WAWASAN TKH HOLDINGS BERHAD (540218-A)

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WAWASAN TKH HOLDINGS BERHAD (540218-A)

Annual Report 2006

WAWASAN TKH HOLDINGS BERHAD
(540218-A)

2006
ANNUAL REPORT

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Corporate INFORMATION

BOARD OF DIRECTORS

DATO' TAN KIM HOR
Executive Chairman

DATO' TAN BOON PUN
Executive Director /
Chief Executive Officer

DATO' TAN HOE PIN
Executive Director

DR. TAN BAN LEONG
Executive Director

MICHAEL LIM HEE KIANG
Independent Non-Executive Director

YAM DATUK SERI TENGKU AHMAD SHAH IBNI ALMARHUM SULTAN SALAHUDDIN ABDUL AZIZ SHAH
Independent Non-Executive Director

AUDIT COMMITTEE

MICHAEL LIM HEE KIANG
Independent Non-Executive Director

YAM DATUK SERI TENGKU AHMAD SHAH IBNI ALMARHUM SULTAN SALAHUDDIN ABDUL AZIZ SHAH
Independent Non-Executive Director

DATO' TAN BOON PUN
Executive Director /
Chief Executive Officer

REMUNERATION COMMITTEE

MICHAEL LIM HEE KIANG
Chairman
Independent Non-Executive Director

DATO' TAN BOON PUN
Executive Director /
Chief Executive Officer

NOMINATION COMMITTEE

MICHAEL LIM HEE KIANG
Chairman
Independent Non-Executive Director

DATO' TAN BOON PUN
Executive Director /
Chief Executive Officer

COMPANY SECRETARIES

Ng Yen Hoong (LS 008016)
Wong Peir Chyun (MAICSA 7018710)

REGISTERED OFFICE

Level 14, Uptown 1
No. 1, Jalan SS21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan
Telephone : 03 - 7725 2888
Facsimile : 03 - 7725 7791/2/3

SHARE REGISTRAR

PFA Registration Services Sdn Bhd
Level 13, Uptown 1
No. 1, SS21/58,
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan
Telephone : 03 - 7725 4888
Facsimile : 03 - 7722 2311

PRINCIPAL PLACE OF BUSINESS

No. 2, Jalan 3/46A
Off Jalan Selingsing 7
51200 Kuala Lumpur
Telephone : 03 - 6257 6555
Facsimile : 03 - 6259 2790

AUDITORS

KPMG (Firm No. AF 0758)
Chartered Accountants
Wisma KPMG
Jalan Dungun
Damansara Heights
50490 Kuala Lumpur
Telephone : 03 - 2095 3388
Facsimile : 03 - 2095 0971

PRINCIPAL BANKERS

Public Bank Bhd
United Overseas Bank (Malaysia) Bhd
EON Bank Bhd
OCBC Bank (Malaysia) Bhd

STOCK EXCHANGE LISTING

Second Board of Bursa Malaysia Securities Berhad

Chairman's STATEMENT

OUR ESTEEMED SHAREHOLDERS,

On behalf of the Board of Directors, it gives me great pleasure to present the Annual Report and Audited Financial Statements of Wawasan TKH Holdings Berhad for the financial year ended 31 December 2006.

BUSINESS AND FINANCIAL REVIEW

During the year 2006, the Group saw its business activities expand from the manufacturing and trading of disposable foodwares to the automotive industry. However, the Group continued to focus on its core manufacturing activities while building and establishing the automotive businesses.

For the financial year under review, the Group recorded a lower revenue at RM100.8 million, a 19.9% decrease as compared to RM125.9 million in the previous year. This was not totally unexpected as the Group faced increased competition, both locally and in the overseas export market. The disposable food wares business was the main contributor to the Group's turnover with RM73.6 million sales (2005: RM104.9 million) whilst the fledgling automotive parts business generated revenue of RM3.8 million (2005: RM0.04 million). The kaolin mining division contributed RM18.2 million (2005: RM17.3 million) in revenue whilst the medical compound business brought in a turnover of RM3.7 million (2005: RM3.6 million).

Overall, the business environment and market conditions continued to be tough. The performance of the Group, which was mainly driven by disposable foodwares manufacturing business, was to varying degrees adversely affected by the prevalent high prices of petrochemical resin materials, hikes in energy and fuel costs, and higher interest rate, not to mention the ever intense competition. Notwithstanding the adverse conditions, I am pleased to inform that the Group were able to maintain a viable position in a competitive market.

