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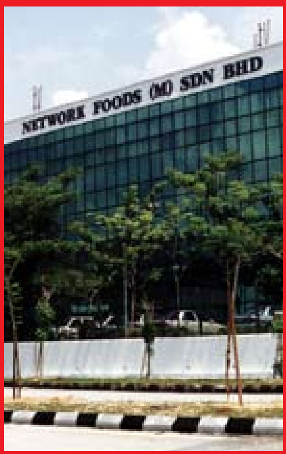
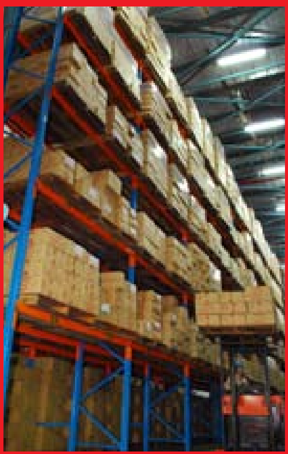
Pan Malaysia Corporation Berhad

Company No: 4920 - D








LAPORAN TAHUNAN 2007 ANNUAL REPORT

CONTENTS

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Forty-Fifth Annual General Meeting of the Company will be held at Crystal Ballroom, Corus hotel Kuala Lumpur, Jalan Ampang, 50450 Kuala Lumpur on Monday, 23 June 2008 at 9.00 a.m. for the following purposes:-

As Ordinary Business

1. To receive the audited financial statements together with the Reports of the Directors and Auditors thereon for the financial year ended 31 December 2007.

2. To approve Directors' fees of RM159,666. **Resolution 1**

3. To consider and, if thought fit, pass the following resolutions in accordance with Section 129(6) of the Companies Act, 1965:-

   (i) "THAT pursuant to Section 129(6) of the Companies Act, 1965, Mr Wong Aun Phui be re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company." **Resolution 2**

   (ii) "THAT pursuant to Section 129(6) of the Companies Act, 1965, Dr Ngui Chon Hee be re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company." **Resolution 3**

4. To re-elect Encik Ariff bin Rozhan who is retiring in accordance with Article 109 of the Company's Articles of Association. **Resolution 4**

5. To re-elect Mr Chan Choung Yau who is retiring in accordance with Article 90 of the Company's Articles of Association. **Resolution 5**

6. To re-appoint Messrs KPMG as auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 6**

As Special Business

To consider and, if thought fit, pass the following resolutions:-

7. Ordinary Resolution - Proposed Authority to Allot and Issue Shares pursuant to Section 132D of the Companies Act, 1965

   "THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of the relevant authorities, the Directors be and are hereby authorised to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting or until the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is the earlier and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided always that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being." **Resolution 7**

8. Ordinary Resolution - Proposed renewal of authority for the purchase of own shares by Pan Malaysia Corporation Berhad

"THAT, subject to the Companies Act, 1965 and all other applicable laws, guidelines, rules and regulations, approval be and is hereby given to the Company to purchase and/or hold such amount of ordinary shares of RM0.50 each in the Company ("Proposed Share Buy-Back") as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad ("Bursa Securities") provided that the aggregate number of ordinary shares which may be purchased and/or held by the Company pursuant to this resolution shall not exceed ten per centum (10%) of the issued and paid-up share capital of the Company at the time of purchase provided always that in the event that the Company ceases to hold all or any part of such shares as a result of, amongst others, cancellation of shares, sale of shares on the market of Bursa Securities or distribution of treasury shares to shareholders as dividend in respect of shares bought back under the previous shareholders' mandate for share buy-back which was obtained at the Annual General Meeting held on 25 June 2007, the Company shall be entitled to further purchase and/or hold such additional number of shares as shall (in aggregate with the shares then still held by the Company) not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company for the time being;

AND THAT the maximum funds to be allocated by the Company for the purpose of the Proposed Share Buy-Back shall not exceed the Company's share premium account. Based on the audited financial statements for the financial year ended 31 December 2007, the Company's share premium account stood at RM472,258,371;

AND THAT the authority conferred by this resolution will be effective immediately upon the passing of this resolution, and will, subject to renewal thereat, expire at the conclusion of the next Annual General Meeting of the Company following the passing of this Ordinary Resolution or the expiry of the period within which the next Annual General Meeting is required by law to be held (unless earlier revoked or varied by ordinary resolution in a general meeting of shareholders of the Company), whichever occurs first and in any event, in accordance with the provisions of Bursa Securities Listing Requirements and/or any other relevant authorities;

AND THAT authority be and is hereby given to the Directors of the Company to decide in their absolute discretion to:-

(i) cancel the shares so purchased; or
(ii) retain the shares so purchased as treasury shares; or
(iii) retain part of the shares so purchased as treasury shares and cancel the remainder; or
(iv) distribute the treasury shares as dividends to shareholders and/or resell on Bursa Securities and/or cancel all or part of them;

AND THAT the Directors be and are hereby authorised to do all such acts and things (including executing any relevant documents) as they may consider expedient or necessary to complete and give effect to the aforesaid authorisation with full powers to assent to any conditions, modifications, variations or amendments (if any) as may be imposed by the relevant governmental/regulatory authorities from time to time and with full power to do all such acts and things thereafter in accordance with the Companies Act, 1965, the provisions of the Company's Memorandum and Articles of Association and the requirements of Bursa Securities and all other governmental/regulatory authorities." **Resolution 8**

9. Special Resolution - Proposed Amendments to the Articles of Association of the Company

"THAT the Articles of Association of the Company be and are hereby amended in the manner as set out in Appendix I despatched together with the Company's 2007 Annual Report." **Resolution 9**

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

By order of the Board

Lai Chee Leong
Leong Park Yip
Company Secretaries

Kuala Lumpur
30 May 2008

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. The Ordinary Resolution proposed under item 7, if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting until the next Annual General Meeting to allot and issue shares in the Company up to and not exceeding in total ten per centum (10%) of the issued share capital of the Company for the time being for such purposes as they consider would be in the interests of the Company. This authority will expire at the next Annual General Meeting of the Company, unless revoked or varied at a general meeting.

2. The Ordinary Resolution proposed under item 8, if passed, will empower the Directors of the Company to purchase Pan Malaysia Corporation Berhad shares through Bursa Malaysia Securities Berhad up to ten per centum (10%) of the issued and paid-up share capital of the Company.

3. The Special Resolution proposed under item 9, if passed, will bring the Articles of Association of the Company in line with the Listing Requirements of Bursa Malaysia Securities Berhad.

Notes:-

1. *A member of the Company entitled to attend and vote at the meeting may appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company but if he is not a member, he must be a qualified legal practitioner, approved company auditor, a person approved by the Companies Commission of Malaysia in the particular case or a person approved by the Directors prior to the appointment.*
2. *A member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint one proxy only in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where a member, other than an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, appoints two proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
3. *The Form of Proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation, under its common seal or under the hand of the attorney.*
4. *The Form of Proxy must be deposited at the registered office of the Company at 5th Floor, Menara PMI, No. 2, Jalan Changkat Ceylon, 50200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Directors who are standing for re-appointment/re-election are:-

(a) Mr Wong Aun Phui	-	Retiring pursuant to Section 129 of the Companies Act, 1965
(b) Dr Ngui Chon Hee	-	Retiring pursuant to Section 129 of the Companies Act, 1965
(c) Encik Ariff bin Rozhan	-	Retiring pursuant to Article 109 of the Company's Articles of Association
(d) Mr Chan Choung Yau	-	Retiring pursuant to Article 90 of the Company's Articles of Association

2. Further details on the Directors standing for re-appointment/re-election are set out on pages 7 and 8 of this Annual Report. The securities holdings of Mr Wong Aun Phui in the Company is set out in the Analysis of Shareholdings which appear on page 73 of this Annual Report.

3. Details of attendance of Directors at Board Meetings.

   There were five (5) Board Meetings held during the financial year ended 31 December 2007. Details of attendance of the Directors are set out in the Profile of Directors appearing on pages 7 and 8 of the Annual Report.

4. The Forty-Fifth Annual General Meeting of the Company will be held at Crystal Ballroom, Corus hotel Kuala Lumpur, Jalan Ampang, 50450 Kuala Lumpur on Monday, 23 June 2008 at 9.00 a.m..

Pan Malaysia Corporation Berhad
Company No: 4920-D
Incorporated in Malaysia

CORPORATE INFORMATION

Board of Directors

Tan Sri Dato' Seri Dr Ting Chew Peh, P.S.M., D.P.M.P., D.P.M.S., S.P.M.P., *Chairman*
Chan Choung Yau, *Executive Director*
Khet Kok Yin
Wong Aun Phui
Dr Ngui Chon Hee, J.S.M., K.M.N., S.M.T.
Ariff bin Rozhan

Company Secretaries

Lai Chee Leong
Leong Park Yip

Auditors

KPMG, *Chartered Accountants*

Registrar

Pan Malaysia Management Sdn Bhd
5th Floor, Menara PMI, No. 2, Jalan Changkat Ceylon, 50200 Kuala Lumpur
Tel No. 03-21487696 Fax No. 03-21442118

Registered Office

5th Floor, Menara PMI, No. 2, Jalan Changkat Ceylon, 50200 Kuala Lumpur
Tel No. 03-21177388 Fax No. 03-21445209

Bankers

Affin Bank Berhad
CIMB Bank Berhad
Malayan Banking Berhad
RHB Bank Berhad

PROFILE OF DIRECTORS

Tan Sri Dato' Seri Dr Ting Chew Peh

Age 64. Independent Non-Executive Director and Chairman. Appointed as Director on 31 March 2006. Chairman of the Audit and Nomination Committees. Member of Remuneration Committee. Holds a Bachelor of Arts from University of Malaya, Master of Science from University of London and Doctorate in Philosophy from University of Warwick. Formerly served as Minister of Housing and Local Government, a Member of Parliament for Gopeng, Perak and was an Associate Professor in Sociology, Universiti Kebangsaan Malaysia. He also sits on the Boards of Pan Malaysia Capital Berhad, Puncak Niaga Holdings Berhad, Hua Yang Berhad, Johan Holdings Berhad and Complete Logistic Services Berhad. He had previously served as a Director of Malaysian South-South Corporation Berhad and Pan Malaysia Holdings Berhad. Attended all the five (5) Board Meetings held during the financial year.

Chan Choung Yau

Age 45. Executive Director of Pan Malaysia Corporation Berhad. Was an Alternate Director to Khet Kok Yin from 2 August 2007 to 1 November 2007 before being appointed as Executive Director on 1 November 2007. He is a Chartered Accountant with the Malaysian Institute of Accountants and a Fellow of The Association of Chartered Certified Accountants, United Kingdom. He has more than twenty-seven years experience mainly in finance and accounting, audit, corporate secretarial and human resource management. Mr Chan is currently a Senior Vice President of Malayan United Management Sdn Bhd. Currently, he sits on the Boards of Pan Malaysia Capital Berhad, Metrojaya Berhad and MUI Continental Insurance Berhad. He is an alternate director on the Boards of Pan Malaysian Industries Berhad and Pan Malaysia Holdings Berhad. Prior to joining The MUI Group in January 2006, has served Deloitte KassimChan, Plantation Agencies Sdn Bhd, Escoy Holdings Berhad Group and IOI Oleochemical Industries Berhad as Assistant Manager, Senior Accountant, Corporate Affairs Director/Company Secretary and Financial Controller respectively from February 1981 to December 2005. Attended the one (1) Board Meeting held since his appointment as Director on 1 November 2007.

Khet Kok Yin

Age 61. Non-Independent Non-Executive Director. Appointed as Director on 28 February 2000 and resigned on 3 June 2004. Was re-appointed as a Director on 3 March 2005. Relinquished his position as Chief Executive Officer of the Company on 1 January 2007, but remained a Non-Executive Director. A member of the Audit Committee. Holds a Bachelor of Economics (Honours) from University of Malaya. Currently, he sits on the Boards of Malayan United Industries Berhad, MUI Properties Berhad, Metrojaya Berhad, Pan Malaysian Industries Berhad, Pan Malaysia Holdings Berhad and Pan Malaysia Capital Berhad. He had previously served as Joint Managing Director of MUI Bank Berhad (now known as Hong Leong Bank Berhad), Managing Director of Metrojaya Berhad, Pan Malaysian Industries Berhad, Pan Malaysia Holdings Berhad, Pan Malaysia Capital Berhad and Morning Star Securities Limited, Hong Kong, President of the North American operations of The MUI Group in the United States of America and a Director of MUI Continental Insurance Berhad. Attended four (4) Board Meetings held during the financial year.

Wong Aun Phui

Age 86. Non-Independent Non-Executive Director. Appointed as Director on 25 June 2003. Relinquished his position as Chief Executive Officer of the Company on 1 January 2005, but remained a Non-Executive Director. Obtained his Senior Cambridge Certificate from Cambridge University. Had served as Assistant Managing Director of Malayan Banking Berhad, Managing Director of Pan Malayan Finance Limited and Chairman of Bandar Raya Developments Berhad. On completion of his contract in December 1984, he retired as Adviser of the then Bank Bumiputra Malaysia Berhad. He joined The MUI Group in June 1985 as Executive Advisor and since then, has served The MUI Group in various capacities which include that of Executive Director of the Manufacturing and Trading Division, Executive Director of Property Division, Managing Director of the Hotel and Property Division, Managing Director of the International Division and Special Projects Unit, and Managing Director of Cement and Building Materials Division. He was also the Adviser of the Company from March 1992 to 1993. Currently, also a Director of Chin Teck Plantations Berhad, Eng Thye Plantations Berhad, Negri Sembilan Oil Palms Berhad and Timor Oil Palm Plantation Berhad. Attended all the five (5) Board Meetings held during the financial year.

Dr Ngui Chon Hee

Age 74. Non-Independent Non-Executive Director. Appointed as Director on 13 July 2005. A member of the Nomination Committee and Chairman of the Remuneration Committee. A retired dental surgeon. Holds a Bachelor of Dental Surgery from the University of Singapore. Also, a Fellow in Dental Surgery of the Royal College of Surgeons of England. Had served in the Malaysian Health Service as a dental officer and retired as Senior Dental Consultant. Currently, also a Director of Malayan United Industries Berhad, Pan Malaysian Industries Berhad, Metrojaya Berhad and MUI Continental Insurance Berhad. Is the brother-in-law of Tan Sri Dato' Khoo Kay Peng, a deemed substantial shareholder of Pan Malaysia Corporation Berhad. Attended four (4) Board Meetings held during the financial year.

Ariff bin Rozhan

Age 40. Independent Non-Executive Director. Appointed as Director on 31 March 2006. A member of the Audit, Nomination and Remuneration Committees. An advocate and solicitor. Holds an LLB (Hons) from Reading University, Berks, England. Called to the Bar of England and Wales in February 1990. Practiced as a Barrister at One Garden Court, Temple, London and has appeared as Counsel at various levels of the Judicial System in England and Wales. Encik Ariff was awarded the prestigious "Barrister's Red Bag" by a Queens Counsel in 2002 in recognition of his exceptional work, assistance and contribution on a specific case. Joined Messrs Zaid Ibrahim & Co as a Partner in November 2003 upon his return to Malaysia and was appointed the Head of the Contentious Business Unit (Litigation and Arbitration) in January 2005. He was also a Committee Member of Bank Negara Law Review Committee for Islamic Banking and Financial Transaction. Attended all the five (5) Board Meetings held during the financial year.

Note:-
Save as disclosed, none of the Directors has any family relationship with any Director and/or major shareholder of the Company. None of the Directors has any conflict of interest with the Company nor have they been convicted of any offences within the past ten (10) years.

All the Directors are Malaysians.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors is committed to the principles of corporate governance in the Malaysian Code of Corporate Governance (the "Code").

The Board of Directors will continuously evaluate the status of the Group's corporate governance practices and procedures with a view to adopt and implement the Best Practices of the Code wherever applicable in the best interests of the shareholders of the Company. The Board considers that it has generally applied the Principles and Best Practices of the Code.

