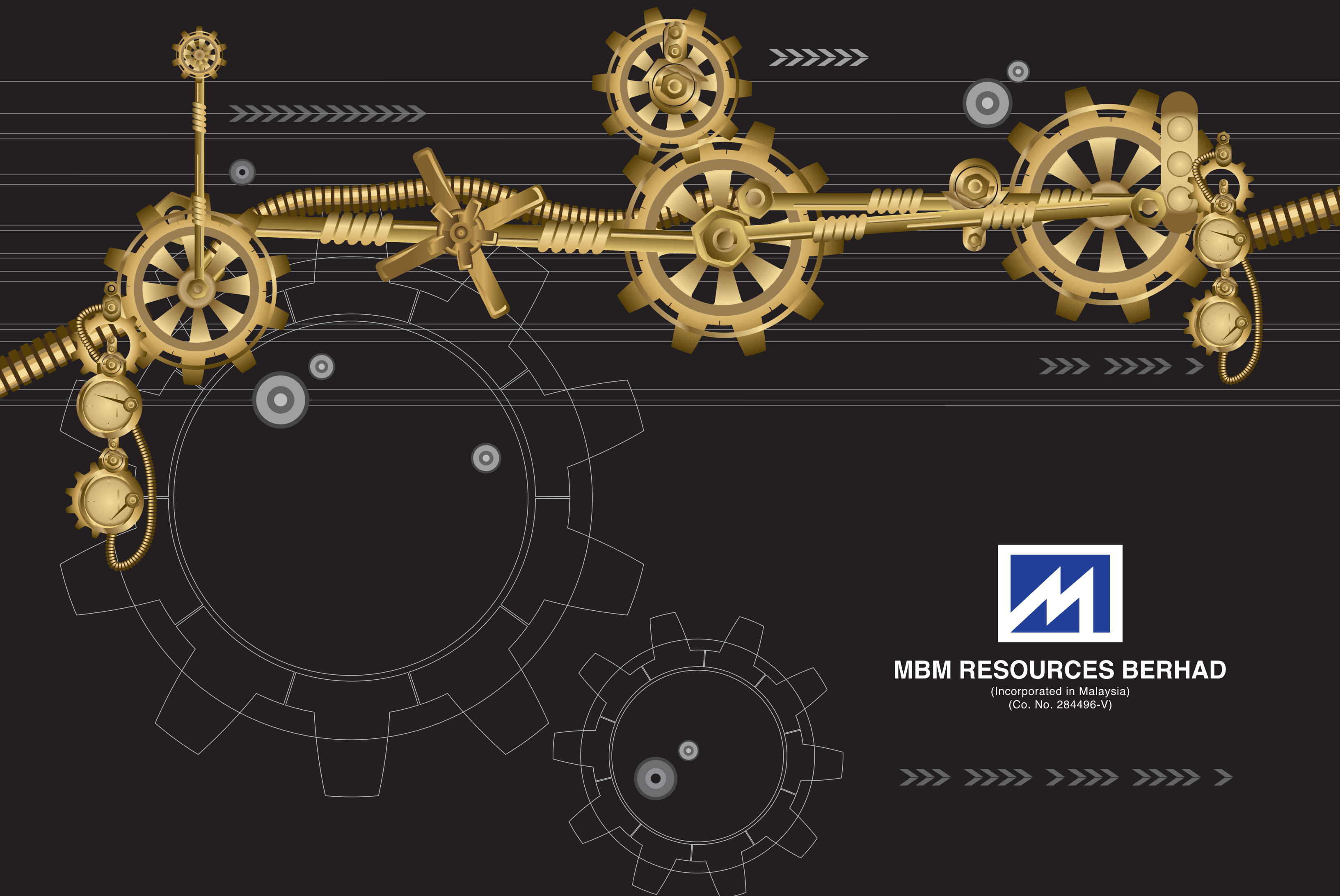
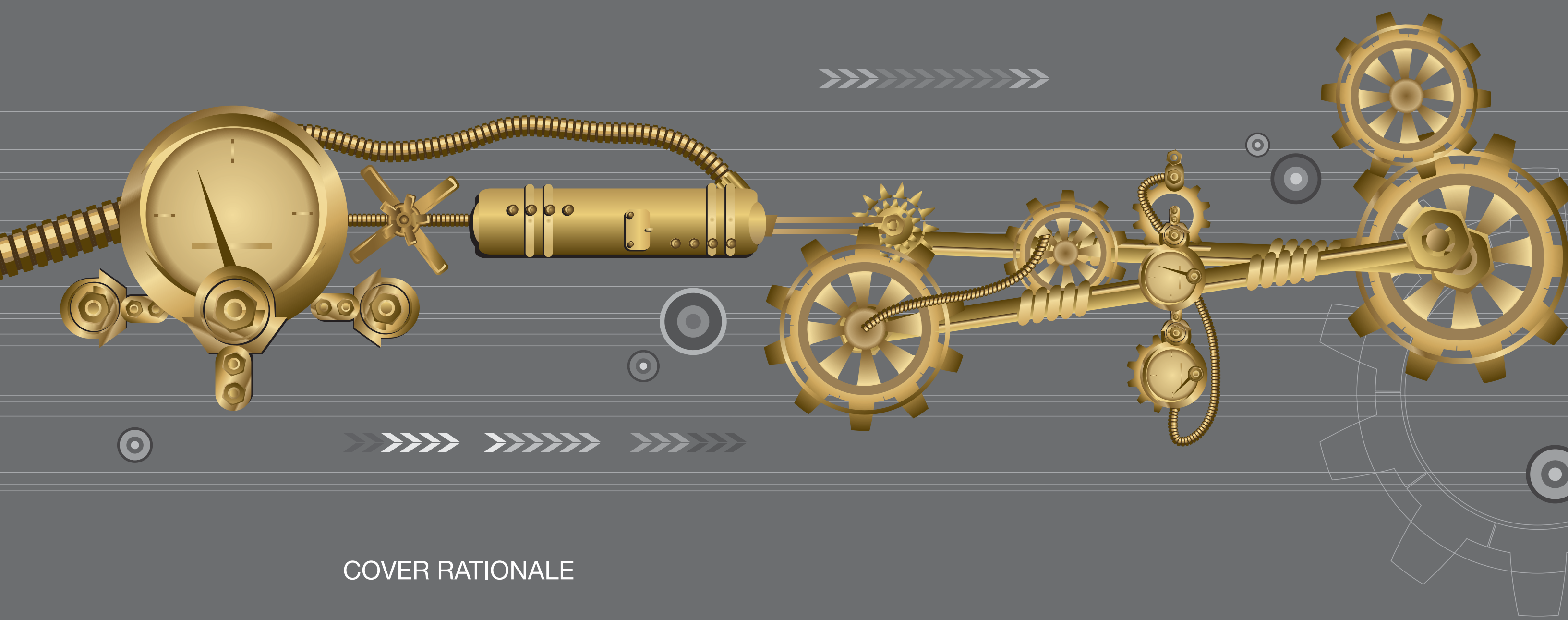
ANNUAL REPORT 2007



MBM RESOURCES BERHAD

(Incorporated in Malaysia)
(Co. No. 284496-V)



COVER RATIONALE

The MBM Resources Berhad (MBMR) Group has grown considerably over the past few years. The graphics represent the Group companies working in tandem towards future expansion, emphasised by the forward-pointing arrows. The flow is linked together, suggesting continuity against a firm black background, defining the solidity of the foundation of the Group. The contemporary design, featuring rotating mechanisms, identifies what is to be a busy year ahead as MBMR adapts to the new challenges in its businesses.

Contents

Corporate Information

Board of Directors

Y. Bhg. Dato' Abdul Rahim Abdul Halim (Chairman)

Mr. Looi Kok Loon (Managing Director)

Y. Bhg. Tan Sri Dato' Lee Lam Thye

Encik Aqil Ahmad Azizuddin

Mr. Low Hin Choong

Mr. Wong Wei Khin

Company Secretaries

Puan Shahrizat bt Othman
(MAICSA 0764744)

Puan Zaharah bt Ibrahim
(MAICSA 7012004)

Corporate Office

No. 9 Jalan Klang
58000 Kuala Lumpur, Malaysia
Tel: (603) 2260 3035
Fax: (603) 2260 3034
Website: www.mbmr.com.my

Registered Office

Suite 11-3A, 11th Floor
Menara Haw Par
Jalan Sultan Ismail
50250 Kuala Lumpur, Malaysia
Tel: (603) 2072 8007
Fax: (603) 2072 8006

Principal Bankers

HSBC Bank (Malaysia) Berhad
Citibank Berhad
CIMB Bank Berhad
Hong Leong Bank Berhad

Auditors

Ernst & Young (AF: 0039)
Chartered Accountants

Share Registrar

AAJ Registration Services Sdn Bhd
Suite 11-3A, 11th Floor
Menara Haw Par
Jalan Sultan Ismail
50250 Kuala Lumpur, Malaysia
Tel: (603) 2072 8007
Fax: (603) 2072 8006

Stock Exchange Listing

The Main Board
Bursa Malaysia Securities Berhad

Profile Of Directors

Y. Bhg. Dato' Abdul Rahim Abdul Halim

Aged 59, Malaysian
Chairman
Non-Independent Non-Executive Director

A qualified economist, Y. Bhg. Dato' Abdul Rahim was MBM Resources Berhad's (MBMR) Managing Director and Audit Committee member until 28 February 2006. He is currently Chairman of MBMR and a member of the Nomination Committee. He held several senior positions in the Ministry of International Trade and Industry (MITI) and Daihatsu (Malaysia) Sdn Bhd (DMSB) prior to his appointment to MBMR's Board on 17 December 1993. Dato' Abdul Rahim has extensive experience in the motor vehicle industry and is presently on the Boards of Intelligent Edge Berhad, Rubberex Corporation (M) Berhad, Central Cables Berhad and Ewein Berhad as well as several other private companies. He holds a Bachelor of Economics (Honours) degree from the University of Malaya. He is the Chairman of the Boards of the following group companies – DMSB, WSA Capital Corporation Sdn Bhd (WCC), Oriental Metal Industries (M) Sdn Bhd (OMI) and Summit Vehicles Body Works Sdn Bhd (SVBW), and a Board member of Perusahaan Otomobil Kedua Sdn Bhd (Perodua).

Profile Of Directors

Mr. Looi Kok Loon

Aged 41, Malaysian
Managing Director

Mr. Looi Kok Loon was appointed to the Board on 18 May 2001 and subsequently Managing Director since 1 March 2006. He was a member of the Audit Committee from 1 March 2006 until 30 September 2007. He had previously worked for a foreign investment bank. Mr. Looi holds a Bachelor's degree in Government and Economics from Brunel University and a Master's degree in Management from the University of Kent, United Kingdom.
He represents MBMR on the Boards of the following companies – Perodua, Hino Motors (Malaysia) Sdn Bhd (HMMSB), DMSB, Federal Auto Holdings Berhad (FAHB), WCC and OMI. He is also a Board member of Ewein Berhad.

Y. Bhg. Tan Sri Dato' Lee Lam Thye

Aged 62, Malaysian
Independent Non-Executive Director

Y. Bhg. Tan Sri Dato' Lee Lam Thye was appointed to the Board on 28 February 1994 and is a member of all the Company's standing committees. Before retiring from politics in 1990, he was the elected State Legislative Assemblyman for Bukit Nenas, Selangor from 1969 to 1974 and served as a Member of Parliament for Bandar Kuala Lumpur from 1974 to 1990.
He is presently the Chairman of the National Institute of Occupational Safety & Health, National Service Training Council and Vice-President of PEMADAM. He is also the Vice-Chairman of the Malaysian Crime Prevention Foundation, a Member of the Kuala Lumpur City Hall Advisory and a Member of the Special Royal Commission to enhance the operations and management of the Royal Malaysian Police.
In the private sector, Y. Bhg. Tan Sri Dato' Lee serves as a director of several public-listed companies, namely AMDB Berhad, Media Prima Berhad and SP Setia Berhad.

Encik Aqil Ahmad Azizuddin

Aged 49, Malaysian
Executive Director

Encik Aqil began his career with DMSB where he held various senior management positions prior to his appointment to the Board on 18 May 2001.
He is currently the Managing Director of DMSB and he holds a Bachelor of Science degree in Business Economics and an Associate Degree in Commercial Graphics from Southern Illinois University, USA.
He is also a director on the Boards of Perodua and FAHB.

Profile Of Directors

Mr. Low Hin Choong

Aged 47, Malaysian
Non-Independent Non-Executive Director

Mr. Low Hin Choong joined the Board on 18 May 2001 and is currently a member of the Remuneration Committee. He has more than 18 years experience in the IT industry, having worked as a systems analyst and software manager. He graduated from Queen's University of Belfast, United Kingdom with a Bachelor of Science (Honours) degree in Business Administration & Computer Science and is currently managing his own successful software applications business. He is also a member of the Board of WCC.

Mr. Wong Wei Khin

Aged 40, Malaysian
Non-Independent Non-Executive Director

Mr. Wong Wei Khin previously served MBMR as a corporate manager and was nominated to the Board on 23 May 2002. He was appointed as a member of Audit Committee from 1 October 2007. He graduated from the University of Sydney with a Bachelor of Economics and Bachelor of Laws degrees. He is also a member of the Board of DMSB.

Notes:

1. None of the Directors has any family relationship with any Director and/or major shareholder of the Company.
2. None of the Directors has any conflict of interest with the Company.
3. None of the Directors has been convicted of any offences other than traffic offences within the past 10 years.

Attendance At Board of Directors' Meetings and Annual General Meeting

The number of Board of Directors' meetings held during the directors' tenure in office in the current financial year and the number of meetings attended by each director are as follows:

Directors	Number of Board Meetings Held During Directors' Tenure in Office	Number of Meetings Attended by Directors
Y. Bhg. Dr. Nawawi Mat Awin (deceased on 14 March 2008)	4	4
Y. Bhg. Dato' Abdul Rahim Abdul Halim	4	4
Mr. Looi Kok Loon	4	4
Y. Bhg. Tan Sri Dato' Lee Lam Thye	4	4
Encik Aqil Ahmad Azizuddin	4	4
Mr. Low Hin Choong	4	4
Mr. Wong Wei Khin	4	4

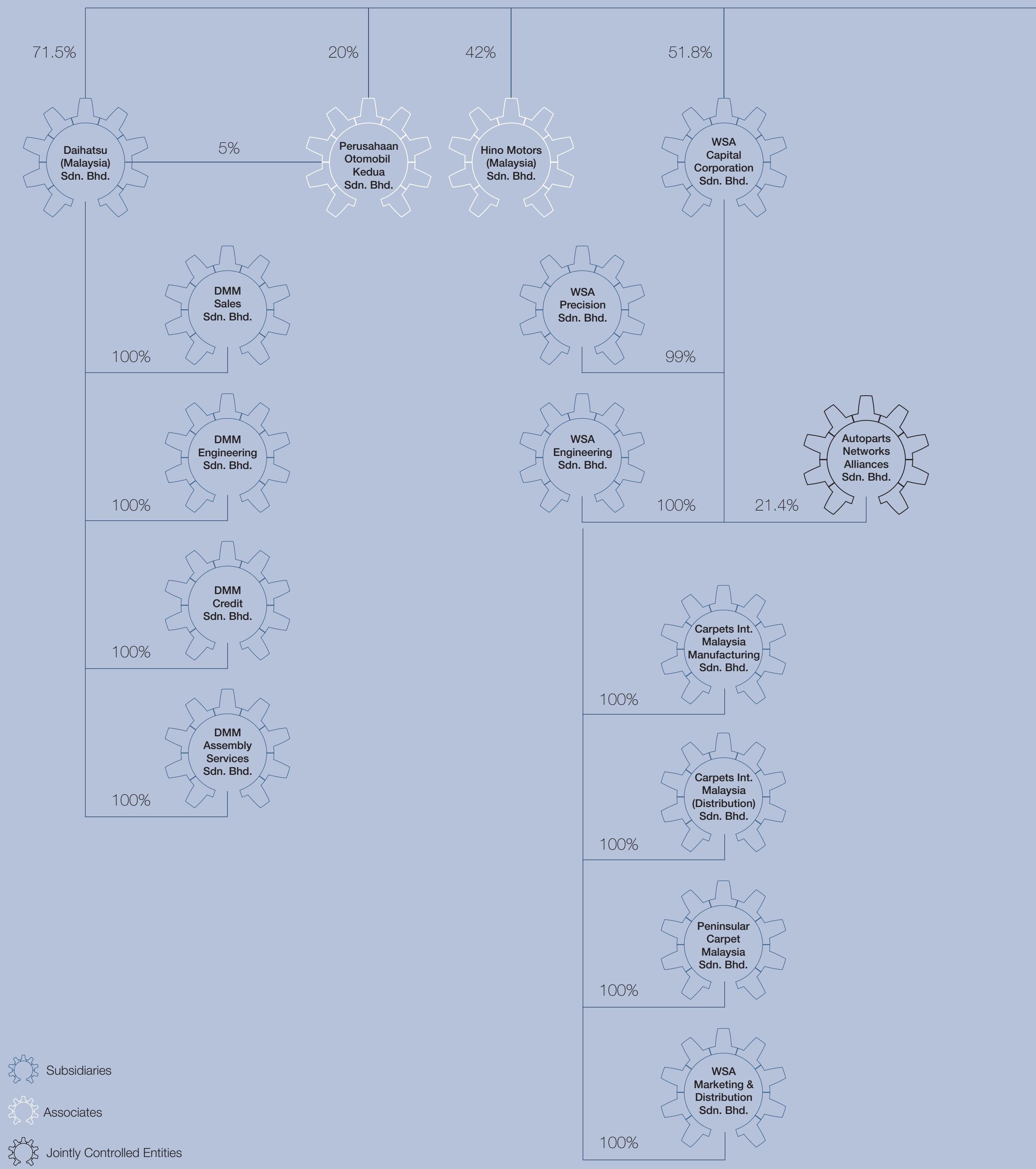
Date of Board of Directors' Meetings:

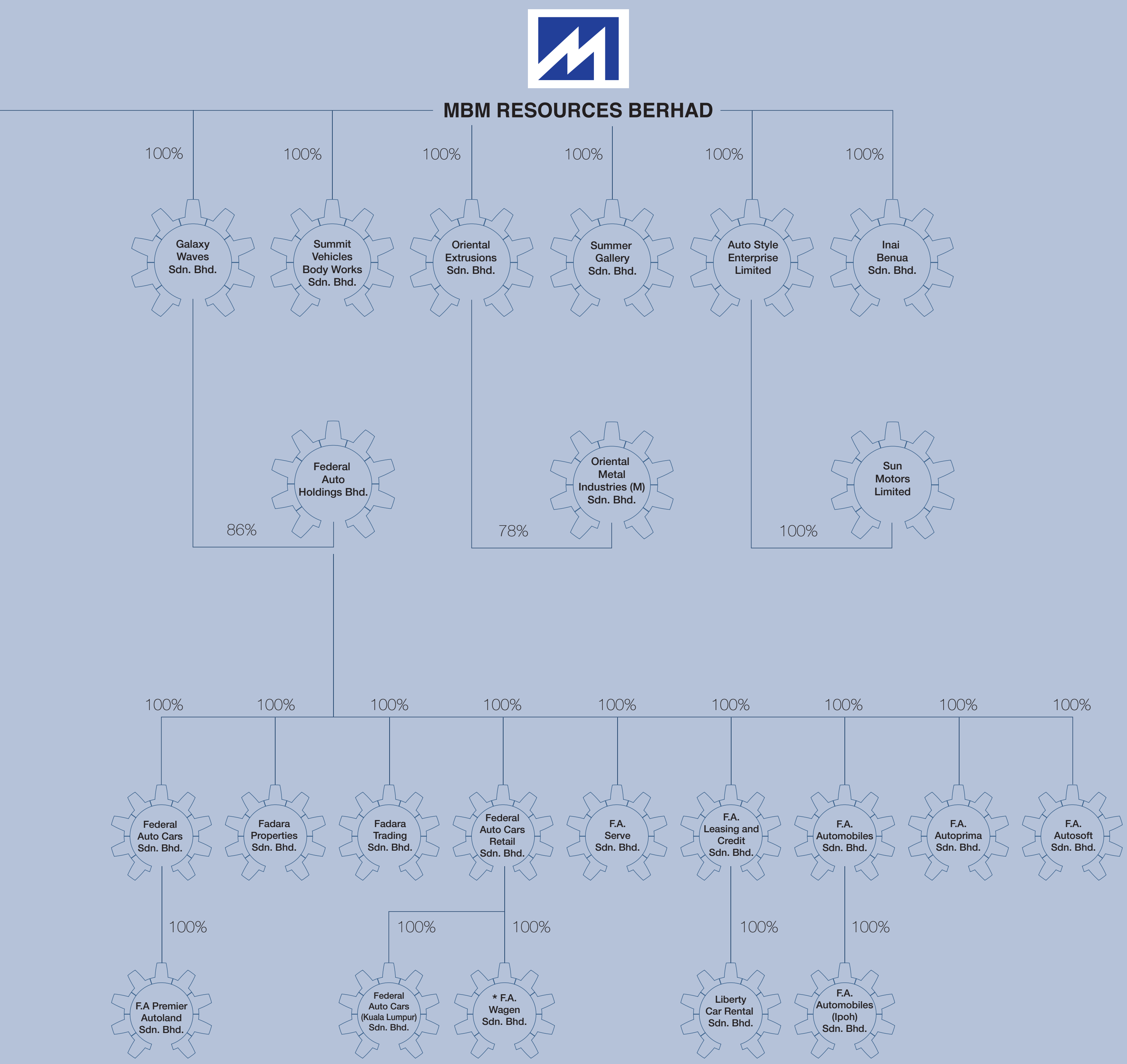
1) 26 February 2007
2) 24 May 2007
3) 9 August 2007
4) 14 November 2007

Annual General Meeting

The Thirteenth Annual General Meeting held on 24 May 2007 was attended by all directors.

Corporate Structure AS AT 28 MARCH 2008





* Formerly known as Federal Auto Cars (Pulau Pinang) Sdn. Bhd.

