688,953	**41,936,213**	31,191,493
TOTAL EQUITY AND LIABILITIES		**64,994,820**	56,405,515	**76,716,920**	67,193,106

The accompanying notes form an integral part of these financial statements.

Income Statements For the year ended 31 December 2007

	Note	GROUP 2007 RM	GROUP 2006 RM	COMPANY 2007 RM	COMPANY 2006 RM
REVENUE	24	**71,049,716**	69,111,910	**57,007,340**	50,184,594
Cost of sales		**(61,729,091)**	(57,966,978)	**(49,857,225)**	(41,222,191)
GROSS PROFIT		**9,320,625**	11,144,932	**7,150,115**	8,962,403
Other operating income		**2,556,187**	5,064,354	**514,298**	670,158
Selling and distribution expenses		**(4,702,053)**	(6,041,091)	**(3,804,136)**	(3,679,600)
Administrative expenses		**(7,791,153)**	(6,490,810)	**(4,509,322)**	(4,189,232)
OPERATING (LOSS)/PROFIT	25	**(616,394)**	3,677,385	**(649,045)**	1,763,729
Share of results in an associate		**12,222**	–	**–**	–
Finance costs	26	**(1,288,815)**	(1,290,377)	**(1,164,640)**	(937,964)
(LOSS)/PROFIT BEFORE TAXATION		**(1,892,987)**	2,387,008	**(1,813,685)**	825,765
Taxation	27	**663,825**	(261,870)	**592,779**	(266,703)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		**(1,229,162)**	2,125,138	**(1,220,906)**	559,062
Attributable to:					
Equity holders of the Company		**(1,229,162)**	2,125,138	**(1,220,906)**	559,062
Minority interest		**–**	–	**–**	–
		(1,229,162)	2,125,138	**(1,220,906)**	559,062
(Loss)/Earnings per ordinary share (sen)	28				
- basic		**(3)**	5		
- diluted		**(3)**	5		

The accompanying notes form an integral part of these financial statements.

Statements of Changes in Equity For the year ended 31 December 2007

GROUP

	Attributable to Equity Holders of the Company				
	Share Capital RM	**Non-distributable Capital Reserve RM**	**Accumulated Losses RM**	**Minority Interest RM**	**Total RM**
At 1st January 2006	40,042,400	7,664	(26,458,640)	–	13,591,424
Profit for the financial year	–	–	2,125,138	–	2,125,138
At 31st December 2006	40,042,400	7,664	(24,333,502)	–	15,716,562
Loss for the financial year	–	–	(1,229,162)	–	(1,229,162)
At 31st December 2007	**40,042,400**	**7,664**	**(25,562,664)**	**–**	**14,487,400**

COMPANY

	Share Capital RM	**Non-distributable Capital Reserve RM**	**Accumulated Losses RM**	**Total RM**
At 1st January 2006	40,042,400	7,664	(4,607,513)	35,442,551
Profit for the financial year	–	–	559,062	559,062
At 31st December 2006	40,042,400	7,664	(4,048,451)	36,001,613
Loss for the financial year	–	–	(1,220,906)	(1,220,906)
At 31st December 2007	**40,042,400**	**7,664**	**(5,269,357)**	**34,780,707**

The accompanying notes form an integral part of these financial statements.

Cash Flow Statements For the year ended 31 December 2007

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
CASH FLOWS FROM OPERATING ACTIVITIES:				
(Loss)/profit before taxation	**(1,892,987)**	2,387,008	**(1,813,685)**	825,765
Adjustments for:				
Allowance for doubtful debts	**1,623,345**	69,724	**315,041**	–
Allowance for doubtful debts no longer required	**(32,482)**	(2,004,276)	**–**	(71,683)
Allowance for inventories obsolescence	**–**	66,184	**–**	66,184
Allowance for inventories obsolescence no longer required	**(916,466)**	(1,031,844)	**–**	(749,434)
Amortisation of prepaid land lease payments	**39,031**	33,998	**17,471**	12,306
Bad debts written off	**11,301**	2,165	**–**	–
Bad debts recovered	**(17,063)**	–	**–**	–
Depreciation				
- property, plant and equipment	**2,278,387**	2,473,712	**1,984,804**	1,962,993
- investment properties	**63,235**	69,136	**58,986**	119,369
Impairment on goodwill	**–**	23,542	**–**	–
Gain on disposal of property, plant and equipment	**(826,154)**	(1,538,942)	**(465)**	–
Gain on disposal of investment properties	**(22,207)**	–	**(22,207)**	–
Inventories written off	**–**	5,111	**–**	–
Loss on disposal of investment properties	**–**	16,636	**–**	16,636
Interest income	**(1,611)**	(1,408)	**(1,611)**	(1,408)
Interest expenses	**1,288,815**	1,290,377	**1,164,640**	937,964
Property, plant and equipment written off	**54,474**	6,198	**–**	6,198
Provision for expenses	**1,745,332**	3,830,573	**1,745,332**	3,562,539
Share of results in an associate	**(12,222)**	–	**–**	–
	3,382,728	5,697,894	**3,448,306**	6,687,429
Changes In Working Capital:				
Inventories	**(129,422)**	1,465,897	**(1,005,875)**	1,162,516
Receivables	**(8,991,570)**	(820,014)	**(8,319,173)**	(2,926,319)
Payables	**7,506,154**	(1,172,081)	**5,799,115**	(3,119,056)
Balances with subsidiary companies	**–**	–	**1,362,852**	6,795,073
Utilisation of provision for expenses	**(1,280,555)**	(4,249,831)	**(992,657)**	(3,985,886)
	487,335	921,865	**292,568**	4,613,757
Interest paid	**(202,901)**	(93,655)	**(202,901)**	(78,933)
Tax paid	**(36,528)**	(49,278)	**(26,576)**	(29,580)
Net Operating Cash Flow	**247,906**	778,932	**63,091**	4,505,244

Cash Flow Statements (Cont'd)

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property, plant and equipment *	**(519,140)**	(734,980)	**(375,638)**	(693,321)
Purchase of investment properties	**(260,000)**	(482,090)	**(260,000)**	(482,090)
Investment in subsidiary	**–**	–	**–**	(249,998)
Investment in an associate	**(1,791,457)**	–	**(1,791,457)**	–
Proceeds from disposal of property, plant and equipment	**1,985,930**	7,475,503	**38,722**	–
Proceeds from disposal of investment properties	**265,000**	264,112	**265,000**	264,112
Interest received	**1,611**	1,408	**1,611**	1,408
Net Investing Cash Flow	**(318,056)**	6,523,953	**(2,121,762)**	(1,159,889)
CASH FLOW FROM FINANCING ACTIVITIES:				
Repayment of short term borrowings	**1,978,650**	(4,622,650)	**3,812,167**	(2,740,167)
Net repayment to subsidiary companies	**–**	–	**(660,681)**	(106,938)
Repayment of term loans	**(244,600)**	(2,014,253)	**–**	–
Repayment of hire purchase liabilities	**(413,844)**	(784,301)	**(197,053)**	(540,444)
Interest paid	**(1,085,914)**	(1,196,722)	**(961,739)**	(859,031)
Net Financing Cash Flow	**234,292**	(8,617,926)	**1,992,694**	(4,246,580)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**164,142**	(1,315,041)	**(65,977)**	(901,225)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	**(1,482,236)**	(167,195)	**(1,891,294)**	(990,069)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**(1,318,094)**	(1,482,236)	**(1,957,271)**	(1,891,294)
ANALYSIS OF CASH AND CASH EQUIVALENTS:				
Cash and bank balances	**1,875,203**	517,565	**1,236,026**	108,507
Bank overdrafts	**(3,193,297)**	(1,999,801)	**(3,193,297)**	(1,999,801)
	(1,318,094)	(1,482,236)	**(1,957,271)**	(1,891,294)

Group

* In financial year 2006, the Group acquired property, plant and equipment amounting to RM1,236,580/- of which RM501,600/- were acquired under hire purchase instalment plans. Cash payments amounting to RM Nil were made towards the hire purchase.

Company

* In financial year 2006, the Company acquired property, plant and equipment amounting to RM1,194,921/- of which RM501,600/- were acquired under hire purchase instalment plans. Cash payments amounting to RM Nil were made towards the hire purchase.

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

1. GENERAL INFORMATION

The principal activities of the Company are that of a biscuit manufacturer and investment holding. The principal activities of the subsidiary companies are disclosed in Note 7 to the financial statements. There have been no significant changes to the nature of these principal activities during the financial year.

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

The registered office and principal place of business of the Company are both located at No. 12, Jalan Jorak, Kawasan Perindustrian Tongkang Pecah, 83010 Batu Pahat, Johor Darul Takzim.

The financial statements are expressed in Ringgit Malaysia.

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

2. SUMMARY OF ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention modified to include the revaluation of certain assets and comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards ("FRS"), the approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board. In the current financial year, the Group and the Company have adopted the new and revised FRSs that are relevant to their operations. The adoption of the new and revised FRSs does not have significant financial impact on the Group and the Company except as disclosed in Note 2.3.

2.2 Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year. The financial statements of the parent and its subsidiaries are all drawn up at the same reporting date.

Subsidiaries are entities over which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The cost of an acquisition is measured as fair value of the assets acquired, equity instruments issued and liabilities and contingent liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of the acquisition is reflected as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in income statement.

Intragroup transactions, balances and unrealised gains on transactions between the Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. SUMMARY OF ACCOUNTING POLICIES (Cont'd)

2.2 Significant Accounting Policies (Cont'd)

(a) Subsidiaries and Basis of Consolidation (Cont'd)

Minority interests represent the portion of the profit or loss and net assets of subsidiaries attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. 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 that date.

Investment in subsidiary companies is stated at cost less impairment losses, if any.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess of any further losses applicable to minority interest are charged against the Group's interest except to the extent the minority interest has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profit until the minority's share of losses previously absorbed by the Group has been recovered.

The gain or loss on disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary and is recognised in the consolidated income statement.

(b) Goodwill on Consolidation

Goodwill represents the excess of the cost of business combination over the fair value of the Group's share of the identifiable net assets at the date of acquisition.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose.

(c) Associate

Associate is an entity in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investment in associate is accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of the net assets of the associate. The Group's share of the net profit and loss of the associate is recognised in the consolidated income statement. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

2. SUMMARY OF ACCOUNTING POLICIES (Cont'd)

2.2 Significant Accounting Policies (Cont'd)

(c) Associate (Cont'd)

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associate are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for transactions and events in similar circumstances.

In the Company's separate financial statements, investment in associate is stated at cost less impairment losses.

On disposal of such investment, the difference between net disposal proceeds and their carrying amount is included in the income statement as gain or loss on disposal of investment in associate.

(d) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment loss, if any. The policy of recognition of impairment losses is in accordance with Note 2.2(t) to the financial statements. Cost includes expenditure that are directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost 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.

No depreciation is provided on the freehold land as it has infinite useful life. Capital work in progress will be depreciated when the property, plant and equipment are ready for their intended use. Depreciation of other property, plant and equipment is provided on the straight line basis to write off the cost or valuation of each asset to its residual value over their estimated useful life at the following rates:-

Freehold building	2%
Renovation	10%
Plant and machinery	5% - 10%
Office equipment, furniture and fittings and vehicles	10% - 20%

The residual values, useful life 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.