The Group registered a significant higher net loss after taxation for the financial year 2006 of RM49.9 million vis-à-vis a loss of RM30.5 million in the previous year. The significant portion of the loss totaling RM35.4 million was attributable to the following items:

- impairment loss on goodwill of RM31.0 million (comprising of RM16.0 million for Associated Kaolin Industries Sdn Bhd ("AKI") and RM15.0 million for Greatpac Sdn Bhd ("GPSB"));
- impairment loss of RM2.7 million on certain assets in M.G.S. Technology Sdn Bhd; and
- RM1.7 million accelerated depreciation for certain assets in GPSB.

The disposable foodwares division incurred a substantially higher pretax operating loss at RM11.9 million (net of RM1.1 million finance costs and before accelerated depreciation of RM1.7 million) compared to a pretax operating profit of RM3.6 million (net of RM0.7 million finance costs and before exceptional items of RM11.2 million) in the previous year. Due to the spiraling resins material costs (which escalated to a high of 15% during the year) and hikes in energy and fuel costs, the profit margins were eroded as the rising costs were not passed to the customers amidst intensity of competition. Nevertheless, in order to mitigate cost increase (as the anticipated drop in materials costs has yet to materialize), GPSB has taken resilient efforts in leading the increase in selling prices for the domestic disposable foodwares market in the last quarter of 2006. In addition, stringent cost control measures are in place to contain the escalating operating costs.

The refined kaolin mining segment registered a 6% increase in turnover at RM18.2 million, with a marginal decline in pretax operating profit to RM1.05 million (vis-à-vis RM1.07 million in the previous year). In tandem with the bullish market sentiment for the high demand in kaolin, AKI has successfully buffered the rising operational costs (arising due to hikes in fuel and energy costs) through increment in selling price and tight control on the escalating expenditures during the year.

Meanwhile, the manufacturing of medical compound and devices division, incurred a lower pretax operating loss at RM1.6 million (net of finance cost and RM2.7 million impairment loss and RM0.5 million insurance claims receivable in other income) compared to RM2.8 million (net of finance cost and RM4.8 million exceptional items) in the previous year. The continuous cost rationalization exercise coupled with aggressive sales efforts for the medical compounds business has resulted in the improved performance. However, it has yet to achieve breakeven sales to cover its operating costs.

The automotive industry had a dismal year in 2006 whereby the new car sales fell 12% after years of uninterrupted growth. The start up businesses in auto parts manufacturing and the newly acquired automotive sales and services division were affected directly and indirectly by the weak used car market and rising interest rates.

The auto parts manufacturing division recorded a higher revenue and a pretax operating loss of RM6.1 million (net of finance cost) compared to the one month pretax loss of RM1.4 million when only the December 2005 results were consolidated in the previous year. Notwithstanding the lackluster conditions for the Original Equipment Market ('OEM"), Automotive Seat Assembly Sdn Bhd commenced its mass operations in June 2006 and has generated sales revenue of RM2.8 million for the year. The automotive parts manufacturing business has also made good inroads in the replacement market for its coach and van seats for both the local and export markets.

Being a new addition to the Group at the end of May 2006, the automotive sales and services division's Suzuki car dealership under Clear Expertise Sdn Bhd contributed a revenue of RM1.4 million to the Group while incurring a pretax loss of RM0.6 million. Nevertheless, the Madza car dealership of Clear Marque Sdn Bhd and the newly acquired company namely Clear Speed Sdn Bhd has yet to commence operations as at financial year end.

CORPORATE DEVELOPMENTS

During the year 2006, the disposable foodwares manufacturing division has made strategic acquisitions for premises. GPSB acquired two pieces of land in Kota Damansara, Selangor for construction of new manufacturing facility, while its wholly owned subsidiary, Greatpac (S) Pte Ltd purchased a property in Singapore as its office cum warehouse. The sale and purchase agreements for the purchase of the said properties were completed in the third quarter of 2006.