Set out below is the description on the manner in which the Company has applied the Principles of the Code and the extent to which it has complied with the Best Practices of the Code.

1. Directors

1.1 The Board

An effective Board leads and controls the Group. The Board is responsible for the overall performance of the Company and focuses mainly on strategies, performance, standards of conduct and critical business issues.

The Board meets at least four (4) times a year, with additional meetings convened as necessary. The Chairman is responsible for setting the agenda for Board meetings. Any Board member may, however, recommend the inclusion of items on the agenda. Such recommendations will be accommodated to the extent practicable. The agenda reaches the Board at least two (2) to three (3) weeks prior to Board meetings. Board meetings are typically scheduled a year in advance.

Five (5) Directors' meetings were held during the financial year ended 31 December 2007. Details of the attendance of the Directors are disclosed on pages 7 and 8 of the Annual Report.

1.2 Board Balance

The Board currently consist of six (6) Directors:-

- One (1) Independent Non-Executive Chairman
- One (1) Executive Director
- One (1) Independent Non-Executive Director
- Three (3) Non-Independent Non-Executive Directors

All major matters and issues are referred to the Board for consideration and approval. The roles and contributions of independent Directors also provide an element of objectivity, independent judgement and check and balance on the Board.

Together, the Directors bring a wide range of business and financial experience for effective direction and management of the Group's businesses. A brief description of the background of each Director is presented on pages 7 and 8 of the Annual Report.

The Board complies with Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements that requires at least two (2) or one-third (1/3) of the Board, whichever is higher, to be independent Directors.

Tan Sri Dato' Seri Dr Ting Chew Peh has been identified as the senior independent non-executive Director to whom concerns regarding the Company may be conveyed.

The Board has established Board committees, which operate within defined terms of reference. These committees are:-

- Audit Committee
- Nomination Committee
- Remuneration Committee

The Report of the Audit Committee for the financial year ended 31 December 2007 is set out on pages 16 to 18 of the Annual Report.

Details of the Nomination Committee and Remuneration Committee are set out in Section 1.4 and Section 2 respectively of this statement.

1.3 Supply of Information

The Board has unrestricted access to timely and accurate information necessary in the furtherance of their duties, which is not only quantitative but also any other information deemed suitable.

Board papers are distributed to Board members at least seven (7) days prior to the meeting. Important matters that are reasonably expected to have a material effect on the price, value or market activity of the Company's shares may be discussed at the meeting without materials being distributed prior to the meeting.

In addition to Group performances that are discussed at the meeting, there is a schedule of matters reserved specifically for the Board's decision.

All Directors have access to the advice and service of the Company Secretary and where necessary, in the furtherance of their duties, obtain independent professional advice at the Group's expense.

1.4 Appointments to the Board

The members of the Nomination Committee are as follows:-

Chairman	Tan Sri Dato' Seri Dr Ting Chew Peh	-	Independent Non-Executive Director
Members	Encik Ariff bin Rozhan (Appointed on 2 August 2007)	-	Independent Non-Executive Director
	Dr Ngui Chon Hee	-	Non-Independent Non-Executive Director

The duties and functions of the Nomination Committee are:-

- identifying and recommending new nominees for the Board and Board Committees
- annually assesses the effectiveness of the Board as a whole, the Board Committees and contribution of each Director on an on-going basis
- annually reviews the mix of skills, experience and other qualities, including core competencies of non-executive Directors
- annually reviews the Board structure, size and composition

The decision as to who shall be nominated shall be the responsibility of the full Board after considering the recommendations of the Nomination Committee.

The Directors have direct access to the services of the Company Secretary who is responsible for ensuring that all appointments are properly made 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, Bursa Securities Listing Requirements and other regulatory requirements.

1.5 Directors' Training

All Directors have attended and successfully completed the Mandatory Accreditation Programme prescribed by Bursa Securities. An in-house seminar on The Amendments of the Companies Act, 1965 and A Discussion on Key Continuing Obligation Requirements for Companies Listed on Bursa Malaysia was organised for members of the Board in August 2007. During the year, all Directors attended training that aid them in the discharge of their duties as Directors.

There is a familiarisation programme in place for new Board members, which include visits to the Group's businesses, and meetings with senior management as appropriate, to facilitate their understanding of the Group.

1.6 Re-election of Directors

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to election by shareholders at the next Annual General Meeting following their appointment. The Articles also provide that all Directors shall retire from office once at least in every three (3) years but shall be eligible for re-election.

Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

2. Directors' Remuneration

The remuneration of Directors is determined at levels which enable the Company to attract and retain Directors with the relevant experience and expertise to govern the Group effectively. In the case of executive Directors, their remuneration are structured to link rewards to corporate and individual performance. In the case of non-executive Directors, the level of remuneration reflects the experience and level of responsibility undertaken by them.

The members of the Remuneration Committee are as follows:-

Chairman	Dr Ngui Chon Hee	-	Non-Independent Non-Executive Director
Members	Tan Sri Dato' Seri Dr Ting Chew Peh (Appointed on 2 August 2007)	-	Independent Non-Executive Director
	Encik Ariff bin Rozhan	-	Independent Non-Executive Director

The primary duty and responsibility of the Remuneration Committee is to recommend to the Board the remuneration of executive Directors in all forms, drawing from outside advice as necessary. Nevertheless, the determination of remuneration packages of executive Directors is a matter for the Board as a whole and individual executive Directors are required to abstain from discussion of their own remuneration.

The Remuneration Committee shall also recommend to the Board the remuneration of non-executive Directors. The determination of the remuneration of the non-executive Directors is a matter for the Board as a whole.

For the financial year ended 31 December 2007, the aggregate of remuneration received by the Directors of the Company from the Company and its subsidiaries categorised into appropriate components were as follows:-

	Salaries RM'000	*Fees RM'000*	*Benefits-in-kind RM'000*	*Others RM'000*	*Total RM'000*
Executive Director					
Receivable from the Company	–	–	–	4	4
Non-Executive Directors					
Receivable from the					
- Company	–	–	–	75	75
- Subsidiaries	209	–	5	232	446
	209	–	5	307	521

The number of Directors of the Company whose remuneration during the year falls within the respective bands are as follows:-

Range of remuneration	*Number of Directors* *Executive*	*Non-Executive*
Below RM50,000	1	2
RM 50,001 to RM100,000	–	1
RM400,001 to RM450,000	–	1

3. Relationship with Shareholders and Investors

In addition to various announcements made during the year, the timely release of quarterly financial results provides shareholders with a regular overview of the Group's performance and operations.

Shareholders and members of the public can also obtain information on the annual and quarterly reports and the announcements made by accessing Bursa Securities's website.

Notice of the Annual General Meeting and the Annual Report are sent to all shareholders. At Annual General Meetings, shareholders have direct access to the Directors and are given the opportunity to ask questions during the question and answer session.

4. Accountability and Audit

4.1 Financial Reporting

In presenting the annual and quarterly reports, the Directors aim to present a balanced and comprehensive assessment of the Group's position and prospects. The Audit Committee assists the Board in ensuring accuracy, adequacy and completeness of information for disclosure.

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 70 of the Annual Report and the Statement explaining the Directors' responsibility for preparing the annual audited financial statements pursuant to paragraph 15.27(a) of Bursa Securities Listing Requirements is set out on page 13 of the Annual Report.

4.2 Internal Control

The Directors acknowledge their responsibilities for the internal control system in the Group, covering not only financial controls but also controls relating to operational, compliance and risk management. The system of internal control involves each key business unit and its management, including the Board, and is designed to meet the business units' particular needs, and to manage the risks to which they are exposed. The system, by its nature, can only provide reasonable and not absolute assurance against material misstatement, loss or fraud. The concept of reasonable assurance recognises the costing aspect, whereby the cost of control procedures is not to exceed the expected benefits.

The Board recognises that risks cannot be fully eliminated. As such, the systems, processes and procedures being put in place are aimed at minimising and managing them. Ongoing reviews are continuously carried out to ensure the effectiveness, adequacy and integrity of the system of internal controls in safeguarding the Group's assets.

4.3 Relationship with the Auditors

The Company's external auditors, Messrs KPMG have continued to report to members of the Company on their findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements. In doing so, the Company has established a transparent arrangement with the auditors to meet their professional requirements.

The role of the Audit Committee in relation to the external auditors is set out in the Report of the Audit Committee on pages 16 to 18 of the Annual Report.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the results and cash flows of the Group and of the Company for the financial year.

The Directors ensure that suitable accounting policies have been used and applied consistently, and that reasonable and prudent judgements and estimates have been made, in the preparation of the financial statements.

The Directors also ensure that applicable approved Financial Reporting Standards in Malaysia have been followed.

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

STATEMENT ON INTERNAL CONTROL

Responsibility

The Board of Directors ("Board") is responsible for the Group's system of internal control and for reviewing its adequacy and integrity. The system includes financial, operational and compliance controls and risk management. The system is designed to identify and manage risks in the pursuit of the Group's business objectives as well as to safeguard shareholders' investments and the Group's assets. The system serves to provide reasonable but not absolute assurance against the risk of material loss. The concept of reasonable assurance recognises that the cost of control procedures is not to exceed the expected benefits.

Risk Management

The Group has in place an enterprise-wide risk management (ERM) framework and process which was implemented in 2002. Within the ERM framework, operating companies have Risk Management Committees whose members represent key areas in operations. These committees are guided by documented terms of reference and meetings are held regularly to deliberate on risk and control issues. Risks and control measures are documented and compiled to represent the risk profile of the operating company. Key risks of operating companies are consolidated to form the risk profile of the Group. Risks and control measures are periodically communicated to the relevant personnel within the Group and to the Audit Committee. Risk profiles are reviewed and updated on a periodic basis.

During the financial year under review, the Group has continued with its ERM efforts. The risk profile of the Group was reviewed and updated to reflect current conditions. The updated risk profile was documented and presented to the Audit Committee for their review and acceptance.

Hence, in accordance with the *Statement on Internal Control: Guidance for Directors of PLCs*, the Group has in place an ongoing process for identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives and this process has operated during the financial year under review and up to the date of approval of the annual report.

Control Structure and Environment

The Board is committed to maintaining a strong control structure and environment for the proper conduct of the Group's business operations. The salient features of the Group's internal control system include:

- a management structure with clearly defined lines of responsibility and authority limits
- written company values, code of conduct, policies and procedures
- monthly reporting of actual results which are reviewed against budget, with major variances being followed up and management action taken, where necessary
- an internal audit function that provides independent assurance on the effectiveness of the Group's system of internal control and advice on areas which require further improvement
- an Audit Committee comprising non-executive members of the Board with the majority being independent directors

The Board, with the assistance of the internal audit team and external professional consultants (whenever deemed necessary), continuously reviews the adequacy and integrity of the Group's system of internal control and management information systems, and compliance with laws, regulations, rules, directives and guidelines.

Intenal audit reports are tabled at Audit Committee meetings which are held at least once in every quarter. Control deficiencies and issues highlighted are addressed or rectified by management. There were no control deficiencies noted during the financial year under review which has a material impact on the Group's financial performance or operations.

The Group's system of internal control mainly applies to its operating companies and does not cover associated companies, inactive companies and dormant companies.

The Board is of the view that the monitoring arrangements in place provide reasonable assurance that the structure of controls and operations is adequate and appropriate to the Company's and Group's situation.

This statement was made in accordance with a resolution of the Board.

OTHER INFORMATION

1. Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests, either still subsisting at the end of the financial year ended 31 December 2007 or entered into since the end of the previous financial year except as disclosed in the financial statements.

2. Sanctions and/or Penalties Imposed

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

3. Non-Audit Fees

During the financial year ended 31 December 2007, non-audit fees paid to the external auditors by the Company and its subsidiaries amounted to RM79,000 (2006: RM20,000).

4. Revaluation Policy

The Group has not adopted a policy of regular revaluation on landed properties.

5. Share Buy-Back

There were no share buy-backs, share cancellations and resale of treasury shares by the Company for the financial year ended 31 December 2007. As at 31 December 2007, 59,996,400 ordinary shares are held as treasury shares in accordance with Section 67A of the Companies Act, 1965 and are stated at cost.

REPORT OF THE AUDIT COMMITTEE

MEMBERS

Name	*Designation*
Tan Sri Dato' Seri Dr Ting Chew Peh - Chairman	*Independent Non-Executive Director*
Ariff bin Rozhan (Appointed on 2 August 2007)	*Independent Non-Executive Director*
Khet Kok Yin	*Non-Independent Non-Executive Director*

TERMS OF REFERENCE

1. Constitution

The Audit Committee was established on 10 June 1994. The Board of Directors shall ensure that the composition of the Audit Committee comply with Bursa Securities Listing Requirements as well as other regulatory requirements.

2. Authority

- The Audit Committee is authorised by the Board of Directors to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee.
- The Audit Committee shall have unlimited access to all information and documents relevant to its activities as well as to the internal and external auditors and senior management of the Group.
- The Audit Committee is authorised by the Board of Directors to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

3. Functions

The functions of the Audit Committee shall be:-

- to report to the Board of Directors after reviewing the following:-
  - (a) the audit plan with the external auditors;
  - (b) the evaluation of the system of internal controls with the external auditors;
  - (c) the audit report with the external auditors;
  - (d) the assistance and co-operation given by the employees of the Company to the external auditors;
  - (e) the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
  - (f) the internal audit programme, processes, the results of the internal audits, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - (g) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
    - (i) changes in or implementation of major accounting policy changes;
    - (ii) significant and unusual events;
    - (iii) significant adjustments arising from the audit;
    - (iv) the going concern assumption; and
    - (v) compliance with accounting standards and other legal requirements;
  - (h) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;

(i) any letter of resignation from the external auditors;
(j) whether there is any reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment;

- to recommend the nomination of a person or persons as external auditors;
- to consider the external auditors' fee and any questions of dismissal;
- to discuss problems and reservations arising out of external or internal audits and any matters which the auditors may wish to bring up (in the absence of the Executive Directors and employees of the Group whenever deemed necessary);
- to review the external auditors' management letter and management's response; and
- to consider the major findings of internal investigations and management's response,

together with such other functions as may be agreed to by the Audit Committee and the Board of Directors.

4. Meetings

During the financial year ended 31 December 2007, seven (7) Audit Committee Meetings were held. Tan Sri Dato' Seri Dr Ting Chew Peh and Mr Khet Kok Yin attended all the seven (7) meetings of the Audit Committee. Encik Ariff bin Rozhan who was appointed as member of the Audit Committee on 2 August 2007, attended all the three (3) meetings held from the date of his appointment as Audit Committee member.

In addition to the Committee members, the Chief Financial Officer and Head of Internal Audit are invited for attendance at each meeting. The respective head of companies/departments and their management team attend when audit reports on their companies/departments are tabled for discussion. The presence of the external auditors will be requested when required.

Upon the request of the external auditors, the Chairman shall convene a meeting of the Audit Committee to consider any matter the external auditors believe should be brought to the attention of the Board or shareholders.

5. Summary of Activities of the Audit Committee during the Financial Year Ended 31 December 2007

The Audit Committee reviewed and deliberated eight (8) audit reports on assignments conducted by the Internal Audit. The Audit Committee also appraised the adequacy and effectiveness of Management's response in resolving the audit issues reported.

In addition, the unaudited quarterly interim financial reports and the audited financial statements of the Company and the Group were reviewed by the Audit Committee together with the Chief Financial Officer, and Head of Internal Audit, prior to recommending the same for approval by the Board, upon being satisfied that the financial reporting and disclosure requirements of the relevant authorities had been complied with.

The Audit Committee met with the external auditors and discussed the nature and scope of the audit, considered any significant changes in accounting and auditing issues and reviewed pertinent issues resulting from the audit of the financial statements. The Audit Committee also reviewed related party transactions carried out by the Group.