Fully depreciated assets are retained in the accounts until the assets are no longer in use.

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

2. SUMMARY OF ACCOUNTING POLICIES (Cont'd)

2.2 Significant Accounting Policies (Cont'd)

(e) Revaluation of Assets

The directors have applied the transitional provision of Financial Reporting Standards 116 Property, Plant and Equipment which allows the assets to be stated at their last revaluation amounts less depreciation.

Surpluses arising on revaluation are credited to the Revaluation Reserve Account. Any deficit arising from revaluation is charged against the Revaluation Reserve Account to the extent of a previous surplus held in the Revaluation Reserve Account for the same asset. In all other cases, a decrease in carrying amount is charged to income statement.

(f) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of investment properties are provided on the straight line basis to write off the cost of investment properties to their residual value over their estimated useful lives of the investment properties. The estimated useful lives of the investment property is as follows:-

Building 2%

No depreciation is provided on the freehold land as it has indefinite useful life.

Investment properties are derecognised when either they have been disposed off or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from their disposals. Any gains or losses on the retirement or disposal of investment properties are recognised in income statements in the year in which they arise.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value, cost being determined on the first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to completion and the estimated costs necessary to make the sale.

Raw materials, packing materials and consumable stores comprise purchase price and carriage costs. Cost of manufactured finished goods and work-in-progress include direct materials, direct labour and an allocation of manufacturing overheads.

(h) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(i) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future, whether or not billed to the Group.

2. SUMMARY OF ACCOUNTING POLICIES (Cont'd)

2.2 Significant Accounting Policies (Cont'd)

(j) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:-

– Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

– Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

(ii) Operating Leases

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and is amortised on a straight-line basis over the lease terms.

(k) Borrowing Costs

Borrowing costs directly attributable to the acquisition and the construction of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use. All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

(l) Employee benefits

(i) Short term employee benefits

Wages, salaries, social security contribution, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees.

(ii) Post-employment benefits

The Group contributes to the Employees' Provident Fund, the national defined contribution plan. The contributions are charged to the income statement in the period to which they are related. Once the contributions have been paid, the Group has no further payment obligations.

(iii) Equity compensation benefits

The Company's ESOS allows the Group's employees to acquire shares of the Company. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

2. SUMMARY OF ACCOUNTING POLICIES (Cont'd)

2.2 Significant Accounting Policies (Cont'd)

(m) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

(n) Hire Purchase

Assets financed by hire purchase arrangements which transfer substantially all the risks and ownership to the Group are capitalised as property, plant and equipment, and the corresponding obligations are treated as liabilities. The assets so capitalised are depreciated in accordance with the accounting policy on property, plant and equipment. Finance charges are charged to the income statements over the lease period so as to produce a constant period rate of interest on the remaining balance of the liability for each accounting period.

(o) Foreign Currencies

(i) Functional and presentation currency

The separate financial statements of each entity in the Group are measured using the functional currency which is the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign currency transactions and translations

Translation in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries are recorded on initial recognition in the functional currencies at exchange rate approximately those ruling at the transaction dates.

Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at the rates ruling at the balance sheet date. All exchange differences are taken to the income statement.

Non monetary items are measured in term of historical cost in a foreign currency or translated using the exchange rates as at the date of the initial transaction. Non monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.

(p) Income Tax

The tax expense in the income statement represents the aggregate amount of current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credit can be utilised. 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 time of the transaction, affects neither accounting profit nor taxable profit.

2. SUMMARY OF ACCOUNTING POLICIES (Cont'd)

2.2 Significant Accounting Policies (Cont'd)

(p) Income Tax (Cont'd)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(q) Revenue Recognition

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Interest income, rental income and commission income are recognised on an accrual basis.

(r) Non-current Asset Held for Sale

Non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when sale is highly probable and the asset 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 the non-current assets is brought up-to-date in accordance with applicable FRSs. On initial classification as held for sale, non-current asset is measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in income statement.

(s) Financial Instruments

Financial instruments are recognised on the balance sheet when the Group has become a party to the contractual provisions of the instrument. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(t) Impairment of Assets

The carrying amounts of assets other than inventories, deferred tax assets and non-current assets held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment.

If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

2. SUMMARY OF ACCOUNTING POLICIES (Cont'd)

2.2 Significant Accounting Policies (Cont'd)

(t) Impairment of Assets (Cont'd)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the income statement.

(u) Cash and Cash Equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, bank balances, demand deposits and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are stated net of bank overdrafts which are repayable on demand.

(v) Segmental Information

Segment revenue and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. Most segment assets can be directly attributed to the segment on a reasonable basis. Segment assets and liabilities do not include income tax assets and liabilities respectively.

Segment revenue, expenses and result include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the economic entity at an arm's length transactions. These transfers are eliminated on consolidation.

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 year.

2.3 Adoption of New and Revised FRSs and Amendments to FRSs

(i) New and Revised FRS Adopted

During the financial year, the Group and the Company have adopted the following relevant FRSs issued by MASB that are mandatory for the current financial year:-

FRS 117	Leases
FRS 124	Related Party Disclosures

2. SUMMARY OF ACCOUNTING POLICIES (Cont'd)

2.3 Adoption of New and Revised FRSs and Amendments to FRSs (Cont'd)

(i) New and Revised FRS Adopted (Cont'd)

The adoption of the above new and revised FRSs does not result in substantial changes to the Group's accounting policies other than the effects of the adoption of FRS 117 which are highlighted below:-

FRS 117 : Leases

Prior to 1st January 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes or 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 payment made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payment and is amortised on a straight line basis over the lease term while the buildings element is retained in property, plant and equipment and is depreciated over its useful lives.

The Group and the Company have applied the change in accounting policy in respect of leasehold land held for own use in accordance with the transitional provisions of FRS 117. At 1st January 2007, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions. The building element is classified in property, plant and equipment and the land element is now classified as prepaid land lease payments. The reclassification of leasehold land held for own use has been accounted for retrospectively. Consequently, the comparative figure for the said leasehold land has been reclassified as stated in Note 36 to the financial statements.

During the financial year, the directors are of the view that there is a change in use in leasehold investment properties evidenced by commencement of owner-occupation. The change in use had resulted the Group and the Company ceased to apply FRS 140 : Investment Properties on leasehold investment properties. Instead, the Group and Company have applied FRS 116 : Property, Plant and Equipment and FRS 117 : Leases on these properties.

Since the change in use in leasehold investment properties only started from 1st January 2007 onwards, the comparative figures in respect of these properties have not been restated. The change in accounting policy in respect of these properties has been accounted for prospectively.

(ii) Standards and Interpretations Issued but Not Yet Effective

The Group and the Company have not adopted FRS 139 Financial Instruments : Recognition and Measurement of which the effective date is deferred to a date to be announced by the MASB.

The Group and the Company have also not adopted the following FRSs and amendments that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company.

		Effective for financial periods beginning on or after
FRS 107	Cash Flow Statements	1 July 2007
FRS 111	Construction Contracts	1 July 2007
FRS 112	Income Taxes	1 July 2007
FRS 118	Revenue	1 July 2007
FRS 119	Employee Benefits	1 July 2007
FRS 120	Accounting for Government Grants And Disclosure of Government Assistance	1 July 2007
FRS 126	Accounting and Reporting by Retirement Benefit Plans	1 July 2007
FRS 129	Financial Reporting in Hyperinflationary Economies	1 July 2007
FRS 134	Interim Financial Reporting	1 July 2007
FRS 137	Provision, Contingent Liabilities and Contingent Assets	1 July 2007

2. SUMMARY OF ACCOUNTING POLICIES (Cont'd)

2.3 Adoption of New and Revised FRSs and Amendments to FRSs (Cont'd)

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

		Effective for financial periods beginning on or after
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rate - Net Investment in a Foreign Operation	1 July 2007
IC Int 01	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Int 02	Members' Share in Co-operative Entities and Similar Instruments	1 July 2007
IC Int 05	Right to Interest Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Int 06	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Int 07	Applying the Restatement Approach under FRS 129$_{2004}$ - Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Int 08	Scope of FRS 2	1 July 2007

The adoption of the above FRSs, Amendment to FRS 121 and IC Int will not have any significant financial impact on the results and financial position of the Group when these standards become effective to the Group.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

(i) Key Sources of Estimation and Uncertainty

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

(a) Depreciation of Property, Plant and Equipment

Property, plant and equipment are depreciated on a straight line basis over their estimated useful lives. Management estimates the useful lives of the property, plant and equipment to be 5 to 50 years. The carrying amounts of the Group's and the Company's property, plant and equipment as at 31st December 2007 were RM18,920,423/-(2006 : RM21,671,991/-) and RM17,846,041/- (2006 : RM17,309,090/-) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the property, plant and equipment. Therefore, the future depreciation charge could be revised.

(b) Allowance for Doubtful Debts

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

(c) Allowance for Inventories

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Cont'd)

(i) Key Sources of Estimation and Uncertainty (Cont'd)

(d) Income Taxes

The Group and the Company recognised liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters are different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provision in the financial year in which such determination is made.

(ii) Critical Judgements Made In Applying Accounting Policies

There are no critical judgements made by the management in the process of applying the Group's accounting policies that have significant effect on the amounts recognised in the financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

GROUP 2007	Properties RM	Plant and Machinery RM	Office Equipment RM	Furniture and Fittings RM	Motor Vehicles RM	Total RM
Cost (except as stated otherwise)						
At 1st January 2007	10,608,277	37,246,842	4,782,894	831,139	2,154,696	55,623,848
Transfer from investment properties	224,109	–	–	–	–	224,109
Additions	1,660	329,540	155,306	30,934	1,700	519,140
Disposals/write-off	(1,259,715)	(316,563)	(1,292,048)	(224,465)	(708,703)	(3,801,494)
At 31st December 2007	9,574,331	37,259,819	3,646,152	637,608	1,447,693	52,565,603
Accumulated Depreciation						
At 1st January 2007	2,785,188	23,125,771	3,707,260	624,118	1,312,237	31,554,574
Transfer from investment properties	2,180	–	–	–	–	2,180
Charge for the financial year	199,739	1,513,718	362,313	38,020	164,597	2,278,387
Disposals/write-off	(421,602)	(308,114)	(1,112,256)	(213,281)	(531,991)	(2,587,244)
At 31st December 2007	2,565,505	24,331,375	2,957,317	448,857	944,843	31,247,897
Impairment Loss						
At 1st January 2007	2,397,283	–	–	–	–	2,397,283
Charge for the financial year	–	–	–	–	–	–
At 31st December 2007	2,397,283	–	–	–	–	2,397,283
Net Book Value at 31st December 2007	4,611,543	12,928,444	688,835	188,751	502,850	18,920,423