In the second quarter of 2006, the Company increased shareholdings in the auto parts manufacturing companies via subscription of additional ordinary shares for cash considerations of RM2,499,000 each in TKH Auto Parts Sdn Bhd and TKH Manufacturing Sdn Bhd, RM99,000 in Automotive Design Services Sdn Bhd and RM69,300 in Automotive Seat Assembly Sdn Bhd respectively.

On 17 May 2006, the Company acquired the shares in Momentum Suria Sdn Bhd ("MSSB") which included its wholly owned subsidiary namely Clear Expertise Sdn Bhd for a total cash consideration of RM999,998. In November 2006, MSSB expanded its wings and acquired 100% equity interests both in Clear Marque Sdn Bhd ("CMSB") and Clear Speed Sdn Bhd to undertake automotive dealership businesses. On 23 November 2006, CMSB was officially appointed by Cycle and Carriage Bintang Bhd as Territorial Dealer for Mazda range of vehicles.

The Group is currently undergoing capital restructuring and a fund raising exercise which will set us on a stronger financial footing for the future. Firstly, we will carry out a proposed reduction of the issued and paid-up share capital of the Company involving the cancellation of RM0.80 of the par value of each existing ordinary share of RM1.00 each. The capital reserves of up to a maximum of RM115.6 million created will allow elimination of its accumulated losses. Following the reduction in the share capital, the Company will then implement its proposed renounceable rights issue of up to 144,482,230 Rights Shares together with up to 72,241,115 new Warrants for free in 2007, on the basis of two (2) Right Shares together with one (1) free Warrant for every two (2) ordinary shares of RM0.20 each of the Company on the entitlement day at an indicative price of RM0.35 per Rights Shares (as announced on 21 March 2007).

The proceeds from the rights issue will further meet the Group's working capital requirements for business expansion, supporting capital expenditures on the new plant in Kota Damansara and 3S (Sales, Services and Spare Parts) car showrooms, as well as to repay bank borrowings and shareholders' advances. The rights issue will be carried out once the necessary approvals have been obtained from the relevant authorities.

FUTURE PROSPECTS

The Group will continue to focus on its core manufacturing activities while establishing the automotive businesses. We will further pursue various strategic initiatives to enhance our competitive position amidst the challenging and complex business environment. The consolidation of the Sungai Buloh and Ijok plants for relocation to the new manufacturing facility in Kota Damansara (which is expected to be operational by second half of 2007) will enable the disposable foodwares division to benefit from extensive savings in logistic costs and improvement on operational efficiencies. The new factory will incorporate energy savings measures to reduce costs. With the moving into the new plant and additions of machineries, the disposable food wares business division is expected to increase its export market reach and expand into new range of products.

Profitability, however, will continue to be under great pressure should there be any further increase in petrochemical resins materials cost, hikes in fuel and energy costs or interest rates. Nevertheless, strategic pricing review is being implemented to gain a competitive edge as well as to increase revenue and restore profitability. Continuous rationalization exercise will be ongoing for enhancement in production inputs, quality control, operational efficiencies and productivity of machineries.

The outlook of the refined kaolin business is promising in view of the strong global and domestic demand for its products. While focusing on sustaining products quality standard and cost control measures, the extension into the sales of new product AKIMA 2 will provide additional revenue. The mining business is expected to contribute further profits to the Group.

The automotive industry is anticipated to recover in 2007 and beyond in view of the positive economic outlook. The dealerships for Mazda and Suzuki are expected to grow steadily over the coming years together with the introduction of new models, both Complete Build Up (CBU) and Complete Knock Down (CKD) models. With all these in the pipeline, the automotive sales and services division is well positioned to benefit from the recovery of the automotive industry in Malaysia.

The automotive parts manufacturing division forecasts an increase in export sales to widen its market reach. Having obtained ISO 9001 certification in November 2006, the companies in this division are targeting to obtain its quality management certification in TS 16949 by December 2007. While the production of car seats is likely to increase in the second half of the year, the expansion into new range of products, namely coach and van air-conditioner units and plastic injection parts will further contribute to the sales revenue. In addition, the division expects to capture a significant portion of the coach seat market in tandem with the upbeat growth of trade tourism industry, particularly during Visit Malaysia Year 2007.

The Group has already commenced its 5-year strategic plan and is expected to post a better performance for the current financial year. We remain very much committed to assuring a turnaround for the Group and to enhancing shareholders value in the near future.