The Audit Committee reviewed and approved the Internal Audit Plan for the calendar year 2008. In its review of the Internal Audit Plan, the Audit Committee reviewed the scope and coverage over the activities of the respective business units of the Group.

6. Internal Audit Function

The internal audit function is performed in-house by the Group Internal Audit Department and is independent of the activities audited. The function is performed with impartiality, proficiency and due professional care. The Internal Audit Department reports directly to the Audit Committee Chairman, and regularly reviews and appraises the Group's key operations to ensure that key risk and control concerns are being effectively managed. Its activities include:-

- reviewing the effectiveness of risk management and internal control
- appraising the adequacy and integrity of internal controls and management information systems
- ascertaining the effectiveness of management in identifying principal risks and to manage such risks through appropriate systems of internal control
- recommending improvements to existing systems of internal control
- ascertaining the level of compliance with the Group's plans, policies, procedures and adherence to laws and regulations
- appraising the effectiveness of administrative controls applied and the reliability and integrity of data that are produced within the Group
- ascertaining the adequacy of controls for safeguarding the Group's assets from losses of all kinds
- performing follow-up reviews of previous audit reports to ensure appropriate actions are implemented to address control issues highlighted, and
- conducting special reviews or investigations requested by management or by the Audit Committee

The Internal Audit carries out audit assignments based on an audit plan that is reviewed and approved by the Audit Committee. The reports of the audits undertaken were presented to the Audit Committee and forwarded to the management concerned for attention and necessary action.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I present herewith the Annual Report and financial statements of the Company and the Group for the financial year ended 31 December 2007.

ECONOMIC REVIEW

For the year 2007, the Malaysian economy registered a robust growth rate of 6.3% in real Gross Domestic Product compared with 5.9% in 2006. The economic growth was driven by strong domestic demand despite a weaker external environment which slowed down exports growth. All sectors of the economy reported positive growth in 2007. Nominal Gross National Income increased by 13.1% to RM627.8 billion with per capita income rising by 10.9% to RM23,103.

The overall balance of payments of Malaysia recorded a larger surplus of RM45.3 billion in 2007. The increase in overall balance of payments was attributable to larger current account surplus and lower net outflows in the financial account. International reserves of Bank Negara Malaysia amounted to RM335.7 billion (US$101.3 billion) as at 31 December 2007, sufficient to finance 8.4 months of retained imports and is 6.2 times the short-term external debt as at that date.

FINANCIAL PERFORMANCE

For the financial year ended 31 December 2007, the Group recorded a revenue of RM144.6 million compared with RM236.6 million in the previous financial year. The lower revenue was primarily due to the non-inclusion of the food operations in Australia under Network Foods Limited ("NFL") which was placed under voluntary administration on 7 May 2007.

Left : Some of the products of Network Foods Group
Top right : Network Foods (M) Sdn Bhd
Bottom right : One of the company's fleet of fully air-conditioned delivery trucks

However, the Group reported a net profit of RM25.1 million, compared to a net loss of RM68.1 million in the previous financial year. The profit was attributable to improved sales in the Group's existing operations, a surplus as a result of the deconsolidation of NFL and a write-back of impairments of certain property and investments previously recognised.

CORPORATE DEVELOPMENTS

NFL in Australia is a 92.92% subsidiary of PMRI Investments (Singapore) Pte Ltd ("PMRI"), which is in turn a wholly-owned subsidiary of the Company. NFL had been making operating losses for several years. In view of the financial position of NFL, the Board of Directors of NFL placed NFL into voluntary administration on 7 May 2007. This prevented further deterioration to the financial position of NFL and minimised the effects on the Group in terms of losses and funding requirements. Following the administration, the Company together with the Administrators and other parties executed a deed of company arrangement agreeing to the settlement by the Company of its obligations in respect of NFL. The Administrators have since discontinued the operations of NFL.

REVIEW OF OPERATIONS

With the discontinuation of NFL operations in Australia, the Group's operations in food and confectionery business are now concentrated in Malaysia, Singapore and Hong Kong through its subsidiary, Network Foods International Ltd and its group of companies. The Network Foods group is primarily engaged in the manufacturing, marketing and distribution of food and confectionery products.

Malaysia

The Malaysian operations of the Group comprise Network Foods Industries Sdn Bhd ("NFI") and Network Foods (Malaysia) Sdn Bhd ("NFM").

NFI produces chocolate and confectionery products under established brands such as Kandos, Crispy, Soreign, Tango and Kiddies. It also manufactures the Van Houten range of chocolates under licence. During the year under review, NFI's revenue increased by 14.6% to RM62.6 million. Export growth in 2007 to more than 50 countries and strong domestic demand contributed to the higher revenue. Despite higher prices of raw materials, fuel and other input costs, NFI recorded a better performance with a profit before tax of RM5.1 million in 2007, an increase of 48.3% over that of the previous year. The company is planning to expand the production capacity of its factory in Shah Alam to meet its growth demands.

Network Foods (Malaysia) Sdn Bhd ("NFM") markets and distributes the products of the Group and other agency lines in Malaysia. In the financial year under review, it recorded an 11.5% increase in revenue to RM58.9 million. The higher revenue together with the rationalisation of its product portfolio and a renewed focus in its marketing initiatives enabled NFM to achieve improvement in its profitability over that of the previous year.

Manufacturing facilities and warehouse of Network Foods Industries Sdn Bhd in Shah Alam

Singapore and Hong Kong

The operations of the Group in Singapore and in Hong Kong are undertaken by Network Foods Distribution Pte Ltd ("NFD") and Network Foods (Hong Kong) Ltd ("NFHK") respectively.

NFD's operations in Singapore remained relatively small but efforts are underway to grow the business there. Meanwhile, NFHK's performance in Hong Kong continued to be encouraging, posting a slightly higher revenue of HK$24.5 million (RM10.8 million) and profit before tax of HK$3.6 million (RM1.6 million).

CORPORATE SOCIAL RESPONSIBILITY

The Group recognises the importance of being a responsible corporate citizen. In support of its commitment to Corporate Social Responsibility (CSR) initiatives, the principles and practices of CSR are incorporated in the business activities of the Group.

In its commitment to the welfare of employees, the Group maintains practices that comply with accepted standards on safety & health in the workplace. This ongoing responsibility includes various training programmes that cover topics such as occupational safety & health, hygiene & sanitation, first aid and fire-fighting procedures.

The Group believes in the principles of fair deal in all its business practices. As it is involved in food products, the Group strives to deliver products that meet the criteria of value, safety and quality for customers.

Conscious of the importance of proper care for environment, the Group supports efforts that help maintain a cleaner environment in day-to-day operations. Procedures that ensure sound environmental practices are encouraged in its manufacturing plant.

Being mindful of its responsibility to the community and society, the Group has in the financial year 2007 continued to actively support the Malaysian performing arts and has made donations in cash and in kind to orphanages and other charities.

PROSPECTS FOR 2008

The Malaysian economy is projected to moderate in its growth in tandem with the slower expected global economic growth. Driven by resilient domestic demand and expected sustained commodity prices, the real Gross Domestic Product is projected to grow by 5.0% to 6.0% in 2008.

The Group expects the trading environment of food and confectionery business to be affected by rising costs of raw materials and also higher production costs. In order to mitigate the adverse external environment and to sustain its business growth, the Group will focus on various strategic plans such as improving its product offering and expanding its market reach. At the same time, the Group remains committed to its continuous improvement efforts to achieve better cost efficiencies and productivity.

DIRECTORATE

Mr Tan Peng Hock retired as a Director of the Company at the conclusion of the last Annual General Meeting held on 25 June 2007. Mr Chan Chong Lum resigned as a Director of the Company on 13 September 2007. The Board would like to extend its gratitude to both Mr Tan Peng Hock and Mr Chan Chong Lum for their contributions to the Group all these years and wishes them the very best in their endeavours.

The Board is delighted to welcome Mr Chan Choung Yau who joined the Board on 1 November 2007 as Executive Director. Mr Chan Choung Yau was earlier appointed an alternate director to Mr Khet Kok Yin. With his knowledge and experience, the Board looks forward to his active contributions to the development of the Group.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to take this opportunity to thank the Management and staff for their dedicated service, hard work and commitment. My heartfelt appreciation also goes to our valued customers, business associates, bankers and loyal shareholders for their continuing support and confidence. To all my fellow colleagues on the Board, I thank them for their counsel and invaluable dedication towards the Group.

Tan Sri Dato' Seri Dr Ting Chew Peh
Chairman

2 May 2008

FINANCIAL HIGHLIGHTS

As at 31 December	***2007***	*2006*	*2005*	*2004*	*2003*
	RM'000	*RM'000* *Restated*	*RM'000*	*RM'000*	*RM'000*
ASSETS					
Property, Plant and Equipment	**34,848**	34,914	51,850	55,713	45,350
Investment property	**1,227**	1,272	1,296	-	-
Prepaid land lease payment	**1,853**	1,888	-	-	-
Associates & Investments	**149,721**	139,355	154,487	350,607	448,414
Goodwill & Intangibles	**63,190**	63,190	68,541	68,541	68,541
Deferred Tax Assets	**337**	681	1,870	3,940	2,722
Currents Assets	**440,209**	472,771	511,477	477,788	1,463,323
Total Assets	**691,385**	714,071	789,521	956,589	2,028,350
EQUITY AND LIABILITIES					
Share Capital	**386,678**	386,678	386,678	420,005	369,750
Treasury Shares	**(29,478)**	(29,478)	(27,666)	-	-
Reserves	**687**	(20,413)	28,335	60,469	1,193,446
	357,887	336,787	387,347	480,474	1,563,196
Minority Interests	**8,738**	7,986	26,906	26,881	25,708
Total Equity	**366,625**	344,773	414,253	507,355	1,588,904
Non-Current Liabilities	**693**	927	1,349	4,634	6,909
Current Liabilities	**324,067**	368,371	373,919	444,600	432,537
Total Equity and Liabilities	**691,385**	714,071	789,521	956,589	2,028,350

Financial year ended 31 December	***2007***	*2006*	*2005*	*2004*	*2003*
	RM'000	*RM'000* *Restated*	*RM'000*	*RM'000*	*RM'000*
Revenue	**129,866**	119,374	332,638	352,986	395,802
Profit / (Loss) From Operations Before Exceptional Items	**33,432**	3,501	4,688	(254)	50,917
Exceptional Items	**-**	(14,850)	(46,857)	(1,066,537)#	(2,582)
Profit / (Loss) From Operations After Exceptional Items	**33,432**	(11,349)	(42,169)	(1,066,791)	48,335
Profit / (Loss) Before Taxation	**17,461**	(29,142)	(7,276)	(1,116,601)	6,958
Profit / (Loss) for the Financial Year					
- from continuing operations	**15,870**	(30,016)	(8,954)	(1,115,383)	(3,462)
- from discontinued operation	**9,182**	(38,053)	-	-	-
Profit / (Loss) for the Financial Year	**25,052**	(68,069)	(8,954)	(1,115,383)	(3,462)
Profit / (Loss) Attributable to Equity Holders of the Company	**24,300**	(68,178)	(8,973)	(1,116,573)	(5,559)
Dividends (Net)	**-**	-	-	19,049	6,656

\# *Included provision of RM1,056,158,000 relating to the members' voluntary winding-up of Syahdu Pinta Berhad ("SPB"), a subsidiary. The winding-up constituted part of the process under the arrangement of the Settlement where the Irredeemable Convertible Unsecured Loan Stocks ("ICULS") issued by Malayan United Industries Berhad ("MUI") to SPB on 30 December 2004 were subsequently distributed on 28 February 2005 to shareholders of SPB who comprised substantially entitled shareholders of the Company at no cost to them. The effect of the said winding-up represented the fact that the value of the assets in SPB comprising ICULS of MUI were substantially distributed back to the said entitled shareholders of the Company.*

In the above summary, 2007, 2006 and 2005 figures reflect the results and state of affairs of the Group reported in accordance with new FRSs that were effective / relevant in the respective financial year. It is not practicable to restate previous years figures according to the new FRSs.

DIRECTORS' REPORT

The Directors wish to present their report and the audited financial statements of the Company and of the Group for the financial year ended 31 December 2007.

Principal Activities

The Company is an investment holding company. The principal activities of the subsidiaries are that of investment holding, the provision of management services and the manufacturing, marketing and distribution of confectionery and cocoa-based and other food products. There have been no significant changes in the nature of these activities during the financial year except for the discontinued operation of a subsidiary as disclosed in Note 12.

Results

	Group *RM'000*	*Company* *RM'000*
Profit for the financial year	25,052	6,080

Movements In Reserves And Provisions

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

Dividends

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

Directors

The Directors of the Company in office since the date of the last report and at the date of this report are:-

Tan Sri Dato' Seri Dr Ting Chew Peh (Chairman)
Chan Choung Yau (Appointed as Alternate Director to Mr Khet Kok Yin on 2.8.2007 and resigned on 1.11.2007; appointed as Executive Director on 1.11.2007)
Khet Kok Yin
Wong Aun Phui
Dr Ngui Chon Hee
Ariff bin Rozhan
Tan Peng Hock (Retired at the 44th Annual General Meeting on 25.6.2007)
Chan Chong Lum (Resigned on 13.9.2007)

None of the Directors who held office at the end of the financial year had, according to the Register of Directors' Shareholdings, any interest in the shares and/or securities of the Company and its related corporations except as stated below:-

Ordinary shares of 50 sen each in Pan Malaysia Corporation Berhad	*Number of shares*			
	Balance at 1.1.2007	*Bought*	*Sold*	*Balance at 31.12.2007*
Wong Aun Phui				
Direct	426,500	-	-	426,500

Ordinary shares of RM1 each in Malayan United Industries Berhad ("MUI")	***Number of shares***			
	Balance at 1.1.2007	***Bought***	***Sold***	***Balance at 31.12.2007***
Wong Aun Phui				
Direct	1,497,000	-	-	1,497,000

Ordinary shares of 20 sen each in MUI Properties Berhad	***Number of shares***			
	Balance at 1.1.2007	***Bought***	***Sold***	***Balance at 31.12.2007***
Dr Ngui Chon Hee				
Direct	30,000	-	-	30,000
Indirect	84,000	-	-	84,000

Class A1 Irredeemable Convertible Unsecured Loan Stocks in MUI	***Nominal Value (RM)***			
	Balance at 1.1.2007	***Bought***	***Sold***	***Balance at 31.12.2007***
Wong Aun Phui				
Direct	320,628	-	-	320,628
Dr Ngui Chon Hee				
Direct	13,013	-	-	13,013
Indirect	36,436	-	-	36,436

Class A2 Irredeemable Convertible Unsecured Loan Stocks in MUI	***Nominal Value (RM)***			
	Balance at 1.1.2007	***Bought***	***Sold***	***Balance at 31.12.2007***
Wong Aun Phui				
Direct	320,628	-	-	320,628
Dr Ngui Chon Hee				
Direct	13,013	-	-	13,013
Indirect	36,436	-	-	36,436

Since the end of the previous financial year, no director has received or become entitled to receive any benefits (other than as disclosed in the financial statements or the remuneration received by certain directors as directors/executives of related corporations) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during that year did there subsist any arrangements, to which the Company is a party, whereby directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any body corporate.

Issue Of Shares

There were no changes in the issued and paid-up share capital of the Company during the financial year.

Option Granted Over Unissued Shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Other Statutory Information

(a) In the opinion of the Directors:-

(i) the results of the operations of the Company and of the Group during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature except as disclosed in the financial statements;

(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 Company or of the Group for the financial year in which this report is made; and

(iii) no contingent liability 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 Company or of the Group to meet their obligations when they fall due.

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

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

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

(c) At the date of this report, the Directors are not aware of any circumstances which would render:-

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

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

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

(e) At the date of this report, there does not exist:-

   (i) any charge on the assets of the Company or of the Group 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 Company or of the Group which have arisen since the end of the financial year.