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

GROUP 2006	Properties RM	Plant and Machinery RM	Office Equipment RM	Furniture and Fittings RM	Motor Vehicles RM	Capital Work-In-Progress RM	Total RM
Cost (except as stated otherwise)							
At 1st January 2006							
- As previously stated	11,873,635	36,649,214	4,730,556	826,339	3,670,823	6,127,928	63,878,495
Effects on adoption of FRS 117	(1,823,600)	–	–	–	–	–	(1,823,600)
At 1st January 2006							
- As restated	10,050,035	36,649,214	4,730,556	826,339	3,670,823	6,127,928	62,054,895
Additions	558,242	612,878	55,698	6,978	2,784	–	1,236,580
Disposals/write-off	–	(15,250)	(3,360)	(2,178)	(1,518,911)	(6,127,928)	(7,667,627)
At 31st December 2006	10,608,277	37,246,842	4,782,894	831,139	2,154,696	–	55,623,848
Accumulated Depreciation							
At 1st January 2006							
- As previously stated	3,100,712	21,616,527	3,318,978	587,464	2,484,550	211,308	31,319,539
Effects on adoption of FRS 117	(513,809)	–	–	–	–	–	(513,809)
At 1st January 2006							
- As restated	2,586,903	21,616,527	3,318,978	587,464	2,484,550	211,308	30,805,730
Charge for the financial year	198,285	1,519,227	390,710	38,833	279,700	46,957	2,473,712
Disposals/write-off	–	(9,983)	(2,428)	(2,179)	(1,452,013)	(258,265)	(1,724,868)
At 31st December 2006	2,785,188	23,125,771	3,707,260	624,118	1,312,237	–	31,554,574
Impairment Loss							
At 1st January 2006	2,397,283	–	–	–	–	–	2,397,283
Charge for the financial year	–	–	–	–	–	–	–
At 31st December 2006	2,397,283	–	–	–	–	–	2,397,283
Net Book Value at 31st December 2006	5,425,806	14,121,071	1,075,634	207,021	842,459	–	21,671,991

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

Properties consist of:-

GROUP 2007	Freehold Buildings RM	Short Leasehold Buildings RM	Short Leasehold Buildings (At Valuation) RM	Renovation RM	Total RM
Cost (except as stated otherwise)					
At 1st January 2007	3,629,591	4,649,819	1,775,176	553,691	10,608,277
Transfer from investment properties	–	224,109	–	–	224,109
Additions	–	–	–	1,660	1,660
Disposals	(929,793)	–	–	(329,922)	(1,259,715)
At 31st December 2007	2,699,798	4,873,928	1,775,176	225,429	9,574,331
Accumulated Depreciation					
At 1st January 2007	266,016	1,266,204	772,160	480,808	2,785,188
Transfer from investment properties	–	2,180	–	–	2,180
Charge for the financial year	8,000	141,242	32,308	18,189	199,739
Disposals	(104,016)	–	–	(317,586)	(421,602)
At 31st December 2007	170,000	1,409,626	804,468	181,411	2,565,505
Impairment Loss					
At 1st January 2007	2,397,283	–	–	–	2,397,283
Charge for the financial year	–	–	–	–	–
At 31st December 2007	2,397,283	–	–	–	2,397,283
Net Book Value at 31st December 2007	132,515	3,464,302	970,708	44,018	4,611,543

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

Properties consist of:- (Cont'd)

GROUP 2006	Freehold Land and Buildings RM	Long Leasehold Land RM	Short Leasehold Buildings RM	Short Leasehold Buildings (At Valuation) RM	Renovation RM	Total RM
Cost (except as stated otherwise)						
At 1st January 2006						
- As previously stated	3,629,591	41,661	5,165,516	2,483,176	553,691	11,873,635
Effects on adoption of FRS 117	–	(41,661)	(1,073,939)	(708,000)	–	(1,823,600)
At 1st January 2006						
- As restated	3,629,591	–	4,091,577	1,775,176	553,691	10,050,035
Additions	–	–	558,242	–	–	558,242
Disposals	–	–	–	–	–	–
At 31st December 2006	3,629,591	–	4,649,819	1,775,176	553,691	10,608,277
Accumulated Depreciation						
At 1st January 2006						
- As previously stated	258,016	5,469	1,351,821	1,023,690	461,716	3,100,712
Effects on adoption of FRS 117	–	(5,469)	(224,502)	(283,838)	–	(513,809)
At 1st January 2006						
- As restated	258,016	–	1,127,319	739,852	461,716	2,586,903
Charge for the financial year	8,000	–	138,885	32,308	19,092	198,285
Disposals	–	–	–	–	–	–
At 31st December 2006	266,016	–	1,266,204	772,160	480,808	2,785,188
Impairment Loss						
At 1st January 2006	2,397,283	–	–	–	–	2,397,283
Charge for the financial year	–	–	–	–	–	–
At 31st December 2006	2,397,283	–	–	–	–	2,397,283
Net Book Value at 31st December 2006	966,292	–	3,383,615	1,003,016	72,883	5,425,806

Notes to the Financial Statements (Cont'd)

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

COMPANY 2007	**Properties RM**	**Plant and Machinery RM**	**Office Equipment RM**	**Furniture and Fittings RM**	**Motor Vehicles RM**	**Total RM**
Cost (except as stated otherwise)						
At 1st January 2007	**3,107,405**	**35,057,695**	**2,783,162**	**495,310**	**1,108,439**	**42,552,011**
Transfer from investment properties	**2,948,257**	**–**	**–**	**–**	**–**	**2,948,257**
Additions	**–**	**315,540**	**58,248**	**150**	**1,700**	**375,638**
Disposals/write-offs	**–**	**(316,563)**	**(37,908)**	**–**	**(94,586)**	**(449,057)**
At 31st December 2007	**6,055,662**	**35,056,672**	**2,803,502**	**495,460**	**1,015,553**	**45,426,849**
Accumulated Depreciation						
At 1st January 2007	**1,084,369**	**21,094,681**	**2,123,431**	**334,731**	**605,709**	**25,242,921**
Transfer from investment properties	**763,883**	**–**	**–**	**–**	**–**	**763,883**
Charge for the financial year	**163,033**	**1,441,430**	**252,393**	**26,891**	**101,057**	**1,984,804**
Disposals/write-offs	**–**	**(308,114)**	**(27,805)**	**–**	**(74,881)**	**(410,800)**
At 31st December 2007	**2,011,285**	**22,227,997**	**2,348,019**	**361,622**	**631,885**	**27,580,808**
Net Book Value at 31st December 2007	**4,044,377**	**12,828,675**	**455,483**	**133,838**	**383,668**	**17,846,041**
2006						
Cost (except as stated otherwise)						
At 1st January 2006 - As previously stated	3,257,163	34,461,647	2,758,811	499,488	1,108,439	42,085,548
Effects on adoption of FRS 117	(708,000)	–	–	–	–	(708,000)
At 1st January 2006 - As restated	2,549,163	34,461,647	2,758,811	499,488	1,108,439	41,377,548
Additions	558,242	611,298	25,381	–	–	1,194,921
Transfer from/(to) subsidiary companies	–	–	2,330	(2,000)	–	330
Disposals/write-offs	–	(15,250)	(3,360)	(2,178)	–	(20,788)
At 31st December 2006	3,107,405	35,057,695	2,783,162	495,310	1,108,439	42,552,011
Accumulated Depreciation						
At 1st January 2006 - As previously stated	1,149,919	19,658,904	1,849,908	311,227	494,865	23,464,823
Effects on adoption of FRS 117	(170,635)	–	–	–	–	(170,635)
At 1st January 2006 - As restated	979,284	19,658,904	1,849,908	311,227	494,865	23,294,188
Charge for the financial year	105,085	1,445,760	273,621	27,683	110,844	1,962,993
Transfer from/(to) subsidiary companies	–	–	2,330	(2,000)	–	330
Disposals/write-offs	–	(9,983)	(2,428)	(2,179)	–	(14,590)
At 31st December 2006	1,084,369	21,094,681	2,123,431	334,731	605,709	25,242,921
Net Book Value at 31st December 2006	2,023,036	13,963,014	659,731	160,579	502,730	17,309,090

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

Properties consist of:-

COMPANY 2007	Freehold Land RM	Short Leasehold Buildings RM	Short Leasehold Buildings (At Valuation) RM	Renovation RM	Total RM
Cost (except as stated otherwise)					
At 1st January 2007	**132,515**	**1,028,718**	**1,775,176**	**170,996**	**3,107,405**
Transfer from investment properties	**–**	**2,948,257**	**–**	**–**	**2,948,257**
Additions	**–**	**–**	**–**	**–**	**–**
Disposals	**–**	**–**	**–**	**–**	**–**
At 31st December 2007	**132,515**	**3,976,975**	**1,775,176**	**170,996**	**6,055,662**
Accumulated Depreciation					
At 1st January 2007	**–**	**185,211**	**772,160**	**126,998**	**1,084,369**
Transfer from investment properties	**–**	**763,883**	**–**	**–**	**763,883**
Charge for the financial year	**–**	**123,345**	**32,308**	**7,380**	**163,033**
Disposals	**–**	**–**	**–**	**–**	**–**
At 31st December 2007	**–**	**1,072,439**	**804,468**	**134,378**	**2,011,285**
Net Book Value at 31st December 2007	**132,515**	**2,904,536**	**970,708**	**36,618**	**4,044,377**
2006					
Cost (except as stated otherwise)					
At 1st January 2006 - As previously stated	132,515	770,476	2,183,176	170,996	3,257,163
Effects on adoption of FRS 117	–	(300,000)	(408,000)	–	(708,000)
At 1st January 2006 - As restated	132,515	470,476	1,775,176	170,996	2,549,163
Additions	–	558,242	–	–	558,242
Disposals	–	–	–	–	–
At 31st December 2006	132,515	1,028,718	1,775,176	170,996	3,107,405
Accumulated Depreciation					
At 1st January 2006 - As previously stated	–	118,574	910,487	120,858	1,149,919
Effects on adoption of FRS 117	–	–	(170,635)	–	(170,635)
At 1st January 2006 - As restated	–	118,574	739,852	120,858	979,284
Charge for the financial year	–	66,637	32,308	6,140	105,085
Disposals	–	–	–	–	–
At 31st December 2006	–	185,211	772,160	126,998	1,084,369
Net Book Value at 31st December 2006	132,515	843,507	1,003,016	43,998	2,023,036

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

(a) The following assets of the Group and of the Company, stated at net book value, have been charged to licensed banks to secure the bank borrowings:-

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
At Net Book Value				
Freehold land and buildings	**–**	833,777	**–**	–

(b) The net book value of property, plant and equipment of the Group and of the Company includes the following property, plant and equipment acquired under hire purchase instalment plans:-

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
At Net Book Value				
Motor vehicles	**134,983**	253,930	**134,983**	253,930
Plant and machinery	**736,930**	1,028,478	**736,930**	692,300
Office equipment	**10,358**	363,444	**10,358**	363,444
	882,271	1,645,852	**882,271**	1,309,674

(c) Details of independent professional valuations of property, plant and equipment owned by the Group are as follows:-

	Year of Valuation	Description of Property	Revalued Amount RM	
The Company	1983	Short leasehold land	408,000	) Based on professional
The Company	1983	Short leasehold buildings	1,775,176	) valuation on open) market value basis
Subsidiary	1985	Short leasehold land	300,000	)
			2,483,176	

(d) Had the short term leasehold building been carried at historical cost less accumulated depreciation, the net book values of the short term leasehold building that would have been included in the financial statements at the end of the year are as follows:-

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
Short term leasehold building	**232,095**	239,832	**232,095**	239,832