ACKNOWLEDGEMENT

On behalf of the Board, I extend my sincere gratitude to the management and staff of the Group for their loyalty, commitment and dedication.

I wish to thank my fellow Board members for their involvement and insights.

I must also thank our shareholders for their continued confidence and faith in the business and in the management. Our appreciation also to the Government, the relevant authorities for their guidance and support.

Not forgetting, of course, our heartfelt gratitude to all our customers, bankers, suppliers and business partners for their continuous support and trust. We affirm our commitment to forging even stronger business relationships in the future.

Dato' Tan Kim Hor
Executive Chairman

21 May 2007

DATO' TAN KIM HOR
Executive Chairman

Dato' Tan Kim Hor, a Malaysian, aged 84, is the Executive Chairman of the Company and was appointed to the Board on 3 May 2006. He is the co-founder of Tan Chong Motor Group which includes Tan Chong International Limited, Tan Chong Motor Holdings Berhad, APM Automotive Holdings Berhad and Warisan TC Berhad. His leadership has seen the expansion and development through several significant phases of the Tan Chong Motor Group's growth and history, developed from a humble startup to a prominent Malaysian conglomerate.

In recognition for his entrepreneurship achievements and contributions to the nation, he was awarded the title JP and also KMN by the Yang Pertuan Agung in 1976. He was further honoured with the DPMS title from the Sultan of Selangor on 8 March 1981.

As an entrepreneur with over six (6) decades of extensive experience, and after his departure from Tan Chong Motor Group, he founded Wawasan TKH Sdn Bhd in 2004. Dato' Tan is also greatly involved in community work and philanthropy and is currently serving on boards of many educational and charitable organizations.

Dato' Tan is the father of Dato' Tan Boon Pun, Dato' Tan Hoe Pin and Dr. Tan Ban Leong and is a substantial shareholder of the Company. Dato' Tan attended two (2) out of the three (3) Board of Directors meetings which were held since his appointment. He has never been convicted for any offence within the past ten (10) years.

DATO' TAN BOON PUN
Executive Director / Chief Executive Officer

Dato' Tan Boon Pun, a Malaysian, aged 50, is the Executive Director and Chief Executive Officer of the Company and was appointed to the Board on 30 August 2005. He graduated from the University of Warwick, United Kingdom with a Bachelor of Science (Honours) Degree in Management Science.

Dato' Tan began his career in 1978 in Tan Chong Motor Group ("TCM Group") and had served in several capacities within the TCM Group of Companies for over 25 years. During his tenure in the TCM Group, he had spearheaded the automotive assembly business in his capacity as Managing Director of Tan Chong Motor Assemblies Sdn Bhd. In addition, he was instrumental in building the cosmetic, lingerie and tour businesses into prominent market leaders in their respective industry in the TCM Group.

Dato' Tan is widely regarded as a prominent personality in the motor assembly, cosmetic, lingerie, and tour businesses. In recognition for his outstanding entrepreneurship and contribution to the society at large, he was being conferred Darjah Dato' Paduka Tuanku Ja'afar (D.P.T.J) by the Yang Dipertuan Negeri Sembilan on 19 July 2005.

Dato' Tan is a member of the Audit, Remuneration and Nomination Committee of the Company. Dato' Tan is the son of Dato' Tan Kim Hor and is the brother of Dato' Tan Hoe Pin and Dr. Tan Ban Leong. Dato' Tan attended all of the six (6) Board of Directors meetings held during the financial year ended 31 December 2006. He is a substantial shareholder of the Company and has never been convicted for any offence within the past ten (10) years.

DATO' TAN HOE PIN
Executive Director

Dato' Tan Hoe Pin, a Malaysian, aged 49, is the Executive Director of the Company and was appointed to the Board on 5 September 2005. He holds a Bachelor of Arts (Honours) Degree in Management Science with Computing from the University of Kent at Canterbury, United Kingdom.

Dato' Tan has more than twenty years experience in the automotive industry, beginning in 1980 when he joined Tan Chong Motor Holdings Bhd in Malaysia before transferring to its subsidiary in Singapore, Tan Chong & Sons Motor Co (Singapore) Pte. Ltd. He returned to Tan Chong Malaysia in 1986 as the Marketing Director and was subsequently appointed as the Deputy Managing Director responsible for the overall operations covering sales and marketing, after sales service, spare parts, finance and administration. In 2003, Dato' Tan joined DaimlerChrysler Malaysia as Vice President, Mitsubishi Operation. Following this, he was appointed as Advisor to DaimlerChrysler Malaysia in June 2004 for a year.