(f) 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 Company and of the Group which would render any amount stated in the financial statements misleading.

Ultimate Holding Company

The ultimate holding company is Malayan United Industries Berhad, a public limited liability company, incorporated and domiciled in Malaysia.

Significant Corporate Developments

The significant corporate developments are disclosed in Note 30 of the Notes to the Financial Statements.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

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

Tan Sri Dato' Seri Dr Ting Chew Peh

Chan Choung Yau

24 April 2008

INCOME STATEMENTS

For the financial year ended 31 December 2007

	Note	Group 2007 RM'000	Group 2006 RM'000 Restated	Company 2007 RM'000	Company 2006 RM'000
Continuing Operations					
Revenue	4	**129,866**	119,374	**8,796**	9,147
Cost of Sales		**(87,828)**	(80,113)	**-**	-
Gross profit		**42,038**	39,261	**8,796**	9,147
Other operating income		**26,968**	3,086	**12,941**	-
Selling and distribution expenses		**(15,126)**	(17,882)	**-**	-
Administrative expenses		**(10,419)**	(12,514)	**(1,207)**	(1,739)
Other operating expenses		**(10,029)**	(8,450)	**(163)**	(2,373)
Profit from operations before exceptional items		**33,432**	3,501	**20,367**	5,035
Exceptional items	5	**-**	(14,850)	**-**	(142,794)
Profit / (Loss) from operations after exceptional items		**33,432**	(11,349)	**20,367**	(137,759)
Finance cost		**(15,971)**	(16,171)	**(14,287)**	(14,604)
Share of results of associate		**-**	(1,622)	**-**	-
Profit / (Loss) before taxation	6	**17,461**	(29,142)	**6,080**	(152,363)
Taxation	7	**(1,591)**	(874)	**-**	32
Profit / (Loss) for the financial year from continuing operations		**15,870**	(30,016)	**6,080**	(152,331)
Discontinued Operation					
Profit / (Loss) for the financial year from discontinued operation, net of tax	12(d)	**9,182**	(38,053)	**-**	-
Profit / (Loss) for the financial year		**25,052**	(68,069)	**6,080**	(152,331)
Attributable to :-					
Equity holders of the Company		**24,300**	(68,178)	**6,080**	(152,331)
Minority interests		**752**	109	**-**	-
Profit / (Loss) for the financial year		**25,052**	(68,069)	**6,080**	(152,331)
		Sen	Sen		
Earnings / (Loss) per share:	8				
- from continuing operations		**2.1**	(4.2)		
- from discontinued operation		**1.3**	(5.3)		
		3.4	(9.5)		

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

BALANCE SHEETS

As at 31 December 2007

	Note	Group *2007 RM'000*	Group *2006 RM'000 Restated*	Company *2007 RM'000*	Company *2006 RM'000*
ASSETS					
Non-current assets					
Property, plant and equipment	9	**34,848**	34,914	**203**	98
Investment property	10	**1,227**	1,272	**-**	-
Prepaid land lease payments	11	**1,853**	1,888	**-**	-
Subsidiaries	12	**-**	-	**114,729**	114,265
Investments	13	**149,721**	139,355	**2,180**	2,180
Goodwill on consolidation	14	**58,206**	58,206	**-**	-
Trademarks		**4,984**	4,984	**-**	-
Deferred tax assets	15	**337**	681	**-**	-
		251,176	241,300	**117,112**	116,543
Current assets					
Inventories	16	**22,943**	30,684	**-**	-
Trade and other receivables	17	**32,378**	40,722	**327**	357
Tax recoverable		**2,035**	3,991	**-**	564
Amounts owing by subsidiaries	12	**-**	-	**276,820**	216,089
Cash and cash equivalents	18	**382,853**	397,374	**225,014**	281,014
		440,209	472,771	**502,161**	498,024
TOTAL ASSETS		**691,385**	714,071	**619,273**	614,567
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	19	**386,678**	386,678	**386,678**	386,678
Treasury shares	19	**(29,478)**	(29,478)	**(29,478)**	(29,478)
Reserves	20	**687**	(20,413)	**(86,256)**	(92,336)
		357,887	336,787	**270,944**	264,864
Minority interests	21	**8,738**	7,986	**-**	-
Total Equity		**366,625**	344,773	**270,944**	264,864
Non-current liabilities					
Deferred tax liabilities	15	**693**	897	**-**	-
Hire purchase and lease payables	22	**-**	30	**-**	-
		693	927	**-**	-
Current Liabilities					
Trade and other payables	23	**25,429**	48,747	**817**	1,350
Bank borrowings	24	**297,688**	318,196	**280,479**	282,575
Taxation		**699**	139	**586**	-
Amount owing to related company	25	**251**	1,289	**-**	-
Amounts owing to subsidiaries	12	**-**	-	**66,447**	65,778
		324,067	368,371	**348,329**	349,703
Total liabilities		**324,760**	369,298	**348,329**	349,703
TOTAL EQUITY AND LIABILITIES		**691,385**	714,071	**619,273**	614,567

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2007

	Attributable to equity holders of the Company									
			Non-Distributable							
Group	***Share Capital RM'000***	***Treasury Shares RM'000***	***Capital Redemption Reserve RM'000***	***Share Premium RM'000***	***Exchange Translation Reserve RM'000***	***Capital Reserve RM'000***	***Accumulated Losses RM'000***	***Total RM'000***	***Minority Interests RM'000***	***Total Equity RM'000***
At 1 January 2006	386,678	(27,666)	33,327	472,258	26,411	58,227	(544,136)	405,099	26,906	432,005
Net income recognised directly in equity	-	-	-	-	1,678	-	-	1,678	-	1,678
Loss for the financial year	-	-	-	-	-	-	(68,178)	(68,178)	109	(68,069)
Total recognised income and expense for the year	-	-	-	-	1,678	-	(68,178)	(66,500)	109	(66,391)
Purchase of treasury shares	-	(1,812)	-	-	-	-	-	(1,812)	-	(1,812)
Cancellation of shares held by minority shareholders of a subsidiary	-	-	-	-	-	-	-	-	(19,029)	(19,029)
At 31 December 2006	386,678	(29,478)	33,327	472,258	28,089	58,227	(612,314)	336,787	7,986	344,773
At 1 January 2007	**386,678**	**(29,478)**	**33,327**	**472,258**	**28,089**	**58,227**	**(612,314)**	**336,787**	**7,986**	**344,773**
Net expense recognised directly in equity	**-**	**-**	**-**	**-**	**(1,531)**	**(1,669)**	**-**	**(3,200)**	**-**	**(3,200)**
Profit for the financial year	**-**	**-**	**-**	**-**	**-**	**-**	**24,300**	**24,300**	**752**	**25,052**
Total recognised income and expense for the year	**-**	**-**	**-**	**-**	**(1,531)**	**(1,669)**	**24,300**	**21,100**	**752**	**21,852**
At 31 December 2007	**386,678**	**(29,478)**	**33,327**	**472,258**	**26,558**	**56,558**	**(588,014)**	**357,887**	**8,738**	**366,625**

STATEMENTS OF CHANGES IN EQUITY (Cont'd)

For the financial year ended 31 December 2007

Company

			Non-Distributable			
	Share Capital RM'000	Treasury Shares RM'000	Capital Redemption Reserve RM'000	Share Premium RM'000	Accumulated Losses RM'000	Total Equity RM'000
At 1 January 2006	386,678	(27,666)	33,327	472,258	(445,590)	419,007
Purchase of treasury shares	-	(1,812)	-	-	-	(1,812)
Loss for the financial year	-	-	-	-	(152,331)	(152,331)
At 31 December 2006	386,678	(29,478)	33,327	472,258	(597,921)	264,864
At 1 January 2007	**386,678**	**(29,478)**	**33,327**	**472,258**	**(597,921)**	**264,864**
Profit for the financial year	-	-	-	-	**6,080**	**6,080**
At 31 December 2007	**386,678**	**(29,478)**	**33,327**	**472,258**	**(591,841)**	**270,944**

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

PMC

Pan Malaysia Corporation Berhad
Company No: 4920-D
Incorporated in Malaysia

CASH FLOW STATEMENTS

For the financial year ended 31 December 2007

	Note	Group		Company	
		2007 RM '000	*2006 RM '000 Restated*	**2007 RM '000**	*2006 RM '000*
Cash Flows From Operating Activities					
Profit / (Loss) before taxation					
- Continuing operations		**17,461**	(29,142)	**6,080**	(152,363)
- Discontinued operation		**9,182**	(37,209)	**-**	-
		26,643	(66,351)	**6,080**	(152,363)
Adjustments for:-					
Amortisation of prepaid land lease payments		**36**	37	**-**	-
Break-up basis adjustments in respect of a subsidiary		**-**	17,474	**-**	-
Depreciation		**2,441**	2,720	**23**	18
Dividend income		**(106)**	(116)	**(45)**	(45)
Gain on disposal of property, plant and equipment		**(52)**	(5,759)	**(20)**	-
Gain on disposal of other investments		**(5,493)**	(1,809)	**-**	-
Interest expense		**16,491**	17,804	**14,287**	14,604
Interest income		**(10,930)**	(10,130)	**(8,522)**	(8,872)
Impairment of goodwill		**-**	5,351	**-**	-
Loss on disposal of investment in associate		**-**	5,850	**-**	-
Negative goodwill recognised		**(1,669)**	(3,722)	**-**	-
(Reversal) / Impairment of property, plant and equipment		**(875)**	9,007	**-**	-
Share of results in associates		**-**	1,622	**-**	-
Surplus arising from deconsolidation of a subsidiary		**(14,493)**	-	**-**	-
Unrealised exchange (gain) / loss		**(557)**	77	**163**	2,373
(Write back) / Allowance for doubtful debts					
- on amounts owing by wholly-owned subsidiaries		**-**	-	**(12,456)**	142,794
- others		**(49)**	1,331	**26**	-
(Write back) / Allowance for diminution in value of investments					
- quoted		**(19,881)**	6,283	**(464)**	-
- unquoted		**3,576**	(189)	**-**	-
Operating loss before working capital changes		**(4,918)**	(20,520)	**(928)**	(1,491)
Decrease in inventories		**3,113**	17,691	**-**	-
Decrease in trade and other receivables		**3,068**	10,858	**4**	198
Increase / (Decrease) in trade and other payables		**4,634**	(14,021)	**(533)**	481
Cash generated from / (used in) operations		**5,897**	(5,992)	**(1,457)**	(812)
Interest paid		**(16,491)**	(17,804)	**(14,287)**	(14,604)
Interest received		**10,930**	10,130	**7,257**	7,659
Dividend received		**106**	116	**45**	45
Tax paid		**(1,654)**	(565)	**-**	(96)
Tax refund		**2,675**	11,108	**1,150**	8,750
Net cash generated from / (used in) operating activities		**1,463**	(3,007)	**(7,292)**	942

CASH FLOW STATEMENTS (Cont'd)

For the financial year ended 31 December 2007

		Group		Company	
		2007	*2006*	***2007***	*2006*
	Note	***RM'000***	*RM'000*	***RM'000***	*RM'000*
			Restated		
Cash Flows From Investing Activities					
Purchase of investments		-	(297)	-	-
Purchase of property, plant and equipment		**(1,662)**	(2,726)	**(128)**	(25)
Payment in relation to privatisation of subsidiary by way of a scheme of arrangement		-	(15,306)	-	-
Net effects on deconsolidation of a subsidiary	12(d)	**(6,612)**	-	-	-
Proceeds from disposal of investment in associate		-	9,654	-	-
Proceeds from disposal of investments		**11,422**	11,627	-	-
Proceeds from disposal of property, plant and equipment		**52**	10,409	**20**	-
Advances to subsidiaries		-	-	**(64,604)**	(26,369)
Advances from subsidiaries		-	-	**820**	-
Repayments from subsidiaries		-	-	**17,280**	13,450
Repayments to subsidiaries		-	-	-	(35,143)
Repayments to related company		**(1,039)**	(137)	-	-
Net cash generated from / (used in) investing activities		**2,161**	13,224	**(46,612)**	(48,087)
Cash Flows From Financing Activities					
Purchase of treasury shares		-	(1,812)	-	(1,812)
Drawdowns of bank borrowings		**4,881**	9,873	-	-
Repayments of bank borrowings		**(11,600)**	(21,412)	-	-
Repayments of hire purchase and lease payables		**(6)**	(27)	-	-
Net cash used in financing activities		**(6,725)**	(13,378)	-	(1,812)
Net decrease in cash and cash equivalents		**(3,101)**	(3,161)	**(53,904)**	(48,957)
Exchange translation differences		**(292)**	748	-	-
Cash and cash equivalents as at 1 January		**349,691**	352,104	**243,439**	292,396
Cash and cash equivalents as at 31 December	(a)	**346,298**	349,691	**189,535**	243,439

(a) Cash and cash equivalents consist of the following:-

Deposits with licensed banks	18	**375,379**	390,199	**225,000**	281,000
Cash and bank balances	18	**7,474**	7,175	**14**	14
Bank overdrafts - secured	24	-	(7,817)	-	-
- unsecured	24	**(36,555)**	(39,866)	**(35,479)**	(37,575)
		346,298	349,691	**189,535**	243,439

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2007

1. Significant Accounting Policies

1.1 Basis of Preparation

The financial statements of the Company and of the Group have been prepared under the historical cost convention except as disclosed in the significant accounting policies. The financial statements comply with applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board ('MASB'), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

The financial statements are presented in Ringgit Malaysia (RM) and certain values are rounded to the nearest thousand (RM'000).

1.2 Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by Group entities except for the adoption of FRS 117 and FRS 124 as disclosed in Note 2.

Certain comparative amounts have been reclassified to conform to the current year's presentation (see Note 2). The comparative consolidated income statement has been re-presented as if an operation discontinued during the current period had been discontinued from the start of the comparative period (see Note 12(d)).

(a) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries for the financial year ended 31 December 2007. Subsidiaries are those enterprises in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities. Subsidiaries are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the financial year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The difference between the cost of acquisition over the fair value of the Group's share of the subsidiaries' net assets at the date of acquisition is reflected as goodwill or negative goodwill.

Intra group transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

1. Significant Accounting Policies (cont'd)

(b) Goodwill

Goodwill arises on business combination and is measured at cost less any accumulated impairment losses.

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

With the adoption of FRS 3 beginning 1 January 2006, goodwill represents the 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 of the acquiree.

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

Goodwill is allocated to cash-generating units and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

(c) Associates

Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting. Associates are companies in which the Group exercises significant influence.

Equity accounting involves recognising in the income statement the Group's share of the results of associates for the year. The Group's investments in associates are carried in the balance sheet at an amount that includes the Group's share of post-acquisition reserves and retained profits less losses which reflects the Group's share of the net assets of the associates and goodwill on acquisition. The goodwill on acquisition of associates is the difference between the cost of acquisition over the fair values of the Group's share of the net assets of the associate at the date of acquisition.

The results and reserves of the associates are based on the latest available audited or management financial statements.

(d) Currency Translations

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

Foreign currency transactions are converted into Ringgit Malaysia at rates of exchange ruling on the transaction dates. Foreign currency monetary assets and liabilities are translated to Ringgit Malaysia at rates of exchange ruling on the balance sheet date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statements.

1. Significant Accounting Policies (cont'd)

For consolidation purposes, the assets and liabilities of overseas subsidiaries are translated at exchange rates ruling on the balance sheet date and the results of overseas subsidiaries are translated at the average rates of exchange for the financial year. Exchange differences arising from the translation are dealt with through the exchange translation reserve.

(e) Property, Plant and Equipment

Freehold land is stated at cost less impairment losses, if any. All other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any.

Freehold land is not depreciated as it has an infinite life.

All other property, plant and equipment are depreciated on a straight line basis so as to write off the cost of the assets to their residual values over their estimated useful lives as follows:-

Buildings	20 to 50 years
Plant and machinery	5 to 20 years
Motor vehicles	5 years
Furniture, fittings and equipment	3 to 20 years

Depreciation on assets under construction commences when the assets are ready for their intended use.