5. INVESTMENT PROPERTIES

GROUP	2007 Freehold Land and Buildings RM	2007 Leasehold Land and Buildings RM	2007 Total RM	2006 Freehold Land and Buildings RM	2006 Leasehold Land and Buildings RM	2006 Total RM
Cost						
At 1st January	**7,262,056**	**886,345**	**8,148,401**	7,570,971	412,236	7,983,207
Transfer to						
- property, plant and equipment	**–**	**(224,109)**	**(224,109)**	–	–	–
- prepaid land lease payments	**–**	**(250,000)**	**(250,000)**	–	–	–
Reclassified as held for sale	**–**	**(412,236)**	**(412,236)**	–	–	–
Additions	**260,000**	**–**	**260,000**	7,981	474,109	482,090
Disposals	**(353,048)**	**–**	**(353,048)**	(316,896)	–	(316,896)
At 31st December	**7,169,008**	**–**	**7,169,008**	7,262,056	886,345	8,148,401
Accumulated Depreciation						
At 1st January	**337,711**	**47,353**	**385,064**	306,233	38,198	344,431
Transfer to						
- property, plant and equipment	**–**	**(2,180)**	**(2,180)**	–	–	–
- prepaid land lease payments	**–**	**(2,725)**	**(2,725)**	–	–	–
Reclassified as held for sale	**–**	**(46,697)**	**(46,697)**	–	–	–
Additions	**58,986**	**4,249**	**63,235**	59,981	9,155	69,136
Disposals	**(32,207)**	**–**	**(32,207)**	(28,503)	–	(28,503)
At 31st December	**364,490**	**–**	**364,490**	337,711	47,353	385,064
Impairment Loss						
At 1st January	**1,910,076**	**–**	**1,910,076**	1,917,721	–	1,917,721
Charge for the financial year	**–**	**–**	**–**	–	–	–
Disposals	**(78,048)**	**–**	**(78,048)**	(7,645)	–	(7,645)
At 31st December	**1,832,028**	**–**	**1,832,028**	1,910,076	–	1,910,076
Net Book Value at 31st December	**4,972,490**	**–**	**4,972,490**	5,014,269	838,992	5,853,261

5. INVESTMENT PROPERTIES (Cont'd)

COMPANY	2007 Freehold Land and Buildings RM	2007 Leasehold Land and Buildings RM	2007 Total RM	2006 Freehold Land and Buildings RM	2006 Leasehold Land and Buildings RM	2006 Total RM
Cost						
At 1st January	**7,262,056**	**3,198,257**	**10,460,313**	7,570,971	2,724,148	10,295,119
Transfer to:-						
- property, plant and equipment	**–**	**(2,948,257)**	**(2,948,257)**	–	–	–
- prepaid land lease payments	**–**	**(250,000)**	**(250,000)**	–	–	–
Additions	**260,000**	**–**	**260,000**	7,981	474,109	482,090
Disposals	**(353,048)**	**–**	**(353,048)**	(316,896)	–	(316,896)
At 31st December	**7,169,008**	**–**	**7,169,008**	7,262,056	3,198,257	10,460,313
Accumulated Depreciation						
At 1st January	**337,711**	**766,608**	**1,104,319**	306,233	707,220	1,013,453
Transfers to:-						
- property, plant and equipment	**–**	**(763,883)**	**(763,883)**	–	–	–
- prepaid land lease payments	**–**	**(2,725)**	**(2,725)**	–	–	–
Charge for the year	**58,986**	**–**	**58,986**	59,981	59,388	119,369
Disposals	**(32,207)**	**–**	**(32,207)**	(28,503)	–	(28,503)
At 31st December	**364,490**	**–**	**364,490**	337,711	766,608	1,104,319
Impairment Loss						
At 1st January	**1,910,076**	**–**	**1,910,076**	–	–	–
Charge for the year	**–**	**–**	**–**	1,917,721	–	1,917,721
Disposals	**(78,048)**	**–**	**(78,048)**	(7,645)	–	(7,645)
At 31st December	**1,832,028**	**–**	**1,832,028**	1,910,076	–	1,910,076
Net Book Value at 31st December	**4,972,490**	**–**	**4,972,490**	5,014,269	2,431,649	7,445,918

Group and Company

The fair values for the investment properties of the Group and the Company on 31st December 2007 are RM5,469,446/- (2006 : RM6,273,723/-) and RM5,469,446/- (2006 : RM14,986,823/-) respectively. The fair values of the investment properties are estimated by the directors of the Company based on the open market value basis.

The leasehold land and buildings for a subsidiary company have been pledged to a bank for credit facilities granted to the said subsidiary company.

Direct operating expenses incurred by the Group and the Company on the investment properties during the financial year amounted to RM14,948/- (2006 : RM 16,276/-) and RM14,948/- (2006 : RM41,595/-) respectively.

6. PREPAID LAND LEASE PAYMENTS

	GROUP 2007 RM	GROUP 2006 RM	COMPANY 2007 RM	COMPANY 2006 RM
At 1st January	**1,275,793**	–	**525,059**	–
Transfer from				
- property, plant and equipment	**–**	1,309,791	**–**	537,365
- investment properties	**247,275**	–	**247,275**	–
Amortisation for the financial year	**(39,031)**	(33,998)	**(17,471)**	(12,306)
	1,484,037	1,275,793	**754,863**	525,059
Analysed as:-				
Short term leasehold land	**1,484,037**	1,275,793	**754,863**	525,059

7. INVESTMENT IN SUBSIDIARY COMPANIES

	COMPANY 2007 RM	COMPANY 2006 RM
Unquoted shares at cost	**8,264,673**	8,264,673
Less: Impairment loss	**(2,427,601)**	(2,427,601)
	5,837,072	5,837,072

The details of the subsidiaries which are all incorporated in Malaysia are as follows:-

	Name of Company	Equity Held 2007 %	Equity Held 2006 %	Principal Activities
	Direct subsidiary companies			
	Epro Industries Sdn. Bhd. ("EISB")	**100**	100	Property holding
	Suria Merah Manufactory (Segamat) Sdn. Bhd. ("SMMS")	**100**	100	Property holding
	Hwa Tai Food Industries (Sabah) Sdn. Bhd. ("HTFIS")	**100**	100	Biscuit manufacturer
	Pan Tai Trading Sdn. Bhd. ("PTT")	**100**	100	Trading
	Hwa Tai Manufacturing Sdn. Bhd. ("HTM")	**100**	100	Dormant
*	Acetai Corporation Sdn. Bhd. ("Acetai")	**90**	90	Trading
*	Keris Intan Sdn. Bhd. ("KISB")	**100**	100	Dormant
*	Hwa Tai (Sarawak) Sdn. Bhd. ("HTSB")	**100**	100	Dormant
*	Hwa Tai Distribution Sdn. Bhd.("HTDSB")	**100**	100	Trading
*	Hwa Tai Services Sdn. Bhd. ("HTSSB")	**100**	100	Dormant
*	Absolute Focus Sdn. Bhd. ("AFSB")	**100**	100	Dormant

7. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd)

The details of the subsidiaries which are all incorporated in Malaysia are as follows:- (Cont'd)

Name of Company	Equity Held		Principal Activities
	2007	2006	
Indirect subsidiary companies	%	%	
* Anika Bebas Sdn. Bhd. ("ABSB")	**100**	100	Trading
* Esprit Classic Sdn. Bhd. ("ECSB")	**100**	100	Trading

* *Subsidiary companies not audited by Baker Tilly Monteiro Heng*

8. INVESTMENT IN AN ASSOCIATE

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Unquoted shares - at cost	**1,791,457**	–	**1,791,457**	–
Share of post acquisition retained profits	**12,222**	–	**–**	–
	1,803,679	–	**1,791,457**	–
Represented by:-				
Share of net assets of an associate	**2,133,672**	–	**–**	–
Discount on acquisition	**(329,993)**	–	**–**	–
	1,803,679	–	**–**	–

The details of the associate which is incorporated in People's Republic of China is as follows:-

Name of Company	Issue Share Capital Number of shares	Effective Equity Holdings 2007 %	Effective Equity Holdings 2006 %	Principal Activity
Shan Dong Yingerle Hwa Tai Food Industry Co. Ltd. (formerly known as Yantai Baby-Joy Group (Qingyun) Co. Ltd.)	1,050,000,000	**48**	–	Dealers, importers and exporters of biscuit, cake and baby products

On 12th July 2007, the Company acquired 48% of the issued and paid-up capital of Shan Dong Yingerle Hwa Tai Food Industry Co. Ltd. *(formerly known as Yantai Baby-Joy Group (Qingyun) Co. Ltd.)*. A cash consideration of RM1,791,457/- was paid for the said acquisition. The Group consolidated the results of the associate by using its management accounts for the financial year ended 31st December 2007 as the audited accounts for the said associate was not available.

8. INVESTMENT IN AN ASSOCIATE (Cont'd)

The summarised financial information of the associate is as follows:-

	GROUP AND COMPANY 2007 RM
Assets and Liability	
Current assets	**1,550,321**
Non-current assets	**6,299,453**
Total assets	**7,849,774**
Current liabilities	**3,404,623**
Total liability	**3,404,623**

The Group's share of the revenue and expenses of the associate is as follows:

Revenue	**794,489**
Profit for the financial year	**12,222**

9. AMOUNTS OWING BY SUBSIDIARY COMPANIES

	COMPANY 2007 RM	 2006 RM
Amount owing by subsidiary companies	**16,252,506**	16,976,784
Less: Allowance for doubtful debts	**(200,000)**	(200,000)
	16,052,506	16,776,784
Portion due within one year	**15,644,637**	16,360,286
Portion due after one year	**407,869**	416,498
	16,052,506	16,776,784
Trade	**14,642,350**	16,005,202
Non-trade	**1,410,156**	771,582
	16,052,506	16,776,784

The amount owing by subsidiary companies is unsecured, interest free and has no fixed term of repayment.

Notes to the Financial Statements (Cont'd)

10. GOODWILL ON CONSOLIDATION

	GROUP	
	2007	2006
	RM	RM
Balance as at 1st January	–	23,542
Impairment loss	–	(23,542)
Balance as at 31st December	–	–

11. INVENTORIES

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
At Cost				
Raw materials	**1,004,711**	869,369	**848,381**	715,808
Work-in-progress	**252,639**	194,894	**185,314**	173,220
Finished goods	**1,735,410**	2,861,252	**1,413,945**	551,752
Packing materials	**2,251,177**	2,255,228	**2,066,879**	2,123,556
Consumable stores	**288,464**	189,322	**245,014**	189,322
	5,532,401	6,370,065	**4,759,533**	3,753,658
Less: Allowance for obsolete inventories	**(78,450)**	(1,962,002)	**(66,184)**	(66,184)
	5,453,951	4,408,063	**4,693,349**	3,687,474

The allowance for obsolete inventories is net of obsolete inventories written off amounting to RM967,086/-.

12. TRADE AND SUNDRY RECEIVABLES

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
Trade receivables	**37,022,031**	29,232,823	**24,150,950**	15,888,720
Allowance for doubtful debts	**(9,812,266)**	(8,746,740)	**(1,754,267)**	(1,885,431)
	27,209,765	20,486,083	**22,396,683**	14,003,289
Sundry receivables	**2,623,105**	2,094,906	**969,801**	1,559,708
Allowance for doubtful debts	**(860,679)**	(810,614)	**(752,890)**	(752,890)
	1,762,426	1,284,292	**216,911**	806,818
Deposits	**426,266**	208,225	**298,993**	90,392
Prepayments	**99,642**	113,030	**69,037**	76,993
	29,498,099	22,091,630	**22,981,624**	14,977,492

12. TRADE AND SUNDRY RECEIVABLES (Cont'd)

The Group and the Company's normal trade credit terms range from 14 to 90 days.