Dato' Tan is widely regarded as a prominent personality in the automotive industry in the country. In recognition of his achievements and his contribution to society at large, he was conferred Darjah Setia Pangkuan Negeri (D.S.P.N.) by the Yang di-Pertua Negeri Pulau Pinang on 8 July 2006.

Dato' Tan is the son of Dato' Tan Kim Hor and is the brother of Dato' Tan Boon Pun and Dr. Tan Ban Leong. Dato' Tan attended all of the six (6) Board of Directors meetings held during the financial year ended 31 December 2006. He is a substantial shareholder of the Company and has never been convicted for any offence within the past ten (10) years.

DR. TAN BAN LEONG
Executive Director

Dr. Tan Ban Leong, a Malaysian, age 46, is the Executive Director of the Company and was appointed to the Board on 5 September 2005. He holds a Bachelor of Dental Surgery (1983) from the University of Dundee, Scotland and received the Master of Science (Children's Dentistry) from the University of London in 1986.

Dr. Tan has more than 15 years of extensive experience in the automotive industry. He started his career in the automotive industry in 1988 as Operations Manager with Motor Image Enterprises Pte Ltd, the sole distributor for Subaru cars, in Singapore. From 1994 to 1998, he held several senior positions at Motor Ultima Pte Ltd and Auto GTI Pte Ltd (sole distributor of Audi and Volkswagen in Singapore), including serving as the Deputy General Manager and subsequently as the General Manager.

In 1998, he returned to Malaysia to join the Automotive Parts Manufacturer ('APM') Group as the General Manager for the Auto Parts Manufacturers Co. Sdn Bhd. During his tenure, he was responsible for re-engineering the operations and improving profitability of leaf spring, coil spring and suspension related products. In 2003, he was instrumental in driving APM to be the only single source supplier in Malaysia to Toyota Motor Corporation of Japan, supplying gas springs to countries directly involved in the assembly of the vehicles under Toyota's International Multipurpose Vehicle ('IMV') Program. He was also responsible for APM's achievement of its Tier 1 status with Proton in supplying suspension modules to both the new Satria Replacement Model (SRM) and Tiara Replacement Model (TRM) which were launched in 2005.

Dr. Tan is the son of Dato' Tan Kim Hor and is the brother of Dato' Tan Boon Pun and Dato' Tan Hoe Pin. Dr. Tan attended all of the six (6) Board of Directors meetings held during the financial year ended 31 December 2006. He is a substantial shareholder of the Company and has never been convicted for any offence within the past ten (10) years.

MICHAEL LIM HEE KIANG

Independent Non-Executive Director

Michael Lim Hee Kiang, a Malaysian, aged 59, is the Independent Non-Executive Director of the Company and was appointed to the Board on 30 August 2005. He holds a LLB Degree with Honours and an LLM Degree with Distinction from Victoria University of Wellington, New Zealand in 1972/1973.

Mr. Michael Lim was admitted as a Barrister and Solicitor to the Supreme Court of New Zealand in 1973. Upon returning to Malaysia in 1974, he was admitted to the High Court of Sarawak and Brunei and subsequently to the High Court of Malaya in 1978. He was a lecturer at the Law Faculty of the University of Malaya from 1975 to 1977.

Currently, Mr. Michael Lim is an Advocate and Solicitor with Messrs Shearn Delamore & Co where he has been a partner of the firm for the last 29 years.

Mr. Michael Lim also sits on the Boards of Selangor Properties Berhad, Dijaya Corporation Berhad, DKSH Holdings (Malaysia) Berhad (formerly Diethelm Holdings (Malaysia) Berhad), Paragon Union Berhad and Major Team Holdings Berhad all of which are listed on Bursa Malaysia Securities Berhad.

Mr. Michael Lim is the Chairman of the Remuneration and Nomination Committee and is a member of the Audit Committee of the Company. Mr. Michael Lim attended four (4) out of the six (6) Board of Directors meetings held during the financial year ended 31 December 2006. He has no family relationship with any Directors or major shareholders of the Company. He has never been convicted for any offence within the past ten (10) years.