The depreciation methods, useful lives and residual values are reassessed at each financial year-end.

(f) Investment properties carried at cost

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both. These include land (other than leasehold land) held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy note 1.2(e).

Depreciation is charged to the income statements on a straight-line basis over the period of the lease.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The Directors periodically assess the carrying value of the Group's investment properties based upon the advice of professional valuers.

1. Significant Accounting Policies (cont'd)

(g) Investments

Investments in subsidiaries and associates are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

Investments in other quoted and unquoted shares held on a long term basis are stated at cost. An allowance is made when the Directors are of the view that there is a diminution in their values which is other than temporary.

Short term unquoted investments are stated at the lower of cost and net realisable value while short term quoted investments are stated at the lower of cost and market value on a portfolio basis.

(h) Trademarks

Trademarks represent the value paid for the rights to utilise certain brand names for the manufacture, sales or distribution of chocolate and food products. Trademarks are stated at cost less accumulated impairment losses, if any.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average method.

The cost of work-in-progress and finished goods include the cost of raw materials, direct labour and a proportion of manufacturing overheads.

The cost of raw materials and consumables comprise the original cost of purchase plus the cost of bringing the inventories to their present condition and location.

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

(j) Trade and Other Receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.

(k) Cash and Cash Equivalents

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

(l) Share Capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are deducted from equity. Dividends on ordinary shares are recognised as liabilities when declared.

1. Significant Accounting Policies (cont'd)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable cost, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

(m) Bank Borrowings

Interest-bearing bank loans and borrowings are recorded at the amount of proceeds received, net of transaction costs.

(n) Income Tax

Tax on the profit or loss for the financial year comprises current and deferred tax. Income tax is recognised in the income statements except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expenses is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purpose and the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(o) Leases and Hire Purchase Commitments

Leases in which the Group assumes substantially all risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

1. Significant Accounting Policies (cont'd)

All other leases are classified as operating leases and, except for leasehold warehouse classsified as investment property, the leased assets are not recognised on the balance sheet.

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the leasee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid land lease payments that are amortised on a straight line basis over the period of lease term.

The Group had previously classified a lease of land as finance lease and had recognised the amount of prepaid land lease payments as property within its property, plant and equipment. On adoption of FRS 117, Leases, the Group treats such a lease as an operating lease with the unamortised carrying amount classified as prepaid land lease payments in accordance with the transitional provisions in FRS 117- 67A.

(p) Trade and Other Payables

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

(q) Provisions

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be require to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount.

(r) Revenue Recognition

Sales are recognised upon delivery of products and customer acceptance, if any, or performance of services, net of sales taxes and discounts, and after eliminating sales within the Group.

Other revenue earned by the Group are recognised on the following bases:-

Interest income	-	as it accrues unless collectibility is in doubt
Dividend income	-	when the shareholder's right to receive payment is established

(s) Impairment of Assets

The carrying amounts of assets, other than inventories, deferred tax assets and financial assets (other than investments in subsidiaries and associates), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exits, the asset's recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount is less than the carrying amount of the asset. The impairment loss is recognised in the income statements immediately.

1. Significant Accounting Policies (cont'd)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Reversal of an impairment loss is recognised as income immediately in the income statements.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(t) Financial Instruments

Financial instruments carried in the balance sheet include cash and cash equivalents, receivables, other assets, long-term investments, payables, bank loans and borrowings. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

(u) Interest Expense

Interest expense incurred in connection with borrowings is expensed as incurred.

(v) Discontinued Operation

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statements is restated as if the operation had been discontinued from the start of the comparative period.

1.3 Significant Accounting Estimates and Judgements

(a) Critical Judgements Made In Applying Accounting Policies

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements are described in the following notes:-

Note 9 - Property, plant and equipment
Note 14 - Goodwill on consolidation
Note 15 - Deferred tax

1. Significant Accounting Policies (cont'd)

(b) Key Sources of Estimation Uncertainty

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

(i) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment to be within 5 to 50 years. These are the common life expectancies applied generally. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised

(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 amount of goodwill as at 31 December 2007 is RM58,206,000 (2006: RM58,206,000).

(iii) Deferred tax assets

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.

2. Changes in Accounting Policies And Adoption Of New And Revised Financial Reporting Standards ("FRSs")

The accounting policies adopted by the Group is consistent with those adopted in the previous year except for the adoption of the new and revised FRSs issued by MASB that are effective for the financial period beginning on 1 January 2007 as follows :

FRS 117, Leases
FRS 124, Related Party Disclosures

2. Changes in Accounting Policies And Adoption Of New And Revised Financial Reporting Standards ("FRSs") (cont'd)

FRS 117 , Leases
Leasehold land held for own use

Prior to 1 January 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land and buildings. Leases of land and buildings are classified as operating or finance leases in the same way as leases 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. Leasehold land held for own use is now classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair value 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 land lease payments and are amortised on a straight-line basis over the remaining lease term. The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 January 2006, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions. The reclassification of leasehold land as prepaid land lease payments has been accounted for retrospectively.

The following comparative amounts have been restated due to the adoption of FRS 117, Leases:-

Group

	Note	*Previously stated RM'000*	*Adjustments FRS 117 RM'000*	*Restated RM'000*
Balance sheet as at 31 December 2006				
Property, plant and equipment	9	36,802	(1,888)	34,914
Prepaid land lease payments	11	-	1,888	1,888

There is no effect on the consolidated income statement for the year ended 31 December 2007.

Other than the expanded disclosure requirements as shown in Note 28, the adoption of FRS 124 does not have any significant financial impact on the Group.

2. Changes in Accounting Policies And Adoption Of New And Revised Financial Reporting Standards ("FRSs") (cont'd)

The MASB has issued the following FRSs and Interpretations that are effective for annual periods beginning after 1 January 2007 and that have not been applied in preparing these financial statements:

FRSs / Interpretations	***Effective date***
FRS 107, Cash Flow Statements	1 July 2007
FRS 111, Construction Contracts	1 July 2007
FRS 112, Income Taxes	1 July 2007
FRS 118, Revenue	1 July 2007
FRS 120, Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
Amendment to FRS 121, The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
FRS 134, Interim Financial Reporting	1 July 2007
FRS 137, Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
FRS 139, Financial Instruments: Recognition and Measurement	To be announced
IC Interpretation 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2, Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6, Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7, Applying the Restatement Approach under FRS 129 Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8, Scope of FRS 2	1 July 2007

The Group and the Company plan to apply the rest of the abovementioned FRSs and Interpretations for the annual period beginning 1 January 2008 except for FRS 139, Financial Instruments: Recognition and Measurement which the effective date has yet to be announced.

The adoption of these new and revised FRSs does not have any significant impact on the financial statements of the Group.

3. General Information

The Company is an investment holding company. The principal activities of the subsidiaries are that of investment holding, the provision of management services and the manufacturing, marketing and distribution of confectionery and cocoa-based and other food products.

There have been no significant changes in the nature of the principal activities of the Group during the financial year except for the discontinued operation of a subsidiary as disclosed in Note 12.

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

The ultimate holding company is Malayan United Industries Berhad, a public limited liability company, incorporated and domiciled in Malaysia, and listed on Bursa Securities.

The address of the registered office and principal place of business of the Company is at 5th Floor, Menara PMI, No. 2, Jalan Changkat Ceylon, 50200 Kuala Lumpur, Malaysia.

The financial statements were approved by the Board of Directors on 24 April 2008.

4. Revenue

	Group		*Company*	
	2007	*2006*	***2007***	*2006*
	RM'000	*RM'000*	***RM'000***	*RM'000*
		Restated		
Continuing Operations:				
Sale of goods	**118,784**	109,161	**-**	-
Interest income	**10,900**	10,028	**8,522**	8,872
Dividend income	**106**	116	**45**	45
Rendering of services and other income	**76**	69	**229**	230
	129,866	119,374	**8,796**	9,147
Discontinued Operation: (Refer Note 12(d))				
Sale of goods	**14,655**	117,075	**-**	-
Interest income	**30**	102	**-**	-
	14,685	117,177	**-**	-
	144,551	236,551	**8,796**	9,147

5. Exceptional Items

	Group		Company	
	2007	2006	**2007**	2006
	RM'000	RM'000	**RM'000**	RM'000
		Restated		
Allowance for doubtful debts on amounts owing by wholly-owned subsidiaries	-	-	-	(142,794)
Impairment of property, plant and equipment	-	(9,007)	-	-
Impairment of goodwill	-	(3,715)	-	-
Loss on disposal of investment in associate	-	(5,850)	-	-
Negative goodwill recognised	-	3,722	-	-
	-	(14,850)	-	(142,794)

6. Profit / (Loss) Before Taxation

	Group		Company	
	2007	2006	**2007**	2006
	RM'000	RM'000	**RM'000**	RM'000
		Restated		
Profit / (Loss) before taxation is stated after charging:-				
Allowance for doubtful debts	**79**	896	**26**	-
Allowance for diminution in value of investments				
- quoted	**-**	6,283	**-**	-
- unquoted	**3,576**	-	**-**	-
Auditors' remuneration:-				
Holding company auditors				
- current	**98**	69	**68**	39
- under provision in prior years	**29**	9	**29**	9
Other auditors				
- current	**190**	203	**-**	-
- under provision in prior years	**-**	15	**-**	-
Depreciation				
- property, plant and equipment	**2,289**	2,299	**23**	18
- investment property	**41**	41	**-**	-
- amortisation of prepaid land lease payments	**36**	37	**-**	-
Directors' remuneration receivable by:-				
Directors of the Company				
- fees	**-**	-	**-**	-
- other emoluments	**520**	609	**79**	295
Directors of subsidiaries				
- other emoluments	**138**	449	**-**	-

6. Profit / (Loss) Before Taxation (cont'd)

	Group		Company	
	2007	*2006*	***2007***	*2006*
	RM'000	*RM'000*	***RM'000***	*RM'000*
		Restated		
Finance cost				
- overdraft	**3,158**	2,862	**3,195**	2,897
- revolving credit	**12,167**	12,627	**11,092**	11,707
- other loan	**646**	682	**-**	-
Net exchange loss, unrealised	**-**	56	**163**	2,373
Rental of office premises	**1,633**	1,701	**100**	100
Rental of office equipment	**136**	136	**12**	12
Staff costs				
- salaries, wages and other costs	**14,587**	13,838	**369**	361
- defined contribution plans	**1,172**	1,235	**44**	43
and after crediting:-				
Gain on disposal of investments	**5,493**	1,809	**-**	-
Gain on disposal of property, plant and equipment	**52**	7	**20**	-
Gross dividends from investments				
- quoted in Malaysia	**56**	67	**-**	-
- quoted overseas	**5**	4	**-**	-
- unquoted	**45**	45	**45**	45
Interest income				
- subsidiaries	**-**	-	**1,265**	1,213
- others	**10,900**	10,028	**7,257**	7,659
Reversal of impairment of property, plant and equipment	**875**	-	**-**	-
Net exchange gain, unrealised	**441**	-	**-**	-
Write back of allowance for diminution in value of investments	**19,881**	189	**464**	-
Write back of allowance for doubtful debts				
- non related companies	**127**	697	**-**	-
- wholly-owned subsidiaries	**-**	-	**12,456**	-

The estimated monetary values of benefits-in-kind received by the Directors of the Company other than in cash from the Company and the subsidiaries amounted to RM5,000 (2006: RM29,000).

7. Taxation

	Group		Company	
	2007 RM'000	2006 RM'000 Restated	**2007 RM'000**	2006 RM'000
Continuing Operations:				
Tax charge for the financial year				
- Malaysian	**1,174**	802	-	-
- Foreign	**127**	189	-	-
Deferred taxation	**513**	219	-	-
	1,814	1,210	-	-
Over provision in prior years	**(223)**	(336)	-	(32)
	1,591	874	-	(32)
Discontinued Operation:				
Under provision in prior years	-	844	-	-
	1,591	1,718	-	(32)

Domestic income tax is calculated at the Malaysian statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

	Group		Company	
	2007 RM'000	2006 RM'000 Restated	**2007 RM'000**	2006 RM'000
Profit / (Loss) before taxation				
- from continuing operations	**17,461**	(29,142)	**6,080**	(152,363)
- from discontinued operation	**9,182**	(37,209)	-	-
	26,643	(66,351)	**6,080**	(152,363)
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	**7,194**	(18,578)	**1,642**	(42,662)
Effect of different tax rates in other countries	**773**	176	-	-
Effect of change in tax rates	**(52)**	(268)	-	-
Income not subject to tax				
- gain on disposal of investment	**(1,483)**	-	-	-
- write back of allowance for diminution in value of investment	**(5,368)**	-	-	-
- surplus arising from deconsolidation of subsidiary	**(4,348)**	-	-	-
- write back of allowance for doubtful debts	-	-	**(3,364)**	-
- others	**(749)**	(200)	**(125)**	-
Tax exempt income	**(66)**	(37)	**(18)**	(13)
Non-deductible expenses	**6,602**	20,736	**1,865**	42,314
Deferred tax assets recognised in income statement	**11**	-	-	-
Utilisation of prior years unrecognised deferred tax assets	**(547)**	-	-	-
Utilisation of current year reinvestment allowances	**(153)**	-	-	-
Effect of deferred tax assets not recognised	-	(838)	-	361
Recognition of deferred tax assets	-	219	-	-
	1,814	1,210	-	-
(Over) / Under provision in prior years	**(223)**	508	-	(32)
Tax expense for the financial year	**1,591**	1,718	-	(32)

7. Taxation (cont'd)

With effect from year of assessment 2007, corporate tax rate is at 27%. The Malaysian Budget 2008 also announced the reduction of corporate tax rate to 26% with effect from year of assessment 2008 and to 25% with effect from year of assessment 2009. Consequently deferred tax assets and liabilities are measured using these tax rates.