Group Financial Performance YEAR ENDED 31 DECEMBER

RESULTS (RM MILLION)

Revenue
Profit from operations
Profit before taxation
Attributable profits

BALANCE SHEET (RM MILLION)

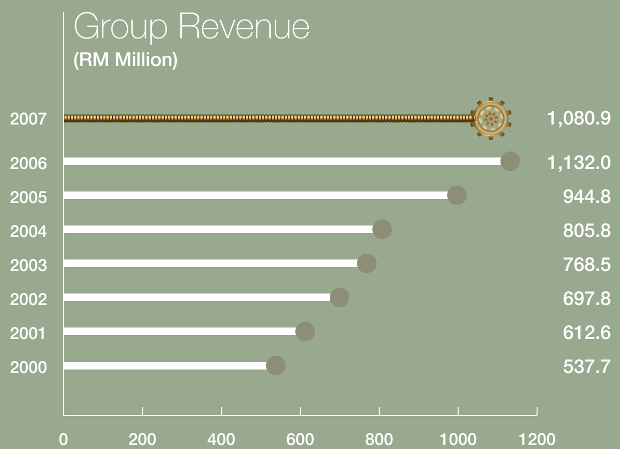
Share capital
Shareholders' equity
Total cash
Total assets
Total borrowings
Net assets per share (RM)

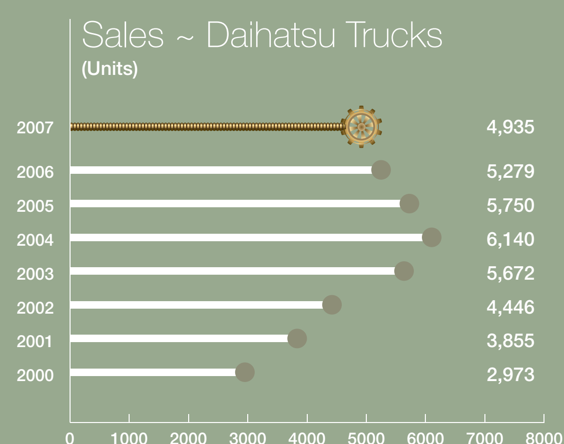
RATIO

Profit from operations on revenue (%)
Return on equity (%)

SALES (UNITS)

Daihatsu trucks
DMMS Perodua
FAC Volvo





	2000	2001	2002	2003	2004	2005	2006	2007
	537.667	612.572	697.848	768.527	805.755	944.824	1,132.012	1,080.910
	22.542	40.274	76.903	65.686	43.859	38.816	49.035	53.658
	52.078	111.860	134.099	101.617	67.084	97.027	121.899	140.475
	37.390	87.476	90.108	74.906	46.132	73.777	92.092	110.523
	139.000	139.000	231.667	234.493	234.765	234.792	238.537	242.024
	357.384	431.566	481.478	528.505	544.903	580.385	661.081	758.880
	91.396	132.336	109.149	137.910	95.868	70.477	108.316	110.721
	532.726	578.963	656.486	734.517	781.889	898.802	954.615	993.821
	33.870	14.032	62.090	70.779	94.963	109.237	77.439	45.079
	2.57	3.10	2.08	2.25	2.32	2.47	2.77	3 .14
	4.2	6.6	11.0	8.5	5.4	4.1	4.3	5.0
	10.5	20.3	18.7	14.2	8.5	12.7	13.9	14.6
	2,973	3,855	4,446	5,672	6,140	5,750	5,279	4,935
	10,602	10,629	11,809	12,133	11,221	13,324	13,876	13,009
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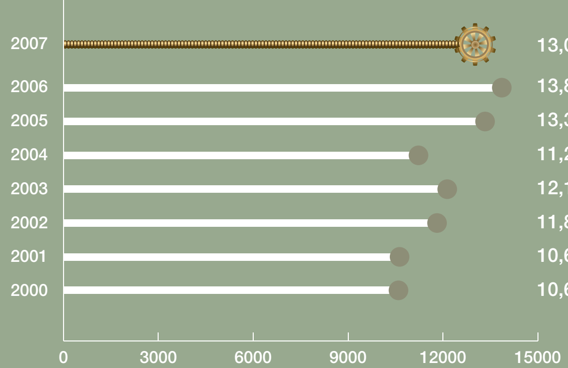
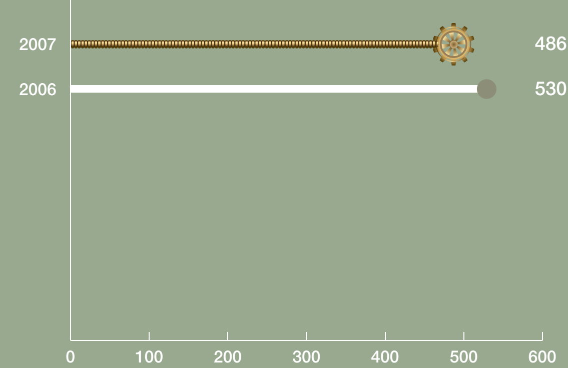
Sales ~ DMMS Perodua
(Units)



Sales ~ FAC Volvo
(Units)



Chairman's Statement

DAIHATSU TRUCK LEAF SPRING SUSPENSION

Dear Valued Shareholders,

Before I proceed to present the Annual Report and financial statements of MBM Resources Berhad (MBMR) for the financial year ended 31 December 2007, on behalf of the Board of Directors, I wish to express our deepest condolences to the family of our late Chairman, Y. Bhg. Dr. Nawawi Mat Awin, who passed away on 14 March 2008 at an age of 70. Y. Bhg. Dr. Nawawi had been on the Board of MBMR since 2001. The Board wishes to record our appreciation for his valuable contributions, advice and guidance to the Group. He will be sadly missed.

My first statement as Chairman will bring to you a different perspective as compared to the usual review of the year. As an investment holding company, we should be judged on the return on investments we have made. I wanted to therefore put greater emphasis on MBMR's long term track record rather than just on 2007's performance.

OUR INVESTMENTS

We are a motor-focused investment company. The Group today has investments across the whole spectrum of the motor industry, from the distribution of compact entry cars to luxury makes, from light trucks to medium and heavy duty vehicles, and more recently, the manufacturing of auto parts business.

Our investments include the following:

- Daihatsu (Malaysia) Sdn Bhd (DMSB) which has the exclusive Daihatsu distributorship in Malaysia which include the largest domestic independent Perodua dealership network;
- Federal Auto Holdings Berhad (FAHB) which has the largest Volvo cars dealership in Malaysia, as well as dealerships for Volkswagen and Mitsubishi cars;
- Perodua, Malaysia's largest car company by its market share in the passenger vehicles segment; and
- Hino Motors (Malaysia) Sdn Bhd (HMMSB), the leading premium commercial vehicle distributor.

This portfolio in the Group represents tremendous value – they are leaders in their respective segments; they offer growth opportunities; and they are built on strong business relationships with the principals, suppliers, customers and financiers.

Chairman's Statement

Investments from year 2000 to 2007

Year	MBMR's Investments	%	RM Mils
2000	Perusahaan Otomobil Kedua Sdn. Bhd.	20.00	160.0
2003	Summit Vehicles Body Works Sdn. Bhd.	90.00	1.9
2004	Galaxy Waves Sdn. Bhd. (owns 20% of OMI and 32% of FAHB)	100.00	33.7
	Oriental Extrusions Sdn. Bhd. (owns 55% of OMI)	100.00	8.8
	Oriental Metal Industries (M) Sdn. Bhd.	3.00	2.0
	WSA Capital Corporation Sdn. Bhd.	50.98	5.2
2005	Federal Auto Holdings Berhad	37.64	15.8
2006	Hino Motors (Malaysia) Sdn. Bhd.	42.20	25.8
	Summit Vehicles Body Works Sdn. Bhd.	10.00	-
2007	Federal Auto Holdings Berhad	16.36	9.3
			262.5

The table above shows the total investments MBMR has made since 2000. Substantial new investments were made over the last seven years amounting to RM262.5 million. This was a period of expansion by acquisitions, a strategy of broadening our portfolio of distributorships/dealerships under the Group and diversification into the higher margined manufacturing business. During the year we increased our stake in FAHB by an additional 16.4% at a cost of RM9.3 million, bringing our total holding in the company to 86.0%.

OUR TRACK RECORD

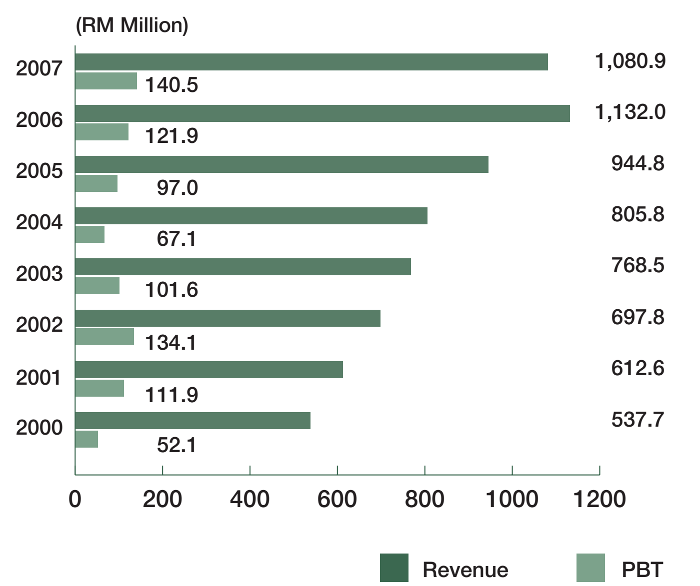
Our track record on return on our investments has been solid and consistent. As an investment holding company, our yardsticks for measuring our performance shall be:

- Growth in our consolidated revenues and profits;
- Growth in MBMR's net assets; and
- Our dividend payments.

Revenues and Profits

Since 2000, revenues have almost doubled (average annual growth rate of 10.8%) to RM1.1 billion, whilst profit before tax was up 170% (average annual growth rate of 23.1%).

Revenue and PBT, from year 2000 to 2007



The investments we have made over the years have contributed positively towards the growth of the Group.

In 2007, our businesses generally did well against a challenging year. All entities, with the exception of WSA Capital Corporation Sdn Bhd (WCC) and Summit Vehicles Body Works Sdn Bhd (SVBW), recorded growth in profits. WCC and SVBW recorded a small loss, which is temporary and both are expected to turnaround this year.

On a consolidated basis, the group recorded a 4.5% decline in revenues but profit before tax achieved a record high of RM140.5 million, a 15.2% growth from 2006.

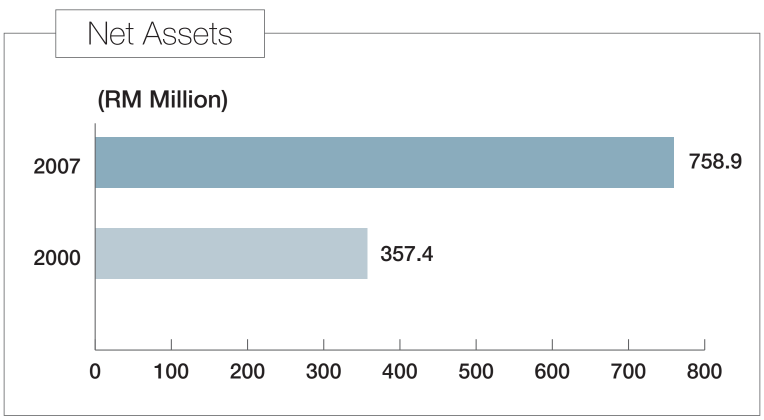
Our products continue to lead in the market:

- Daihatsu remained the No.1 brand in the light truck market;
- Hino has climbed significantly in the ranks with its new model introductions as well as benefiting from increased orders for buses and prime movers;
- Perodua retained its No.1 car maker position for the second consecutive year as its highly popular Myvi model was given an added boost with the Special Edition model variation launched at the start of the year, coupled with the successful launch of the new model, Viva in May; and
- Federal Auto Holdings Berhad (FAHB), despite recording lower sales overall for the year, has shown promising recovery of Volvo car sales since the middle of the year, aided by the launch of the all new S80 saloon model, coupled with the commencement of the Volkswagen dealership in Puchong, Kuala Lumpur.

The motor industry had a slow start to the year. In manufacturing, production shrunk resulting in operational losses in the first quarter. The group companies however used this period for investing in maintenance and upgrading in plant and equipment, which has led to production efficiency. The subsequent pick up in volumes in the second half of the year benefited particularly Oriental Metal Industries (M) Sdn Bhd (OMI).

Net Assets

The growth in revenues and profitability enhances the value of your company. Our prudent approach to financing our expansion plans has allowed us to maintain an efficient balance sheet. MBMR's book value of its net assets after liabilities, grew by RM97.8 million or 14.8% in 2007. Over the last seven years this value has grown by RM402 million, or an equivalent average growth rate of 11.5% annually. The present valuation of MBMR assigned by the market of RM678.0 million (share price of RM2.80 at the time of writing) undervalues the group when compared against the book value of the company of RM758.9 million.



Return Ratios

	2000	2001	2002	2003	2004	2005	2006	2007
Return on Net Assets (RONA)	10.5%	20.3%	18.7%	14.2%	8.5%	12.7%	13.9%	14.6%

Return on Capital Invested (ROCI), 2000 to 2007

Total Investments Cost (RM Mils)	262.5
Total Profits / Share of Profits Consolidated (RM Mils)	396.5
ROCI %	151.1

The returns generated from the investments and the assets have been consistently promising. The average return on net assets achieved over 2000-2007 was 14.2% whilst in 2007, the corresponding return was 14.6%. For the total investments made over 2000-2007, which amounted to RM262.5 million, the return on capital invested was 151.1%, meaning we have recovered our cost of investment by 1.5 times over seven years.

Dividends

We have been generous in our dividend payout. As an investment holding company, we depend on dividends paid by our subsidiaries and associate companies. Since 2000, we have received a total of RM308.8 million of dividends and paid out RM220.3 million in dividends to shareholders of MBMR, amounting to a payout ratio of 71.3% from the dividends received. During the same period, we made RM262.5 million of investments, of which RM102.5 million were financed internally and paid for in cash.

The Company paid a first ordinary interim gross dividend of 6 sen per share on 25 September 2007 and a second ordinary interim gross dividend of 6 sen per share on 27 March 2008, bringing the total ordinary dividends paid for the financial year ended 31 December 2007 to 12 sen per share.

We are prudent in our dividend payout this year. With our acquisitions which had taken place in recent years, it is now the right time to expand these operations for the future. Therefore, we have to reinvest for development of our sales and service networks, manufacturing facilities and to realise the potential value of our properties. Despite illustrating our track record earlier, our future performance is mainly guided by the market conditions. However, it is our commitment to fulfill our customers' needs. Our base assets and earnings have grown and in order to maintain similar momentum, there is a need to reinvest for expansion. Just to name some of the significant planned investments, DMSB's new 3S (sales, service and spare parts) centre in Kota Kinabalu costing RM5 million,

Dividends Received, Dividends Paid and Investments

	2000	2001	2002	2003	2004	2005	2006	2007	Total
Dividends Received (RM Mils)	16.8	81.9	44.1	21.4	24.6	33.6	55.1	31.3	308.8
Dividends Paid (RM Mils)	14.6	18.0	40.0	35.1	30.4	30.4	30.7	21.1	220.3
Investments (RM Mils)	160.0	-	-	1.9	49.7	15.8	25.8	9.3	262.5

FAHB's RM10 million new 3S Volvo centre in Glenmarie, OMI's RM12 million new tyre module plant in Serendah and the joint development of FAHB's current headquarters near Mid Valley, Kuala Lumpur. We have to therefore strike a balance of paying dividends as well as investing for expansion.

ENHANCING VALUE

Share Price, Earnings Per Share (EPS) and Dividend Per Share (DPS)

* Average Annual Growth Rate

	2000	2001	2002	2003	2004	2005	2006	2007	*AAGR
EPS (RM)	0.160	0.378	0.389	0.322	0.197	0.314	0.389	0.459	26.3%
DPS (RM)	0.108	0.240	0.180	0.180	0.180	0.180	0.150	0.120	8.7%
Share Price (RM)	2.388	1.254	2.160	2.880	3.200	2.210	2.720	2.930	9.9%

I have elaborated in detail above our returns achieved from our investments. We have stood firmly with our strategy in investing and extracting the best value from our investments. For the immediate term, amongst the value enhancing exercises we have undertaken include realising our investment in MBM Industries Sdn Bhd (MBMI). On February 2008, MBMR had completed the disposal of its entire holding of 39.9% in MBMI to Ewein Berhad (Ewein), which has been listed on the Second Board of Bursa Malaysia Securities Berhad, for a consideration fully satisfied by the issuance of new ordinary shares in Ewein. In turn, MBMR has offered these Ewein shares to MBMR shareholders through a restricted offer for sale (ROS) and received in total proceeds of RM27.1 million. Through this, the shareholders of MBMR will get the opportunity to hold directly shares in Ewein thereby allowing them to have direct participation in the prospects and future performance of Ewein.

We have also taken steps to realise the value of our property assets, in particular FAHB's "Lot 15", where its current headquarters is located, next to the thriving Mid Valley development. We believe the commercial development planned will enhance the value of the property which remains stated at book value dating back to 1983 when neighbouring sites have not even been developed. We had on 19 October 2006 announced that a Memorandum of Understanding (MOU) had been signed for setting up a joint venture for the project.

FUTURE PROSPECTS

All companies within the MBMR group will have a busy year ahead.

DMSB's new 3S centre in Kota Kinabalu is expected to be completed by the first half 2008; FAHB has commenced its Mitsubishi dealership operations in Ipoh early this year and it is developing its Volvo new 3S centre in Glenmarie, a first of a series of revamp of the group's Volvo branch network; OMI is expected to complete the construction of its new tyre module plant in Serendah at the end of the year; WCC is investing in capacity expansion as its business volume is set to increase significantly in 2008; and SVBW moved to its substantially larger new premises in Bukit Kemuning early this year to cope with its expanded volumes as well as enabling it to improve on its operations.

Artist Impression of FAHB's new Volvo 3S Centre in Glenmarie

Chairman's Statement

Balancing Operations – Key process in tyre assembly operations to assure Noise, Vibration and Harshness (NVH)

The general outlook for the motor industry for 2008 is positive. We have witnessed a sustained turnaround in sales volumes since the middle of last year and the momentum is set to continue. General economic activity is driving the demand for commercial vehicles and DMSB and HMMSB are both enjoying a pick up in orders.

Planned new models and facelifts for Volvo, Volkswagen, Perodua and Hino brands should help generate growth in sales for the group's subsidiaries, FAHB and DMSB, and associate companies, Perodua and HMMSB.

The manufacturing division in particular is set to enjoy the expected pick up in vehicle sales as a whole as they have secured the supply of parts to the new models of the major motor companies.

As MBMR's group profitability is sensitive to the movements of the Ringgit, in particular to the Japanese Yen and US dollar, we are more cautious on the outlook for the Group's profits as recent trends have indicated a more moderate performance of the domestic currency. In 2007, the Ringgit appreciated by 7.3% and 6.3% against the Yen and US dollar respectively, helping improve the Group's overall margins.

MBMR AND OUR SOCIAL RESPONSIBILITIES

As a responsible corporate citizen, we believe we have much to contribute to the development of the Malaysian economy. We currently employ 1,362 staff of which 92% are locals. We provide employment opportunities and prospects for career progression in our expanding Group. Training programmes were provided during the year by the group companies in helping to equip our employees with improved skills and effectiveness in carrying out their duties. We have also organised safety awareness programmes, particularly at our manufacturing subsidiaries, to raise awareness and educate our employees on safety practices.

OMI Team Building event in May 2007 - Solving quizzes with team members

DMSB raised RM70,000 from the charity Tuanku Jaafar Golf Tournament it organises annually. The funds raised were channeled to eleven charitable organizations of various causes.

APPRECIATION

I wish to congratulate the management and staff for achieving a record year of profitability. On behalf of the Board of Directors I wish to express my appreciation for their hardwork, commitment and dedication. Thank you to all our valued customers, principals, suppliers, bankers, business partners and shareholders for their continued support.

DATO' ABDUL RAHIM ABDUL HALIM
Chairman

VOLVO XC60 CONCEPT CAR SPEEDOMETER

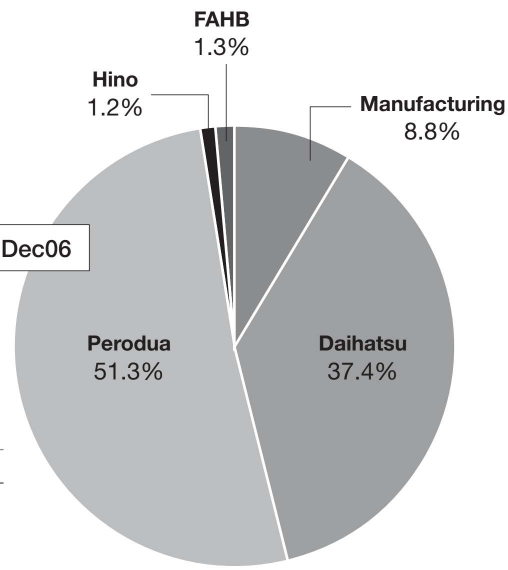
Managing Director's Review Of Operations

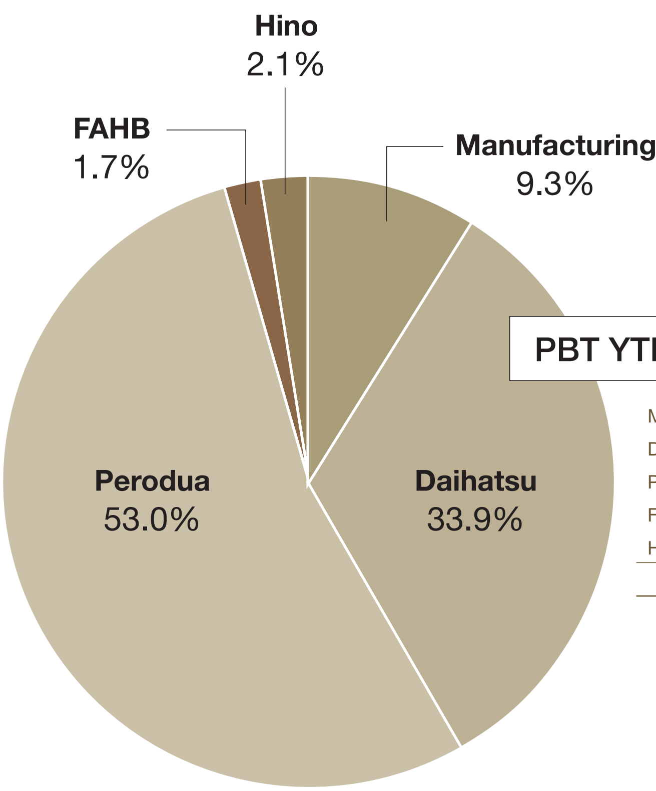
Dear Valued Shareholders,

In 2007, MBMR's profit before tax grew to a record high of RM140.5 million, a growth of 15.2% over the previous year. We have an enviable track record of delivering consistent returns on our investments and considerable progress has been made in our expansion plans over the years. I have the pleasure in presenting the review of operations of the group in greater detail below.