YAM DATUK SERI TENGKU AHMAD SHAH IBNI ALMARHUM SULTAN SALAHUDDIN ABDUL AZIZ SHAH

Independent Non-Executive Director

YAM Datuk Seri Tengku Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah, a Malaysian, aged 52, is the Independent Non-Executive Director of the Company and was appointed to the Board on 15 February 2006. He completed his Diploma in Business Administration from University Teknologi MARA in 1974.

YAM Datuk Seri Tengku Ahmad Shah started his career in Charles Bradburne (1930) Sdn Bhd as a broker from 1974 to 1981. He was a Director of TTDI Development Sdn Bhd from 1978 to 2000 and a Director of Sime UEP Berhad from 1983 to 1987. In 1987, he was appointed as a Chairman of Subang Jaya Medical Centre, a position which he is still holding until now.

Currently, YAM Datuk Seri Tengku Ahmad Shah also sits on the Boards of Sumatec Resources Berhad, Equine Capital Berhad and Melewar Industrial Group Berhad all of which are listed on Bursa Malaysia Securities Berhad. He also sits on the Board of several private limited companies and is actively involved in various national sports and welfare organizations.

YAM Datuk Seri Tengku Ahmad Shah is a member of the Audit Committee of the Company. YAM Datuk Seri Tengku Ahmad Shah attended all of the five (5) Board of Directors meetings which held since his appointment. He has no family relationship with any Directors or major shareholders of the Company. He has never been convicted for any offence within the past ten (10) years.

Corporate STRUCTURE

MEDICAL COMPOUND & DEVICES DIVISION

- 100% Success Profile Sdn Bhd
- 100% Medicompounds Sdn Bhd
- 100% M.G.S. Technology Sdn Bhd
- 100% Precision Theme Sdn Bhd

DISPOSABLE FOOD PACKAGING DIVISION

- 100% Greatpac Sdn Bhd
- 100% Greatpac (S) Pte Ltd

AUTO PARTS DIVISION

- 99.9% TKH Auto Parts Sdn Bhd
- 99.9% TKH Manufacturing Sdn Bhd
- 99.9% Automotive Design Services Sdn Bhd
- 69.9% Automotive Seat Assembly Sdn Bhd

AUTOMOTIVE SALES & SERVICES DIVISION

- 99.9% Momentum Suria Sdn Bhd
- 100% Clear Expertise Sdn Bhd
- 100% Clear Marque Sdn Bhd
- 100% Clear Speed Sdn Bhd

KAOLIN DIVISION

- 100% Associated Kaolin Industries Sdn Bhd

Statement on CORPORATE GOVERNANCE

The Board of Directors (the "Board") of Wawasan TKH Holdings Berhad is committed to manage the Group in ensuring that the Group practises high standards of corporate governance as a fundamental element or basis of discharging its responsibilities towards its primary goal of protecting the shareholders interest and enhancing the long term shareholders' value and the financial performance of the Group, whilst taking into account the interest of other stakeholders. In this premise, the Board will endure to meet the principles and best practices as set out in the Malaysian Code on Corporate Governance.

Set out below is a statement of how the Company has applied the Principles set out in the Code and the extent of compliance with the Best Practices of the Code.

THE BOARD OF DIRECTORS

The Board has overall responsibility for the strategic direction and control of the Group. The responsibilities of the Board include formulating Group's strategies, policies, shareholders' and investors' relationship programme, and ensuring the adequacy and integrity of the internal control system of the Group including risk assessment.

During the financial year under review, six (6) Board meetings were held and the record of attendance for the Directors who held office during the financial year is set out below:-

Directors	Number of Meetings Held During Director's Tenure In Office	Number of Meetings Attended	Percentage of Attendance
Dato' Tan Kim Hor {appointed on 3 May 2006}	3	2	67%
Dato' Tan Boon Pun	6	6	100%
Dato' Tan Hoe Pin	6	6	100%
Dr. Tan Ban Leong	6	6	100%
Michael Lim Hee Kiang	6	4	67%
YAM Datuk Seri Tengku Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah {appointed on 15 February 2006}	5	5	100%
Lim Kok Chai {resigned wef 15 January 2007}	6	6	100%
Oh Kim Sun {resigned wef 14 March 2007}	6	5	83%

Board Balance and Composition

The Board currently has six (6) members, comprising two (2) Independent Non-Executive Directors and four (4) Executive Directors (including the Chairman). The number of independent directors mentioned above complies with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") which requires at least two (2) directors or one-third of the Board, whichever is higher, to comprise of independent directors.