8. Earnings / (Loss) Per Share (Basic)

The calculation of basic earnings / (loss) per ordinary share for the financial year was based on the profit / (loss) attributable to equity holders and the weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2007	*2006*
	RM'000	*RM'000*
		Restated
Profit / (Loss) for the year attributable to equity holders		
- from continuing operations	**15,118**	(30,597)
- from discontinued operation	**9,182**	(37,581)
	24,300	(68,178)

Weighted average number of ordinary shares is computed as follows :-

	Group	
Number of Ordinary Shares of 50 sen each	***2007***	*2006*
Issued ordinary shares at beginning of the financial year	**713,361**	773,357
Effect of shares repurchased	**-**	(58,631)
Weighted average number of shares in issue during the financial year	**713,361**	714,726

Basic earnings / (loss) per ordinary shares	***Group***	
In sen	***2007***	*2006*
- from continuing operations	**2.1**	(4.2)
- from discontinued operation	**1.3**	(5.3)
	3.4	(9.5)

9. Property, Plant And Equipment

Group

	Freehold Land RM'000	Buildings RM'000	Plant and Machinery RM'000	Motor Vehicles RM'000	Furniture, Fittings and Equipment RM'000	Construction Work in Progress RM'000	Total 2007 RM'000	Total 2006 RM'000 Restated
Cost								
At 1 January	**10,614**	**31,558**	**32,802**	**4,906**	**16,808**	**1,030**	**97,718**	106,319
Exchange differences	**2**	**(61)**	**7**	**(139)**	**11**	**(2)**	**(182)**	219
	10,616	**31,497**	**32,809**	**4,767**	**16,819**	**1,028**	**97,536**	106,538
Reclassification	**-**	**-**	**(36)**	**-**	**36**	**-**	**-**	-
Additions	**-**	**169**	**573**	**310**	**610**	**-**	**1,662**	2,726
Disposals	**-**	**-**	**(81)**	**(116)**	**(23)**	**-**	**(220)**	(9,022)
	10,616	**31,666**	**33,265**	**4,961**	**17,442**	**1,028**	**98,978**	100,242
Deconsolidation of a subsidiary	**-**	**-**	**(2,606)**	**(78)**	**(5,645)**	**-**	**(8,329)**	-
Effects of adopting FRS 117	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(2,524)
At 31 December	**10,616**	**31,666**	**30,659**	**4,883**	**11,797**	**1,028**	**90,649**	97,718
Accumulated Depreciation And Impairment								
At 1 January								
Accumulated depreciation	**-**	**6,098**	**27,038**	**4,422**	**13,768**	**-**	**51,326**	53,661
Accumulated Impairment	**-**	**9,812**	**76**	**-**	**1,590**	**-**	**11,478**	808
As previously reported	**-**	**15,910**	**27,114**	**4,422**	**15,358**	**-**	**62,804**	54,469
Exchange differences	**-**	**(62)**	**6**	**(138)**	**3**	**-**	**(191)**	(47)
	-	**15,848**	**27,120**	**4,284**	**15,361**	**-**	**62,613**	54,422
Depreciation charge for the year	**-**	**617**	**1,072**	**192**	**519**	**-**	**2,400**	2,716
Reversal of impairment for the year	**-**	**(875)**	**-**	**-**	**-**	**-**	**(875)**	10,673
Disposals	**-**	**-**	**(81)**	**(116)**	**(23)**	**-**	**(220)**	(4,371)
	-	**15,590**	**28,111**	**4,360**	**15,857**	**-**	**63,918**	63,440
Deconsolidation of a subsidiary	**-**	**-**	**(2,302)**	**(78)**	**(5,737)**	**-**	**(8,117)**	-
Effects of adopting FRS117	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(636)
At 31 December	**-**	**15,590**	**25,809**	**4,282**	**10,120**	**-**	**55,801**	62,804
Analysed as follows:-								
Accumulated depreciation	**-**	**6,711**	**25,809**	**4,282**	**10,120**	**-**	**46,922**	51,326
Accumulated impairment	**-**	**8,879**	**-**	**-**	**-**	**-**	**8,879**	11,478
Net Carrying Amount								
At 31 December 2007	**10,616**	**16,076**	**4,850**	**601**	**1,677**	**1,028**	**34,848**	-
At 31 December 2006	10,614	15,648	5,688	484	1,450	1,030	-	34,914

9. Property, Plant And Equipment (Cont'd)

Company	*Motor Vehicles RM'000*	*Furniture, Fittings and Equipment RM'000*	*Total 2007 RM'000*	*Total 2006 RM'000*
Cost				
At 1 January	**892**	**448**	**1,340**	1,316
Additions	**128**	**-**	**128**	25
Disposals	**(114)**	**-**	**(114)**	-
At 31 December	**906**	**448**	**1,354**	1,341
Accumulated Depreciation				
At 1 January	**888**	**354**	**1,242**	1,225
Charge for the year	**7**	**16**	**23**	18
Disposals	**(114)**	**-**	**(114)**	-
At 31 December	**781**	**370**	**1,151**	1,243
Net Carrying Amount				
At 31 December 2007	**125**	**78**	**203**	-
At 31 December 2006	4	94	-	98

As at 31 December 2006, property, plant and equipment of the Group with a net carrying amount of RM88,000 were acquired under hire purchase and lease arrangements.

10. Investment Property

	Group 2007 RM'000	*Group 2006 RM'000*
Cost		
At 1 January	**1,517**	1,498
Effect of movements in exchange rates	**(3)**	20
At 31 December	**1,514**	1,518
Accumulated Depreciation		
At 1 January	**246**	202
Effect of movements in exchange rates	**-**	3
Charge for the year	**41**	41
At 31 December	**287**	246
Net Carrying Amount	**1,227**	1,272
Direct operating expenses of income generating investment property	**62**	65

10. Investment Property (cont'd)

The investment property comprises a leasehold warehouse leased to a third party. The property, with an unexpired lease period of 30 years, has been valued at RM1.9 million (2006: RM1.5 million) based on an independent professional valuation, arrived at on the direct comparison method as at 31 December 2007.

11. Prepaid Land Lease Payments

	Group	
	2007	*2006*
	RM'000	*RM'000*
		Restated
Cost		
At 1 January	**2,524**	-
Reclassification from property, plant and equipment upon adoption of FRS 117	**-**	2,524
At 31 December	**2,524**	2,524
Amortisation		
At 1 January	**636**	-
Reclassification from property, plant and equipment upon adoption of FRS 117	**-**	597
Effect of movements in exchange rates	**(1)**	2
Amortisation for the year	**36**	37
At 31 December	**671**	636
Net Carrying Amount	**1,853**	1,888

The unexpired lease period of the prepaid land lease payments are analysed as follows:

	2007	*2006*
	RM'000	*RM'000*
Unexpired period less than 50 years	**509**	520
Unexpired period more than 50 years	**1,344**	1,368
	1,853	1,888

12. Subsidiaries

	Company	
	2007	*2006*
	RM'000	*RM'000*
Investments in subsidiaries		
Unquoted shares, at cost	**119,511**	119,511
Less : Impairment	**(4,782)**	(5,246)
	114,729	114,265
Amounts owing by subsidiaries	**906,411**	858,136
Less : Allowance for doubtful debts	**(629,591)**	(642,047)
	276,820	216,089
Amounts owing to subsidiaries	**(66,447)**	(65,778)

(a) Amounts owing by / to subsidiaries represent mainly balances arising from advances, interest charged and payments made on behalf. Amounts owing by subsidiaries are unsecured, have no fixed terms of repayment and are interest-free except for amounts owing by subsidiaries of RM573,121,000 (2006: RM589,015,000) which bear interest ranging from 0.1% to 4.5% (2006: 0.1% to 4.5%) per annum. Amounts owing to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

(b) The amounts owing by subsidiaries are in respect of advances granted to subsidiaries for investment purposes. The recoverability of these amounts are dependent on the underlying values of the investments held by these subsidiaries which are subject to the economic conditions affecting the respective countries where these investments are held. The Directors are of the opinion that the underlying values of the investments will recover in line with the improvement in economic conditions.

(c) The financial statements of a subsidiary, Network Foods Limited ("NFL") Australia, have been prepared on a break-up basis for the financial year ended 31 December 2006 as a result of its deficit in shareholders' funds position and continuing adverse operating results. Arising from this, additional impairment loss on property, plant and equipment, write-down of inventories, allowance for doubtful debts and provision for contingent cost and liabilities totalling RM17,474,000 were taken up by the Group.

The effect of these adjustments on the assets and liabilities of NFL are as follows:-

	Before Break-up basis As at 31.12.2006 RM'000	***Break-up basis adjustments RM'000***	***After Break-up basis As at 31.12.2006 RM'000***
Assets	26,703	(5,377)	21,326
Liabilities	(37,022)	(12,097)	(49,119)
Net liabilities	(10,319)	(17,474)	(27,793)

(d) Discontinued operation and deconsolidation of NFL

As disclosed in Note 30, on 7 May 2007 the Company announced the appointment of voluntary administrators for NFL. In view of this, the financial statements of NFL have been deconsolidated from the Consolidated Financial Statements of the Group with effect from 7 May 2007. Subsequently, the operation of NFL was discontinued.

12. Subsidiaries (cont'd)

(d) Discontinued operation and deconsolidation of NFL (cont'd)

The comparative Consolidated Income Statement has been re-presented to show the discontinued operation separately from continuing operations.

Results of discontinued operation of NFL

	2007 Up to date of deconsolidation RM'000	*2006 RM'000*
Revenue	**14,685**	117,177
Operating costs	**(19,476)**	(152,753)
Loss from operations	**(4,791)**	(35,576)
Finance cost	**(520)**	(1,633)
Loss before taxation	**(5,311)**	(37,209)
Taxation	**-**	(844)
Loss after taxation	**(5,311)**	(38,053)
Surplus arising from deconsolidation of subsidiary	**14,493**	-
Profit / (Loss) for the year from discontinued operation	**9,182**	(38,053)

The following amounts have been included in arriving at profit / (loss) for the year from discontinued operation:

	2007 RM'000	*2006 RM'000*
After charging:-		
Allowance for doubtful debts	**-**	1,132
Auditors' remuneration- under provision in prior years	**-**	232
Break-up basis adjustments	**-**	17,474
Depreciation	**111**	380
Finance cost	**520**	1,633
Hire of plant and equipment	**-**	308
Impairment of goodwill	**-**	1,636
Net exchange loss, unrealised	**-**	21
Rental of office premises	**-**	2,458
Staff cost		
- salaries, wages and other costs	**2,199**	13,924
- defined contribution plans	**198**	1,003
and after crediting:-		
Gain on disposal of property, plant and equipment	**-**	5,752
Interest income - others	**30**	102
Net exchange gain, unrealised	**116**	-
Negative goodwill recognised	**1,669**	-
Surplus arising from deconsolidation of subsidiary	**14,493**	-
Write back of allowance for doubtful debts	**1**	-

12. Subsidiaries (cont'd)

(d) Discontinued operation and deconsolidation of NFL (cont'd)

Cash flows from discontinued operation	***2007***	*2006*
	RM'000	*RM'000*
Net cash from operating activities	**2,034**	(5,362)
Net cash from investing activities	**(52)**	9,391
Net cash from financing activities	**(2,587)**	(12,084)
Net cash used in discontinued operation	**(605)**	(8,055)

The effects of deconsolidation of NFL on the financial position of the Group as at 31 December 2007 are as follows:-

	2007 At the date of deconsolidation RM'000
Property, plant and equipment	**212**
Inventories	**4,618**
Trade and other receivable	**5,291**
Cash and bank balances	**1,608**
Trade and other payables	**(28,061)**
Bank overdrafts	**(8,058)**
Other bank borrowing	**(3,165)**
Net liabilities on deconsolidation	**(27,555)**
Surplus arising from deconsolidation	**14,493**
	(13,062)
Net cash and cash equivalents upon deconsolidation	**6,450**
Net effects on deconsolidation of a subsidiary	**(6,612)**

(e) On 21 December 2007, the Company announced the winding-up of its inactive subsidiaries, Megafine Nominees (Asing) Sdn Bhd, by way of members' voluntary winding-up; and Chalpillar (M) Sdn Bhd, Cherubim Nominees (Tempatan) Sdn Bhd, Faith Nominees (Tempatan) Sdn Bhd and Ultipac Sdn Bhd, by way of creditors' voluntary winding-up.

(f) Details of the subsidiaries are disclosed in Note 32.

13. Investments

	Group		Company	
	2007	2006	**2007**	2006
	RM'000	RM'000	**RM'000**	RM'000
Quoted shares, at cost				
In Malaysia	**188,010**	193,939	**1,980**	1,980
Overseas	**22**	22	**-**	-
	188,032	193,961	**1,980**	1,980
Unquoted shares, at cost	**103,784**	103,794	**650**	650
	291,816	297,755	**2,630**	2,630
Less : Allowance for diminution in value				
Quoted shares	**(134,696)**	(154,577)	**-**	-
Unquoted shares	**(7,399)**	(3,823)	**(450)**	(450)
	149,721	139,355	**2,180**	2,180
Market value of quoted shares				
In Malaysia	**74,543**	46,515	**3,798**	3,853
Overseas	**128**	126	**-**	-
	74,671	46,641	**3,798**	3,853

Included in investments in unquoted shares is an amount of RM96,184,000 (2006: RM96,184,000) in respect of redeemable preference shares, the redemption of which is at the discretion of the investee company. The redemption shall be at a price equal to the original subscription price paid plus all dividends accrued but not paid as of the redemption date.

14. Goodwill On Consolidation

	Group	
	2007	2006
	RM'000	RM'000
At 1 January, cost	**63,557**	63,557
Less : Impairment of goodwill	**(5,351)**	(5,351)
At 31 December	**58,206**	58,206

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units ("CGU") which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. The allocation of the goodwill by geographical entities are as follows:-

	Group	
	2007	2006
	RM'000	RM'000
Hong Kong	**7,431**	7,431
Malaysia	**50,775**	50,775
	58,206	58,206

14. Goodwill On Consolidation (Cont'd)

Value in use of the CGU was determined by discounting the future cash flows expected to be generated from the continuing use of the unit and was based on the following key assumptions:

- Cash flows were projected based on expected future cash flows for a period of up to 20 years and the assumption that cash flow remains constant from the 5th year.

- A discount rate of 8% was used to calculate the present value of the cash flows.

15. Deferred Tax

	Group	
	2007	*2006*
	RM'000	*RM'000*
Deferred tax assets		
Tax losses and unabsorbed capital allowances	**665**	913
Other temporary differences	**(328)**	(232)
	337	681
Deferred tax liabilities		
Property, plant and equipment		
- capital allowances in excess of depreciation	**(599)**	(701)
Other temporary differences	**(94)**	(196)
	(693)	(897)

No deferred tax has been recognised for the following items:-

	Group		Company	
	2007	*2006*	***2007***	*2006*
	RM'000	*RM'000*	***RM'000***	*RM'000*
Unabsorbed capital allowances	**675**	2,084	**287**	706
Unutilised tax losses	**21,946**	34,253	**4,047**	5,235
Deductible temporary differences	**369**	504	**-**	-
	22,990	36,841	**4,334**	5,941

The unabsorbed capital allowances, unutilised tax losses and deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group and the Company can utilise the benefits.

16. Inventories

	Group	
	2007	2006
	RM'000	RM'000
At cost		
Raw materials	**2,761**	4,977
Work-in-progress	**2,051**	1,506
Finished goods	**14,639**	13,100
Sundry stores and consumables	**1,335**	1,389
	20,786	20,972
At net realisable value		
Finished goods	-	9,712
Raw materials	**2,157**	-
	22,943	30,684

17. Trade and Other Receivables

	Group		Company	
	2007	2006	**2007**	2006
	RM'000	RM'000	**RM'000**	RM'000
Trade receivables	**30,191**	40,432	-	-
Less : Allowance for doubtful debts	**(1,899)**	(5,690)	-	-
	28,292	34,742	-	-
Other receivables, deposits and prepayments	**4,086**	5,980	**327**	357
	32,378	40,722	**327**	357

(a) The currency exposure profile of trade receivables of the Group is as follows:-

	Group	
	2007	2006
	RM'000	RM'000
Ringgit Malaysia	**24,778**	22,892
Hong Kong Dollar	**2,732**	2,215
Singapore Dollar	**782**	1,088
Australian Dollar	-	7,894
US Dollar	-	630
Others	-	23
	28,292	34,742

(b) Credit terms of trade receivables range from 60 to 90 days (2006: 7 to 110 days).

(c) Included in other receivables, deposits and prepayments of the Group is an amount owing by related companies totalling RM241,000 (2006: RM175,000).

(d) The Group has no significant concentration of credit risk that may arise from exposure to a single debtor or group of debtors.

18. Cash and Cash Equivalents

	Group		Company	
	2007	2006	**2007**	2006
	RM'000	RM'000	**RM'000**	RM'000
Deposits with licensed banks	**375,379**	390,199	**225,000**	281,000
Cash and bank balances	**7,474**	7,175	**14**	14
	382,853	397,374	**225,014**	281,014

(a) The currency exposure profile of deposits, cash and bank balances is as follows:-

	Group 2007	Group 2006	Company 2007	Company 2006
Ringgit Malaysia	**239,085**	313,002	**225,014**	281,014
Sterling Pound	**116,370**	-	**-**	-
Australian Dollar	**15,265**	47,911	**-**	-
Singapore Dollar	**8,502**	8,824	**-**	-
Hong Kong Dollar	**3,631**	27,637	**-**	-
	382,853	397,374	**225,014**	281,014

(b) The weighted average interest rates of deposits, cash and bank balances that were effective at the financial year end are as follows:-

	Group 2007	Group 2006	Company 2007	Company 2006
	%	%	**%**	%
Deposits with licensed banks	**3.5**	2.6	**3.3**	2.7

(c) Deposits of the Company and the Group have average maturities of 30 days (2006: 30 days). Bank balances are deposits held at call with banks.