Included in deposits of the Group and the Company are amounts of RM19,000/- which represents deposits paid towards the purchase of machineries costing RM157,000/-. The balance of the purchase consideration is disclosed as a capital commitment in Note 31 to the financial statements.

The allowance for doubtful debts of Group and Company is net of bad debts written off amounting to RM475,272/- and RM446,205/- respectively.

13. NON-CURRENT ASSET HELD FOR SALE

On 12th September 2007, Acetai Corporation Sdn. Bhd.("Acetai"), a subsidiary of the Company, had entered into an agreement to dispose of its leasehold land and building located in the State of Perak for a cash consideration of RM470,000/-.

The disposal of the said property was completed on 31st March 2008.

14. SHARE CAPITAL

	GROUP AND COMPANY		GROUP AND COMPANY	
	2007	2006	2007	2006
	Number of ordinary shares		RM	RM
Ordinary shares RM1/- each				
Authorised:				
At the beginning/end of the financial year	**1,000,000,000**	1,000,000,000	**1,000,000,000**	1,000,000,000
Issued and fully paid:				
At the beginning/end of the financial year	**40,042,400**	40,042,400	**40,042,400**	40,042,400

15. CAPITAL RESERVE

	GROUP AND COMPANY	
	2007	2006
	RM	RM
Non-distributable		
At beginning/ end of the financial year	**7,664**	7,664
The capital reserve comprises surplus arising from the revaluation of leasehold building and prepaid land lease payments	**7,664**	7,664

16. HIRE PURCHASE LIABILITIES

	GROUP		COMPANY	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
Minimum hire purchase payments				
- not later than one year	**240,233**	475,487	**240,233**	365,673
- later than one year and not later than five years	**348,152**	569,014	**348,152**	443,526
	588,385	1,044,501	**588,385**	809,199
Future interest charges	**(59,643)**	(101,915)	**(59,643)**	(83,404)
Present value of hire purchase liabilities	**528,742**	942,586	**528,742**	725,795
Current	**207,606**	409,513	**207,606**	312,377
Non-current	**321,136**	533,073	**321,136**	413,418
	528,742	942,586	**528,742**	725,795

The effective interest rate ranges from 5.41% to 13.10% (2006 : 5.41% to 13.10%) per annum. Interest rates are fixed at the inception of the hire purchase arrangements.

The hire purchase liabilities are effectively secured on the rights of the assets under hire purchase.

17. TERM LOANS

	GROUP	
	2007 RM	**2006 RM**
Term loans	**91,129**	335,729
Portion due within one year	**(91,129)**	(149,832)
Portion due after one year	**–**	185,897

Group

The term loans of a subsidiary company are secured by the creation of a first legal charge over the subsidiary company's buildings and prepaid land lease payments and are also jointly and severally guaranteed by certain former directors of the subsidiary company.

17. TERM LOANS (Cont'd)

The terms of repayment of the loans are as follows:-

	GROUP	
	2007 **RM**	**2006** **RM**
Within the next twelve months (included under current liabilities)	**91,129**	149,832
After the next twelve months (included under long term liabilities)		
- not later than two years	**–**	149,832
- later than two years but not later than five years	**–**	36,065
	–	185,897
	91,129	335,729

The effective interest rate as at the balance sheet date ranges from 8.00% to 8.50% (2006 : 8.00% to 8.50%) per annum.

18. DEFERRED TAXATION

	GROUP		COMPANY	
	2007 **RM**	**2006** **RM**	**2007** **RM**	**2006** **RM**
Balance at 1st January	**664,566**	404,296	**593,573**	326,870
Transfer from income statement				
- current year (Note 27)	**(664,566)**	260,270	**(593,573)**	266,703
Balance at 31st December	**–**	664,566	**–**	593,573

The components of deferred tax liabilities during the financial year prior to offsetting are as follows:-

	GROUP		COMPANY	
	2007 **RM**	**2006** **RM**	**2007** **RM**	**2006** **RM**
Temporary differences between net book values and corresponding tax written down values	**–**	1,568,324	**–**	1,549,331
Provisions	**–**	(903,758)	**–**	(955,758)
	–	664,566	**–**	593,573

19. TRADE AND SUNDRY PAYABLES

	GROUP 2007 RM	GROUP 2006 RM	COMPANY 2007 RM	COMPANY 2006 RM
Trade payables	**20,535,081**	16,396,063	**14,717,082**	11,080,467
Sundry payables	**4,905,455**	2,017,938	**3,003,630**	833,994
Accruals	**2,114,789**	1,539,098	**1,133,703**	1,051,767
Deposits	**166,016**	262,088	**166,016**	255,088
	27,721,341	20,215,187	**19,020,431**	13,221,316

The normal credit terms granted to the Group and the Company range from 30 to 120 days.

Included in sundry payables of the Group and the Company is an amount of RM2,400,000/-(2006 : RM Nil) owing to a director which is unsecured and has no fixed term of repayment.

20. AMOUNT OWING TO A SUBSIDIARY COMPANY

The amount owing to a subsidiary company is non-trade in nature, unsecured, interest free and has no fixed term of repayment.

21. PROVISIONS

	GROUP 2007 RM	GROUP 2006 RM	COMPANY 2007 RM	COMPANY 2006 RM
Balance at 1st January	**821,070**	1,240,328	**533,172**	956,519
Charged to income statement	**1,745,332**	3,830,573	**1,745,332**	3,562,539
Utilised during the year	**(1,280,555)**	(4,249,831)	**(992,657)**	(3,985,886)
Balance at 31st December	**1,285,847**	821,070	**1,285,847**	533,172

Provisions are in respect of travelling, advertisement, promotion and freight charges. The provision is recognised for expected expenses based on the quotation received and the Company's past experience as to the level of travelling, advertisement, promotion and freight charges.

22. SHORT TERM BORROWINGS

	GROUP 2007 RM	GROUP 2006 RM	COMPANY 2007 RM	COMPANY 2006 RM
Bankers' acceptance	**17,531,000**	14,052,350	**17,531,000**	12,218,833
Revolving credits	**–**	1,500,000	**–**	1,500,000
	17,531,000	15,552,350	**17,531,000**	13,718,833

22. SHORT TERM BORROWINGS (Cont'd)

Group

The short term borrowings of certain subsidiary companies are secured by corporate guarantees given by the Company.

Company

The short term borrowings of the Company are granted on the undertaking that the Company will not pledge or execute any charges on its assets, other than those assets under hire purchase.

Effective interest rates as at balance sheet date range from 5.02% to 6.25% (2006 : 3.80% to 7.36%) per annum.

23. BANK OVERDRAFTS

The bank overdrafts of the Company are granted on the undertaking that the Company will not pledge or execute any charges on its assets, other than those assets under hire purchase.

The effective interest rates as at the balance sheet date range from 8.00% to 9.25% (2006 : 8.30% to 9.25%) per annum.

24. REVENUE

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Sales of trading goods	**14,796,636**	13,788,750	**–**	–
Sales of manufactured goods	**56,253,080**	55,323,160	**57,007,340**	50,184,594
	71,049,716	69,111,910	**57,007,340**	50,184,594

25. OPERATING (LOSS)/PROFIT

Operating (loss)/profit has been arrived at:-

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
After charging:-				
Allowance for doubtful debts	**1,623,345**	69,724	**315,041**	–
Allowance for inventories obsolescence	**–**	66,184	**–**	66,184
Amortisation of prepaid land lease payments	**39,031**	33,998	**17,471**	12,306
Audit fee	**101,245**	97,000	**60,000**	60,000
Bad debt written off	**11,301**	2,165	**–**	–
Directors' remunerations				
• Directors of the Company				
- salaries, bonuses and allowances	**495,261**	574,200	**495,261**	574,200
- fees	**70,000**	80,000	**70,000**	80,000
- other emoluments	**43,764**	49,580	**43,764**	49,580
- benefit in kind	**1,767**	78,586	**1,767**	78,586
• Directors of subsidiary companies				
- other emoluments	**72,600**	72,600	**–**	–

25. OPERATING (LOSS)/PROFIT (Cont'd)

Operating (loss)/profit has been arrived at:- (Cont'd)

	GROUP 2007 RM	GROUP 2006 RM	COMPANY 2007 RM	COMPANY 2006 RM
Depreciation				
- property, plant and equipment	**2,278,387**	2,473,712	**1,984,804**	1,962,993
- investment properties	**63,235**	69,136	**58,986**	119,369
Impairment on goodwill	**–**	23,542	**–**	–
Inventories written off	**–**	5,111	**–**	–
Hire of vehicles	**168,129**	139,184	**166,694**	134,961
Loss on disposal of investment properties	**–**	16,636	**–**	16,636
Provision for expenses	**1,745,332**	3,830,573	**1,745,332**	3,562,539
Property, plant and equipment written off	**54,474**	6,198	**–**	6,198
Realised loss on foreign exchange	**8,228**	23,601	**–**	23,601
Rental of premises	**322,925**	159,150	**46,725**	109,150
Research and development	**2,380**	3,730	**2,380**	3,730
Staff costs:				
- bonus	**136,564**	141,300	**105,141**	134,300
- Employees' Provident Fund	**772,328**	778,172	**624,696**	604,011
- SOCSO	**101,849**	103,252	**82,608**	81,162
- salaries, wages and allowances	**8,682,948**	8,111,149	**7,216,440**	6,445,519
- other staff related expenses	**318,327**	284,536	**254,435**	222,174
And crediting:-				
Allowance for doubtful debts no longer required	**32,482**	2,004,276	**–**	71,683
Allowance for inventories obsolescence no longer required	**916,466**	1,031,844	**–**	749,434
Bad debts recovered	**17,063**	–	**–**	–
Gain on disposal of property, plant and equipment	**826,154**	1,538,942	**465**	–
Gain on disposal of investment properties	**22,207**	–	**22,207**	–
Interest income	**1,611**	1,408	**1,611**	1,408
Insurance commission received	**13**	24,749	**13**	24,749
Rental income	**238,884**	462,964	**–**	64,200
Realised gain on foreign exchange	**338,495**	–	**338,495**	–

(a) Directors' remuneration

Details of Directors' remuneration including the estimated monetary value of benefits-in-kind are as follows:-

	GROUP 2007 RM	GROUP 2006 RM	COMPANY 2007 RM	COMPANY 2006 RM
Executive Directors				
Directors' fees	**10,000**	20,000	**10,000**	20,000
Salaries	**312,761**	411,000	**312,761**	411,000
Bonuses	**27,000**	25,200	**27,000**	25,200
Allowances	**26,500**	–	**26,500**	–
Other emoluments	**43,764**	49,580	**43,764**	49,580
Benefits-in-kind	**1,767**	33,756	**1,767**	33,756
	421,792	539,536	**421,792**	539,536

25. OPERATING (LOSS)/PROFIT (Cont'd)

(a) Directors' remuneration (Cont'd)