The Board of Directors comprises members with broad spectrum of knowledge, skills and experiences in engineering, marketing, management, administration, legal practice, and finance. Their industry specific knowledge plus broad business and commercial experience, provide unbiased, fully balanced and independent views, advice and judgement to many aspects of the Group's strategy to provide clear and effective leadership to the Group and to ensure highest standard of conduct and integrity within the Board. A brief profile of each Director is presented on pages 5 to 7 of this Annual Report.

Board Balance and Composition (continued)

There is also a clear division of responsibility between the Chairman and Chief Executive Officer to ensure a proper balance of power and authority. The Chairman is responsible for the orderly conduct and working of the Board and the Chief Executive Officer is responsible for the running of the business, implementation of policies and strategies adopted by the Board. Decisions made by the Board are communicated through the Chief Executive Officer to the senior management team.

The presence of Independent Non-Executive Directors fulfils a pivotal role in corporate governance accountability, as they provide unbiased and independent views and advice in ensuring that the strategies proposed by the management are fully deliberated and examined in the long-term interests of the Group, as well as the shareholders, employees, customers, suppliers and the many communities in which the Group conducts its business.

Michael Lim Hee Kiang, the Senior Independent Non-Executive Director is the Referral Director to whom all shareholders' concerns may be conveyed.

Supply of information

The Directors have full and unrestricted access to all information pertaining to the Group's business and affairs, whether as a full Board or in their individual capacity, in furtherance of their duties. All Directors are provided with agenda, minutes of previous meeting and a set of Board papers prior to Board meetings to enable the Directors to obtain further information or explanations to facilitate informed decision-making. The Board papers include reports on the Group's financial, operational and corporate developments.

The minutes of Board meetings are circulated to the Directors to be confirmed and noted at the following meeting. All minutes of Board meetings are kept in the Minutes Book at the Registered Office of the Company.

All directors have full access to the advice and services of the Company Secretary who will be responsible to ensure that Board procedures are adhered to at all time during meetings and to advice the Board on matters including corporate governance issues and directors' responsibilities in complying with relevant legislation and regulations.

Directors' Training

All Directors have attended and successfully completed the Mandatory Accreditation Programme. To keep abreast with the developments in the market, industry and corporate, the Directors will continuously update themselves with changes on guidelines issued by the relevant authorities as well as to attend programmes which can complement their service to the Group.

In line with the recent amendment to Practise Note No. 15/2003 which prescribes that the Board of Directors of Public Listed Companies shall be responsible for determining the needs of the Directors with effect from 1 January 2005, the Company will identify formal training programmes tailored to the needs of the Directors.

Re-election of Directors

In accordance with the Company's Articles of Association, one third (1/3) of the Board members shall retire from office and be eligible for re-election. The Directors shall retire from office at least once in every three years.

DIRECTORS' REMUNERATION

The aggregate remuneration of Directors received from the Company and subsidiary companies for the financial year ended 31 December 2006 is as follow:

	Executive Directors RM	Non-Executive Directors RM
Fees	-	96,250
Salaries, Bonuses & EPF	1,527,240	-
Allowances	-	14,500

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

Range of remuneration	Executive Directors	Non-Executive Directors
Below RM50,000	-	3
RM50,001 - RM100,000	1	-
RM250,001 – RM300,000	2	-
RM300,001 – RM350,000	1	-
RM550,001 – RM600,000	1	-

BOARD COMMITTEES

The Board has delegated specific responsibilities to three (3) committees, which operate within approved terms of reference, to assist in the Board in carrying out its duties and responsibilities. Notwithstanding the above, the ultimate responsibility for the final decision lies with the full Board.

Nomination Committee

The role of the Nomination Committee is to recommend suitable candidates with optimal mix of qualifications, skills and experiences to the Board. The Committee also carries out evaluation on the effectiveness of the Board as a whole, the various Committees of the Board and each individual Director's contribution to the effectiveness of the Board's decision making process.