19. Share Capital

	Group/Company			
	Number of Ordinary Shares of 50 sen each		*Amount*	
	2007 RM'000	*2006 RM'000*	***2007 RM'000***	*2006 RM'000*
Authorised	**2,000,000**	2,000,000	**1,000,000**	1,000,000
Issued and fully paid:-				
At 1 January / 31 December	**773,357**	773,357	**386,678**	386,678

The shareholders of the Company, had in general meetings held in previous years, approved and renewed the Company's plan to repurchase its own ordinary shares.

As at 31 December 2007, the number of treasury shares held is 59,996,400 (2006: 59,996,400) ordinary shares. These shares are held in accordance with Section 67A of the Companies Act, 1965 and are stated at cost.

20. Reserves

	Group		*Company*	
	2007 RM'000	*2006 RM'000*	***2007 RM'000***	*2006 RM'000*
Non - Distributable				
Share premium	**472,258**	472,258	**472,258**	472,258
Exchange translation reserve	**26,558**	28,089	**-**	-
Capital reserve	**56,558**	58,227	**-**	-
Capital redemption reserve	**33,327**	33,327	**33,327**	33,327
	588,701	591,901	**505,585**	505,585
Accumulated losses	**(588,014)**	(612,314)	**(591,841)**	(597,921)
	687	(20,413)	**(86,256)**	(92,336)

(a) The non-distributable capital reserve of the Group is in respect of profit from sale of investments and accretion of interest in a subsidiary.

(b) The capital redemption reserve is in respect of the treasury shares cancelled on 20 June 2005. An amount equivalent to the nominal value of the shares cancelled was transferred to capital redemption reserve.

21. Minority Interests

This consists of the minority shareholders' proportion of share capital and reserves of subsidiaries, net of their share of subsidiaries' goodwill on consolidation.

22. Hire Purchase And Lease Payables

	Group	
	2007	2006
	RM'000	RM'000
Amounts outstanding	-	55
Less : Amounts payable within 12 months included under other payables	-	(25)
	-	30

	Group	
	2007	2006
	RM'000	RM'000
Minimum hire purchase and finance lease payments:-		
- within 1 year	-	30
- between 1 year and 5 years	-	34
	-	64
Future finance charges	-	(9)
Present value of hire purchase and finance lease liabilities	-	55
Payable within 1 year	-	25
Payable between 1 year and 5 years	-	30
	-	55

23. Trade And Other Payables

	Group		Company	
	2007	2006	**2007**	2006
	RM'000	RM'000	**RM'000**	RM'000
Trade payables	**18,178**	26,031	-	-
Other payables	**3,373**	15,910	**2**	1,040
Accrued administrative and other expenses	**3,878**	6,806	**815**	310
	25,429	48,747	**817**	1,350

23. Trade And Other Payables (cont'd)

	Group	
	2007	2006
	RM'000	RM'000
(a) The currency exposure profile of trade payables is as follows:-		
Ringgit Malaysia	**16,499**	11,154
US Dollar	**615**	1,167
Hong Kong Dollar	**594**	1,005
Singapore Dollar	**294**	265
Australian Dollar	**-**	12,440
Others	**176**	-
	18,178	26,031

(b) Credit terms of trade payables granted to the Group vary from 14 to 60 days (2006: 14 to 60 days).

24. Bank Borrowings

	Group		Company	
	2007	2006	**2007**	2006
	RM'000	RM'000	**RM'000**	RM'000
Current				
Bills payables				
- Unsecured	**1,738**	5,913	**-**	-
Bank overdrafts				
- Secured	**-**	7,818	**-**	-
- Unsecured	**36,555**	39,866	**35,479**	37,575
Bank revolving credits				
- Secured	**14,395**	13,879	**-**	-
- Unsecured	**245,000**	245,000	**245,000**	245,000
Other loans				
- Secured	**-**	5,720	**-**	-
Total	**297,688**	318,196	**280,479**	282,575

(a) The bills payables, bank overdrafts and bank revolving credits bear interests at between 0.5% to 2.5% (2006: 0.5% to 2.0%) per annum above the base lending rates / cost of fund of the lending institutions.

(b) The secured banking facility of an overseas subsidiary is secured by fixed deposit amounting to RM14.4 million (2006: RM14.8 million).

24. Bank Borrowings (cont'd)

	Group		*Company*	
	2007	*2006*	***2007***	*2006*
	RM'000	*RM'000*	***RM'000***	*RM'000*
(c) The currency exposure profile of borrowings is as follows:-				
Ringgit Malaysia	**281,468**	288,350	**280,479**	282,575
Australian Dollar	**14,395**	27,417	**-**	-
Singapore Dollar	**1,075**	1,640	**-**	-
Hong Kong Dollar	**475**	591	**-**	-
US Dollar	**275**	198	**-**	-
	297,688	318,196	**280,479**	282,575
(d) The weighted average effective interest rates of borrowings are as follows:-	**%**	%	**%**	%
Bills payables	**5.5**	6.9	**-**	-
Bank overdrafts	**7.1**	8.2	**8.3**	7.8
Bank revolving credits	**6.8**	6.3	**5.6**	5.6
Other loans	**-**	9.5	**-**	-

25. Amount Owing To Related Company

Amount owing to related company is interest free, unsecured and has no fixed terms of repayment.

26. Segment Information - Group

(a) Business Segments

The Group's operations comprise the following business:

Food and confectionery	:	Manufacturing, marketing and distribution of confectionery and cocoa-based and other food products.
Investment holding	:	Holding of investments and related activities.

Segment assets consist primarily of property, plant and equipment, intangible assets, investments, inventories, receivables and operating cash.

Segment liabilities comprise operating liabilities and bank borrowings.

Unallocated assets and liabilities consist of income tax assets and income tax liabilities respectively.

26. Segment Information - Group (cont'd)

	Food and Confectionery		*Investment Holding*		*Total*	
	2007	*2006*	***2007***	*2006*	***2007***	*2006*
	RM'000	*RM'000*	***RM'000***	*RM'000*	***RM'000***	*RM'000*
Revenue						
Continuing Operations						
External customers	**119,231**	109,658	**10,635**	9,716	**129,866**	119,374
Inter-segment	**-**	-	**-**	-	**-**	-
	119,231	109,658	**10,635**	9,716	**129,866**	119,374
Discontinued Operation	**14,685**	117,177	**-**	-	**14,685**	117,177
Total revenue	**133,916**	226,835	**10,635**	9,716	**144,551**	236,551
Results						
Continuing Operations						
Profit from operations before exceptional items	**9,626**	3,309	**23,806**	192	**33,432**	3,501
Exceptional items	**-**	(9,000)	**-**	(5,850)	**-**	(14,850)
	9,626	(5,691)	**23,806**	(5,658)	**33,432**	(11,349)
Interest expense					**(15,971)**	(16,171)
Share of results of associates					**-**	(1,622)
Profit / (Loss) before taxation					**17,461**	(29,142)
Taxation					**(1,591)**	(874)
Profit / (Loss) for the year from continuing operations					**15,870**	(30,016)
Discontinued Operation						
Profit / (Loss) for the year from discontinued operation					**9,182**	(38,053)
Profit / (Loss) for the financial year					**25,052**	(68,069)
Segment assets	**178,400**	192,233	**510,613**	517,166	**689,013**	709,399
Unallocated assets					**2,372**	4,672
Consolidated total assets					**691,385**	714,071
Segment liabilities	**27,175**	70,029	**296,193**	298,233	**323,368**	368,262
Unallocated liabilities					**1,392**	1,036
Consolidated total liabilities					**324,760**	369,298

26. Segment Information - Group (cont'd)

	Food and Confectionery		Investment Holding		Total	
	2007 RM'000	2006 RM'000	**2007 RM'000**	2006 RM'000	**2007 RM'000**	2006 RM'000
Other Information						
Continuing Operations						
Capital expenditure	**1,475**	1,707	**135**	39	**1,610**	1,746
Depreciation / Amortisation	**2,238**	2,251	**128**	126	**2,366**	2,377
Non-cash expenses other than depreciation	**53**	13,618	**3,602**	12,210	**3,655**	25,828
Discontinued Operation						
Capital expenditure	**52**	980	**-**	-	**52**	980
Depreciation / Amortisation	**111**	380	**-**	-	**111**	380
Non-cash expenses other than depreciation	**-**	20,242	**-**	-	**-**	20,242

(b) Geographical Segments

Apart from Malaysia, the food and confectionery operations are also operated in Asia-Pacific region comprising Singapore and Hong Kong.

In determining the geographical segments of the Group, revenue is based on the country of operation. Total assets and capital expenditure are determined based on where the assets are located.

	Revenue		Total Assets		Capital Expenditure	
	2007 RM'000	2006 RM'000	**2007 RM'000**	2006 RM'000	**2007 RM'000**	2006 RM'000
Continuing Operations						
Malaysia	**111,289**	100,576*	**434,571**	452,166	**1,597**	1,672
Asia-Pacific	**18,577**	18,798	**254,442**	235,908	**13**	74
	129,866	119,374	**689,013**	688,074	**1,610**	1,746
Unallocated assets	**-**	-	**2,372**	4,672	**-**	-
	129,866	119,374	**691,385**	692,746	**1,610**	1,746
Discontinued Operation						
Australia	**14,685**	117,177	**-**	21,325	**52**	980
	144,551	236,551	**691,385**	714,071	**1,662**	2,726

* *Revenue is stated net of inter-segment sales of RM2,001,000 derived from other geographical regions. Other than this, there are no other inter-segment sales. Inter-segment pricing is determined based on negotiated terms.*

27. Commitments

	Group 2007 RM'000	Group 2006 RM'000
(a) Capital Commitments		
Property, plant and equipment		
- Contracted but not provided for in the financial statements	**452**	186
(b) Operating Lease Commitments		
The future minimum lease payments under non-cancellable operating leases are as follows:-		
Within 1 year	**335**	3,703
Between 1 year and 5 years	**1,181**	8,374
After 5 years	**14,937**	15,622
	16,453	27,699

28. Significant Related Party Transactions

(i) Related Parties and Relationship

The Company is a subsidiary of Malayan United Industries Berhad ("MUI"). Related party transactions of the Group include transactions between the Group with other subsidiaries within the MUI Group of companies. These other subsidiaries are referred to as related companies.

Controlling related party relationships are as follows:-

(i) The ultimate holding company, MUI, as disclosed above.

(ii) Tan Sri Dato' Khoo Kay Peng, by virtue of his deemed interest in the ultimate holding company, is a deemed substantial shareholder of the Company.

(ii) Significant Related Party Transactions

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:

Group	***2007 RM'000***	*2006 RM'000*
Related Companies:-		
Share registration fees income	**40**	42
Office rental and related expenses	**151**	159
Office equipment rental expenses	**136**	136
Security services expenses	**18**	18
Associate of MUI:-		
Share registration fee income	**32**	23
Company		
Subsidiaries:-		
Interest income	**1,266**	1,214
Advances to subsidiaries	**64,604**	26,369

28. Significant Related Party Transactions (cont'd)

The related party transactions described above were carried out on terms and conditions in the normal course of business and the terms were mutually agreed between the respective parties.

Significant balances with related parties at the balance sheet date are disclosed in Note 12 and Note 17 to the financial statements.

(iii) Key Management Personnel Compensation

The key management personnel compensation are as follows:

	Group		*Company*	
	2007 RM'000	*2006 RM'000*	***2007 RM'000***	*2006 RM'000*
Short term employee benefits	**1,144**	1,258	**79**	285
Contribution to defined contribution plan	**99**	97	**-**	33
	1,243	1,355	**79**	318

29. Financial Instruments

(i) Financial Risk Management 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 risks.

The main areas of the financial risks faced by the Group and the policy in respect of the major areas of treasury activities are set out as follows:-

a. Credit risk
The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group has no significant concentration of credit risk. Cash is held with financial institutions of good standing. The maximum credit risk is represented by the carrying amount of each financial asset in the balance sheet.

b. Interest rate risk
The Group's income and operating cash flows are subject to changes in market interest rates. The Group's significant interest-bearing asset is short term fixed deposits. Deposits with licensed banks are placed on a short term basis on varying maturity dates.

The Group monitors the interest rate on borrowings closely to ensure that the borrowings are maintained at favourable rates.

c. Liquidity and cash flow risks
Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of available credit facilities. Due to the dynamic nature of the underlying business, the Group aims at maintaining flexibility in funding by keeping credit lines available.

d. Foreign currency risk
The Group incurs foreign currency risk on transactions and balances that are denominated in a currency other than Ringgit Malaysia. The currencies giving rise to the risk are mainly US dollar, Australian dollar, Hong Kong dollar and Singapore dollar. Exposure to foreign currency risk is monitored on an ongoing basis by the Group to ensure the net exposure is at an acceptable level.

29. Financial Instruments (cont'd)

(ii) Fair Values Of Financial Instruments

The carrying amounts of financial assets and financial liabilities of the Group as at 31 December 2007 approximate their fair values because of their short term maturity periods.

30. Significant Corporate Developments

On 7 May 2007, the Board of Directors of Network Foods Limited ("NFL"), Australia appointed voluntary administrators ("Administrators") under the Australian Corporations Act 2001 (the "Act"). Upon the appointment, the Administrators took control of the affairs of NFL and the powers of the directors of NFL were suspended.

On 28 June 2007, the Administrators, the Company and other parties executed a deed of company arrangement ("Deed") prepared in accordance with the provisions of Part 5.3A of the Act and containing the terms specified in the creditors' resolution further to the creditors' meeting convened by the Administrators on 12 June 2007. Pursuant to the terms of the Deed, a sum of A$2.0 million (equivalent to approximately RM5.9 million) was paid by PMRI Investments (Singapore) Pte Ltd, a subsidiary of the Company, to the Administrators in full and final satisfaction of any and all obligations of the Company and the directors of NFL to NFL and to the creditors of NFL.

In view of the above, the financial statements of NFL have been deconsolidated from the Consolidated Financial Statements of the Group with effect from 7 May 2007.

31. Other Matters

The utilisation of the balance of the proceeds from the disposal of the cement-based associates is as follows:-

	Balance as at 1.1.2007 RM'000	*Utilised RM'000*	*Balance as at 31.12.2007 RM'000*
Proposed utilisation as approved by the Securities Commission ("SC")			
(a) To subscribe to the rights issue of Pan Malaysian Industries Berhad ("PMI")	**24,254**	-	**24,254**
(b) Balance of proceeds to continue to be placed in fixed deposits in financial institutions or to be invested temporarily in fixed income securities and unit trust funds	**264,200**	-	**264,200**
	288,454	-	**288,454**

The Group has from time to time, on its own and through investment bankers, sought viable investments in food business to expand the current food and confectionery operations. A number of proposals have been evaluated; thus far, the proposals were not found suitable. The Group will continue to look for viable investments with good long term potential in the food, retailing and other viable businesses.