PBT YTD Dec06

Manufacturing	8.8%
Daihatsu	37.4%
Perodua	51.3%
FAHB	1.3%
Hino	1.2%
	100.0%





PBT YTD Dec07

Manufacturing	9.3%
Daihatsu	33.9%
Perodua	53.0%
FAHB	1.7%
Hino	2.1%
	100.0%

DAIHATSU (MALAYSIA) SDN BHD (DMSB)

Managing Director: Encik Aqil Ahmad Azizuddin
Lot 2B, Jalan Keluli, Section 15, 40000 Shah Alam, Selangor

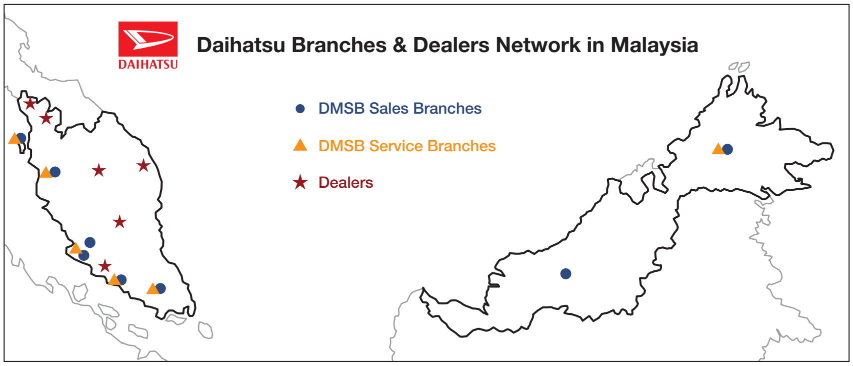
It was a difficult year as a whole for the commercial vehicle market. Daihatsu truck sales fell by 6.5% to 4,935 units (2006: 5,279). However, there was a considerably better response in the second half of the year, which amounted to 2,720 units compared with 2,215 units in the first half, a 22.8% half-on-half improvement. We defended our dominant market share of 40% of the light truck market, a clear 10 percentage points lead over our nearest competitor.

We have an extensive network of sales and service branches and dealers. Our investments over the years for setting up this established network give us an advantage over the competitors. Our superior level of service is an added advantage to customers buying our proven and reliable trucks. To further enhance this commitment, DMSB has invested RM5 million in a 3S centre in Kota Kinabalu, which is expected to be operational by the first half of this year.

DMSB's wholly owned Perodua dealership, DMMS, total unit sales fell 6.2% to 13,009 units (2006: 13,876). However, similarly we saw a recovery in the second half with sales growing by 12.5% compared with the first half, increasing its market share of total Perodua sales from 7.8% to 8.0%. The Myvi and Viva models shall continue to drive sales volumes this year.

DMSB's 3S Centre in Kota Kinabalu

We defended our dominant market share of 40% of the light truck market, a clear 10 percentage points lead over our nearest competitor.



	2006	2007
Daihatsu Trucks Sales (Units)	5,279	4,935
DMMS Perodua Sales (Units)	13,876	13,009
Revenue (RM Mils)	904.0	861.9
Profit before taxation (RM Mils)	50.3	49.7

	2002	2003	2004	2005	2006	2007
Daihatsu Trucks Sales (Units)	4,446	5,672	6,140	5,750	5,279	4,935
DMMS Perodua Sales (Units)	11,809	12,133	11,221	13,324	13,876	13,009

Managing Director's Review Of Operations

SUBSIDIARIES

FEDERAL AUTO HOLDINGS BERHAD (FAHB)

General Manager: Mr. Steven Lee
9, Jalan Klang, 58000 Kuala Lumpur

During the year we embarked on our new strategic plans for the FAHB group.

We reviewed our Volvo dealership. We have committed to consolidating our Shah Alam and Petaling Jaya branches into Glenmarie. Once construction is completed of the new Volvo 3S centre at the end of 2008, new standards of service and customer experience will be set. This would be the beginning of our revamp programme of our Volvo branch network, which there are currently six branches – Penang, Ipoh, Kuala Lumpur, Petaling Jaya, Melaka and Johor Baru.

FAHB's sales of Volvo cars fell 8.3% to 486 units (2006: 530) during the year. The impact of the successful launch of the all-new S80 premium saloon had not been felt fully as the car was only introduced to the market in August. This model has been well received – stylish and comfortable and priced competitively against competing models of its class.

There are some major factors that will drive sales favourably this year. The management is placing heavy emphasis on training its staff in meeting the highest standards of service that Volvo car buyers have come to expect. We aim to recapture the market share we have lost over the years. Model facelifts and the introduction of a new model will create buyers' interest. We have planned exciting events to increase showroom traffic and ongoing roadshows have been scheduled to reach new markets. We are confident our plans will result in improved sales and better positioning of the Volvo brand as well as FAHB's leadership as the main Volvo dealer in Malaysia.

The management is placing heavy emphasis on training its staff in meeting the highest standards of service that Volvo car buyers have come to expect.

Our second strategic plan was to secure new dealerships of other brands. In May 2007, FAHB signed a dealership agreement with Volkswagen Group Malaysia Sdn Bhd to sell Volkswagen (VW) vehicles in the territory of Puchong and in November 2007 a dealership agreement was signed with Mitsubishi Motors Malaysia Sdn Bhd for the selling of Mitsubishi cars in the state of Perak.

The additional two brands under the FAHB group allows for greater diversification and will provide added impetus for growth. The VW Puchong sales branch was launched in November 2007 and the Mitsubishi branch in Ipoh started operating early this year.

Once construction is completed of the new Volvo 3S centre at the end of 2008, new standards of service and customer experience will be set.

New Volvo S80

	2006	2007
Volvo Cars Sales (Units)	530	486
Revenue (RM Mils)	134.2	125.3
Profit before taxation (RM Mils)	1.8	1.8

SUBSIDIARIES

ORIENTAL METAL INDUSTRIES (M) SDN BHD (OMI)

Executive Director: Encik Azmi Dato' Abdul Rahim
General Manager: Mr. Chai Kin Poh
Lot 51, Jalan Utas 15/7, Section 15, 40200 Shah Alam, Selangor

In 2007, OMI recorded a 14.5% jump in sales of steel wheels and a 65% rise in tyres assembled. This was achieved despite a slow start to the year. Sales momentum gathered pace as the year progressed as the major car companies increased production, especially for the launch of their respective new models. Despite increased business activity, OMI is facing the challenge of increased raw material costs. Measures have been stepped up to contain other costs to cushion the impact and improve on production efficiency.

The construction of the new tyre module plant next to Perodua in Serendah is now well underway. The plant is expected to be completed by the end of the year and to be operational by early next year. When completed OMI will be well placed to supply complete module systems not only to Perodua, but to other major car companies too. OMI will offer the most advanced tyre assembly services in Malaysia.

Exports currently account for only 5% of revenues but OMI aspires to increase this further as its customers establish new assembly and manufacturing facilities in ASEAN. The combined strengths of its technical collaboration with Central Motor Wheel Co. Ltd, Japan will provide OMI with recognised leadership in product design, quality and safety, which will enable it to penetrate new markets beyond Malaysia.

In 2007, OMI recorded a 14.5% jump in sales of steel wheels and a 65% rise in tyres assembled.

Press Operations – Progressive stamping of discs for domestic and regional exports

OMI will offer the most advanced tyre assembly services in Malaysia.

	2006	2007
Steel wheels ('000) (Units)	717	821
Disc ('000) (Units)	22	91
Tyre assembly ('000) (Units)	959	1,581
Revenue (RM Mils)	39.1	45.6
Profit before taxation (RM Mils)	7.7	9.5

Managing Director's Review Of Operations

SUBSIDIARIES

WSA CAPITAL CORPORATION SDN BHD (WCC)

Managing Director: Dr. Wan Mohamed WE
B-17-6, Block B, Megan Avenue II, No. 12 Jalan Yap Kwan Seng, 50490 Kuala Lumpur

WCC recorded a loss for the year. It was a particularly difficult year as the car models that it supplied its products to were being phased out. However, the additional business it secured during the year was not enough to offset this decline. The commercial carpet business also suffered from slow orders.

WCC will be focusing on the following strategy at improving its performance:

- Improve production efficiency and greater cost controls, including better sourcing of raw materials;
- Increasing the product range for its trading business to include water pumps and engine oils by tapping into the existing established network for its clutch kits dealership;
- Greater collaboration with its Autoparts Networks Alliances Sdn Bhd (ANA) partners.

This strategic focus will have some positive impact on the company's performance this year. It has secured major supply orders for volume models being introduced by its customers for 2008. Increased production volume will have an immediate boost to efficiency. We have also seen some significant drop in reject rates, which will translate into better margins. During the year, WCC's balance sheet was also strengthened with the completion of its rights issue.

The management is confident that WCC will return to profitability for the year.

	2006	2007
Revenue (RM Mils)	46.1	40.3
Profit/(Loss) before taxation (RM Mils)	1.6	(1.3)

SUMMIT VEHICLES BODY WORKS SDN BHD (SVBW)

Executive Director: Mr. Liew Sin Tuck
Lot 42684, Jalan Omboh 34/1, Off Jalan Bukit Kemuning, Seksyen 34, 40470 Shah Alam, Selangor Darul Ehsan

SVBW depends largely on commercial vehicle sales for demand for its services. The drop in industry sales had a negative impact on its performance.

Johnson Medical Semi-Trailer

It recorded a loss of RM0.3 million in 2007. It did however, secure some major specialised body works during the year, which command better margins.

We expect significant progress to be made by SVBW this year. Operations have commenced at its much larger new premises in Bukit Kemuning, Shah Alam. Greater focus on the higher margined specialised body works to complement its traditional wooden bodies for the light trucks, will enable SVBW to strengthen its earnings quality. It will also take the opportunity to improve on the efficiency of its operations as well as tightening on cost controls.

	2006	2007
Revenue (RM Mils)	9.7	8.3
Profit/(Loss) before taxation (RM Mils)	0.1	(0.3)

PERUSAHAAN OTOMOBIL KEDUA SDN BHD (PERODUA)

It was another outstanding year for Perodua. It achieved a record number of registrations for its cars at 162,000 units, capturing the largest market share of 33.3% of total vehicles registered in 2007. The new model, Viva, was launched in May 2007. Prices range from RM28,400 to RM44,200, depending with models and specifications. The new model features significant improvement in engineering and safety. Despite being a compact car, Perodua has designed a car that is spacious and stylish. It received the Car of the Year Autocar Asean Award 2007. Sales have been brisk. Viva is positioned to be an affordable car to buy and run.

Viva

It achieved a record number of registrations for its cars at 162,000 units, capturing the largest market share of 33.3% of total vehicles registered in 2007.

The popular Myvi, which received the Best Model of the Year (Malaysia) award at the Frost & Sullivan 2007 Asean Automotive Awards also, sustained Perodua sales. It accounted for over half of Perodua's total sales in 2007. The Special Edition version of the Myvi launched early in the year received extremely good response, which has generated tremendous buying interest for the model.

There were also major achievements in after sales. Campaigns were launched to increase the service intake, which will be increasingly significant as the fleet of Perodua cars on the road increases. This will also have a positive impact on parts sales, which recorded substantial growth.

There will be an introduction of a new model and a facelift of an existing model planned for the year. Investments are being made on new branches and service centres to better support the increased sales. Investments have also been allocated for plant improvements with continuous efforts at raising the quality of the cars produced to international quality benchmarks.

	2006	2007
Registration (Units)	155,419	162,151

Managing Director's Review Of Operations

ASSOCIATES

HINO MOTORS (MALAYSIA) SDN BHD (HMMSB)

MBMR took in the first full year contribution from HMMSB in 2007 (the 42% stake was acquired in May 2006). Unit sales recorded are the highest since the Asian financial crisis in 1997. The demand was broad-based. The light truck sales were boosted by the introduction of the new 300 series. Demand for buses picked up from the express and tour bus companies and demand for medium duty trucks from the construction and logistics companies were significantly higher. The Hino brand has captured substantial gains in market share in the different segments of the commercial vehicle market during the year.

HMMSB plans to increase its product offering further in 2008. It has just launched three new bus models with upgraded specifications, adopting latest technologies and environmental standards. It is targeting sales to the major transporter companies, fleet owners, corporate & Government agencies.

We are expecting HMMSB to register further gains in sales for the year. Fleet sales from construction companies are expected to remain strong. Its extended product range will aid the Hino brand in capturing additional market share in segments it previously had little or no representation.

Unit sales recorded are the highest since the Asian financial crisis in 1997.

	2006	2007
Registration (Units)	2,014	2,262

ACKNOWLEDGEMENTS

I am saddened by the demise of our late Chairman, Y. Bhg. Dr. Nawawi Mat Awin, on 14 March 2008. I wish to express my deepest condolence to his family. We will miss his guidance and advice.

Our achievements have been made possible by the support from our customers, partners, principals and bankers as well as the dedication and hardwork of everyone in the Group, whom I extend my deep appreciation to. I wish to thank the Board of Directors for its guidance. To our shareholders, we will always focus on enhancing the value of your investment in MBMR. Thank you for your continued support.

LOOI KOK LOON
Managing Director

Statement On Corporate Governance

The Board of Directors of MBMR adheres to the best practice in its standards of business integrity in all its activities. This includes a commitment to follow the highest standards of corporate governance throughout the Group.

This statement sets out what the Board has considered the manner in which it has applied the Principles and Best Practices of the Malaysian Code on Corporate Governance (the "Code") throughout the financial year to 31 December 2007.

DIRECTORS

Composition of the Board

During the financial year ended 31 December 2007, the Board had seven members, five of whom are non-executive directors, two of whom are independent. With the demise of an independent non-executive director on 14 March 2008, the Board is now left with one independent non-executive director. The Board is currently in the process of assessing suitable candidates to fill the vacancy of an independent non-executive director. No individual or group of individuals dominates the Board's decision-making and the number of directors fairly reflects the investment of the shareholders.

There is a clear division of responsibility between the Chairman and Managing Director to ensure a balance of power and authority. The principal duties of the Chairman are to conduct the meetings of the Board and shareholders and to facilitate constructive discussions at these meetings. The Managing Director is responsible for the day-to-day running of the businesses of the group and to develop and implement strategies.

The Company considers that its complement of non-executive directors provide for an effective Board with a mix of industry-specific knowledge and commercial experience. This balance enables the Board to provide clear and effective leadership to the Company and bring informed and independent judgement to many aspects of the Company's strategy and performance so as to ensure that the Company maintains the highest standards of conduct and integrity. The profile of the Board members are set out on pages 3 to 6.

One-third of the Board comprise independent directors since the Company recognises the contribution of independent directors as equal Board members to the development of the Company's strategies, the importance of representing the interest of public shareholders and providing a balanced and independent view to the Board. All independent directors are independent of management and free from any relationship that could interfere with their independent judgement.

Board Responsibilities

The Board retains full and effective control of the Company. This includes responsibility for determining the Company's overall strategic direction as well as development and control of the Group. Key matters, such as approval of annual and interim results, acquisitions and disposals, as well as material agreements are reserved for the Board.

The Board has four regularly scheduled meetings annually. In 2007, the Board held four meetings, for which dates and attendance are set out on page 7. At each regularly scheduled meeting, there is a full financial and business review and discussion, including trading performance to-date against the same period the year before.

The Board has also delegated certain responsibilities to other Board committees, which operate within clearly defined terms of reference. Standing committees of the Board include the Audit Committee (please refer to the Report on Audit Committee set out on pages 34 to 36), Nomination Committee and Remuneration Committee.

Supply of Information

Each Board member receives quarterly operating results, including a comprehensive review and analysis. Prior to each Board meeting, directors are sent an agenda and a full set of Board papers for each agenda item to be discussed at the meeting. This is issued in sufficient time to enable the directors to obtain further explanations, where necessary, in order to be sufficiently briefed before the meeting.

Directors have access to all information within the Company whether as full board or in their individual capacity, in furtherance of their duties. Directors also have direct access to the advice and the services of the Group's Company Secretary who is responsible for ensuring that Board procedures are followed.

Statement On Corporate Governance

Appointments of the Board and Re-election

NOMINATION COMMITTEE

Chairman

Y. Bhg. Tan Sri Dato' Lee Lam Thye ... Independent Non-Executive Director

Members

Y. Bhg. Dr. Nawawi Mat Awin (deceased on 14 March 2008) ... Independent Non-Executive Director
Y. Bhg. Dato' Abdul Rahim Abdul Halim ... Non-Independent Non-Executive Director

	Number of Nomination Committee meetings held	Number of meetings attended
Y. Bhg. Tan Sri Dato' Lee Lam Thye	1	1
Y. Bhg. Dr. Nawawi Mat Awin (deceased on 14 March 2008)	1	1
Y. Bhg. Dato' Abdul Rahim Abdul Halim	1	1

During the financial year ended 31 December 2007, the Board had a Nomination Committee comprising two independent directors. With the demise of an independent director on 14 March 2008, the Nomination Committee is now left with one independent director and the Board is currently in the process of assessing suitable candidates to fill the vacancy of an independent director. This Committee is empowered to bring to the Board recommendations as to the appointment of any new executive or non-executive director, provided that the Chairman of the Nomination Committee, Tan Sri Dato' Lee Lam Thye, in developing such recommendations, consults all directors and reflects that consultation in any recommendation of the Nomination Committee brought forward to the Board.

The Nomination Committee also ensures that the Board has an appropriate balance of expertise and ability. For this purpose, the Committee regularly reviews the profile of the required skills and attributes. This profile is used to assess the suitability as executive or non-executive directors of candidates put forward by the directors. In addition, the Committee also regularly assesses the effectiveness of the Board as a whole and the contribution of each individual director.

The directors have direct access to the advice and services of the Company Secretary who is responsible for ensuring that all appointments are in order and all necessary information is obtained from directors, both for the Company's own records and for the purposes of meeting the requirements of the Companies Act, 1965, Listing Requirements of the Bursa Malaysia and other regulatory requirements.

On appointment, directors take part in an induction programme where they receive the latest information about the Group. This is supplemented by visits to key locations and meetings with senior executives. Directors are also advised on appointment of their legal and other obligations as a director of a public-listed company.

In accordance with the Company's Articles of Association, all directors shall retire from office once at least in each three years but shall be eligible for re-election.

The Committee met on 26 February 2007 and was fully attended by all members.

DIRECTORS' REMUNERATION

REMUNERATION COMMITTEE

Chairman

Y. Bhg. Tan Sri Dato' Lee Lam Thye ... Independent Non-Executive Director

Members

Y. Bhg. Dr. Nawawi Mat Awin (deceased on 14 March 2008) ... Independent Non-Executive Director
Mr. Low Hin Choong ... Non-Independent Non-Executive Director

	Number of Remuneration Committee meetings held	Number of meetings attended
Y. Bhg. Tan Sri Dato' Lee Lam Thye	1	1
Y. Bhg. Dr. Nawawi Mat Awin (deceased on 14 March 2008)	1	1
Mr. Low Hin Choong	1	1

Remuneration Policy and Procedure
During the financial year ended 31 December 2007, the Remuneration Committee comprised two independent directors. With the demise of an independent director on 14 March 2008, the Remuneration Committee is now left with one independent director and the Board is currently in the process of assessing suitable candidates to fill the vacancy of an independent director. The Remuneration Committee reviews and approves the annual salaries, incentive arrangements, service arrangements and other employment conditions for the executive directors.

The executive directors will not be present when matters affecting his/her own remuneration arrangements are considered. The determination of remuneration of non-executive directors is a matter for the Board as a whole. The non-executive directors abstain from discussing their own remuneration.

The policy of the Remuneration Committee is in line with the Group's overall practice on compensation and benefits, which is to reward employees competitively, taking into account performance, market comparisons and competitive pressures in the industry. Whilst not seeking to maintain a strict market position, it takes into account comparable roles in similar organisations.

Statement On Corporate Governance

The remuneration package for the Chairman, Managing Director and other directors comprise some or all of the following elements:

- **Basic Salaries and Fees**
  In setting the basic salary for each executive director, the Remuneration Committee takes into account the compensation practices of other companies and the performance of each individual director. Salaries are reviewed (although not necessarily increased) annually depending on the category of employment. Salaries are increased only where the Committee believes that adjustments are appropriate to reflect performance, increased responsibilities and/or market pressures.

  The Board determines fees payable to all directors with the approval from shareholders at the Annual General Meeting.

- **Annual Incentive Plan (Bonus Scheme)**
  The Group operates a bonus scheme for all employees, including the executive directors, and the criteria for this scheme is dependent on the financial performance of the Group. Bonus payable to the executive directors are reviewed by the Remuneration Committee and approved by the Board.

- **Retirement Plan**
  Contributions are made to the Employees Provident Fund ("EPF"), the national mandatory defined contribution plan, in respect of all Malaysian-resident executive directors.

- **Other Benefits**
  Other benefits include car and driver allowance as well as medical insurance policy.

Directors' Remuneration
The number of directors of the Company whose total remuneration during the year fall within the following bands is as follows:

Directors	Number of Directors 2007	Number of Directors 2006
Executive directors:		
RM200,001 – RM250,000	-	1
RM250,001 – RM300,000	1	1
RM450,001 – RM500,000	1	-
Non-Executive directors:		
Below RM50,000	4	3
RM50,001 – RM100,000	1	2

The Committee met on 26 February 2007 to deal with matters relating to 2006 and 2007 remuneration.

DIRECTORS' TRAINING

All Directors have successfully completed the Mandatory Accreditation Programme prescribed by Bursa Malaysia. The Directors will continue to attend other relevant training programmes to keep abreast with developments on a continuous basis in compliance with paragraph 15.09 of Bursa Securities Listing Requirements. During the year, the Directors have attended various accredited courses and seminars to further enhance their skill and knowledge.