Details of Directors' remuneration including the estimated monetary value of benefits-in-kind are as follows:- (Cont'd)

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Non-Executive Directors				
Directors' fees	**60,000**	60,000	**60,000**	60,000
Allowances	**201,600**	210,600	**129,000**	138,000
Benefits-in-kind	**–**	44,830	**–**	44,830
	261,600	315,430	**189,000**	242,830
Grand Total				
Directors' fees	**70,000**	80,000	**70,000**	80,000
Salaries	**312,761**	411,000	**312,761**	411,000
Bonuses	**27,000**	25,200	**27,000**	25,200
Allowances	**228,100**	210,600	**155,500**	138,000
Other emoluments	**43,764**	49,580	**43,764**	49,580
Benefits-in-kind	**1,767**	78,586	**1,767**	78,586
	683,392	854,966	**610,792**	782,366

The number of Directors of the Company whose total remuneration fall within the respective ranges, are as follows:-

	Number of Directors			
	2007		2006	
	Executive Director	Non-Executive Director	Executive Director	Non-Executive Director
Ranges of Remuneration (RM)				
RM0 - RM50,000	**–**	**6**	–	6
RM50,001 - RM100,000	**–**	**–**	–	–
RM100,001 - RM150,000	**1**	**–**	1	–
RM150,001 - RM200,000	**–**	**1**	–	1
RM200,001 - RM250,000	**–**	**–**	–	–
RM250,001 - RM300,000	**1**	**–**	1	–
RM300,001 - RM350,000	**–**	**–**	–	–
RM350,001 - RM400,000	**–**	**–**	–	–
RM400,001 - RM450,000	**–**	**–**	–	–
RM450,001 - RM500,000	**–**	**–**	–	–
RM500,001 - RM550,000	**–**	**–**	–	–
	2	**7**	2	7

25. OPERATING (LOSS)/PROFIT (Cont'd)

(b) Key Management Personnel

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Directors' remuneration (Note 25(a))	**683,392**	854,966	**610,792**	782,366
Other key management personnel				
- salaries, bonus and other emoluments	**658,747**	616,428	**481,195**	410,557
- Defined contribution plan (Employees' Provident Fund)	**80,405**	65,226	**57,036**	49,400
	1,422,544	1,536,620	**1,149,023**	1,242,323

26. FINANCE COSTS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Interest expenses				
- trade financing	**979,425**	978,484	**912,725**	794,217
- bank overdrafts	**202,901**	93,655	**202,901**	78,933
- hire purchase	**54,405**	88,060	**49,014**	64,814
- term loans	**20,120**	127,743	**–**	–
- others	**31,964**	2,435	**–**	–
	1,288,815	1,290,377	**1,164,640**	937,964

27. TAXATION

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Income tax				
- current year	**(400)**	–	**(400)**	–
- underaccrual in prior year	**(341)**	(1,600)	**(394)**	–
Deferred taxation (Note 18)				
- current year	**308,359**	(254,174)	**297,357**	(266,703)
- over/(under) accrual in prior year	**356,207**	(6,096)	**296,216**	–
	664,566	(260,270)	**593,573**	(266,703)
	663,825	(261,870)	**592,779**	(266,703)

27. TAXATION (Cont'd)

Income tax is calculated at the statutory rate of 27% (2006 : 28%) of the estimated taxable profit for the year. The income tax rate applicable to small and medium scale enterprises ("SME") incorporated in Malaysia with a paid-up capital of RM2.5 million and below is subject to the statutory tax rate of 20% on chargeable income of up to RM500,000/-. For chargeable income in excess of RM500,000/-, the statutory tax rate of 27% is still applicable.

The statutory rate will be reduced to 26% and 25% from the current year's rate of 27% for the Years of Assessment 2008 and 2009 respectively.

A reconciliation of income tax expense applicable to (loss)/profit before taxation at the statutory income tax rate to income tax expense at the average effective income tax rate of the Group and Company is as follows:-

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
(Loss)/profit before taxation	(1,892,987)	2,387,008	(1,813,685)	825,765
Tax at applicable tax rate of 27% (2006 : 28%)	511,106	(668,362)	489,695	(231,214)
Tax effects arising from				
- double deduction expenses	–	(231)	–	–
- non-taxable income	266,379	534,517	7,182	–
- non-deductible expenses	(158,215)	(189,658)	(84,863)	(81,619)
- (origination)/reversal of deferred tax assets not recognised in the financial statements	(273,530)	105,360	(95,945)	–
- deferred tax (assets)/liabilities recognised at different tax rates	(37,781)	(37,516)	(19,112)	46,130
- SME tax savings	–	1,716	–	–
- over/(under) accrual in prior year	355,866	(7,696)	295,822	–
Tax expense for the financial year	663,825	(261,870)	592,779	(266,703)

Deferred tax assets have not been recognised for the following items:-

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Unabsorbed capital allowances	783,845	168,835	383,779	–
Unutilised tax losses	5,501,772	4,822,989	–	–
	6,285,617	4,991,824	383,779	–
Potential deferred tax assets not recognised at 25% (2006 : 26%)	1,571,404	1,297,874	95,945	–

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

28. (LOSS)/EARNINGS PER ORDINARY SHARE

(a) Basic (loss)/earnings per ordinary share

The basic (loss)/earnings per ordinary share for the financial year has been calculated based on the Group's loss after taxation and minority interest divided by the weighted average number of ordinary shares in issue during the financial year.

	GROUP	
	2007 RM	2006 RM
(Loss)/profit attributable to shareholders	**(1,229,162)**	2,125,138
Weighted average number of ordinary shares in issue	**40,042,400**	40,042,400
Basic (loss)/earnings per ordinary share (sen)	**(3)**	5

(b) Diluted (loss)/earnings per share

No calculation is made on the diluted earnings per share in respect of the current financial year as their effects on the basic earnings per share are anti-dilutive.

29. SIGNIFICANT RELATED PARTY TRANSACTIONS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Transactions with subsidiary companies				
Sales to subsidiary companies				
- Acetai	**–**	–	**114,680**	–
- HTFIS	**–**	–	**–**	2,074
- ABSB	**–**	–	**–**	180,383
- HTDSB	**–**	–	**7,153,328**	–
Sales return from a subsidiary company				
- Acetai	**–**	–	**–**	28,284
Rental income from a subsidiary company				
- HTFIS	**–**	–	**–**	64,200
Rental of premises paid to subsidiary companies				
- Acetai	**–**	–	**–**	36,000
- EISB	**–**	–	**–**	24,000
- SMMS	**–**	–	**–**	24,000
Management fees, administration fee and rental received/receivable from subsidiary companies				
- Acetai	**–**	–	**3,600**	363,600
- PTT	**–**	–	**1,200**	17,200
- EISB	**–**	–	**13,200**	13,200
- HTFIS	**–**	–	**1,200**	1,200
- SMMS	**–**	–	**13,200**	13,200

29. SIGNIFICANT RELATED PARTY TRANSACTIONS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Transaction with a firm in which a director is a partner				
Sales to Soo Thien Ming & Nashrah, a firm in which a director is a partner	**–**	26,701	**–**	14,605
Rental of premises paid to Soo Thien Ming & Nashrah, a firm in which a director is a partner	**36,000**	36,000	**21,600**	21,600
Legal and consultancy fees paid to Soo Thien Ming & Nashrah, a firm in which a director is a partner	**49,404**	74,227	**9,150**	7,089
Transaction with a company in which a director has interest				
Consultancy services rendered by a company in which a director has interest	**30,000**	–	**30,000**	–

The directors are of the opinion that the above transactions have been entered into in the normal course of business and have been established on negotiated basis.

30. CONTINGENT LIABILITIES

As at 31st December 2007, the Group and the Company are contingently liable for the following:-

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Unsecured				
Bank guarantees issued in favour of third parties	**299,250**	234,750	**299,250**	234,750
Corporate guarantees issued to financial institutions for credit facilities granted to a subsidiary company to the extent of RM2,000,000/- (2006 : RM5,542,172/-)	**–**	–	**303,478**	2,062,528
	299,250	234,750	**602,728**	2,297,278

31. CAPITAL COMMITMENT

	GROUP AND COMPANY	
	2007 RM	2006 RM
Authorised capital expenditure contracted but not provided for in the financial statements - property, plant and equiment	**138,000**	260,000

32. SEGMENTAL INFORMATION

Primary Reporting - Business Segments

	MANUFACTURING		TRADING		OTHERS		TOTAL		ELIMINATION		CONSOLIDATED	
	2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM
REVENUE												
External sales	**56,253,080**	55,323,160	**14,796,636**	13,788,750	**–**	–	**71,049,716**	69,111,910	**–**	–	**71,049,716**	69,111,910
Inter - segment sales	**7,268,008**	154,173	**–**	29,059	**–**	48,000	**7,268,008**	231,232	**7,268,008**	231,232	**–**	–
	63,521,088	55,477,333	**14,796,636**	13,817,809	**–**	48,000	**78,317,724**	69,343,142	**7,268,008**	231,232	**71,049,716**	69,111,910
RESULTS												
Segmental results	**(1,646,235)**	975,559	**(1,411,800)**	(2,820,071)	**(134,724)**	(35,409)	**(3,192,759)**	(1,879,921)	**(32,400)**	492,952	**(3,160,359)**	(1,386,969)
Other operating income	**531,856**	704,458	**2,053,541**	4,876,496	**3,190**	–	**2,588,587**	5,580,954	**32,400**	(516,600)	**2,556,187**	5,064,354
Finance cost (net)	**(1,164,683)**	(940,967)	**(124,132)**	(349,410)	**–**	–	**(1,288,815)**	(1,290,377)	**–**	–	**(1,288,815)**	(1,290,377)
Profit/(loss) before taxation	**(2,279,062)**	739,050	**517,609**	1,707,015	**(131,534)**	(35,409)	**(1,892,987)**	2,410,656	**–**	(23,648)	**(1,892,987)**	2,387,008

32. SEGMENTAL INFORMATION (Cont'd)

Other Information

	MANUFACTURING		TRADING		OTHERS		TOTAL		ELIMINATION		CONSOLIDATED	
	2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM
Segmental assets	**56,828,010**	46,771,699	**6,600,137**	8,024,390	**952,274**	1,029,214	**64,380,421**	55,825,303	**(7,000)**	(7,000)	**64,373,421**	55,818,303
Total assets	**57,429,484**	47,339,236	**6,614,391**	8,038,644	**957,945**	1,034,635	**65,001,820**	56,412,515	**(7,000)**	(7,000)	**64,994,820**	56,405,515
Segmental liabilities	**42,737,028**	31,242,113	**7,601,423**	8,571,785	**19,905**	21,293	**50,358,356**	39,835,191	**(7,000)**	31,532	**50,351,356**	39,866,723
Total liabilities	**42,737,028**	31,903,905	**7,601,423**	8,576,159	**175,969**	177,357	**50,514,420**	40,657,421	**(7,000)**	31,532	**50,507,420**	40,688,953
Capital expenditure	**669,277**	1,679,781	**109,863**	38,889	**–**	–	**779,140**	1,718,670	**–**	–	**779,140**	1,718,670
Depreciation and amortisation	**2,179,687**	2,212,828	**171,408**	334,461	**29,558**	29,557	**2,380,653**	2,576,846	**–**	–	**2,380,653**	2,576,846

(a) The activities of the Group are carried out in Malaysia and as such segmental reporting by geographical locations is not presented.