32. Details of Subsidiaries

	Subsidiary	*Equity Interest* 2007 %	*Equity Interest* 2006 %	*Principal Activities*	*Country of Incorporation*
+ 1.	Acmes Investment Limited	**100**	100	Investment holding	Hong Kong
2.	Baiduri Pertama Sdn Bhd	**100**	100	Investment holding	Malaysia
3.	Bidou Holdings Sdn Bhd	**100**	100	Investment holding	Malaysia
**4.	Chalpillar (M) Sdn Bhd	**100**	100	In liquidation	Malaysia
**5.	Cherubim Nominees (Tempatan) Sdn Bhd	**100**	100	In liquidation	Malaysia
6.	Clacton Holdings Sdn Bhd	**100**	100	Investment holding	Malaysia
7.	Delight Consolidated Sdn Bhd	**100**	100	Investment holding	Malaysia
**8.	Faith Nominees (Tempatan) Sdn Bhd	**100**	100	In liquidation	Malaysia
+9.	GCIH Trademarks Limited	**100**	100	Licensing of trademarks	Hong Kong
10.	Gelombang Sinar Sdn Bhd	**100**	100	Investment holding	Malaysia
11.	Jaguh Padu Sdn Bhd	**100**	100	Investment holding	Malaysia
12.	Jerico Sdn Bhd	**100**	100	Investment holding	Malaysia
13.	Jomuda Sdn Bhd	**100**	100	Investment holding	Malaysia
14.	Lembaran Megah Sdn Bhd	**100**	100	Investment holding	Malaysia
**15.	Megafine Nominees (Asing) Sdn Bhd	**100**	100	In liquidation	Malaysia
16.	Megafort Sdn Bhd	**100**	100	Investment holding	Malaysia
17.	Megawise Sdn Bhd	**100**	100	Investment holding	Malaysia
18.	Mikonwadi Sdn Bhd	**100**	100	Investment holding	Malaysia
#+19.	Network Foods Limited	**92.92**	92.92	Under voluntary administration	Australia
+20.	Network Foods International Ltd	**100**	100	Investment holding	Singapore
21.	Pan Malaysia Management Sdn Bhd	**100**	100	Management services	Malaysia
+ 22.	Pan Malaysia-Singapore Holdings (Pte) Ltd	**100**	100	Investment holding	Singapore
23.	Panorama Scope Sdn Bhd	**100**	100	Investment holding	Malaysia
24.	Plumbline Sdn Bhd	**100**	100	Investment holding	Malaysia
25.	PMCW Enterprises Sdn Bhd	**100**	100	Investment holding	Malaysia
26.	PMCW Holdings Sdn Bhd	**100**	100	Investment holding	Malaysia
+ 27.	PMRI Investments (Singapore) Pte Ltd	**100**	100	Investment holding	Singapore
* 28.	Syahdu Pinta Berhad	**100**	100	In liquidation	Malaysia
29.	Taraf Sanjung (M) Sdn Bhd	**100**	100	Investment holding	Malaysia
30.	Tunas Juara Sdn Bhd	**100**	100	Investment holding	Malaysia
** 31.	Ultipac Sdn Bhd	**100**	100	In liquidation	Malaysia
32.	United Pace Sdn Bhd	**100**	100	Investment holding	Malaysia
33.	Uniwell Nominees (Tempatan) Sdn Bhd	**100**	100	Inactive	Malaysia

* *Placed under members' voluntary winding-up on 31 January 2005.*
\# *Placed under voluntary administration on 7 May 2007.*
** *Placed under members' / creditors' voluntary winding-up on 21 December 2007.*

32. Details of Subsidiaries (cont'd)

Subsidiaries of Network Foods Limited (under voluntary administration)

	Subsidiary	*Equity Interest*		*Principal Activities*	*Country of Incorporation*
		2007	*2006*		
		%	*%*		
+ 1.	Balfour Grange Pty Ltd	**100**	100	Dormant	Australia
+ 2.	Dinnie Rundle Pty Ltd	**100**	100	Dormant	Australia
+ 3.	Universal Confectionery Pty Ltd	**100**	100	Dormant	Australia

Subsidiaries of Network Foods International Ltd

	Subsidiary	*Equity Interest*		*Principal Activities*	*Country of Incorporation*
		2007	***2006***		
		%	***%***		
+1.	Danau Gelombang Sdn Bhd	**100**	100	Inactive	Malaysia
+2.	Network Foods Distribution Pte Ltd	**100**	100	Warehousing and distribution of chilled products, confectionery products and snack foods	Singapore
+3.	Network Foods (Hong Kong) Limited	**100**	100	Distribution of chocolates and other food and beverage products	Hong Kong
+4.	Network Foods Industries Sdn Bhd	**81.54**	81.54	Manufacturing and trading of consumer chocolate products	Malaysia
+5.	Network Foods (Malaysia) Sdn Bhd	**100**	100	Marketing and distribution of chocolates, confectionery and beverage products	Malaysia
+6.	Quintrinox Pte Ltd	**100**	100	Investment holding	Singapore
+7.	Specialist Food Retailers Pte Ltd	**100**	100	Inactive	Singapore
+8.	Tiffany Enterprise Sdn Bhd	**100**	100	Dormant	Malaysia
+9.	Tiffany Hampers & Gifts Pte Ltd	**100**	100	Inactive	Singapore

+ *Indicates subsidiaries not audited by KPMG, Malaysia*

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, Tan Sri Dato' Seri Dr Ting Chew Peh and Chan Choung Yau, being two of the Directors of Pan Malaysia Corporation Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 28 to 69 are drawn up in accordance with the applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board and provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the results and cash flows of the Company and of the Group for the financial year ended on that date.

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

Tan Sri Dato' Seri Dr Ting Chew Peh

Chan Choung Yau

24 April 2008

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, Lai Chee Leong, being the officer primarily responsible for the financial management of Pan Malaysia Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 28 to 69 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at Kuala Lumpur in the Federal Territory on 24 April 2008.

Lai Chee Leong

Before me

Robert Lim Hock Kee
Commissioner for Oaths

AUDITORS' REPORT

To the members of Pan Malaysia Corporation Berhad

We have audited the financial statements set out on pages 28 to 69. The preparation of the financial statements is 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 contents of this report.

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

In our opinion :

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

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

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

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

The subsidiaries in respect of which we have not acted as auditors are indicated in Note 32 to the financial statements and we have considered their financial statements and the auditors' reports thereon.

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

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

KPMG
Firm Number: AF 0758
Chartered Accountants

Adrian Lee Lye Wang
Approval Number: 2679/11/09(J)
Partner

Kuala Lumpur,
Date: 24 April 2008

PROPERTIES OWNED BY THE GROUP

As at 31 December 2007

Location, Description and Usage	*Approximate Area Sq. meter*	*Approximate Age of Building Years*	*Net Book Value RM'000*
MALAYSIA			
State of Selangor Darul Ehsan			
1 lot of leasehold industrial land with factory and office building at Persiaran Raja Muda, Shah Alam, Selangor Darul Ehsan (Lease expires in 2071) (Date of acquisition: September 1999)	10,800	37	5,990
1 lot of freehold industrial land at Mukim of Kapar, District of Klang, Selangor Darul Ehsan. (Date of acquisition: June 2004)	40,300	-	10,451
State of Pulau Pinang			
1 lot of leasehold land with an office and warehouse at no. 101-G, Lintang Kampong Jawa, Lot 4, Kawasan MIEL, Bayan Baru, Pulau Pinang (Lease expires in 2040) (Date of acquisition: September 1999)	976	26	509
State of Johor Darul Takzim			
1 lot of freehold land with warehouse at no. 35, Jalan Mashyur 3, Taman Perindustrian Cemerlang, Ulu Tiram, Johor Darul Takzim. (Date of acquisition: September 1999)	446	14	321
HONG KONG			
1 unit of leasehold warehouse at Block 1, Unit C, 23rd Floor, Kingford Industrial Building, nos. 26-32 Kwai Hei Street, Kwai Chung, New Territories (Lease expires in 2038) (Date of acquisition : September 1999)	771	29	1,227
SINGAPORE			
1 lot of leasehold land with a warehouse and office at no.12, Woodlands Link, Singapore (Lease expires in 2055) (Date of acquisition : September 1999)	7,442	10	8,370
1 lot of leasehold apartment at no. 152, Prince Charles Crescent, Singapore (Lease expires in 2096) (Date of acquisition: July 1999)	194	7	2,904

ANALYSIS OF SHAREHOLDINGS

As at 24 April 2008

Class of Share : Ordinary share of 50 sen each
Voting Rights : 1 vote per ordinary share

Substantial Shareholders
as per Register of Substantial Shareholders

	Direct Interest		Deemed Interest	
Name	**No. of Shares**	**%#**	**No. of Shares**	**%#**
1. Malayan United Industries Berhad	195,056,000	27.34	233,488,500	32.73
2. Pan Malaysian Industries Berhad	–	–	428,544,500	60.07
3. Tan Sri Dato' Khoo Kay Peng	–	–	428,544,500	60.07
4. Tarrega Holdings Sdn Bhd	189,060,500	26.50	–	–
5. Permodalan Nasional Berhad	64,168,486	8.99	–	–
6. Yayasan Pelaburan Bumiputra	–	–	64,168,486	8.99
7. Oriental Omega Sdn Bhd	36,268,000	5.08	–	–

Note:-
 # Based on the issued and paid-up share capital of the Company comprising 773,357,000 ordinary shares and after deduction of 59,996,400 treasury shares retained by the Company as per Record of Depositors.

Directors' Shareholdings in the Company and related corporations
as per Register of Directors' Shareholdings

	Direct Interest		Indirect Interest	
	No. of Shares	**%**	**No. of Shares**	**%**
Ordinary shares of 50 sen each in Pan Malaysia Corporation Berhad				
Wong Aun Phui	426,500	0.06#	–	–
Ordinary shares of RM1 each in Malayan United Industries Berhad				
Wong Aun Phui	1,497,000	0.08	–	–
Ordinary shares of 20 sen each in MUI Properties Berhad				
Dr Ngui Chon Hee	30,000	negligible	84,000	0.01

ANALYSIS OF SHAREHOLDINGS (Cont'd)

As at 24 April 2008

	Direct Interest Nominal Value RM	*%*	*Indirect Interest Nominal Value RM*	*%*
Class A1 Irredeemable Convertible Unsecured Loan Stocks in Malayan United Industries Berhad				
Wong Aun Phui	320,628	0.07	–	–
Dr Ngui Chon Hee	13,013	negligible	36,436	0.01
Class A2 Irredeemable Convertible Unsecured Loan Stocks in Malayan United Industries Berhad				
Wong Aun Phui	320,628	0.07	–	–
Dr Ngui Chon Hee	13,013	negligible	36,436	0.01

Distribution of Shareholders

Holdings	*No. of Holders*	*%*	*No. of Shares*	*%#*
Less than 100 shares	123	1.19	3,212	0.00
100 to 1,000 shares	1,646	15.98	1,506,668	0.21
1,001 to 10,000 shares	5,938	57.64	28,429,800	3.99
10,001 to 100,000 shares	2,295	22.28	70,163,222	9.84
100,001 to less than 5% of issued shares#	296	2.87	202,438,212	28.38
5% and above of issued shares#	4	0.04	410,819,486	57.58
Total	10,302	100.00	713,360,600	100.00

ANALYSIS OF SHAREHOLDINGS (Cont'd)

As at 24 April 2008

List of Thirty (30) Largest Securities Account Holders

	Name	*No. of Shares#*	*%#*
1.	Public Nominees (Tempatan) Sdn Bhd - Tarrega Holdings Sdn Bhd	151,595,000	21.25
2.	RHB Capital Nominees (Tempatan) Sdn Bhd - Malayan United Industries Bhd	147,340,000	20.65
3.	Permodalan Nasional Berhad	64,168,486	8.99
4.	Malayan United Industries Berhad	47,716,000	6.69
5.	Oriental Omega Sdn Bhd	36,268,000	5.08
6.	Tarrega Holdings Sdn Bhd	19,825,500	2.78
7.	RHB Capital Nominees (Tempatan) Sdn Bhd - Tarrega Holdings Sdn Bhd	17,640,000	2.47
8.	Onn Kok Puay (Weng Guopei)	8,473,900	1.19
9.	Appreplex (M) Sdn Bhd	7,920,000	1.11
10.	Ding Choo King	5,700,000	0.80
11.	Kim Hin Joo Private Limited	4,200,000	0.59
12.	Chua Ah Moi @ Chua Sai Peng	3,687,000	0.52
13.	Tan Lee Hwa	3,350,000	0.47
14.	Mayban Securities Nominees (Tempatan) Sdn Bhd - Securities Account For Leong Chee Kwong	3,335,000	0.47
15.	Mayban Nominees (Tempatan) Sdn Bhd - Securities Account For Ng Hoo Kui	3,146,600	0.44
16.	Cimsec Nominees (Asing) Sdn Bhd - UOB Kay Hian Private Limited For Tan Citi Time Pte Ltd	2,923,000	0.41
17.	Cimsec Nominees (Asing) Sdn Bhd - For CIMB-GK Securities Pte Ltd	2,725,665	0.38
18.	Shoptra Jaya (M) Sdn Bhd	2,112,800	0.30
19.	Universiti Malaya	1,624,000	0.23
20.	Lim Kian Siong	1,622,500	0.23
21.	RC Nominees (Tempatan) Sdn Bhd - Hope Foundation	1,600,000	0.22
22.	Zulkifli bin Hussain	1,530,000	0.21
23.	Lee Yu Yong @ Lee Yuen Ying	1,509,200	0.21
24.	Choong Kow Joo & Sons Sdn Bhd	1,400,000	0.20
25.	Citigroup Nominees (Asing) Sdn Bhd - CBNY For DFA Emerging Markets Fund	1,271,800	0.18
26.	HLG Nominee (Asing) Sdn Bhd - For UOB Kay Hian Pte Ltd	1,263,802	0.18
27.	Lim Choon Cheng	1,171,000	0.16
28.	Ng Chong Chee	1,000,000	0.14
29.	Liew Sze Fook	1,000,000	0.14
30.	Lian Lee Plantations Sendirian Berhad	901,000	0.13
Total		548,020,253	76.82

Note:-

 # Based on the issued and paid-up share capital of the Company comprising 773,357,000 ordinary shares and after deduction of 59,996,400 treasury shares retained by the Company as per Record of Depositors.

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Pan Malaysia Corporation Berhad
Company No: 4920-D
Incorporated in Malaysia

FORM OF PROXY

No. of Shares Held

I/We ____________________ NRIC No. ____________________

of ____________________ Tel. No. ____________________

being a member of PAN MALAYSIA CORPORATION BERHAD hereby appoint ____________________

____________________ NRIC No. ____________________

of ____________________ Occupation ____________________

or failing him/her, ____________________ NRIC No. ____________________

of ____________________ Occupation ____________________

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Forty-Fifth Annual General Meeting of the Company to be held at Crystal Ballroom, Corus hotel Kuala Lumpur, Jalan Ampang, 50450 Kuala Lumpur on Monday, 23 June 2008 at 9.00 a.m. and at any adjournment thereof, and to vote as indicated below:-

	Resolutions	For	Against
1.	To approve Directors' fees of RM159,666.		
2.	To re-appoint Mr Wong Aun Phui as a Director of the Company.		
3.	To re-appoint Dr Ngui Chon Hee as a Director of the Company.		
4.	To re-elect Encik Ariff bin Rozhan as a Director of the Company.		
5.	To re-elect Mr Chan Choung Yau as a Director of the Company.		
6.	To re-appoint Messrs KPMG as auditors of the Company and to authorise the Directors to fix their remuneration.		
7.	Proposed authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965.		
8.	Proposed renewal of authority for the purchase of own shares by Pan Malaysia Corporation Berhad.		
9.	Proposed Amendments to the Articles of Association of the Company.		

(Please indicate with an 'X' how you wish to cast your vote. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.)

Signed this ____________ day of ____________________ 2008.

Seal

____

Signature

Notes:-

1. *A member of the Company entitled to attend and vote at the meeting may appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company but if he is not a member, he must be a qualified legal practitioner, approved company auditor, a person approved by the Companies Commission of Malaysia in the particular case or a person approved by the Directors prior to the appointment.*
2. *A member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint one proxy only in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where a member, other than an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, appoints two proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
3. *The Form of Proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation, under its common seal or under the hand of the attorney.*
4. *The Form of Proxy must be deposited at the registered office of the Company at 5th Floor, Menara PMI, No.2, Jalan Changkat Ceylon, 50200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*

fold here first

Stamp

The Company Secretary
Pan Malaysia Corporation Berhad
5th Floor, Menara PMI
No. 2, Jalan Changkat Ceylon
50200 Kuala Lumpur
Malaysia