SHAREHOLDERS

Dialogue Between the Company and Investors

As part of the Board's responsibility in developing and implementing an investor relations programme, regular formal and informal dialogues were held between senior management and analysts/fund managers throughout the year. Permissible disclosures are made to explain the Group's performance and major development programmes. Price-sensitive information about the Group is, however, not disclosed in these exchanges until after the prescribed announcement to Bursa Malaysia has been made. During the year 2007, the Company held three formal analysts/fund managers briefing on 28 February 2007, 25 May 2007 and 10 August 2007, conducted by the Managing Director and senior executives of the Group.

Annual General Meeting

The Annual General Meeting is the principal forum for dialogue with shareholders. Notice of the Annual General Meeting and annual reports are sent out to shareholders at least 21 days before the date of meeting.

Besides the usual agenda for the Annual General Meeting, the Board provides opportunities for shareholders to raise questions pertaining to the business activities of the Group. All directors are available to provide responses to questions from the shareholders during these meetings.

For re-election of directors, the Board ensures that full information is disclosed through the notice of meeting regarding directors who are retiring and who are willing to serve if re-elected.

An explanatory statement to facilitate full understanding and evaluation of the issues involved will accompany items of special business included in the notice of the meeting.

ACCOUNTABILITY AND AUDIT

Financial reporting

For financial reporting through quarterly reports to Bursa Malaysia and the annual report to shareholders, the directors have a responsibility to present a fair assessment of the Group's position and prospects. The Audit Committee assists the Board in scrutinising information for disclosure to ensure accuracy, adequacy and completeness. The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 45 of this annual report.

Relationship with Auditors

The roles of the Audit Committee in relation to the auditors are stated in the report on Audit Committee set out on pages 34 to 36. The Company has always maintained a close and transparent relationship with its auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

Corporate Social Responsibility

MBMR is committed to ensuring that our decisions and actions benefit our shareholders as well as our employees, society and the environment we operate in.

We strive to maintain safe and healthy working conditions for all employees.

The Company encourages the practice of giving back to the community to which we have contributed to various charitable causes during the year.

Statement of Compliance with the Best Practice of the Code

The Company is committed to achieving high standards of corporate governance throughout the Group and to the highest level of integrity and ethical standards in all its business dealings. The Board considers that it has complied throughout the financial year with the Best Practices as set in the Code.

Statement made in accordance with the resolution of the Board of Directors dated 28 March 2008.

Dato' Abdul Rahim Abdul Halim
Chairman

Other Information Required By The Listing Requirements Of Bursa Malaysia Securities Berhad

SHARE BUYBACK

During the financial year, the company did not enter into any share buyback transactions.

OPTIONS or WARRANTS

During the financial year, 1,542,000 options shares and 1,945,000 options shares of par value RM1.00 each were exercised at an option price of RM2.54 per share and RM2.43 per share respectively. Total number of unexercised share options as at 31 December 2007 was 3,484,000.

The company does not have any outstanding warrants during the financial year.

AMERICAN DEPOSITORY RECEIPT ("ADR") or GLOBAL DEPOSITORY RECEIPT ("GDR")

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

IMPOSITION OF SANCTIONS and PENALTIES

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

NON-AUDIT FEES

There were no non-audit fees paid to the external auditors by the Group and by the Company during the year except for fees incurred for Review of Statement on Internal Control for the financial year ending 31 December 2006 amounted to RM7,000.

PROFIT ESTIMATE, FORECAST and PROJECTION

There were no variances of 10% or more between the results for the financial year and the unaudited results previously announced.

PROFIT GUARANTEE

During the financial year, there were no profit guarantees given by the Company.

Statement Of Internal Control

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness while the role of management is to implement the Board's policies on risk and control. Due to limitations that are inherent in any system of internal control, the system is designed to manage and mitigate, rather than eliminate, the risk of failure in achieving the Group's business objectives. Internal controls can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Board confirms that there is a continuous process for identifying, evaluating and managing the significant risks faced by the Group, which has been in place for the financial year under review and up to the date of approval of the annual report and financial statements. During the financial year under review, some internal control weaknesses were identified and have been or are being addressed by the management. None of the weaknesses has resulted in any material loss that would require disclosure in the Group's financial statements.

The process is regularly reviewed by the Board and is in accordance with the guidance as contained in the publication – Statement of Internal Control: Guidance for Directors of Public Listed Companies.

The key processes that the directors have established in reviewing the adequacy and integrity of the system of internal control are as follows:

1. The Group's risk management principles and procedures are clearly documented. The Group's management operates a risk management process that identifies the key risks faced by the Group.

2. The Board receives and reviews regular reports from the management on key operating statistics, legal and regulatory matters. The Board approves appropriate responses or significant amendments to the Group's policy.

3. There is a comprehensive budgeting and forecasting system that is governed by policies and guidelines of the Group. The financial results of the lines of business are reported monthly in the management financial reports where variances are analysed against budget and acted on in a timely manner. Where necessary, budgets are revised at mid-year, taking into account significant business risks.

4. The Audit Committee conducts annual reviews on the adequacy of the internal audit department's scope of work and resources.

5. The Audit Committee, on behalf of the Board, regularly reviews and holds discussions with management on the action taken on internal control issues identified in reports prepared by the internal audit department, the external auditors and the management.

6. There is a clearly defined framework for investment appraisal covering the acquisition and disposal of any business, acceptance of projects, application of capital expenditure and approval of borrowings. Post implementation reviews are conducted and reported to the Board.

7. Policies and standard operating procedures manuals are sent to all employees setting out the Group's reporting hierarchy and procedures.

8. There is Board representation in our associate companies. Information on the financial performance of the associated companies is provided regularly to the Management of the Company.

Statement made in accordance with the resolution of the Board of Directors dated 28 March 2008.

Report On Audit Committee

COMPOSITION OF AUDIT COMMITTEE

Chairman

Y. Bhg. Dr. Nawawi Mat Awin (deceased on 14 March 2008) ... Independent Non-Executive Director

Members

Y. Bhg. Tan Sri Dato' Lee Lam Thye ... Independent Non-Executive Director
Mr. Looi Kok Loon ... Managing Director (up to 30 September 2007)
Mr. Wong Wei Khin ... Non-Independent Non-Executive Director (from 1 October 2007)

All members of the Committee have a working familiarity with basic finance and accounting practices. The late Y. Bhg. Dr. Nawawi Mat Awin was a member of the Malaysian Institute of Accountants.

MEETINGS

The Audit Committee shall be appointed by the Board from amongst the Directors of the Company and shall consist of not less than three (3) members, a majority of whom are independent and all shall be non-executive directors, consistent with the guidelines of the Malaysian Code of Governance (revised 2007) with effect from 1 October 2007. A quorum should be 2 independent members, one of whom shall be the Chairman of the Audit Committee.

Meetings shall be held not less than 4 times a year. One meeting shall be held prior to annual financial statements being presented to the Board for approval. Additional meetings may be held at the discretion of the Committee or at the request of the external auditor. The external auditor has the right to appear and be heard at any meetings of the Audit Committee and shall appear before the Committee when required to do so by the Audit Committee.

The Company secretary shall be Secretary of the Audit Committee.

The Committee met four times during the year for the following purposes:

- To review the financial statements before the quarterly announcements to Bursa Malaysia.
- To review year-end financial statements together with external auditor's management letter and management's response.
- To discuss with external auditors the audit plan and scope for the year as well as the audit procedures to be utilised.
- To discuss with internal auditors on its scope of work, adequacy of resources and co-ordination with external auditors.
- Review the reports prepared by the internal auditors on the state of internal control of the Group.

The number of Audit Committee meetings held during the members' tenure in office in the current financial year and the number of meetings attended by each member are as follows:

Committee Members	Number of Audit Committee meetings held during members' tenure in office	Number of meetings attended by members
Y. Bhg. Dr. Nawawi Mat Awin (deceased on 14 March 2008)	4	4
Y. Bhg. Tan Sri Dato' Lee Lam Thye	4	4
Mr. Looi Kok Loon*	3	3
Mr. Wong Wei Khin*	1	1

* Mr. Looi Kok Loon's tenure as member of Audit Committee was up to 30 September 2007, afterwhich Mr. Wong Wei Khin was appointed to the Audit Committee from 1 October 2007.

The Board is currently in the process of assessing suitable candidates to fill the vacancy of an independent non-executive director.

The Committee met on 26 February 2007, 23 May 2007, 7 August 2007 and 12 November 2007 and was fully attended by all members.

RESPONSIBILITIES AND DUTIES

The duties of the Committee shall be:

- To consider the appointment of the external auditors, the audit fees and any questions of resignation or dismissal;
- To discuss with external auditors before the audit commences, the nature and scope of audit, and ensure co-ordination where more than one audit firm is involved;
- To review the quarterly and year-end financial statements of the Group and the Company, focusing particularly on any changes in or implementation of major accounting policies and procedures, significant adjustments arising from the audit, the going concern assumption and compliance with applicable approved accounting standards and other legal and regulatory requirements;
- To discuss problems and reservation arising from the interim and final audit, and any matter the auditors may wish to discuss (in absence of management where necessary);
- To review external auditors' management letters and management's responses;

- To do the following in respect of the internal audit function:

    - ❖ review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;

    - ❖ review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate actions are taken on the recommendations of the internal audit function;

    - ❖ review any appraisal or assessment of the performance of members of the internal audit function;

    - ❖ approve any appointment or termination of senior staff members of the internal audit function; and

    - ❖ take cognisance of resignations of internal audit staff members and provide the opportunity for the resigning staff member to submit his reasons for resigning;

- To consider any related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;

- To consider the major findings of internal investigation and the management's response;

- To have explicit authority to investigate certain matters, the resources which it needs to do so e.g. professional advice and full access to information; and

- To promptly report to the Bursa Malaysia Securities Berhad on matters reported by it to the Board that have not been satisfactorily resolved in a breach of the Listing Requirements of Bursa Malaysia Securities Berhad.

INTERNAL AUDIT FUNCTION

The Audit Committee is supported in its functions by the respective internal audit function of the main subsidiary, two main associates' audit committees and external auditors.

The main role of the internal audit function is to review the effectiveness of the system of internal control and this is performed with impartiality, proficiency and due professional care.

During the year, internal audits were undertaken to review the system of internal controls that included issues of governance and risk management. The Internal Audit reports were deliberated by the Audit Committee and the recommendations were duly taken note and implemented.

Statement Of Director's Responsibility In Relation To The Financial Statements

This statement is prepared as required by the Listing Requirements of the Bursa Malaysia Securities Berhad.

The directors are required to prepare financial statements which give a true and fair view of the state of affairs of the Group and the Company as at the end of each financial year and of their results and their cash flows for that year then ended.

The directors consider that in preparing the financial statements:

- the Group and the company have used appropriate accounting policies and are consistently applied;

- reasonable and prudent judgements and estimates were made; and

- all applicable approved accounting standards in Malaysia have been followed.

The directors are responsible for ensuring that the Company maintains accounting records that disclose with reasonable accuracy the financial position of the Group and the Company, and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The directors have general responsibilities for taking such steps that are reasonably available to them to safeguards the assets of the Group, and to prevent and detect fraud and other irregularities.

Financial Statements

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are described in Note 45 to the financial statements.

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

RESULTS

	Group RM'000	Company RM'000
Profit for the year	126,827	36,116
Attributable to:		
Equity holders of the Company	110,523	36,116
Minority interests	16,304	-
	126,827	36,116

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

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

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2006 were as follows:

	RM'000
In respect of the financial year ended 31 December 2006 as reported in the directors' report of that year:	
Second interim dividend of 6% less 27% taxation, on 240,313,667 ordinary shares, declared on 26 February 2007 and paid on 28 March 2007	10,526
In respect of the financial year ended 31 December 2007:	
First interim dividend of 6% less 27% taxation, on 241,607,667 ordinary shares, declared on 9 August 2007 and paid on 25 September 2007	10,582
	21,108

On 26 February 2008, the directors declared a second interim dividend in respect of the current financial year ended 31 December 2007 of 6% less 26% taxation on 242,061,667 ordinary shares amounting to RM10,747,538 (4.4 sen net per ordinary share). The financial statements for the current financial year do not reflect this declared dividend. Such dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2008.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Dr. Nawawi bin Mat Awin (deceased on 14 March 2008)
Looi Kok Loon
Dato' Abdul Rahim bin Abdul Halim
Tan Sri Dato' Lee Lam Thye
Aqil bin Tan Sri Dato' Haji Ahmad Azizuddin
Low Hin Choong
Wong Wei Khin

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the Employee Share Options Scheme ("ESOS").

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 7 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over shares in the Company and its related corporations during the financial year were as follows:

	Number of Ordinary Shares of RM1 Each			
	1.1.2007	**Acquired**	**Sold**	**31.12.2007**
The Company				
Direct Interest				
Dr. Nawawi bin Mat Awin (deceased on 14 March 2008)	346,000	-	-	346,000
Looi Kok Loon	293,243	100,000	-	393,243
Dato' Abdul Rahim bin Abdul Halim	857,828	435,000	635,000	657,828
Aqil bin Tan Sri Dato' Haji Ahmad Azizuddin	696,666	-	100,000	596,666
Low Hin Choong	10,000	-	-	10,000
Wong Wei Khin	413,333	-	70,000	343,333
Indirect Interest				
Looi Kok Loon	2,922,247	48,000	518,000	2,452,247
Dato' Abdul Rahim bin Abdul Halim	1,600,000	-	250,000	1,350,000
Aqil bin Tan Sri Dato' Haji Ahmad Azizuddin	4,197,959	-	685,700	3,512,259
Low Hin Choong	895,598	-	-	895,598
Wong Wei Khin	2,390,604	9,000	583,500	1,816,104

DIRECTORS' INTERESTS (CONTD.)

	Number of Options over Ordinary Shares of RM1 Each			
	1.1.2007	**Granted**	**Exercised**	**31.12.2007**
Dato' Abdul Rahim bin Abdul Halim	250,000	-	250,000	-
Aqil bin Tan Sri Dato' Haji Ahmad Azizuddin	150,000	-	-	150,000

	Number of Ordinary Shares of RM1 Each			
	1.1.2007	**Acquired**	**Sold**	**31.12.2007**
Holding Company - Med-Bumikar Mara Sdn. Bhd.				
Direct Interest				
Dato' Abdul Rahim bin Abdul Halim	5,686,650	-	-	5,686,650
Wong Wei Khin	1,023,489	-	-	1,023,489
Indirect Interest				
Dato' Abdul Rahim bin Abdul Halim	2,430,065	-	-	2,430,065
Looi Kok Loon	4,955,172	-	-	4,955,172
Aqil bin Tan Sri Dato' Haji Ahmad Azizuddin	6,799,853	-	-	6,799,853
Wong Wei Khin	4,544,565	-	-	4,544,565

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM238,536,667 to RM242,023,667 by way of the issuance of 1,542,000 ordinary shares of RM1.00 each and 1,945,000 ordinary shares of RM1.00 each at an exercise price of RM2.54 and RM2.43 per ordinary share respectively, for cash pursuant to the Company's ESOS.

The ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

EMPLOYEE SHARE OPTIONS SCHEME ("ESOS")

The Company's ESOS is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 15 August 2002. The ESOS was implemented on 2 September 2002 and is to be in force for a period of 10 years from the date of implementation.

The main features of the ESOS and the movements in the share options for the year ended 31 December 2007 are disclosed in Note 29(c) and (d) to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of employees who have been granted options to subscribe for less than 200,000 ordinary shares of RM1 each.

Details of the options granted to directors are disclosed in the section on Directors' Interests in this report.

OTHER STATUTORY INFORMATION

(a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

 (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

 (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

 (i) the amount written off as bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

 (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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

(e) As at the date of this report, there does not exist:

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

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

(f) In the opinion of the directors:

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

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

SIGNIFICANT EVENTS

The significant events during the financial year are disclosed in Note 40 to the financial statements.

SUBSEQUENT EVENTS

The significant events subsequent to the end of the financial year are disclosed in Note 41 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 March 2008.

Dato' Abdul Rahim bin Abdul Halim

Looi Kok Loon

Statement By Directors

pursuant to section 169(15) of the Companies Act, 1965

We, Dato' Abdul Rahim bin Abdul Halim and Looi Kok Loon, being two of the directors of MBM Resources Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 47 to 123 are drawn up in accordance with the provision of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2007 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 March 2008.

Dato' Abdul Rahim bin Abdul Halim

Looi Kok Loon

Statutory Declaration

pursuant to section 169(16) of the Companies Act, 1965

I, Looi Kok Loon, being the director primarily responsible for the financial management of MBM Resources Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 47 to 123 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by	)	
the abovenamed Looi Kok Loon at	)	
Kuala Lumpur in the Federal Territory	)	
on 28 March 2008	)	**Looi Kok Loon**

Before me,

Soh Ah Kau AMN (W 315)
Commissioner for Oaths

Report Of The Auditors

to the members of MBM Resources Berhad

We have audited the financial statements set out on pages 47 to 123. These financial statements are the responsibility of the Company's directors.

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

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 the directors, as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of:

    (i) the financial position of the Group and of the Company as at 31 December 2007 and of the results and the cash flows of the Group and of the Company for the year then ended; and

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

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

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

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

Ernst & Young
AF: 0039
Chartered Accountants

Wong Kang Hwee
No. 1116/01/10(J)
Partner

Kuala Lumpur, Malaysia
28 March 2008

Income Statements

for the year ended 31 December 2007

		Group		Company	
	Note	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Revenue	3	1,080,910	1,132,012	51,202	51,808
Cost of sales	4	(967,149)	(1,020,253)	-	-
Gross profit		113,761	111,759	51,202	51,808
Other income		21,222	25,080	1,944	1,066
Administrative and other expenses		(47,081)	(52,355)	(2,219)	(6,315)
Selling and marketing expenses		(30,269)	(30,235)	-	-
Profit from operations	5	57,633	54,249	50,927	46,559
Finance costs	8	(3,975)	(5,214)	(1,898)	(2,005)
Share of results of associates		86,817	72,864	-	-
Profit before tax		140,475	121,899	49,029	44,554
Income tax expense	9	(13,648)	(10,678)	(12,913)	(8,073)
Profit for the year		126,827	111,221	36,116	36,481
Attributable to:					
Equity holders of the Company		110,523	92,092	36,116	36,481
Minority interests		16,304	19,129	-	-
		126,827	111,221	36,116	36,481
Earnings per share attributable to equity holders of the Company (sen):					
Basic	10	45.9	38.9		
Diluted	10	45.2	37.8		
Net dividends per ordinary share (sen)	11	8.8	13.0		

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

Balance Sheets

as at 31 December 2007

	Note	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	111,652	98,402	257	354
Investment properties	13	13,929	16,952	-	-
Prepaid land lease payments	14	35,783	30,070	-	-
Subsidiaries	15	-	-	111,247	109,947
Associates	16	474,989	404,064	183,174	183,174
Jointly controlled entity	17	54	-	-	-
Other investment	18	-	-	-	-
Hire purchase receivables	19	1,576	7,474	-	-
Goodwill on consolidation	20	13,546	12,878	-	-
		651,529	569,840	294,678	293,475
Current assets					
Inventories	21	106,365	156,158	-	-
Trade receivables	22	84,379	84,932	-	-
Other receivables	23	21,765	15,968	-	-
Tax recoverable		3,959	4,294	2,336	1,940
Due from an associate	24	36	35	36	35
Due from subsidiaries	25	-	-	65,903	52,673
Short term investments	26	251	251	-	-
Cash and bank balances	27	110,721	108,316	3,356	24,820
		327,476	369,954	71,631	79,468
Non-current assets classified as held for sale	28	14,816	14,821	-	-
		342,292	384,775	71,631	79,468
TOTAL ASSETS		993,821	954,615	366,309	372,943

	Note	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	29	242,024	238,537	242,024	238,537
Share premium		30,469	25,313	30,469	25,313
Retained profits	30	486,387	397,231	50,474	35,466
		758,880	661,081	322,967	299,316
Minority interests		120,149	118,848	-	-
Total equity		879,029	779,929	322,967	299,316
Non-current liabilities					
Long term borrowings	31	15,051	8,346	-	-
Deferred tax liabilities	32	543	680	-	-
Provision for retirement benefits	33	1,157	1,328	-	-
		16,751	10,354	-	-
Current liabilities					
Provision for liabilities	34	4,607	5,502	-	-
Short term borrowings	31	30,028	69,093	8,000	40,000
Trade payables	35	40,133	68,146	-	-
Other payables	36	18,921	19,682	1,215	2,110
Due to holding company	24	1,347	1,357	219	190
Due to subsidiaries	24	-	-	33,908	31,327
Tax payable		3,005	552	-	-
		98,041	164,332	43,342	73,627
Total liabilities		114,792	174,686	43,342	73,627
TOTAL EQUITY AND LIABILITIES		993,821	954,615	366,309	372,943

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

Consolidated Statement Of Changes In Equity

for the year ended 31 December 2007

	Note	Share Capital RM'000	Non-Distributable Share Premium RM'000	Distributable Retained Profits RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
		<-- Attributable to equity holders of the Company -->					
At 1 January 2006		234,792	19,887	335,801	590,480	105,956	696,436
Issue of ordinary shares pursuant to ESOS	29	3,745	5,426	-	9,171	-	9,171
Additional purchase of shares in a subsidiary		-	-	-	-	(14)	(14)
Profit for the year*		-	-	92,092	92,092	19,129	111,221
Dividends distributed to equity holders	11	-	-	(30,662)	(30,662)	-	(30,662)
Dividends paid by subsidiaries		-	-	-	-	(6,223)	(6,223)
At 31 December 2006		238,537	25,313	397,231	661,081	118,848	779,929
At 1 January 2007		238,537	25,313	397,231	661,081	118,848	779,929
Issue of ordinary shares pursuant to ESOS	29	3,487	5,156	-	8,643	-	8,643
Additional purchase of shares in a subsidiary		-	-	-	-	(8,685)	(8,685)
Rights issue of shares in a subsidiary		-	-	(259)	(259)	1,362	1,103
Profit for the year*		-	-	110,523	110,523	16,304	126,827
Dividends distributed to equity holders	11	-	-	(21,108)	(21,108)	-	(21,108)
Dividends paid by subsidiaries		-	-	-	-	(7,680)	(7,680)
At 31 December 2007		242,024	30,469	486,387	758,880	120,149	879,029

* Profit for the year represents total recognised income and expense for the year.