(b) Inter-segmental pricing is determined on an arm's length basis under terms, conditions and prices not materially different from transactions with unrelated parties.

33. FINANCIAL INSTRUMENTS

(a) Financial Risk Management and Objectives

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its credit, foreign currency, liquidity and interest rate risks.

(i) Credit risk

The management has a credit policy in place to monitor and minimise the exposure of default. Trade receivables are monitored on an ongoing basis.

As at balance sheet date, there were no significant concentrations of credit risk in the Group. The maximum exposure to credit risk for the Group is represented by the carrying amount of each financial instrument.

(ii) Foreign currency risk

The Group incurs foreign currency risk on transactions that are denominated in a currency other than Ringgit Malaysia. Exposures to foreign currency risks are monitored on an ongoing basis.

The net unhedged financial assets of the Group and Company that are not denominated in their functional currencies are as follows:-

	GROUP AND COMPANY	
	Singapore Dollar RM	United States Dollar RM
As at 31st December 2007		
Financial Assets		
Trade and sundry receivables	**199,323**	**2,666,926**
Cash and bank balances	**589**	**32,603**
	199,912	**2,699,529**
As at 31st December 2006		
Financial Assets		
Trade and sundry receivables	390,982	1,219,594
Cash and bank balances	589	36,847
	391,571	1,256,441

33. FINANCIAL INSTRUMENTS (Cont'd)

(a) Financial Risk Management and Objectives (Cont'd)

(iii) Liquidity risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all financing, repayment and funding needs are met.

(iv) Interest rate risk

The Group's primary interest rate risk relates to interest-bearing debt as at 31st December 2007. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes.

The Group actively reviews its debt portfolio, taking into account 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.

The information on maturity dates and effective interest rate of financial assets and liabilities are disclosed in their respective notes.

(b) Fair Values

(i) Recognised financial instruments

The fair values of financial assets and financial liabilities approximate their respective carrying values on the balance sheets of the Group and of the Company.

The carrying amounts of financial assets and liabilities maturing within 12 months are approximate to their fair values due to the relatively short term of maturity of these financial instruments.

(ii) Unrecognised financial instruments

There are no unrecognised financial instruments in the balance sheet as at 31st December 2007.

34. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Investment In An Associate

On 12th July 2007, the Company acquired 48% of the issued and paid-up capital of Shan Dong Yingerle Hwa Tai Food Industry Co. Ltd. *(formerly known as Yantai Baby-Joy Group (Qingyun) Co. Ltd.)*. A cash consideration of RM1,791,457/- (equivalent to Renmenbi 4,000,000/-) was paid for the said acquisition.

The cash consideration was financed by internal generated funds and borrowings.

(b) Disposals of Properties

On 12th September 2007, Acetai Corporation Sdn. Bhd. ("Acetai"), a subsidiary of the Company had entered into sale and purchase agreements for the sale of Acetai's properties in the State of Selangor for a total consideration of RM1,540,000/- in cash and in the State of Perak for a total consideration of RM470,000/- in cash.

The sale of the properties in Selangor was completed during the financial year and the sale of the properties in Perak was completed on 31st March 2008.

Notes to the Financial Statements (Cont'd)

35. MATERIAL LITIGATION

On 26th April 2001, Danone Biscuits Manufacturing (M) Sdn. Bhd. ("Danone") filed an action against the Company claiming, inter alia, for a permanent injunction restraining the Company from allegedly infringing Danone's registered "ChipsMore" trademark as against the Company's "ChipsPlus", the passing-off, misappropriating/misleading the general public to suppose the existence of a trade connection or association between the Company and Danone, an order for delivery up and destruction of all the Company's allegedly offending chocolate chip cookies and an inquiry as to damages due to Danone.

The case is still pending in the court.

36. COMPARATIVE FIGURES

Certain comparative figures have been reclassified as a result of adopting FRS 117, Leases as disclosed in Note 2.3(i) to the financial statements:-

	GROUP		COMPANY	
	As previously stated 2006 RM	As reclassified 2006 RM	As previously stated 2006 RM	As reclassified 2006 RM
Balance sheets				
Property, plant and equipment	22,947,784	21,671,991	17,834,149	17,309,090
Prepaid land lease payments	–	1,275,793	–	525,059

Statement by Directors

We, **SOO THIEN MING @ SOO THIEN SEE** and **SOO CHUNG YEE**, being two of the directors of Hwa Tai Industries Berhad, do hereby state that, in the opinion of the directors, the financial statements set out on pages 22 to 66 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31st December 2007 and of the results and cash flows of the Group and of the Company for the financial year ended on that date in accordance with the provisions of the Companies Act, 1965 and the applicable Financial Reporting Standards ("FRSs"), the approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board.

On behalf of the Board,

SOO THIEN MING @ SOO THIEN SEE
Director

SOO CHUNG YEE
Director

Kuala Lumpur
21st April 2008

Statutory Declaration

I, **LEE KIM HONG**, being the officer primarily responsible for the financial management of Hwa Tai Industries Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 22 to 66 are 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, l960.

LEE KIM HONG

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 21st April 2008.

Before me,

S. MASOHOOD OMAR (W354)
Commissioner for Oaths

Report of the Auditors

To the Members of Hwa Tai Industries Berhad (Incorporated in Malaysia) (19688-V)

We have audited the financial statements set out on pages 22 to 66.

These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on these 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 approved standards on auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:-

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Financial Reporting Standards ("FRSs"), the approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of:-

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

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

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 thereon of the subsidiary companies of which we have not acted as auditors, as indicated in Note 7 to the financial statements.

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

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

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

M. J. Monteiro
No. 828/05/08 (J/PH)
Partner

Kuala Lumpur
21st April 2008

Analysis of Securities Holdings As at 30 April 2008

Class of securities	:	Ordinary shares of RM1/- each fully paid.
	:	Warrants 2004/2009.
Authorised share capital	:	RM1,000,000,000/-
Issued and fully paid-up share capital	:	RM40,042,400/-
Number of warrants issued	:	19,845,000 exercisable into 19,845,000 new ordinary shares of RM1/- each at an exercise price of RM1.74 each
Voting rights	:	Registered shareholders are entitled to one vote per ordinary share held at all general meetings.
	:	Registered warrant-holders are not entitled to any voting rights in any general meeting.

ANALYSIS OF SHAREHOLDINGS as at 30 April 2008

SIZE OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholdings
Less than 100	160	4.09	3,438	0.01
100 - 1,000	966	24.68	891,700	2.23
1,001 - 10,000	2,386	60.96	9,976,335	24.91
10,001 - 100,000	382	9.76	8,972,900	22.41
100,001 - less than 5% of issued shares	18	0.46	8,358,800	20.87
5% and above of issued shares	2	0.05	11,839,227	29.57
Total	3,914	100.00	40,042,400	100.00

THIRTY LARGEST SHAREHOLDERS

	Name of Shareholders as per Register of Members	No. of Shares	% of Shareholdings
1.	Soo Thien Ming @ Soo Thien See (A/C 1)	7,984,837	19.94
2.	Public Nominees (Tempatan) Sdn Bhd (A/C Soo Thien Ming @ Soo Thien See)	3,854,390	9.63
3.	London Biscuits Berhad	1,996,000	4.98
4.	HDM Nominees (Tempatan) Sdn Bhd (A/C Wah Keng Sen)	1,606,700	4.01
5.	PM Nominess (Tempatan) Sdn Bhd (A/C Gelombang Sinar Sdn Bhd)	988,000	2.47
6.	HSBC Nominees (Asing) Sdn Bhd (A/C BNP Paribas Arbitrage (Hong Kong) Limited)	627,400	1.57
7.	Soo Thien Ming @ Soo Thien See (A/C 2)	513,600	1.28
8.	Lanjut Bestari Sdn Bhd	447,900	1.12
9.	Mayban Nominees (Tempatan) Sdn Bhd (A/C Siaw Kit Leong)	435,000	1.09
10.	Teh Leong Kok	262,500	0.66
11.	EB Nominees (Tempatan) Sendirian Berhad (A/C Zaleha Binti Idris)	241,000	0.60
12.	Saw Ah Kee	219,000	0.55
13.	Tan Tiong Cheng	179,000	0.45
14.	Tan Ah Hoon	144,000	0.36
15.	Chiew Cheik Yee	127,000	0.32

Analysis of Securities Holdings (Cont'd)

THIRTY LARGEST SHAREHOLDERS (Cont'd)

Name of Shareholders as per Register of Members	No. of Shares	% of Shareholdings
16. Che Wan Mohd Zuhaimi Bin Che Wan Hussain	123,000	0.31
17. Tan Kher Ann	118,700	0.30
18. Gan Lam Seong	114,000	0.28
19. Chai Jee Choon	113,000	0.28
20. Fong Cheng Ban	103,000	0.26
21. Cheng Yean Yun @ Tay Yan Hoon	95,000	0.24
22. Lim Soh Bee	90,000	0.22
23. Siaw Kit Leong	90,000	0.22
24. Soh Kok Heng	89,900	0.22
25. Lee Thye @ Lee Chooi Yoke	89,800	0.22
26. Ang Chee Kean	88,900	0.22
27. Zainal Mokhtar Bin Abdul Hamid	86,100	0.22
28. Olive Lim Swee Lian	81,000	0.20
29. Lee Soon Aun @ Lee Eng Soon	75,000	0.19
30. Chan Lee Yuen	70,000	0.17
Total	21,053,727	52.58

SUBSTANTIAL SHAREHOLDERS

According to the Register of Substantial Shareholders required to be kept under Section 69L of the Companies Act, 1965, the following are the substantial shareholders of the Company:

Name of Substantial Shareholder	Direct Interest (A)	%	Indirect Interest (B)	%	Total Interest (A) + (B)	%
Soo Thien Ming @ Soo Thien See	12,372,627	30.90	–	–	12,372,627	30.90

ANALYSIS OF WARRANT-HOLDINGS as at 30 April 2008

SIZE OF WARRANT-HOLDINGS

Range of Warrant-holdings	No. of Warrant-holders	% of Warrant-holders	No. of Warrant	% of Warrant-holdings
Less than 100	255	10.93	7,222	0.04
100 - 1,000	170	7.28	75,405	0.38
1,001 - 10,000	1,582	67.78	5,212,250	26.26
10,001 - 100,000	308	13.20	8,601,600	43.34
100,001 - less than 5% of issued Warrants	18	0.77	3,567,528	17.98
5% and above of issued Warrants	1	0.04	2,380,995	12.00
Total	2,334	100.00	19,845,000	100.00