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

Company Statement Of Changes In Equity

for the year ended 31 December 2007

	Note	Share Capital RM'000	Non-Distributable Share Premium RM'000	Distributable Retained Profits RM'000	Total RM'000
At 1 January 2006		234,792	19,887	29,647	284,326
Issue of ordinary shares pursuant to ESOS	29	3,745	5,426	-	9,171
Profit for the year*		-	-	36,481	36,481
Dividends	11	-	-	(30,662)	(30,662)
At 31 December 2006		238,537	25,313	35,466	299,316
At 1 January 2007		238,537	25,313	35,466	299,316
Issue of ordinary shares pursuant to ESOS	29	3,487	5,156	-	8,643
Profit for the year*		-	-	36,116	36,116
Dividends	11	-	-	(21,108)	(21,108)
At 31 December 2007		242,024	30,469	50,474	322,967

* Profit for the year represents total recognised income and expense for the year.

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

Consolidated Cash Flow Statement

for the year ended 31 December 2007

	2007 RM'000	2006 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	140,475	121,899
Adjustments for:		
Share of results of associates	(86,817)	(72,864)
Excess of fair value of net assets acquired over the acquisition cost	-	(2,837)
Bad debts written off	93	599
Depreciation of property, plant and equipment	9,394	10,666
Depreciation of investment properties	195	194
Amortisation of prepaid land lease payments	425	463
Impairment on property, plant and equipment	28	190
Interest expense	3,975	5,214
Pension costs - defined benefit plan	525	560
Property, plant and equipment written off	138	6
Provision for doubtful debts	578	260
(Write-back)/Provision for warranty	(409)	348
(Write-back)/Provision for contingent liabilities	(100)	2,228
Bad debts recovered	(477)	(680)
(Gain)/Loss on disposal of property, plant and equipment	(864)	405
Loss on disposal of investment property	128	-
Gain on disposal of assets held for sale	(65)	-
Gain on disposal of short term investments	-	(759)
(Write-back)/Provision for diminution in value of other investment	(1,400)	4,000
Write down/(Reversal of write down) of inventories	63	(845)
Interest income	(2,837)	(1,269)
Unrealised foreign exchange losses	-	71
Operating profit before working capital changes	63,048	67,849
Decrease in receivables	460	9,830
Decrease in inventories	49,730	6,152
Net changes in related companies balances	(11)	215
Decrease in payables	(28,774)	(6,091)
Decrease in provisions	(1,082)	(1,015)
Cash generated from operations	83,371	76,940
Interest paid	(3,975)	(5,214)
Taxes paid	(10,997)	(8,254)
Net cash generated from operating activities	68,399	63,472

	2007 RM'000	2006 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from an associate	15,892	33,530
Interest received	2,837	1,269
Purchase of property, plant and equipment	(23,901)	(8,605)
Additions of prepaid land lease payments	(6,138)	(320)
Proceeds from disposal of property, plant and equipment	1,955	4,789
Proceeds from disposal of investment property	2,700	-
Proceeds from disposal of assets held for sale	70	-
Proceeds from disposal of short term investments	-	29,091
Recovery of other investments	1,400	-
Acquisition of subsidiaries	(9,353)	(6,287)
Acquisition of associate	-	(19,588)
Acquisition of jointly controlled entity	(54)	-
Net cash (used in)/generated from investing activities	(14,592)	33,879
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(21,108)	(30,662)
Dividend paid to minorities of a subsidiary	(7,680)	(6,223)
Proceeds from exercise of ESOS	8,643	9,171
Proceeds from issue of shares in a subsidiary to minorities	1,103	-
Net repayment of term loans	(29,314)	(1,016)
Net repayment of other borrowings	(3,782)	(32,952)
Net repayment of hire purchase payables	(1,779)	(874)
Net cash used in financing activities	(53,917)	(62,556)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(110)	34,795
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	100,051	65,256
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 27)	99,941	100,051

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

Company Cash Flow Statement
for the year ended 31 December 2007

	2007 RM'000	2006 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	49,029	44,554
Adjustments for:		
Depreciation of property, plant and equipment	108	98
Property, plant and equipment written off	-	7
Loss on disposal of property, plant and equipment	-	1
Interest expense	1,898	2,005
Gain on disposal of short term investments	-	(759)
(Write-back)/Provision for diminution in value of other investment	(1,400)	4,000
Gross dividends income	(51,130)	(51,808)
Interest income	(545)	(307)
Operating loss before working capital changes	(2,040)	(2,209)
(Decrease)/Increase in payables	(895)	863
Net changes in related companies balances	(10,621)	(1,233)
Cash used in operations	(13,556)	(2,579)
Interest paid	(1,898)	(2,005)
Taxes paid	-	(110)
Taxes refunded	610	-
Net cash used in operating activities	(14,844)	(4,694)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received	37,211	41,975
Interest received	545	307
Purchase of property, plant and equipment	(11)	(203)
Proceeds from disposal of property, plant and equipment	-	2
Proceeds from disposal of short term investments	-	29,091
Recovery of other investments	1,400	-
Acquisition of subsidiaries	(1,300)	(6,300)
Acquisition of associate	-	(19,588)
Net cash generated from investing activities	37,845	45,284

	2007 RM'000	2006 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(21,108)	(30,662)
Proceeds from exercise of ESOS	8,643	9,171
Net repayment of term loan	(40,000)	-
Net cash used in financing activities	(52,465)	(21,491)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(29,464)	19,099
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	24,820	5,721
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 27)	(4,644)	24,820

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

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The principal place of business of the Company is located at No. 9, Jalan Klang, 58000 Kuala Lumpur.

The holding and ultimate holding company of the Company is Med-Bumikar Mara Sdn. Bhd., which is incorporated in Malaysia.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are described in Note 45. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 March 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared on a historical basis except as disclosed in the notes to the financial statements and comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards ("FRS") in Malaysia.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

On 1 January 2007, the Group and the Company adopted FRS 124: Related Party Disclosures which is mandatory for financial periods beginning on or after 1 October 2006. The adoption of FRS 124 does not have significant financial impact on the Group and the Company apart from extended disclosures as required by the standard.

Accounting standards and Interpretation Issued but Not Yet Effective

At the date of authorisation of these financial statements, the following new and revised FRS, amendment to FRS and Interpretations were issued but not yet effective and have not been applied by the Group and the Company.

Effective for financial periods beginning on or after 1 July 2007

FRS 107:	Cash Flow Statements
FRS 111:	Construction Contracts
FRS 112:	Income Taxes
FRS 118:	Revenue
FRS 119:	Employee Benefits
FRS 120:	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134:	Interim Financial Reporting

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

Accounting standards and Interpretation Issued but Not Yet Effective (contd.)

Effective for financial periods beginning on or after 1 July 2007 (contd.)

FRS 137:	Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS 121:	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
IC Interpretation 1:	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2:	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5:	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6:	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7:	Applying the Restatement Approach under FRS129 *Financial Reporting in Hyperinflationary Economies*
IC Interpretation 8:	Scope of FRS 2

Deferred

FRS 139 : Financial Instruments: Recognition and Measurement

The above new and revised FRS, amendment to FRS and Interpretations are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application except for the following:

FRS 112: Income Taxes has removed the relevant provisions in FRS 112_{2004} which explicitly prohibit the recognition of deferred tax on reinvestment allowance or other allowances in excess of capital allowance. The adoption of the revised FRS 112 will result in the Group changing its accounting policy to recognise deferred tax asset on unused investment tax allowances ("ITA") and reinvestment allowances ("RA"), to the extent that it is probable that future tax able profit will be available against which the unused ITA and RA can be utilised. This change in accounting policy will be accounted for retrospectively. The Group's opening retained profits and investments in associates will be increased by approximately RM7,486,000 upon the adoption of this standard in the financial statements for the financial year ending 31 December 2008.

FRS 139: Financial Instruments: Recognition and Measurement establishes principles for recognising and measuring financial assets, financial liabilities and other derivative financial instruments. The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(c) Associates

Associates are entities 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.

Investments in associates are 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 net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. 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.

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 associates 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 like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(d) Jointly Controlled Entity

The Group has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investments in jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting as described in Note 2(c).

In the Company's separate financial statements, investments in jointly controlled entities are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(e) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(f) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) Property, Plant and Equipment and Depreciation (contd.)

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Buildings	2% - 5%
Plant and machinery	5% - 33 1/3%
Renovations and leasehold improvements	10% - 33 1/3%
Furniture, fixtures, fittings, equipment and tools and implement	5% - 33 1/3%
Motor vehicles	20% - 25%

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 and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

(g) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are not occupied by the Group.

Investment properties are stated at cost less accumulated depreciation and impairment losses. Investment properties other than freehold land are depreciated on a straight line basis to write off the cost of the assets to their residual values over the estimated useful life, at annual rates of 1% - 5%.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(h) Impairment of Non-Financial 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, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Inventories

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

Cost is determined using the first in, first out method. The cost of raw materials comprises costs of purchase. The costs of finished goods and work-in-progress comprise costs of raw materials, direct labour, other direct costs and appropriate proportions of production overheads based on normal operating capacity.

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

(j) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

(k) Financial Instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and 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 recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposit at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(ii) Other Non-Current Investments

Non-current investments other than investments in subsidiaries, associates and investment properties are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(k) Financial Instruments (contd.)

(iii) Marketable Securities

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

(iv) Trade Receivables

Trade receivables are carried at anticipated realisable values. 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.

(v) Trade Payables

Trade payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

(vi) Interest Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

(vii) Equity Instruments

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

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(viii) Derivative Financial Instruments

Derivative financial instruments are not recognised in the financial statements on inception.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(l) Income Tax

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

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period 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 as an income or expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest is the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(m) 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.

(ii) Finance Leases - the Group as Lessee

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(m) Leases (contd.)

(ii) Finance Leases - the Group as Lessee (contd.)

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2(f).

(iii) Operating Leases - the Group as Lessee

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 term.

(n) Non-Current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the 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. Then, on initial classification as held for sale, non-current assets (other than deferred tax assets, employee benefits assets, financial assets and inventories) are 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 profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(o) Employee Benefits

(i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term nonaccumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(iii) Retirement Benefits

Daihatsu (Malaysia) Sdn. Bhd. and its subsidiaries ("Daihatsu Group") operates a funded, defined Retirement Benefit Scheme ("Scheme") for its eligible employees. The Daihatsu Group's obligation under the Scheme, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by independent actuaries, through which the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted in order to determine its present value.

The subsidiaries of WSA Engineering Sdn. Bhd., namely, Carpets International Malaysia (Distribution) Sdn. Bhd., Peninsular Carpet Manufacturing Sdn. Bhd. and Carpets International Manufacturing Malaysia Sdn. Bhd. (hereinafter collectively referred to as "WSAE Subsidiaries") operate an unfunded scheme for its eligible employees based on certain terms of the employment contract. Contributions relating to the plan are charged to the income statement when incurred.

The amounts recognised in the balance sheet represents the present value of the defined benefit obligations for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets for Daihatsu Group and full provision for eligible employees for WSAE Subsidiaries.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(p) Foreign Currencies

(i) Foreign Currency Transactions

Transactions in foreign currencies are recorded in Ringgit Malaysia using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the dates when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

The principal exchange rates used for each respective unit of foreign currency ruling at the balance sheet date are as follows:

	2007 RM	**2006 RM**
New Zealand Dollars	2.55	2.50
Japanese Yen (per 100 units)	2.99	3.00
United States Dollars	3.40	3.60

(ii) Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

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

- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(q) Revenue Recognition

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

(i) Dividend Income

Dividend income is recognised when the Group's right to receive payment is established.

(ii) Sales of Goods

Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(iii) Revenue from Services

Revenue from services rendered is recognised net of service taxes and discounts as and when the services are performed.

(iv) Interest Income

Interest income from hire purchase transactions are recognised on the sum of digits method. When an account becomes non-performing, interest is suspended until it is realised on a cash basis. Hire purchase accounts are deemed to be non-performing when repayments are in arrears for more than six months.

(v) Rental Income

Rental income from investment property is recognised on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(r) Significant Accounting Estimates and Judgements

The directors are required to make certain estimates, judgements and assumptions that they believe are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the periods presented. Estimates and underlying assumptions are reviewed on an ongoing basis. Actual results may differ significantly from the estimates, the effect of which is recognised in the period in which the facts that give rise to the revision become known.

Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have significant effect on the amount recognised in the financial statements include the following:

(i) Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on FRS 140: Investment Property in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

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

(ii) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units (“CGU”) to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill as at 31 December 2007 were RM13,546,000 (2006: RM12,878,000). Further details are disclosed in Note 20.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(r) Significant Accounting Estimates and Judgements (contd.)

(iii) Deferred tax assets (contd.)

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of recognised tax losses and capital allowances of the Group was RM2,668,000 (2006: RM2,531,000) and the unrecognised tax losses and capital allowances of the Group was RM24,136,000 (2006: RM22,666,000).

3. REVENUE

Revenue of the Group and the Company consist of the following:

	Group		Company	
	2007 RM'000	**2006 RM'000**	**2007 RM'000**	**2006 RM'000**
Gross dividends from:				
- subsidiaries	-	-	33,588	20,878
- associates	-	-	17,542	30,930
Sale of goods and services	1,079,585	1,128,205	-	-
Interest income from hire purchase arrangements	1,190	2,573	-	-
Property and car rental income	135	1,234	-	-
Management fee receivable from subsidiaries	-	-	72	-
	1,080,910	1,132,012	51,202	51,808

4. COST OF SALES

Cost of sales of the Group represent cost of sales for goods sold and services rendered during the financial year.

5. PROFIT FROM OPERATIONS

Profit from operations is stated after charging/(crediting):

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Auditors' remuneration				
- current year	297	315	30	25
- underprovision in prior years	-	17	-	-
Bad debts written off	93	599	-	-
Depreciation of property, plant and equipment	9,394	10,666	108	98
Depreciation of investment properties	195	194	-	-
Amortisation of prepaid land lease payments	425	463	-	-
Directors' remuneration (Note 7)	1,609	1,361	635	550
Impairment on property, plant and equipment	28	190	-	-
(Write-back)/Provision for diminution in value of other investment	(1,400)	4,000	(1,400)	4,000
Provision for doubtful debts	578	260	-	-
(Write-back)/Provision for warranty	(409)	348	-	-
(Write-back)/Provision for contingent liabilities	(100)	2,228	-	-
Property, plant and equipment written off	138	6	-	7
Rental expense	1,564	1,670	144	108
Royalty expense	668	600	-	-
Employee benefits expense (Note 6)	35,115	36,010	1,081	1,227
Excess of fair value of net assets acquired over the acquisition cost	-	(2,837)	-	-
Bad debts recovered	(477)	(680)	-	-
Gain on disposal of short term investments	-	(759)	-	(759)
(Gain)/Loss on disposal of property, plant and equipment	(864)	405	-	1
Loss on disposal of investment property	128	-	-	-
Gain on disposal of assets held for sale	(65)	-	-	-
Net foreign exchange(gains)/losses:				
- realised	-	(21)	-	-
- unrealised	-	71	-	-
Write down/(Reversal of write down) of inventories	63	(845)	-	-
Rental income from land and buildings	(2,070)	(2,119)	-	-
Interest income from deposits	(2,837)	(1,269)	(545)	(307)

6. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Wages and salaries	27,013	26,392	927	1,067
Pension costs:				
- defined contribution plans	3,345	3,350	148	154
- defined benefit plan (Note 33)	525	560	-	-
Social security costs	427	413	5	4
Other benefits	3,805	5,295	1	2
	35,115	36,010	1,081	1,227

7. DIRECTORS' REMUNERATION

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Directors of the Company				
Executive:				
Salaries and other emoluments	533	381	318	236
Fees	120	96	56	56
Bonus	108	95	61	60
	761	572	435	352
Non-Executive:				
Fees	210	208	200	198
	971	780	635	550

7. DIRECTORS' REMUNERATION (CONTD.)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Directors of subsidiaries				
Executive:				
Salaries and other emoluments	443	392	-	-
Non-Executive:				
Fees	195	189	-	-
	638	581	-	-
Total	1,609	1,361	635	550

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is as follows:

	Number of Directors	
	2007	2006
Executive directors:		
RM200,001 - RM250,000	-	1
RM250,001 - RM300,000	1	1
RM450,001 - RM500,000	1	-
Non-Executive directors:		
Below RM50,000	4	3
RM50,001 - RM100,000	1	2

8. FINANCE COSTS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Interest expenses				
- holding company	-	84	-	-
- borrowings	3,975	5,130	1,898	2,005
	3,975	5,214	1,898	2,005

9. INCOME TAX EXPENSE

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Income tax expense:				
Current year	15,711	15,302	12,913	8,808
Overprovision in prior years	(1,926)	(2,570)	-	(735)
	13,785	12,732	12,913	8,073
Deferred tax (Note 32):				
Relating to origination and reversal of temporary differences	(178)	(1,331)	-	-
Relating to change in tax rates	(2)	(77)	-	-
Under/(Over) provision in prior years	43	(646)	-	-
	(137)	(2,054)	-	-
	13,648	10,678	12,913	8,073

Income tax is calculated at the statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the year. Taxation for small and medium scale subsidiaries with paid-up capital of RM2,500,000 and below are calculated at the rate of 20% on chargeable income up to RM500,000. For chargeable income in excess of RM500,000, the statutory tax rate of 27% is applicable.

The statutory tax rate will be reduced to 26% from the current year's rate of 27%, effective year of assessment 2008 and to 25% effective year of assessment 2009.

9. INCOME TAX EXPENSE (CONTD.)

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	2007 RM'000	2006 RM'000
Group		
Profit before tax	140,475	121,899
Taxation at statutory tax rate of 27% (2006: 28%)	37,928	34,132
Income subject to tax rate of 20%	(59)	(100)
Share of results of associates	(23,441)	(20,402)
Income not subject to tax	(598)	(608)
Expenses not deductible for tax purposes	1,653	2,958
Effect of 70% tax exemption on pioneer status	-	(23)
Effect of changes in tax rates on opening balance of deferred tax	(2)	(77)
Subsidiaries domiciled in tax heaven country	(34)	(28)
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(380)	(2,232)
Utilisation of reinvestment allowances	(248)	(288)
Deferred tax assets not recognised during the year	712	562
Under/(over) provision of deferred tax in prior years	43	(646)
Overprovision of income tax expense in prior years	(1,926)	(2,570)
Tax expense for the year	13,648	10,678
Company		
Profit before tax	49,029	44,554
Taxation at statutory tax rate of 27% (2006: 28%)	13,238	12,475
Income not subject to tax	(378)	(4,674)
Expenses not deductible for tax purposes	53	1,007
Overprovision of income tax expense in prior years	-	(735)
Tax expense for the year	12,913	8,073

10. EARNINGS PER SHARE

(a) Basic

Basic earnings per share ("EPS") is calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2007	**2006**
Profit for the year attributable to ordinary equity holders of the Company (RM'000)	110,523	92,092
Weighted average number of ordinary shares in issue ('000)	240,908	236,617
Basic EPS (sen)	45.9	38.9

(b) Diluted

Fully diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the year adjusted for the dilutive effects of share options granted to employees.

	Group	
	2007	**2006**
Profit for the year attributable to ordinary equity holders of the Company (RM'000)	110,523	92,092
Weighted average number of ordinary shares in issue ('000)	240,908	236,617
Adjustment for assumed exercise of ESOS ('000)	3,484	6,971
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	244,392	243,588
Diluted EPS (sen)	45.2	37.8

11. DIVIDENDS

	Amount		Net Dividends per Ordinary Share	
	2007 RM'000	**2006 RM'000**	**2007 Sen**	**2006 Sen**
In respect of the financial year ended 31 December 2005:				
Second interim dividend of 9% less 28% taxation	-	15,264	-	6.5
In respect of the financial year ended 31 December 2006:				
First interim dividend of 9% less 28% taxation	-	15,398	-	6.5
Second interim dividend of 6% less 27% taxation	10,526	-	4.4	-
In respect of the financial year ended 31 December 2007:				
First interim dividend of 6% less 27% taxation	10,582	-	4.4	-
	21,108	30,662	8.8	13.0

On 26 February 2008, the directors declared a second interim dividend in respect of the current financial year ended 31 December 2007 of 6% less 26% taxation on 242,061,667 ordinary shares amounting to RM10,747,538 (4.4 sen net per ordinary share). The financial statements for the current financial year do not reflect this declared dividend. Such dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2008.

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Renovation and leasehold improve-ments RM'000	Furniture, fixtures, fittings, equipment and tools and implement RM'000	Motor vehicles RM'000	Total RM'000
Group							
At 31 December 2007							
Cost/Valuation							
At 1 January 2007	14,362	76,202	82,834	12,235	33,724	10,932	230,289
Additions	14,503	2,773	2,387	967	1,050	2,221	23,901
Disposals	-	-	(1,294)	(72)	(657)	(694)	(2,717)
Write-off	-	-	-	(222)	-	-	(222)
At 31 December 2007	28,865	78,975	83,927	12,908	34,117	12,459	251,251
Representing:							
At cost	26,266	71,114	83,927	12,908	34,117	12,459	240,791
At valuation	2,599	7,861	-	-	-	-	10,460
	28,865	78,975	83,927	12,908	34,117	12,459	251,251

12. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Renovation and leasehold improve-ments RM'000	Furniture, fixtures, fittings, equipment and tools and implement RM'000	Motor vehicles RM'000	Total RM'000
Accumulated Depreciation and Impairment Losses							
At 1 January 2007	-	17,474	70,482	7,935	28,029	7,967	131,887
Depreciation charge for the year	-	2,218	2,096	1,520	2,214	1,346	9,394
Impairment charge for the year	-	-	-	-	-	28	28
Disposals	-	-	(520)	(57)	(419)	(630)	(1,626)
Write-off	-	-	-	(84)	-	-	(84)
At 31 December 2007	-	19,692	72,058	9,314	29,824	8,711	139,599
Net Book Value							
At 31 December 2007:							
At cost	26,266	54,246	11,869	3,594	4,293	3,748	104,016
At valuation	2,599	5,037	-	-	-	-	7,636
	28,865	59,283	11,869	3,594	4,293	3,748	111,652

12. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Renovation and leasehold improve-ments RM'000	Furniture, fixtures, fittings, equipment and tools and implement RM'000	Motor vehicles RM'000	Total RM'000
Group							
At 31 December 2006							
Cost/Valuation							
At 1 January 2006	24,558	76,984	79,834	10,665	31,409	24,181	247,631
Additions	6	-	3,798	1,647	2,581	573	8,605
Disposals	-	-	(793)	-	(149)	(13,802)	(14,744)
Reclass to investment properties	(1,489)	(782)	-	-	-	-	(2,271)
Reclass to assets held-for-sale	(8,713)	-	(5)	-	-	-	(8,718)
Write-off	-	-	-	(77)	(117)	(20)	(214)
At 31 December 2006	14,362	76,202	82,834	12,235	33,724	10,932	230,289
Representing:							
At cost	11,763	68,341	82,834	12,235	33,724	10,932	219,829
At valuation	2,599	7,861	-	-	-	-	10,460
	14,362	76,202	82,834	12,235	33,724	10,932	230,289

12. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Renovation and leasehold improve-ments RM'000	Furniture, fixtures, fittings, equipment and tools and implement RM'000	Motor vehicles RM'000	Total RM'000
Accumulated Depreciation and Impairment Losses							
At 1 January 2006	-	15,838	68,735	6,597	25,786	13,901	130,857
Depreciation charge for the year	-	1,704	2,473	1,408	2,500	2,581	10,666
Impairment charge for the year	-	-	-	-	-	190	190
Disposals	-	-	(722)	-	(140)	(8,688)	(9,550)
Reclass to investment properties	-	(68)	-	-	-	-	(68)
Write-off	-	-	(4)	(70)	(117)	(17)	(208)
At 31 December 2006	-	17,474	70,482	7,935	28,029	7,967	131,887
Net Book Value							
At 31 December 2006:							
At cost	11,763	53,534	12,352	4,300	5,695	2,965	90,609
At valuation	2,599	5,194	-	-	-	-	7,793
	14,362	58,728	12,352	4,300	5,695	2,965	98,402

12. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Furniture, fittings and equipment RM'000	Renovation RM'000	Motor vehicles RM'000	Total RM'000
Company				
At 31 December 2007				
Cost				
At 1 January 2007	225	115	338	678
Additions	11	-	-	11
At 31 December 2007	236	115	338	689
Accumulated Depreciation				
At 1 January 2007	147	8	169	324
Depreciation charge for the year	29	11	68	108
At 31 December 2007	176	19	237	432
Net Book Value	60	96	101	257

12. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Furniture, fittings and equipment RM'000	Renovation RM'000	Motor vehicles RM'000	Total RM'000
At 31 December 2006				
Cost				
At 1 January 2006	140	64	338	542
Additions	89	114	-	203
Disposal	(4)	-	-	(4)
Write-off	-	(63)	-	(63)
At 31 December 2006	225	115	338	678
Accumulated Depreciation				
At 1 January 2006	126	55	102	283
Depreciation charge for the year	22	9	67	98
Disposal	(1)	-	-	(1)
Write-off	-	(56)	-	(56)
At 31 December 2006	147	8	169	324
Net Book Value	78	107	169	354

12. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

(a) The following properties stated at directors' valuation are based on independent professional valuation of land and buildings of the Group at their market values at the date of valuation:

Year of Valuation	Description of Property	Valuation Amount RM'000
1983	Freehold land and buildings	10,460

These land and buildings have continued to be stated on the basis of their 1983 valuation as allowed by the transitional provisions issued by the Malaysian Accounting Standards Board upon adoption of International Accounting Standard 16 (Revised), Property, Plant and Equipment.

At 31 December 2007, had the revalued land and buildings been carried at historical cost, the net book value would have been as follows:

	Group	
	2007 RM'000	2006 RM'000
Freehold land and buildings	1,388	1,503

(b) The net book values of property, plant and equipment pledged for borrowings as disclosed in Note 31 are as follows:

	Group	
	2007 RM'000	2006 RM'000
Freehold land	10,182	-
Plant and machinery	4,454	4,962
	14,636	4,962

13. INVESTMENT PROPERTIES

	Group	
	2007 **RM'000**	**2006** **RM'000**
Net carrying amount		
At 1 January	16,952	14,943
Transfer from property, plant and equipment	-	2,203
Depreciation charge for the year	(195)	(194)
Disposal	(2,828)	-
At 31 December	13,929	16,952
At 1 January:		
Cost	18,502	16,299
Accumulated depreciation	(1,550)	(1,356)
Net carrying amount	16,952	14,943
At 31 December:		
Cost	15,488	18,502
Accumulated depreciation	(1,559)	(1,550)
Net carrying amount	13,929	16,952
Represented by:		
Freehold land	2,449	3,814
Freehold buildings	1,966	3,529
Leasehold building	9,514	9,609
	13,929	16,952

13. INVESTMENT PROPERTIES (CONTD.)

The fair value of the investment properties as at 31 December 2007 of the Group are estimated at RM17,462,000 based on directors' assessment of the current prices in an active market for the respective properties within each vicinity.

Certain of the investment properties were stated at directors' valuation based on independent professional valuation at their market values in 1984.

Year of Valuation	Description of Property	Valuation Amount RM'000
1984	Leasehold land and building	1,415
	Freehold land and building	250

As permitted by the transitional provisions of FRS 140, the last revalued amounts stated above less accumulated depreciation are now treated as the surrogate carrying amount of investment properties.

14. PREPAID LAND LEASE PAYMENTS

	Group	
	2007 RM'000	2006 RM'000
At 1 January	30,070	36,316
Additions	6,138	320
Amortisation for the year	(425)	(463)
Reclassified as held for sale (Note 28)	-	(6,103)
At 31 December	35,783	30,070
Analysed as		
Long term leasehold land	34,065	28,287
Short term leasehold land	1,718	1,783
	35,783	30,070

14. PREPAID LAND LEASE PAYMENTS (CONTD.)

Certain of the prepaid land lease payments were stated at directors' valuation based on independent professional valuation of long term leasehold land of the Group at their market values at the date of valuation:

Year of Valuation	Description of Property	Valuation Amount RM'000
5 April 2002	Long term leasehold land in Gombak, Rawang, Selangor Darul Ehsan	3,580

As permitted by the transitional provisions of FRS 117, the last revalued amount stated above less accumulated amortisation is now treated as the surrogate carrying amount of prepaid land lease payments.

Long term leasehold land of the Group which amounted to RM2,332,000 (2006: RM2,357,000) are pledged for borrowings as disclosed in Note 31.

15. SUBSIDIARIES

	Company	
	2007 RM'000	**2006 RM'000**
Unquoted shares, at cost	111,855	110,555
Less: Accumulated impairment losses	(608)	(608)
	111,247	109,947

Details of the subsidiaries are disclosed in Note 45.

15. SUBSIDIARIES (CONTD.)

(a) Changes in equity interest in subsidiaries

(i) On 26 February 2007, the Group acquired additional 2,453,140 ordinary shares of RM1 each in Federal Auto Holdings Berhad ("FAHB") representing 16.36% of the issued and paid-up share capital of FAHB for a cash consideration of RM9,321,932. With the completion of the acquisition, the Group's equity interest in FAHB increased from 69.64% to 86.00%. The acquisition has given rise to a goodwill on acquisition of RM668,000.

(ii) On 31 March 2007, WSA Capital Corporation Sdn Bhd ("WSACC"), a subsidiary of the Company, completed a rights issue of 2,428,241 ordinary shares of RM1 each at par value, thereby increasing its paid-up share capital from RM5,100,000 to RM7,528,241.

The Company has subscribed to its full entitlement of the rights issue of 1,300,000 ordinary shares of RM1 each in WSACC for a cash consideration of RM1,300,000. With the completion of this subscription, the Group's equity interest in WSACC increased from 50.98% to 51.80%.

16. ASSOCIATES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
In Malaysia:				
Unquoted shares, at cost	190,174	190,174	183,174	183,174
Share of post-acquisition reserves	284,815	213,890	-	-
	474,989	404,064	183,174	183,174
Represented by:				
Share of net assets	468,966	398,041		
Goodwill on acquisition	6,023	6,023		
	474,989	404,064		

Details of associates are disclosed in Note 46.

16. ASSOCIATES (CONTD.)

The summarised financial information of the associates are as follows:

	2007 RM'000	2006 RM'000
Assets and liabilities		
Non-current assets	1,287,681	1,083,894
Current assets	1,150,217	781,149
Total assets	2,437,898	1,865,043
Non-current liabilities	4,674	2,549
Current liabilities	603,885	339,516
Total liabilities	608,559	342,065
Results		
Revenue	7,044,310	6,076,668
Profit for the year	320,154	285,173

The financial statements of the associates are coterminous with those of the Group, except for Hino Motors (Malaysia) Sdn Bhd which has a financial year end of 31 March. For the purpose of applying the equity method of accounting, the share of results is arrived at from the management financial statements to the accounting period end of 31 December.

17. JOINTLY CONTROLLED ENTITY

	Group	
	2007 RM'000	2006 RM'000
In Malaysia:		
Unquoted shares, at cost	54	-

Details of jointly controlled entity are disclosed in Note 47.

As disclosed in Note 40(a), WSA Capital Corporation Sdn Bhd ("WSACC"), a subsidiary of the Company had entered into a joint venture agreement to acquire 53,572 ordinary shares of RM1 each, representing 21.43% equity interest in Autoparts Networks Alliances Sdn Bhd ("ANA"), a jointly control entity of the Group. ANA is intended to engage in trading and manufacturing of automotive interior and precision parts and components. ANA has yet to commence operations as of 31 December 2007.

18. OTHER INVESTMENT

	Group and Company	
	2007 RM'000	2006 RM'000
Unquoted bonds, at cost	2,600	4,000
Less : Provision for diminution in value	(2,600)	(4,000)
	-	-

The unquoted bonds were matured on 28 December 2007 and an amount of RM1,400,000 had been recovered during the current financial year. The remaining balance have been fully provided for diminution in value as the directors are of the opinion that the carrying amount is unlikely to be recovered.

19. HIRE PURCHASE RECEIVABLES

	Group	
	2007	**2006**
	RM'000	**RM'000**
Minimum hire purchase receivables:		
Not later than 1 year	5,913	8,309
Later than 1 year and not later than 2 years	2,828	5,302
Later than 2 years and not later than 5 years	1,145	4,940
Later than 5 years	-	66
	9,886	18,617
Less: Future finance charges	(843)	(2,028)
Present value of hire purchase receivables	9,043	16,589
Less: Provision for doubtful debts	(1,554)	(2,006)
	7,489	14,583
Analysed as:		
Due within 12 months (Note 22)	5,913	7,109
Due after 12 months	1,576	7,474
	7,489	14,583

During the financial year, the Group wrote off hire purchase receivables amounting to RM685,000 (2006: RM807,000) against the provision made for doubtful debts.

The effective interest rate at the balance sheet date was 9.2% (2006: 9.2%) per annum.

20. GOODWILL ON CONSOLIDATION

	Group	
	2007 RM'000	2006 RM'000
Cost		
At 1 January	12,878	12,878
Acquisition of subsidiary (Note 15 (a) (i))	668	-
At 31 December	13,546	12,878
Accumulated impairment losses	-	-
Net carrying amount	13,546	12,878

Impairment tests for goodwill

Goodwill has been allocated to the Group's cash generating units ("CGUs") identified according to the particular business segment as follows:

	2007 RM'000	2006 RM'000	Discount rate
Manufacturing of automotive components	12,878	12,878	8%
Trading of motor vehicles, spare parts and other related activities	668	-	8%
	13,546	12,878	

The recoverable amount of a CGU is determined based on value-in-use calculations applying a discounted cash flow model based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are projected based on the assumptions that the 5th year operating cash flow will be generated by the respective CGUs perpetually. Discount rate used is based on the pre-tax weighted average cost of capital.

Management believes that any reasonably possible change in the key assumptions would not cause the carrying values of the goodwill to materially exceed their recoverable amounts.

21. INVENTORIES

	Group	
	2007 RM'000	**2006 RM'000**
Cost:		
Completed and unassembled vehicles	83,392	131,582
Parts and consumables	17,481	19,639
Work in progress	2,496	2,234
Finished goods	2,996	2,703
	106,365	156,158

22. TRADE RECEIVABLES

	Group	
	2007 RM'000	**2006 RM'000**
Trade receivables	80,923	81,830
Hire purchase receivables (Note 19)	5,913	7,109
	86,836	88,939
Less: Provision for doubtful debts	(2,457)	(4,007)
	84,379	84,932

Included in trade receivables of the Group is an amount of approximately RM4,605,000 (2006: RM4,659,000) due from Perusahaan Otomobil Kedua Sdn. Bhd. ("Perodua"), an associate of the Group.

The Group's normal trade credit term ranges from 14 days to 120 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors other than as disclosed above.

23. OTHER RECEIVABLES

	Group	
	2007 RM'000	2006 RM'000
Deposits and advances paid	8,964	2,076
Incentive due from a supplier	6,228	3,699
Prepayments	4,004	6,410
Sundry receivables	2,569	3,783
	21,765	15,968

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

24. DUE FROM AN ASSOCIATE/DUE TO HOLDING COMPANY AND SUBSIDIARIES

The amounts due from an associate and the amounts due to holding company and subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

25. DUE FROM SUBSIDIARIES

	Company	
	2007 RM'000	2006 RM'000
Interest free	62,147	44,337
Bearing interest of 8% per annum	3,756	8,336
	65,903	52,673

The amounts due from subsidiaries are unsecured and have no fixed terms of repayment.

26. SHORT TERM INVESTMENTS

	Group	
	2007 RM'000	2006 RM'000
Al-Mudharabah General Investment (Note 27)	251	251

Deposits in the form of Al-Mudharabah General Investment of a subsidiary were on lien to a bank in relation to the Al-Mudharabah financing facility obtained from the bank.

27. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cash on hand and at banks	31,378	46,881	56	720
Deposits (including bankers' acceptances) with:				
Licensed banks	79,343	58,752	3,300	24,100
Other foreign financial institution	-	2,683	-	-
Cash and bank balances	110,721	108,316	3,356	24,820
Al-Mudharabah General Investment (Note 26)	251	251	-	-
Less: Bank overdrafts (Note 31)	(11,031)	(8,516)	(8,000)	-
Cash and cash equivalents	99,941	100,051	(4,644)	24,820

(a) The effective interest rates at the balance sheet date were as follows:

	Group		Company	
	2007 %	2006 %	2007 %	2006 %
Deposits with:				
Licensed banks	3.0	3.0	2.8	2.8
Other foreign financial institution	-	5.0	-	-

27. CASH AND CASH EQUIVALENTS (CONTD.)

(b) The average maturities as at the end of the financial year were as follows:

	Group		Company	
	2007 Days	**2006 Days**	**2007 Days**	**2006 Days**
Deposits with:				
Licensed banks	90	90	15	30
Other foreign financial institution	-	30	-	-

28. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2007 RM'000	**2006 RM'000**
Net carrying amount upon classification as held for sale:		
Long term leasehold land (a)	6,103	6,103
Freehold land (b)	8,713	8,713
Plant and machinery	-	5
	14,816	14,821

(a) This represents a piece of long term leasehold land in Port Klang, Selangor of a subsidiary, which had been previously revalued by an independent professional valuer based on open market value. The subsidiary had entered into a conditional sale and purchase agreement with a third party to dispose of this land. The disposal has not been completed as at 31 December 2007.

(b) This represents a piece of freehold land in Klang, Selangor of a subsidiary. The Group has made a commitment to dispose of this asset.

29. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2007 '000	2006 '000	2007 RM'000	2006 RM'000
Authorised:				
At 1 January/31 December	500,000	500,000	500,000	500,000
Issued and fully paid:				
At 1 January	238,537	234,792	238,537	234,792
Exercise of ESOS	3,487	3,745	3,487	3,745
At 31 December	242,024	238,537	242,024	238,537

(a) During the financial year, the Company increased its issued and paid-up ordinary share capital from RM238,536,667 to RM242,023,667 by way of the issuance of 1,542,000 ordinary shares of RM1.00 each and 1,945,000 ordinary shares of RM1.00 each at an exercise price of RM2.54 and RM2.43 per ordinary share respectively, for cash pursuant to the Company's ESOS. The share premium of RM5,156,030 arising from the issuance of ordinary shares has been included in the share premium account.

The ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

(b) The Company's ESOS is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 15 August 2002. The ESOS was implemented on 2 September 2002.

(c) The main features of the ESOS are as follows:

(i) The ESOS shall be in force for a period of ten years from the date of the receipt of the last of the requisite approvals.

(ii) Eligible persons are employees of the Group (including executive directors) who have been confirmed in the employment of the Group and have served for at least one year before the date of the offer. The eligibility for participation in the ESOS shall be at the discretion of the Option Committee appointed by the Board of Directors.

29. SHARE CAPITAL (CONTD.)

(c) The main features of the ESOS are as follows (contd.):

(iii) The total number of shares to be issued under the ESOS shall not exceed in aggregate 10% of the issued and paid-up share capital of the Company at any point in time during the tenure of the ESOS.

(iv) The option price for each share shall be based on the weighted average market price of the shares as shown in the daily official list issued by Bursa Malaysia Securities Berhad for the 5 market days immediately preceding the date of offer subject to a discount of not more than 10%, or the par value of the shares of the Company of RM1, whichever is the higher.

(v) No option shall be granted for less than 1,000 shares nor more than 23,166,667 shares to any eligible employee.

(vi) An option granted under the ESOS shall be capable of being exercised by the grantee by notice in writing to the Company commencing from the date of the offer but before the expiry of ten years from the date of the receipt of the last of the requisite approvals.

(vii) The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company.

(d) The terms of share options outstanding as at the end of the financial year are as follows:

Grant date	Exercise price RM	At 1.1.2007 '000	Number of Share Options Granted '000	Exercised '000	At 31.12.2007 '000
September 2002	2.54	3,437	-	(1,542)	1,895
October 2005	2.43	3,534	-	(1,945)	1,589
		6,971	-	(3,487)	3,484

Grant date	Exercise price RM	At 1.1.2006 '000	Number of Share Options Granted '000	Exercised '000	At 31.12.2006 '000
September 2002	2.54	4,083	-	(646)	3,437
October 2005	2.43	6,633	-	(3,099)	3,534
		10,716	-	(3,745)	6,971

29. SHARE CAPITAL (CONTD.)

Details of share options exercised during the year and the fair value, at exercise date, of ordinary shares issued are as follows:

Period Exercised	Exercise Price RM	Fair values of Ordinary Shares RM	Number of Share Options '000	Considera-tion Received RM'000
2007				
January to December 2007	2.54	3.06	1,542	3,917
January to December 2007	2.43	3.06	1,945	4,726
				8,643
Less: Par value of ordinary shares				(3,487)
Share premium				5,156
2006				
January to December 2006	2.54	2.88	646	1,641
January to December 2006	2.43	2.89	3,099	7,530
				9,171
Less: Par value of ordinary shares				(3,745)
Share premium				5,426

30. RETAINED PROFITS

As at 31 December 2007, the Company has tax exempt profits of approximately RM28,460,000 (2006: RM28,460,000), subject to the agreement of the Inland Revenue Board.

Prior to the year of assessment 2008, Malaysian companies adopt the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders (“single tier system”). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the Section 108 balance as at 31 December 2007 to distribute cash dividends. As at 31 December 2007, the Company has sufficient credit in the Section 108 balance and the balance in the tax exempt account to pay franked dividends out of its entire retained profits.

31. BORROWINGS

	Group		Company	
	2007 RM'000	**2006 RM'000**	**2007 RM'000**	**2006 RM'000**
Short Term Borrowings				
Unsecured:				
Bank overdrafts	8,000	-	8,000	-
Term loan	-	40,000	-	40,000
Bankers' acceptances	-	12,280	-	-
	8,000	52,280	8,000	40,000
Secured:				
Bank overdrafts	3,301	8,516	-	-
Bankers' acceptances	13,079	2,452	-	-
Term loans	2,281	2,288	-	-
Trade loan	1,816	992	-	-
Trust receipts	1,003	1,835	-	-
	21,210	16,083	-	-
Hire purchase payables (Note 37)	818	730	-	-
	22,028	16,813	-	-
	30,028	69,093	8,000	40,000

31. BORROWINGS (CONTD.)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Long Term Borrowings				
Secured:				
Term loans	14,468	7,086	-	-
Hire purchase payables (Note 37)	583	1,260	-	-
	15,051	8,346	-	-
Total Borrowings				
Bank overdrafts (Note 27)	11,031	8,516	8,000	-
Bankers' acceptances	13,079	14,732	-	-
Term loans	16,749	49,374	-	40,000
Trade loan	1,816	992	-	-
Trust receipts	1,003	1,835	-	-
Hire purchase payables (Note 37)	1,401	1,990	-	-
	45,079	77,439	8,000	40,000
Maturity of borrowings (excluding hire purchase payables):				
Within one year	29,210	68,363	8,000	40,000
More than 1 year and less than 2 years	2,512	1,036	-	-
More than 2 years and less than 5 years	3,445	3,099	-	-
More than 5 years	8,511	2,951	-	-
	43,678	75,449	8,000	40,000

31. BORROWINGS (CONTD.)

(a) The secured bank overdrafts, bankers' acceptances, trade loans, term loans and trust receipts of the Group are secured by the following:

(i) first legal charge on plant and machinery and freehold land of certain subsidiaries as disclosed in Note 12(b);

(ii) a deed of assignment cum loan agreement over leasehold land owned by a subsidiary as disclosed in Note 14;

(iii) a debenture incorporating a fixed and floating charge over the assets of subsidiaries, both present and future;

(iv) assignment of contract proceeds from certain receivables; and

(v) corporate guarantees by the Company, ultimate holding company and a subsidiary.