THIRTY LARGEST WARRANT-HOLDERS

	Name of Warrant-holders as per Register of Warrant-holders	No. of Warrants	% of Warrant-holdings
1.	Public Nominees (Tempatan) Sdn Bhd (A/C Soo Thien Ming @ Soo Thien See)	2,380,995	12.00
2.	Soo Thien Ming @ Soo Thien See	596,128	3.00
3.	Ke-Zan Nominees (Tempatan) Sdn Bhd (A/C Teh Kong Siew)	324,900	1.64
4.	Wong Sien Ngik	310,000	1.56
5.	See Eau Teong	299,000	1.51
6.	Doris Law Chiew Jen	297,500	1.50
7.	Mayban Nominees (Tempatan) Sdn Bhd (A/C Siaw Kit Leong)	217,500	1.10
8.	Ahmad Zainnie Bin Abu Hassan	196,000	0.99
9.	Chai Jee Choon	170,000	0.86
10.	Amsec Nominees (Tempatan) Sdn Bhd (A/C Tang Kwai Leng)	150,000	0.76
11.	Mayban Securities Nominees (Tempatan) Sdn Bhd (A/C Yuthaya Surian A/L Muthu)	125,200	0.63
12.	Tan Ah Hoon	122,000	0.61
13.	Law Ah Lek @ Low Hun Siong	118,700	0.60
14.	Teoh Chin Chor	117,000	0.59
15.	Khoh Swee Hoe	110,000	0.55
16.	Teoh Chin Chor	105,000	0.53
17.	Mohd Hadi Bin Mohamed Anuar	103,600	0.52
18.	Berhanuddin Bin Abdul Rahman	103,000	0.52

Analysis of Securities Holdings (Cont'd)

THIRTY LARGEST WARRANT-HOLDERS (Cont'd)

Name of Warrant-holders as per Register of Warrant-holders	No. of Warrants	% of Warrant-holdings
19. Yong Chee Foong	102,000	0.51
20. Dea Chee Thai	100,000	0.50
21. Gan Tiong Kiat	100,000	0.50
22. Lee Ah Yew	100,000	0.50
23. Manami Kawasaki	100,000	0.50
24. Tey Say Ek	98,100	0.49
25. JF Apex Nominees (Tempatan) Sdn Bhd (A/C Wong Sieh Ming)	95,000	0.48
26. AHN Sdn Bhd	91,000	0.46
27. Saw Ah Kee	90,100	0.45
28. Public Nominees (Tempatan) Sdn Bhd (A/C Lai Ee Fong)	86,300	0.43
29. Chan Lee Yuen	85,000	0.43
30. TCL Nominees (Tempatan) Sdn Bhd (A/C Teh Heng Tian)	80,400	0.41
Total	6,974,423	35.13

DIRECTORS' INTEREST IN SECURITIES as at 30 April 2008

According to the registers required to be kept under Section 134 of the Companies Act, 1965, the directors' interest in the ordinary shares and warrants of the Company are as follows:-

ORDINARY SHARES OF RM1/- EACH

Name of Director	Number of shares held Direct (%)	Number of shares held Indirect (%)	Total Interest (%)
Soo Thien Ming @ Soo Thien See	12,372,627 (30.90)	–	12,372,627 (30.90)
Col. (Rtd.) Dato' Ir. Cheng Wah	20,000 (0.05)	–	20,000 (0.05)

WARRANTS 2004/2009

Name of Director	Number of warrants held Direct (%)	Number of warrants held Indirect (%)	Total Interest (%)
Soo Thien Ming @ Soo Thien See	2,977,123 (15.00)	–	2,977,123 (15.00)

Soo Thien Ming @ Soo Thien See is deemed to have an interest in the equity holdings held by the Company in its subsidiaries by virtue of his controlling interest in the Company.

Other than as disclosed above, none of the other directors hold any share, warrant or option in the Company or its related companies.

List of Group Properties Held as at 31 December 2007

	Location	Land Area (Sq.ft.)	Build up Area (Sq.ft.)	Tenure	Description	Date of Acquisition/ Revaluation (Year)	Date of Expiry (Year)	Estimated Age of Building (Years)	Net Book Value (RM'000)
1	Lot No. PTD 1098 & & PTD 1099 at Mukim Linau, Tongkang Pecah Industrial Estate, District of Batu Pahat, Johor Darul Takzim	87,120	56,150	Leasehold	Factory land & Industrial buildings (Own Occupation)	1983 (R)	2037	30	2,014
2	Lot No. PTD 1731 at Mukim Linau, Tongkang Pecah Industrial Estate, District of Batu Pahat, Johor Darul Takzim	43,560	23,745	Leasehold	Factory land & Industrial buildings (Own Occupation)	1985 (R)	2039	25	403
3	Lot No. PTD 1171 at Mukim Linau, Tongkang Pecah Industrial Estate, District of Batu Pahat, Johor Darul Takzim	43,560	19,670	Leasehold	Factory land & Industrial buildings (Own Occupation)	1978	2038	28	519
4	Lot No. PTD 881 at Mukim Linau, Tongkang Pecah Industrial Estate, District of Batu Pahat, Johor Darul Takzim	21,780	6,600	Leasehold	Factory land & Industrial buildings (Own Occupation)	1991	2035	28	288
5	Lot No. PTD 7028 & 7029 at Mukim Linau, District of Batu Pahat, Johor Darul Takzim	1,540 (per unit)	1,540 (per unit)	Freehold	2 units single storey terrace houses (Own Occupation)	1991	–	15	133
6	Lot No. PTD 80369 1 Jalan Impian Ria 6, Taman Impian Ria, Skudai, Johor Darul Takzim	7,476	1,592	Leasehold	1 unit 2 storey corner house (Vacant)	2006	2097	10	464
7	Lot No. PTD 40 & 41 Lok Kawi Light Industrial Estate, District of Kota Kinabalu, Sabah	121,908	49,237	Leasehold	Factory land & Industrial buildings (Own Occupation)	1989	2042	16	2,275
8	Lot No. PT. 133946 at Mukim Hulu Kinta, District of Kinta, Perak Darul Ridzuan	7,276	5,220	Leasehold	1 1/2 storey detached factory (Rented)	1996	2094	12	366

List of Group Properties (Cont'd)

	Location	Land Area (Sq.ft.)	Build up Area (Sq.ft.)	Tenure	Description	Date of Acquisition/ Revaluation (Year)	Date of Expiry (Year)	Estimated Age of Building (Years)	Net Book Value (RM'000)
9	Lot No. PT 1137 Bandar Dataran Segar at Village of Lukut, District of Port Dickson, Negeri Sembilan Darul Khusus	3,176	9,540	Freehold	1 unit 3 storey shop office (Vacant)	1999	–	9	534
10	Lot No. PT 1561 Bandar Dataran Segar at Village of Lukut, District of Port Dickson, Negeri Sembilan Darul Khusus	2,545	7,645	Freehold	1 unit 3 storey shop office (Vacant)	2000	–	9	396
11	Lot No. PT 1135 Bandar Dataran Segar at Village of Lukut, District of Port Dickson, Negeri Sembilan Darul Khusus	1,990	5,977	Freehold	1 unit 3 storey shop office (Vacant)	1999	–	9	310
12	Lot No. PT 1136 Bandar Dataran Segar at Village of Lukut, District of Port Dickson, Negeri Sembilan Darul Khusus	1,908	5,737	Freehold	1 unit 3 storey shop office (Vacant)	1999	–	9	301
13	Lot No. PT 1131 -1134, 1562, 1564-1571 Bandar Dataran Segar at Village of Lukut, District of Port Dickson, Negeri Sembilan Darul Khusus	1,540 (per unit)	4,613 (per unit)	Freehold	13 units 3 storey shop office (Vacant)	1999	–	9	3,166
14	Lot No. PT 1563 Bandar Dataran Segar at Village of Lukut, District of Port Dickson, Negeri Sembilan Darul Khusus	1,540 (per unit)	4,613 (per unit)	Freehold	1 unit 3 storey shop office (Vacant)	2007	–	9	265

Appendix 1 Proposed Amendments to the Articles of Association

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

ARTICLE NO.	EXISTING ARTICLE	AMENDED ARTICLE
Article 2 *Interpretation*	WORDS — MEANING Market Day — Any day between Mondays and Fridays which is not a market holiday or public holiday. Approved Market Place — A stock exchange which is specified in the Securities Industry (Central Depositories) (Exemption) (No. 2) Order, 1998.	WORDS — MEANING Market Day — **A day on which the stock market of the Exchange is open for trading in securities.** **[The interpretation of "Approved Market Place" is deleted in its entirety]**
Article 34 *Transmission of securities from Foreign Register*	(A) Where:- (i) the securities of the Company are listed on an Approved Market Place; and (ii) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act, 1998, as the case may be, under the Rules in respect of such securities, the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the Approved Market Place (hereinafter referred to as "the Foreign Register"), to the register of holders maintained by the registrar of the Company in Malaysia (hereinafter referred to as "the Malaysian Register") provided that there shall be no change in the ownership of such securities. (B) For avoidance of doubt, no company which fulfils the requirements of Article 34(A) above shall allow any transmission of securities from the Malaysian Register into the Foreign Register.	(A) Where:- (i) the securities of the Company are listed on **another stock exchange**; and (ii) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act, 1998, as the case may be, under the Rules in respect of such securities, the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the **other stock exchange**, to the register of holders maintained by the registrar of the Company in Malaysia **and vice versa** provided that there shall be no change in the ownership of such securities. **[Article 34(B) is deleted in its entirety]**

This page is intentionally left blank

HWA TAI INDUSTRIES BERHAD
Company No. : 19688-V

Form of Proxy

I / We, ______________________________

of ______________________________

being a member of HWA TAI INDUSTRIES BERHAD, hereby appoint ______________________________

of ______________________________

or failing him/her ______________________________

of ______________________________ or failing him/her
the Chairman of the Meeting, as my / our proxy, to vote for me / us and on my / our behalf at the Thirty-Third Annual General Meeting of the Company to be held on 28 June 2008 and at any adjournment thereof in the manner indicated below in respect of the following Resolutions:-

Resolutions relating to:	For	Against
1. The adoption of Financial Statements and Reports		
2. The increase in Directors' fees		
3. The re-election of Directors:-		
Soo Thien Ming @ Soo Thien See		
Col. (Rtd.) Dato' Ir. Cheng Wah		
Soo Wei Chian		
Mohamed Razif Bin Tan Sri Abdul Aziz		
Lim Keng Kee		
4. Appointment of Auditors and their remuneration		
5. Ordinary Resolution No. 1 - Authority to allot and issue shares pursuant to the Employees' Share Option Scheme		
6. Ordinary Resolution No. 2 - Authority to allot and issue shares in general pursuant to Section 132D of the Companies Act, 1965		
7. Special Resolution - Proposed Amendments to the Articles of Association of the Company		

Please indicate with (X) how you wish your vote to be cast.

No. of Shares Held	

Signature: ______________________________

Date: ______________________________

NOTES:

(1) A member of the Company entitled to attend and vote at the meeting is entitled to appoint at least 1 proxy to attend and vote in his stead. A proxy need not be a member of the Company.

(2) Where a member appoints 2 or more proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

(3) Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least 1 proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of such securities account.

(4) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or signed by an officer or attorney so authorised.

(5) The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 12, Jalan Jorak, Kawasan Perindustrian Tongkang Pecah, 83010 Batu Pahat, Johor Darul Takzim, Malaysia not less than 48 hours before the time set for holding

Fold Here

POSTAGE

THE SECRETARY
HWA TAI INDUSTRIES BERHAD
NO. 12 JALAN JORAK
KAWASAN PERINDUSTRIAN TONGKANG PECAH
83010 BATU PAHAT
JOHOR DARUL TAKZIM
MALAYSIA

Fold Here