(b) The weighted average effective interest rates at the balance sheet date for borrowings, excluding hire purchase payables, were as follows:

	Group		Company	
	2007 %	2006 %	2007 %	2006 %
Bank overdrafts	9.1	8.2	8.3	-
Bankers' acceptances	5.9	4.7	-	-
Term loans	7.3	5.6	-	5.0
Trade loan	6.3	8.6	-	-
Trust receipts	8.7	8.0	-	-

32. DEFERRED TAX LIABILITIES

	Group	
	2007 RM'000	2006 RM'000
At 1 January	680	2,734
Recognised in the income statement (Note 9)	(137)	(2,054)
At 31 December	543	680
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	2,549	2,973
Deferred tax assets	(2,006)	(2,293)
	543	680

The component and movement of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Revaluation reserve RM'000	Accelerated capital allowances RM'000	Total RM'000
At 1 January 2007	276	2,697	2,973
Recognised in the income statement	(187)	(237)	(424)
At 31 December 2007	89	2,460	2,549
At 1 January 2006	1,151	3,003	4,154
Recognised in the income statement	(875)	(306)	(1,181)
At 31 December 2006	276	2,697	2,973

32. DEFERRED TAX LIABILITIES (CONTD.)

Deferred tax assets of the Group:

	Provisions RM'000	Unused tax losses and unabsorbed capital allowances RM'000	Total RM'000
At 1 January 2007	(1,635)	(658)	(2,293)
Recognised in the income statement	296	(9)	287
At 31 December 2007	(1,339)	(667)	(2,006)
At 1 January 2006	(730)	(690)	(1,420)
Recognised in the income statement	(905)	32	(873)
At 31 December 2006	(1,635)	(658)	(2,293)

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2007 RM'000	2006 RM'000
Unused tax losses	20,242	19,603
Unabsorbed capital allowances	3,894	3,063
Others	618	811
	24,754	23,477

The availability of the unused tax losses and unabsorbed capital allowances are available indefinitely for offsetting against future taxable profits of respective subsidiaries subject to no substantial change in shareholding of these subsidiaries under the Income Tax Act, 1967, and guidelines issued by the tax authority.

Deferred tax assets have not been recognised in respect of these items as they arose from subsidiaries which have a recent history of losses.

33. PROVISION FOR RETIREMENT BENEFITS

	Group	
	2007 RM'000	**2006 RM'000**
At 1 January	1,328	1,265
Additional provision during the year	525	560
Contribution paid during the year	(696)	(393)
Utilisation of provision during the year	-	(104)
At 31 December	1,157	1,328

Daihatsu Group operates a funded, defined benefit Retirement Benefit Scheme ("Scheme") for its eligible employees. Contributions to the Scheme are made to a separately administered fund. WSAE Subsidiaries operate an unfunded Scheme for its eligible employees. Under both Schemes, eligible employees are entitled to retirement benefits of final salary on attainment of the retirement age of 55.

The amounts recognised in the balance sheet are determined as follows:

	Group	
	2007 RM'000	**2006 RM'000**
Daihatsu Group		
Present value of funded defined benefit obligations	3,051	2,940
Fair value of plan assets	(3,924)	(3,584)
	(873)	(644)
Unrecognised actuarial gains	908	705
	35	61
WSAE Subsidiaries		
Provision for unfunded defined benefit obligations	1,122	1,267
Total	1,157	1,328

33. PROVISION FOR RETIREMENT BENEFITS (CONTD.)

The amounts recognised in the income statement are as follows:

	Group	
	2007 **RM'000**	**2006** **RM'000**
Current service cost	584	509
Interest cost	180	173
Expected return on Scheme assets	(239)	(122)
Total, included in employee benefits expense (Note 6)	525	560

The actual return on the plan assets of the Group was RM199,000 (2006: RM56,000).

Principal actuarial assumptions used:

	2007 **%**	**2006** **%**
Discount rate	6.0	6.0
Average salary increase	5.0	5.0
Expected rate of return on plan assets	5.5	5.5

34. PROVISION FOR LIABILITIES

	Warranty RM'000	Contingent Liabilities RM'000	Total RM'000
At 1 January 2006	2,855	589	3,444
Additional provision during the year	348	2,228	2,576
Contribution paid during the year	(176)	-	(176)
Utilisation of provision during the year	-	(342)	(342)
At 31 December 2006	3,027	2,475	5,502
Additional provision during the year	480	-	480
Contribution paid during the year	(286)	(100)	(386)
Reversal of provision during the year	(889)	(100)	(989)
At 31 December 2007	2,332	2,275	4,607

Provision for warranty is made based on the estimated liability on all products under warranty. A provision for warranty is recognised for products under warranty at the balance sheet date based on past claims experience arising during the period of warranty.

Provision for contingent liability is made for the estimated liability for industrial relations and civil cases. A provision is recognised for industrial relations and civil cases at the balance sheet date based on an assessment as to the likelihood of such claims crystallising and on the exposed amount.

35. TRADE PAYABLES

Included in trade payables of the Group is an amount of RM1,428,900 (2006: RM3,074,000) due to Perodua, an associate.

The normal trade credit terms granted to the Group ranges from 2 days to 90 days.

36. OTHER PAYABLES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Accruals	9,968	9,764	1,215	2,110
Accruals for dealers and salesmen incentives	300	961	-	-
Amount due for insurance premium on vehicles sold	200	114	-	-
Deposits received from customers	3,435	3,627	-	-
Sales tax and import duties payable	956	2,122	-	-
Sundry payables	4,062	3,094	-	-
	18,921	19,682	1,215	2,110

37. HIRE PURCHASE PAYABLES

	Group	
	2007 RM'000	2006 RM'000
Minimum hire purchase payments:		
Not later than 1 year	892	816
Later than 1 year and not later than 2 years	544	931
Later than 2 years and not later than 5 years	121	450
	1,557	2,197
Less: Future finance charges	(156)	(207)
Present value of hire purchase payables	1,401	1,990
Present value of hire purchase payables:		
Not later than 1 year	818	730
Later than 1 year and not later than 2 years	481	864
Later than 2 years and not later than 5 years	102	396
	1,401	1,990

37. HIRE PURCHASE PAYABLES (CONTD.)

	Group	
	2007 RM'000	2006 RM'000
Analysed as:		
Due within 12 months (Note 31)	818	730
Due after 12 months (Note 31)	583	1,260
	1,401	1 ,990

The hire purchase payables bore interest at the balance sheet date at rates between 3.15% to 5.91% (2006: 3.15% to 5.91%) per annum.

38. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	2007 RM'000	2006 RM'000
Group		
Purchases from Daihatsu Motor Co. Ltd. and/ or its subsidiaries and associates*	144,569	172,230
Purchases from a subsidiary of Perodua	473,160	551,216
Sales to subsidiaries of Perodua	(52,703)	(44,638)
Purchases from Toyota Tsusho Co. and/ or its subsidiaries and associates	15,148	15,293
Central Motor Wheels Co, a minority shareholder:		
Royalty fee payable	668	600
Technical fee payable	153	155
Development expenses	116	100
Med-Bumikar Mara Sdn Bhd, the holding company:		
Purchase consideration paid for acquisition of a subsidiary and an associate	-	25,830
Interest expense	-	84

38. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTD.)

(Continued from Note 38 (a)

	2007 RM'000	2006 RM'000
Company		
Gross dividends from:		
- subsidiaries	33,588	20,878
- associates	17,542	30,930
Med-Bumikar Mara Sdn Bhd, the holding company:		
Purchase consideration paid for acquisition of a subsidiary and an associate	-	25,830

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

* Includes all subsidiaries and associates of Daihatsu Motor Co., Ltd. other than the subsidiaries of the Company.

(b) Compensation of key management personnel

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Short term employee benefits	1,092	855	395	318
Employee provident fund	82	74	40	34
Other benefits	30	35	-	-
Total compensation of key management personnel	1,204	964	435	352
Comprised amount paid to:				
- directors of the Company	761	572	435	352
- directors of subsidiaries	443	392	-	-
	1,204	964	435	352

39. CAPITAL COMMITMENT

	2007 RM'000	2006 RM'000
Property, plant and equipment:		
Approved and contracted for	17,600	7,115

40. SIGNIFICANT EVENTS

(a) On 30 January 2007, WSA Capital Corporation Sdn Bhd ("WSACC"), a subsidiary of the Company, entered into a Joint Venture Agreement with W&A Ventures Sdn Bhd, Delloyd Industries Sdn Bhd, Hi-Tech Seat Sdn Bhd and Autoparts Networks Alliances Sdn Bhd ("ANA") for the subscription of shares in ANA, a company incorporated in Malaysia.

Pursuant to the Joint Venture Agreement, ANA is acting as the joint venture company and the issued and paid-up capital of ANA has increased from RM2 to RM250,005. WSACC has acquired 53,572 ordinary shares of RM1 each, representing 21.43% equity interest in ANA, at par.

(b) On 26 February 2007, the Group acquired additional 2,453,140 ordinary shares in Federal Auto Holdings Berhad ("FAHB") representing 16.36% of the issued and paid-up share capital of FAHB for a cash consideration of RM9,321,932. With the completion of the acquisition, the Group's equity interest in FAHB was increased from 69.64% to 86.00%.

(c) On 31 March 2007, WSA Capital Corporation Sdn Bhd ("WSACC"), a subsidiary of the Company, completed a rights issue of 2,428,241 ordinary shares of RM1 each at par value, thereby increasing its paid-up share capital from RM5,100,000 to RM7,528,241.

The Company has subscribed to its full entitlement of the rights issue of 1,300,000 ordinary shares of RM1 each in WSACC for a cash consideration of RM1,300,000. With the completion of this subscription, the Group's equity interest in WSACC increased from 50.98% to 51.80%.

(d) On 25 May 2007, F.A. Wagen Sdn Bhd ("FAW"), a subsidiary of the Company entered into a dealership agreement with Volkswagen Group Malaysia Sdn Bhd to appoint FAW as an authorized dealer for the sale and service of Volkswagen vehicles in Puchong.

(e) On 22 November 2007, F.A. Automobiles (Ipoh) Sdn Bhd ("FAAI"), a subsidiary of the Company entered into a dealership agreement with Mitsubishi Motors Malaysia Sdn Bhd to appoint FAAI as an authorised dealer for the sale and service of Mitsubishi passenger vehicles in Perak.

41. SUBSEQUENT EVENTS

On 13 February 2008, the Company announced the disposal of its entire 39.89% equity interest, representing 7,180,000 ordinary shares of RM1 each in MBM Industries Sdn. Bhd. (“MBMI”), an associate of the Company, to Ewein Berhad (“Ewein”) for a total consideration of RM19,738,017, fully satisfied by the issuance of 39,476,034 new ordinary shares of RM0.50 each in Ewein, representing 37.43% equity interest of the enlarged issued and paid-up share capital of Ewein.

Further to this, the Company completed the restricted offer for sale to Med-Bumikar Mara Sdn Bhd (“MBM”), the holding company of the Company in respect of its 21,358,477 ordinary shares in Ewein.

On 28 March 2008, the Company completed the disposal of the remaining 18,117,557 ordinary shares in Ewein through a restricted offer for sale to the public in conjunction with the listing of Ewein on the Second Board of Bursa Malaysia Securities Berhad.

42. CONTINGENT LIABILITIES

	Company	
	2007 **RM’000**	**2006** **RM’000**
Corporate guarantees to banks of subsidiaries in respect of balances outstanding as at 31 December	19,760	17,155

43. SEGMENT INFORMATION

The Group’s operating businesses are organised into three major business segments:

(i) Investment holding

(ii) Marketing and distribution of motor vehicles and other related activities

(iii) Manufacturing of automotive parts, trucks and vehicles body building and other related activities

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

No analysis of geographical segment is presented as the Group operates principally in Malaysia and the Group’s foreign operations are considered to be not significant.

43. SEGMENT INFORMATION (CONTD.)

	Investment holding		Marketing and distribution of motor vehicles and other related activities		Manufacturing of automotive parts, trucks and vehicles body building and other related activities		Eliminations		Consolidated	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
REVENUE AND EXPENSES										
Revenue										
External revenue	133	1,234	987,160	1,036,890	93,165	93,888	-	-	1,080,458	1,132,012
Inter-segment revenue	60,356	52,735	-	-	933	975	(61,289)	(53,710)	-	-
Total revenue	60,489	53,969	987,160	1,036,890	94,098	94,863	(61,289)	(53,710)	1,080,458	1,132,012
Results										
Profit from operations	59,987	47,438	52,793	53,591	9,652	11,270	(64,799)	(58,050)	57,633	54,249
Finance costs	(1,898)	(2,005)	(619)	(1,612)	(1,773)	(1,917)	315	320	(3,975)	(5,214)
Share of results of associates									86,817	72,864
Income tax expense									(13,648)	(10,678)
Profit for the year									126,827	111,221
Attributable to:										
Equity holders of Company									110,523	92,092
Minority interests									16,304	19,129
									126,827	111,221

43. SEGMENT INFORMATION (CONTD.)

	Investment holding		Marketing and distribution of motor vehicles and other related activities		Manufacturing of automotive parts, trucks and vehicles body building and other related activities		Eliminations		Consolidated	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
ASSETS AND LIABILITIES										
Segment assets	26,668	49,869	380,793	394,604	111,371	106,078	-	-	518,832	550,551
Investment in associates	19,874	14,146	455,115	389,918	-	-	-	-	474,989	404,064
Consolidated total assets									993,821	954,615
Segment liabilities	9,681	42,395	66,257	98,462	38,854	33,829	-	-	114,792	174,686
OTHER INFORMATION										
Capital expenditure	11	203	14,369	2,030	9,521	6,372	-	-	23,901	8,605
Depreciation	107	98	5,159	5,757	4,323	5,005	-	-	9,589	10,860
Amortisation	-	-	251	294	174	169	-	-	425	463
Impairment loss	-	-	28	190	-	-	-	-	28	190
Other significant non-cash expenses:										
Provisions	-	4,000	931	820	66	348	-	-	997	5,168

44. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is to not engage in speculative transactions.

(b) Interest Rate Risk

The Group's primary interest rate risk relates to interest bearing debt, as the Group had no substantial long term interest-bearing assets as at 31 December 2007. The investment in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits, marketable securities and short term bankers' acceptances.

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings. The Group reviews its debt portfolio, taking into account the investment holding period and 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 rates of the financial assets and liabilities are disclosed in their respective notes.

(c) Foreign Exchange Risk

The Group operates internationally and is exposed to various currencies, mainly Japanese Yen, New Zealand Dollars and United States Dollars. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases give rise to foreign exchange exposures.

Foreign exchange exposures in transactional currencies are kept to an acceptable level. Material foreign currency transaction exposures are hedged with forward foreign exchange contracts.

(d) Liquidity Risk

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

44. FINANCIAL INSTRUMENTS (CONTD.)

(e) Credit Risk

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments other than as disclosed in respective notes.

(f) Fair Values

The carrying amounts of financial assets and financial liabilities of the Group and of the Company at the balance sheet date approximate their fair values due to their relatively short term maturity except for the following:

		Group		Company	
	Note	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial assets					
At 31 December 2007					
Other investment	18	-	*	-	*
Hire purchase receivables	19	1,576	1,515	-	-
Due from an associate	24	36	#	36	#
Due from subsidiaries	25	-	-	65,903	#
At 31 December 2006					
Other investment	18	-	*	-	*
Hire purchase receivables	19	7,474	7,187	-	-
Due from an associate	24	35	#	35	#
Due from subsidiaries	25	-	-	52,673	#

44. FINANCIAL INSTRUMENTS (CONTD.)

(f) Fair Values

		Group		Company	
	Note	**Carrying Amount RM'000**	**Fair Value RM'000**	**Carrying Amount RM'000**	**Fair Value RM'000**
Financial Liabilities					
At 31 December 2007					
Due to holding company	24	1,347	#	219	-
Due to subsidiaries	24	-	-	33,908	#
Long term borrowings	31	15,051	14,199	-	-
At 31 December 2006					
Due to holding company	24	1,357	#	190	-
Due to subsidiaries	24	-	-	31,327	#
Long term borrowings	31	8,346	7,874	-	-

* It is not practical to estimate the fair values of the Group's non-current unquoted shares because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

It is also not practical to estimate the fair values of related companies balances due principally to a lack of fixed repayment terms entered into by the parties involved and without incurring excessive costs. However, the Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

The fair value of hire purchase receivables, term loans and hire purchase payables are estimated using discounted cash flow analysis, based on current incremental borrowing and lending rates for similar types of lending and borrowing arrangements.

45. SUBSIDIARIES

Name of Company	Country of Incorporation	Equity Interests Held (%) 2007	2006	Principal Activities
Daihatsu (Malaysia) Sdn. Bhd.	Malaysia	71.50	71.50	Marketing and distribution of motor vehicles, spare parts and provision of related motor repair services
DMM Engineering Sdn. Bhd.	Malaysia	71.50	71.50	Repair and touching-up, construction of vehicles body parts for sale, providing holding company and handling services to its distribution of spare parts and trucks
DMM Sales Sdn. Bhd.	Malaysia	71.50	71.50	Marketing and distribution of motor vehicles, related spare parts and other related activities
DMM Credit Sdn. Bhd.	Malaysia	71.50	71.50	Provision of hire purchase facilities
DMM Assembly Services Sdn. Bhd.	Malaysia	71.50	71.50	Dormant
Auto Style Enterprise Limited	British Virgin Islands	100.00	100.00	Investment holding
Sun Motor Limited	British Virgin Islands	100.00	100.00	Investment holding
Summit Vehicles Body Works Sdn. Bhd.	Malaysia	100.00	100.00	Trucks and vehicles body building, and general engineering works
Galaxy Waves Sdn. Bhd.	Malaysia	100.00	100.00	Investment holding

45. SUBSIDIARIES (CONTD.)

Name of Company	Country of Incorporation	Equity Interests Held (%) 2007	2006	Principal Activities
Oriental Extrusions Sdn. Bhd.	Malaysia	100.00	100.00	Investment holding
Oriental Metal Industries (M) Sdn. Bhd.	Malaysia	78.00	78.00	Manufacturing of steel wheel rims for motor vehicles and related activities
WSA Capital Corporation Sdn. Bhd.	Malaysia	51.80	50.98	Manufacturing, designing and supplying of automotive components
WSA Engineering Sdn. Bhd.	Malaysia	51.80	50.98	Manufacturing, designing and supplying of automotive components
WSA Precision Sdn. Bhd.	Malaysia	51.80	50.98	Dormant
Carpets International Malaysia Manufacturing Sdn. Bhd.	Malaysia	51.80	50.98	Manufacturing and distributor of carpets and rugs
Carpets International Malaysia (Distribution) Sdn. Bhd.	Malaysia	51.80	50.98	Distributor of carpets and rugs
Peninsular Carpet Manufacturing Sdn. Bhd.	Malaysia	51.80	50.98	Manufacturing of carpets and rugs
WSA Marketing & Distribution Sdn. Bhd.	Malaysia	51.80	50.98	Dormant

45. SUBSIDIARIES (CONTD.)

Name of Company	Country of Incorporation	Equity Interests Held (%) 2007	Equity Interests Held (%) 2006	Principal Activities
Summer Gallery Sdn. Bhd.	Malaysia	100.00	100.00	Investment holding
Federal Auto Holdings Berhad	Malaysia	86.00	69.64	Investment holding, letting, maintenance and management of properties and provision of management services.
Federal Auto Cars Sdn. Bhd.	Malaysia	86.00	69.64	Trading of motor vehicles and spare parts and providing ancillary services
Fadara Properties Sdn. Bhd.	Malaysia	86.00	69.64	Rental and management of properties
Fadara Trading Sdn. Bhd.	Malaysia	86.00	69.64	Non-operating
Federal Auto Cars Retail Sdn. Bhd.	Malaysia	86.00	69.64	Investment holding
F.A. Leasing and Credit Sdn. Bhd.	Malaysia	86.00	69.64	Securing end-financing for motor vehicle purchasers and providing lease financing
F.A. Automobiles Sdn. Bhd.	Malaysia	86.00	69.64	Investment holding
F.A. Serve Sdn. Bhd.	Malaysia	86.00	69.64	Operating petrol station and providing workshop services

45. SUBSIDIARIES (CONTD.)

Name of Company	Country of Incorporation	Equity Interests Held (%) 2007	Equity Interests Held (%) 2006	Principal Activities
F.A. Autoprima Sdn. Bhd.	Malaysia	86.00	69.64	Non-operating
F.A. Autosoft Sdn. Bhd.	Malaysia	86.00	69.64	Non-operating
F.A. Premier Autoland Sdn. Bhd.	Malaysia	86.00	69.64	Non-operating
Liberty Car Rental Sdn. Bhd.	Malaysia	86.00	69.64	Car rental business
Federal Auto Cars (Kuala Lumpur) Sdn. Bhd.	Malaysia	86.00	69.64	Non-operating
F.A. Wagen Sdn. Bhd. (formerly known as Federal Auto Cars (Pulau Pinang) Sdn. Bhd.)	Malaysia	86.00	69.64	Trading of motor vehicles and spare parts and providing ancillary services
F.A. Automobiles (Ipoh) Sdn. Bhd.	Malaysia	86.00	69.64	Trading of motor vehicles and spare parts and providing ancillary services
Inai Benua Sdn. Bhd.	Malaysia	100.00	100.00	Investment holding

46. ASSOCIATES

Name of Company	Country of Incorporation	Equity Interests Held (%) 2007	Equity Interests Held (%) 2006	Principal Activities
MBM Industries Sdn. Bhd.	Malaysia	39.90	39.90	Investment holding
Perusahaan Otomobil Kedua Sdn. Bhd.	Malaysia	23.60	23.60	Investment holding, provision for management and administration services, marketing and distribution of motor vehicles and related spare parts.
Hino Motors (Malaysia) Sdn. Bhd.	Malaysia	42.00	42.00	Marketing and servicing of heavy commercial vehicles and related spare parts

47. JOINTLY CONTROLLED ENTITY

Name of Company	Country of Incorporation	Equity Interests Held (%) 2007	Equity Interests Held (%) 2006	Principal Activities
Autoparts Networks Alliances Sdn. Bhd.	Malaysia	21.43	-	Dormant

List Of Properties

Location	Land Area (Built-Up Area) Sq. Metre	Description of Property and Existing Use	Approx. Age of Building	Tenure	Book Value as at 31.12.07 (RM'000)
Proprietor: Daihatsu (Malaysia) Sdn Bhd					
Lot 2B Jalan Keluli Section 15 40000 Shah Alam Selangor Darul Ehsan	9,821	Industrial land used as vehicle storage yard	17	Leasehold (expiring on 26.1.2087)	1,064
Lot 1 Lorong 51A/227C 46100 Petaling Jaya Selangor Darul Ehsan	1,677 (674)	Industrial land with building used as workshop	15	Leasehold (expiring on 13.3.2074)	1,401
B-317 Blue Lagoon Port Dickson Negeri Sembilan Darul Khusus	(78)	2-bedroom condominium used for leisure and recreation	15	Freehold	121
Lot 1 Jalan Keluli Section 15 40000 Shah Alam Selangor Darul Ehsan	11,294 (4,860)	Industrial land with building used as showroom, workshop and office	19	Leasehold (expiring on 12.1.2086)	6,317
Lot 2A Jalan Keluli Section 15 40000 Shah Alam Selangor Darul Ehsan	14,928 (4,608)	Industrial land with building used as body building, workshop and store	15	Leasehold (expiring on 26.1.2087)	4,603
Lot 68-G, 68-1 Lot 69-G, 69-1 Selayang Baru Selangor Darul Ehsan	(944)	2 units of Ground & 1st Floor of shop office building	15	Leasehold	1,053

Location	Land Area (Built-Up Area) Sq. Metre	Description of Property and Existing Use	Approx. Age of Building	Tenure	Book Value as at 31.12.07 (RM'000)
Apartment 401 Block 2 Jalan SS18/47 40000 Shah Alam Selangor Darul Ehsan	(66)	3-bedroom apartment used as accomodation for employees when attending training	15	Leasehold (expiring on 29.7.2096)	34
20, Jalan 54 Desa Jaya Kepong 52100 Kuala Lumpur	270 (1,080)	4-storey shop lot used as showroom and workshop	14	Leasehold (expiring on 8.3.2081)	631
47, Jalan Tun Abdul Razak 30100 Ipoh Perak Darul Ridzuan	3,728 (750)	Land with double-storey building used as showroom and workshop	19	Freehold	1,862
32, Jalan Tun Razak 80200 Johor Bahru Johor Darul Takzim	4,805 (939)	Land with building used as showroom and workshop	13	Leasehold (expiring on 21.12.2030)	1,518
Lot No. 20 Sedco Industrial Estate Jalan Kelembong Inanam 88450 Kota Kinabalu Sabah	4,309	Industrial land with building used as workshop	14	Leasehold (expiring on 31.12.2034)	884
Lot 1A Jalan Keluli Section 15 40000 Shah Alam Selangor Darul Ehsan	440	Commercial land with building used as showroom	12	Leasehold (expiring on 12.1.2086)	425

List Of Properties

Location	Land Area (Built-Up Area) Sq. Metre	Description of Property and Existing Use	Approx. Age of Building	Tenure	Book Value as at 31.12.07 (RM'000)
Lot 27, 28 and 29 Selayang Baru Selangor Darul Ehsan	(1,131)	3 units of 1 1/2-storey terrace factory used as workshop	14	Leasehold	1,076
1, Jalan Memanda 7/1 Ampang Triangle Off Jalan Ampang 68000 Kuala Lumpur	304 (1,331)	Corner 4 1/2-storey shop lot used as showroom	12	Freehold	1,515
11A, Level 11 Genting View Resort Genting Highlands Bentong Pahang Darul Makmu	(92)	3-bedroom apartment used for leisure and recreation	15	Freehold	141
2, Jalan 19/36 45300 Petaling Jaya Selangor Darul Ehsan	(966)	Land with 4-storey corner shophouse	11	Freehold	2,505
Lot 6165A Bukit Beruntung Industrial Park Selangor Darul Ehsan	5,681	Industrial land with building	13	Freehold	2,037
3/G10 Ground & First Floor Api Api Centre Kota Kinabalu Sabah	127 (242)	Showroom	11	Leasehold	600
5/G8 Ground & First Floor Api Api Centre Kota Kinabalu Sabah	127 (242)	Showroom	11	Leasehold	793

Location	Land Area (Built-Up Area) Sq. Metre	Description of Property and Existing Use	Approx. Age of Building	Tenure	Book Value as at 31.12.07 (RM'000)
Lot 2 Jalan Gergaji 15/4 Shah Alam Selangor Darul Ehsan	12,070	Industrial land with building	9	Leasehold (expiring in year 2094)	4,027
Lot 48 & 57 Bukit Beruntung Industrial Park Selangor Darul Ehsan	8,247	Industrial land	13	Freehold	3,502
Units 3, 4, 7 and 8 Level 4 and 5 Block K Bandar Bukit Beruntung Apartments Selangor Darul Ehsan	(653)	8 units apartments	13	Freehold	140
Lot 7, 8 and 9 HS (D) 70978, 67686 Bandar Kuala Lumpur	502	Commercial land with building used as showroom	13	Leasehold (expiring on 12.1.2067)	7,967
111, Jalan Laksamana Cheng Ho 75000 Melaka	5,263 (814)	Land with double-storey building used as showroom and workshop	15	Freehold	1,761
Lot 2702 Palm Spring Port Dickson Negeri Sembilan Darul Khusus	834	Bungalow lot	13	Freehold	188

List Of Properties

Location	Land Area (Built-Up Area) Sq. Metre	Description of Property and Existing Use	Approx. Age of Building	Tenure	Book Value as at 31.12.07 (RM'000)
Block SA-01 Signature Offices Mid Valley Phase 1 Bandar Kuala Lumpur	(3,062)	11-storey office, commercial building	6	Leasehold	11,070
No 1, Jalan 7/3 Kawasan Perindustrian Sri Kembangan Selangor	25,287	Industrial land with 2 1/2 semi detached factory	8	Leasehold	2,248
Lot 65 Section 22 Kuching Town District Sarawak	3,173	Industrial land with building used as showroom and workshop	5	Leasehold	2,401
1/2 Miles Jalan Tuaran PO Box 22432 Kota Kinabalu Sabah	10,361	Vacant commercial land	-	Freehold	7,302
No 57, Jalan BRP 1/4 Bukit Rahman Putra 47000 Sg. Buloh Selangor	3,803	3 1/2-storey corner shop	3	Freehold	1,841
No.29, Jalan SR 1/9 Taman Serdang Raya 43300 Seri Kembangan	(1,944)	3 1/2 storey Shop lot	1	Leasehold expiring in 16/060/2095	993

Location	Land Area (Built-Up Area) Sq. Metre	Description of Property and Existing Use	Approx. Age of Building	Tenure	Book Value as at 31.12.07 (RM'000)
Proprietor: DMM Sales Sdn Bhd					
1262, Jalan Baru 13700 Perai Pulau Pinang	10,775	Industrial land with building	9	Freehold	1,499
No 1, Jalan Damai Utama Taman Industri Damaiplus 83000 Batu Pahat Johor	6,787	Industrial land with building	8	Freehold	1,368
Proprietor: Summit Vehicles Body Works Sdn Bhd					
Lot 42684, Jalan Omboh 34/1 Off Jalan Bukit Kemuning Seksyen 34 40470 Shah Alam Selangor		Industrial land with building	1	Freehold	6,064
Proprietor: Oriental Metal Industries (M) Sdn Bhd					
Lot 51 Jalan Utas 15/7 40200 Shah Alam Selangor	26,756	Industrial land with building used as manufacturing plant and office	23	Leasehold (expiring on 4.5.2074)	18,982
Lot No 3 Jalan 5 Kawasan Bandar Sultan Sulaiman Port Klang Selangor	32,375	Vacant industrial land	-	Leasehold	6,103

List Of Properties

Location	Land Area (Built-Up Area) Sq. Metre	Description of Property and Existing Use	Approx. Age of Building	Tenure	Book Value as at 31.12.07 (RM'000)
Lot 15017, Seksyen 20 Mukim Serendah Daerah Hulu Selangor	79,920	Vacant industrial land	-	Leasehold	3,837
Proprietor: WSA Engineering Sdn Bhd					
Lot 1 Jalan Perusahaan 1 Batu 17 Kawasan Perindustrian PKNS 48000 Rawang Selangor	7725 (3,716)	Industrial land with building used as factory, store and office	13	Leasehold (expiring on 20/12/2097)	3,413
Proprietor: Summer Gallery Sdn Bhd					
Lot 763 Jalan Haji Sirat off Jalan Meru 42100 Klang Selangor	19,936	Industrial land with building	12	Freehold	8,713
Proprietor: Federal Auto Holdings Berhad					
Lot 15 Section 95A No 9, Jalan Klang Kuala Lumpur	5,213	Industrial land with building used as showroom, workshop and office	38	Freehold	7,716
Lot 89985 Township of Ipoh 221 Lahad Road Ipoh Perak	1,529	Industrial land with building	38	Freehold	208

Location	Land Area (Built-Up Area) Sq. Metre	Description of Property and Existing Use	Approx. Age of Building	Tenure	Book Value as at 31.12.07 (RM'000)
1103TS 910 NED Penang 89-A Sungei Pinang Road Penang	1,874	Industrial land with building used as showroom, workshop and office	25	Freehold	2,490
Lot 4297 Mukim of Kuala Kinta District of Kinta 127, Jalan Kuala Kangsar Ipoh Perak	8,465	Industrial land with building used as showroom, workshop and office	25	Freehold	3,132
Lot No. 420 Mukim of Tebrau District of Johore Bahru Johor	10,652	Industrial land with building used as showroom, workshop and office	24	Freehold	3,993
Lot 43 Jalan Pelukis U/46, Seksyen U1, Mukim Damansara Daerah Petaling	7,657	Industrial land	-	Freehold	10,182
Proprietor: Fadara Properties Sdn Bhd					
HS (M) 11/1977 Plot 32 Mukim of Mergong Kedah	3,400	Industrial land with building	22	Leasehold (expiring on 2076)	778
Proprietor: F.A Serve Sdn Bhd					
Lot No. PT 13270 Mukim of Batu District of Kuala Lumpur	2,608	Petrol station	6	Freehold	2,178
				TOTAL	152,676

Analysis Of Shareholders

as at 28 March 2008

Authorised Share Capital	:	500,000,000
Paid-up & Issued Share Capital	:	242,061,667
Type of Shares	:	Ordinary Shares of RM1.00
No. of Shareholders	:	2,984
Voting Rights	:	One vote for every share

SIZE OF SHAREHOLDINGS as at 28 March 2008

	No. of Holders	%	No. of Shares	%
1 - 1000	576	19.30	346,676	0.14
1001 - 10,000	2,005	67.19	6,366,989	2.63
10,001 - 100,000	300	10.05	10,025,637	4.14
100,001 - less than 5% of issued shares	101	3.38	81,995,831	33.87
5% and above of issued shares	2	0.07	143,326,534	59.21
	2,984	100	242,061,667	100

SUBSTANTIAL SHAREHOLDINGS as at 28 March 2008

	Name of Shareholders	No. of Shares Held	%
1.	Med-Bumikar Mara Sdn Bhd	130,177,341 a	53.78
2.	Employee Provident Fund Board	14,252,133	5.89

Notes:

a Include deemed interest by virtue of its shareholding in Central Shore Sdn Bhd

LIST OF TOP 30 SHAREHOLDERS as at 28 March 2008

		Holdings	
	Name of Shareholders	No. of Shares Held	%
1	Med-Bumikar Mara Sdn Bhd	78,464,468	32.42
2	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Med-Bumikar Mara Sdn Bhd	50,333,333	20.79
3	Employees Provident Fund Board	14,252,133	5.89
4	Valuecap Sdn Bhd	10,010,200	4.14
5	Lembaga Tabung Haji	6,261,665	2.59
6	HSBC Nominees (Tempatan) Sdn Bhd Nomura Asset Mgmt Malaysia for Employees Provident Fund	4,955,000	2.05
7	Permodalan Nasional Berhad	3,735,066	1.54
8	Amanah Raya Nominees (Tempatan) Sdn Bhd Skim Amanah Saham Bumiputera	3,296,600	1.36
9	Amanah Raya Nominees (Tempatan) Sdn Bhd for Skim Amanah Saham Nasional	3,293,300	1.36
10	Amanah Raya Nominees (Tempatan) Sdn Bhd Amanah Saham Didik	3,039,300	1.26
11	Amanah Raya Nominees (Tempatan) Sdn Bhd Amanah Saham Wawasan 2020	2,932,000	1.21
12	Alliancegroup Nominees (Tempatan) Sdn Bhd Pheim Asset Management Sdn Bhd for Employees Provident Fund	2,759,100	1.14
13	Looi Kum Pak @ Looi Kam Phak	1,769,943	0.73
14	Amanah Raya Nominees (Tempatan) Sdn Bhd Amanah Saham Malaysia	1,696,100	0.70
15	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (DR)	1,549,800	0.64

Analysis Of Shareholders
as at 28 March 2008

		Holdings	
	Name of Shareholders	No. of Shares Held	%
16	Yap Lim Sen	1,484,718	0.61
17	Central Shore Sdn Bhd	1,379,540	0.57
18	Citigroup Nominees (Asing) Sdn Bhd Exempt An For American International Assurance Company Limited	1,379,300	0.57
19	Ahmad Azizuddin bin Haji Zainal Abidin	1,275,926	0.53
20	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for MAAKL Al-Faid (4389)	1,245,000	0.51
21	Amanah Raya Nominees (Tempatan) Sdn Bhd AUTB Progress Fund	1,000,000	0.41
22	Zaharah binti Nordin	1,000,000	0.41
23	Khoo Loh See @ Khoo Roh See	947,033	0.39
24	Summit Holdings Sdn Bhd	925,000	0.38
25	Twin Ritz Sdn. Bhd.	913,300	0.38
26	HLG Nominee (Tempatan) Sdn Bhd HLG Asset Management Sdn Bhd for Hong Leong Assurance Bhd (Growth Fund)	895,600	0.37
27	Yap Siew Chin	895,598	0.37
28	BHLB Trustee Berhad Pacific Recovery Fund	854,500	0.35
29	L.T Wong (Holdings) Sdn. Bhd.	839,973	0.35
30	Amsec Nominees (Tempatan) Sdn Bhd Amtrustee Berhad for Pacific Pearl Fund (UT-PM-PPF)	832,600	0.34
	TOTAL	204,216,096	84.37

DIRECTORS' SHAREHOLDINGS as at 28 March 2008

Name of Shareholders		No. of Shares Held Direct	Indirect	Total	%
1.	Dato' Abdul Rahim Abdul Halim	657,828	1,350,000	2,007,828	0.83%
2.	Looi Kok Loon	393,243	2,452,247	2,845,490	1.18%
3.	Tan Sri Dato' Lee Lam Thye	-	-	-	0.00%
4.	Aqil Ahmad Azizuddin	596,666	3,512,259	4,108,925	1.70%
5.	Low Hin Choong	10,000	895,598	905,598	0.37%
6.	Wong Wei Khin	333,333	1,818,104	2,151,437	0.89%

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting of the Company will be held on Thursday, 8 May 2008 at the Westside 2, 3 & 4, Boulevard Hotel, Mid-Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur at 10.00 a.m..

AGENDA

Resolution 1 To receive, consider and adopt the Audited Accounts for the year ended 31 December 2007 together with the Reports of the Directors and Auditors therein.

Resolution 2 To re-elect Low Hin Choong who retire by rotation in accordance with Article 78 of the Articles of Association of the Company.

Resolution 3 To re-elect Aqil bin Ahmad Azizuddin who retire by rotation in accordance with Article 78 of the Articles of Association of the Company.

Resolution 4 To approve the Directors' fees for the year ended 31 December 2007.

Resolution 5 To appoint Messrs. Deloitte KassimChan in place of Messrs. Ernst & Young as the Auditors of the Company and to authorise the Directors to fix their remuneration.

AS SPECIAL BUSINESS

To consider and, if thought fit, pass with or without any modification, the following Resolutions:

Ordinary Resolution
Authority to allot shares pursuant to the Employees' Share Option Scheme

Resolution 6 "THAT pursuant to MBM Resources Berhad Employees Share Option Scheme ("ESOS") which was approved by an Ordinary Resolution at the Extraordinary General Meeting of the Company held on 15 August 2002, approval be and is hereby given to the Directors 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 from time to time in accordance with the Bye-Laws of the ESOS."

To consider any other business of which due notice shall have been given.

By Order of the Board
MBM RESOURCES BERHAD

Shahrizat bt Othman (MAICSA No.: 0764744)
Zaharah bt Ibrahim (MAICSA No.: 7012004)
Company Secretaries

Kuala Lumpur
16 April 2008

Notes:

Proxy

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

(ii) The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly appointed under a power of attorney or if such appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly appointed under a power of attorney.

(iii) The instrument appointing a proxy must be deposited at the Registered Office of the Company, Suite 11-3A, 11th Floor, Menara Haw Par, Jalan Sultan Ismail, 50250 Kuala Lumpur, at least forty-eight (48) hours before the time appointed for holding the Meeting.

Explanatory Notes to Special Business

Resolution 6 The Proposed Resolution No. 6, if passed, will empower the Directors to offer and grant options and issue shares in the Company pursuant to ESOS which was approved at the Extraordinary General Meeting of the Company held on 15 August 2002.

Statement Accompanying Notice of Annual General Meeting

Details of individuals standing for election as Directors are presented in the Profile of Directors on pages 5 and 6.

MED-BUMIKAR MARA SDN BHD

(Company No. 8321 – V)

Registered Office:
Suite 11-3A, 11th Floor,
Menara Haw Par
Jalan Sultan Ismail
50250 Kuala Lumpur.

26 February 2008

The Secretary
MBM Resources Berhad
Suite 11-3A, 11th Floor,
Menara Haw Par
Jalan Sultan Ismail
50250 Kuala Lumpur.

Dear Sirs,

Notice of Intention for Change of the Company Auditors at the Annual General Meeting to be held on 8 May 2008

We hereby nominate Messrs. Deloitte KassimChan to be elected as the Company Auditors in place of Messrs. Ernst & Young at the forthcoming Annual General Meeting of MBM Resources Berhad to be held on 8 May 2008.

Their letter of consent to be nominated is attached.

Yours faithfully,

Looi Kum Pak
Authorised Representative of
Med-Bumikar MARA Sdn Bhd (8321 – V)

FORM OF PROXY

MBM RESOURCES BERHAD
(Incorporated in Malaysia)
(Co. No. 284496-V)

I/We ____

of ____

being a member/members of **MBM RESOURCES BERHAD**, hereby appoint ______________________________

of ____

or failing him/her, ____

of ____

or failing him/her, the Chairman of the Meeting as my proxy/our proxy to vote for me/us on my/our behalf at the **Fourteenth Annual General Meeting** of the Company to be held at the Westside 2, 3 & 4, Boulevard Hotel, Mid-Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, on **Thursday, 8 May 2008 at 10.00 a.m.** and at any adjournment thereof.

My/Our proxy is to vote as indicated below:

Resolutions	For	Against
Ordinary Resolution No. 1	[ ]	[ ]
Ordinary Resolution No. 2	[ ]	[ ]
Ordinary Resolution No. 3	[ ]	[ ]
Ordinary Resolution No. 4	[ ]	[ ]
Ordinary Resolution No. 5	[ ]	[ ]
Ordinary Resolution No. 6	[ ]	[ ]

(Please indicate with “X” how you wish to cast your vote)

Number of Shares	

Signature ______________________ Signed this __________ day of ____________ 2008

Notes:

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

2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly appointed under a power of attorney or if such appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly appointed under a power of attorney.

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company, Suite 11-3A, 11th Floor, Menara Haw Par, Jalan Sultan Ismail, 50250 Kuala Lumpur, at least forty-eight (48) hours before the time appointed for holding the Meeting.

FOLD THIS FLAP FOR SEALING

AFFIX
STAMP

MBM RESOURCES BERHAD

The Company Secretaries
Suite 11-3A, 11th Floor
Menara Haw Par
Jalan Sultan Ismail
50520 Kuala Lumpur

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1ST FOLD HERE

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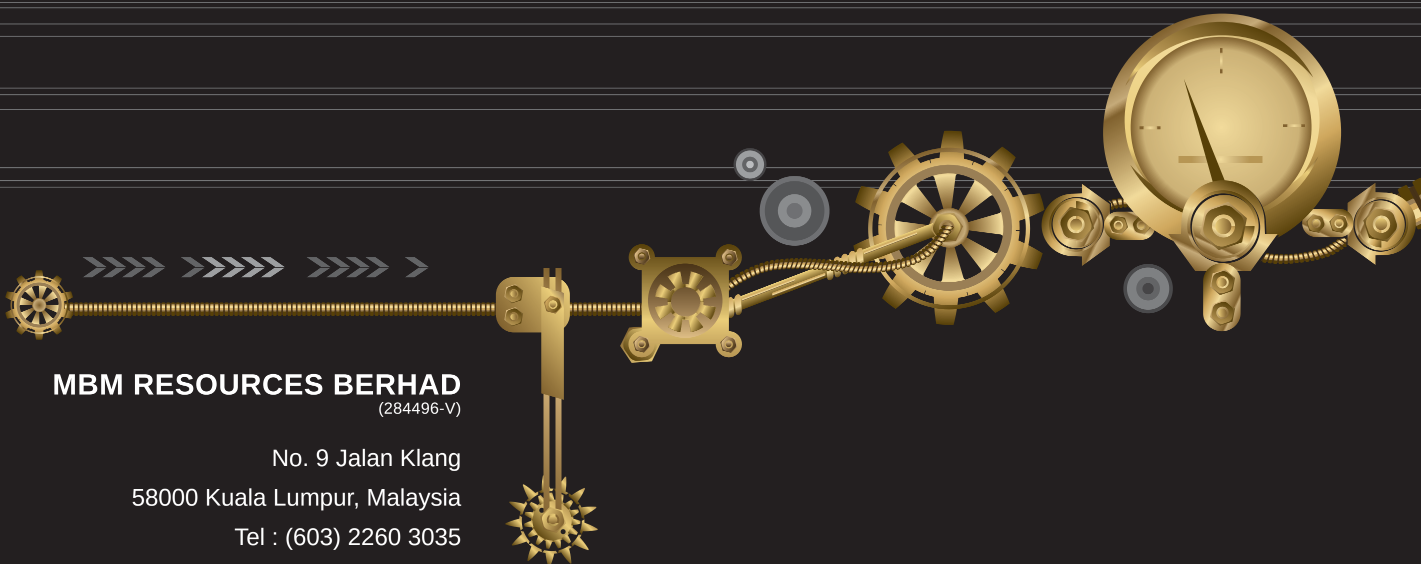

MBM RESOURCES BERHAD
(284496-V)

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