The members of the Nomination Committee are:-

- Michael Lim Hee Kiang (Chairman of Committee)
- Dato' Tan Boon Pun

Remuneration Committee

The objective of the Remuneration Committee is to recommend to the Board the remuneration packages of the Executive Directors in all its forms, drawing from outside advice as necessary.

The members of the Remuneration Committee are:-

- Michael Lim Hee Kiang (Chairman of Committee)
- Dato' Tan Boon Pun

Audit Committee

The duties and responsibilities as reflected in the terms of reference of the Committee as well as the members of the Committee are set out on pages to 15 to 18 of this Annual Report.

RELATIONS WITH SHAREHOLDERS AND INVESTORS

The Board maintains a good rapport with shareholders and recognises the importance of proper and timely dissemination of information to the shareholders and investors. The distribution of annual reports, the release of financial results on a quarterly basis and announcement to Bursa Malaysia provide shareholders and the investing public with an overview of the Group's performance and operations.

The Annual General Meeting (AGM) is the principal forum for dialogue with public shareholders. The Board encourages participation from shareholders by having a question and answer session during the AGM whereby Directors are available to discuss aspects of the Group's performance and its business activities.

ACCOUNTABILITY AND AUDIT

Relationship with the Auditors

Through the Audit Committee, the Company has established a transparent and appropriate relationship with the Group's external auditors in seeking their professional advice towards ensuring compliance with the relevant accounting standards.

The role of the Audit Committee in relation to external auditors is stated under the terms of reference of the Audit Committee on pages 15 to 18 of this Annual Report.

State of Internal Control

The Board acknowledges its overall responsibility for maintaining a sound system of internal control to manage principal risks and to safeguard shareholders investment and the Group's assets. The Board's Statement on Internal Control is as set out in pages 13 to 14 of this Annual Report.

Financial Reporting and Directors' Responsibilities Statement

The Directors are responsible for ensuring that financial statements are drawn up in accordance with the provision of the Companies Act, 1965 and applicable approved accounting standards in Malaysia. In presenting the financial statements that gives a true and fair view of the state of affairs of the Company and the Group, the Board has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgement and estimates.

The Directors also strive to ensure that financial reporting present a fair and understandable assessment of the Group and Company's position and prospects. Quarterly financial statements were reviewed by the Audit Committee and approved by the Board of Directors prior to the release to the Bursa Malaysia. The statement by Directors made pursuant to Section 169 of the Companies Act, 1965 is set out on page 25 of this Annual Report.

OTHER INFORMATION

Non-audit fees

There was no non-audit fee paid to external auditors by the Company and its subsidiaries during the financial year ended 31 December 2006.

Options, Warrants and Convertible Securities

During the financial year, RM355,700 nominal value 2% Irredeemable Convertible Unsecured Loan Stocks 2003/2008 ("ICULS") were converted into 355,700 new ordinary shares of RM1.00 each in the Company.

As at the end of the financial year, there were RM1,463,700 nominal value ICULS remained unconverted into ordinary share of RM1.00 each.

Statement on INTERNAL CONTROL

INTRODUCTION

Pursuant to paragraph 15.27(b) Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors of public listed companies is to include in its annual reports a statement about the state of internal control of the Company prepared in accordance with the "Statement of Internal Control: Guidance for Directors of Public Listed Companies" issued by the Institute of Internal Auditors Malaysia.

RESPONSIBILITIES OF THE BOARD

The Board acknowledges its responsibilities for maintaining effective and sound internal control systems, covering all its financial and operating activities, to safeguard the assets of the Group and shareholders' interest. The Board has established an ongoing process to continuously review the adequacy, integrity and effectiveness of the Group's system of internal controls to ensure implementation of appropriate system to effectively identify, evaluate and manage practical risks of the Group and to mitigate the effects of the principal risks on achieving the Group's business objectives.

In view of the limitations inherent in any system of internal controls, it should be appreciated that an effective system of internal controls is designed to manage the principal risks of the Group rather than to eliminate risk. System of internal controls can only provide reasonable and not absolute assurance against material misstatement, fraud or losses.

Whilst the Board maintains ultimate control over risk and control issues, it has delegated to the executive management the implementation of the system of risk management and internal control within an established framework. The Board has established key policies and has carried out a specific assessment of the Group's risk management and internal control systems, for the purpose of this statement.

The Audit Committee will assist the Board in reviewing the adequacy, integrity and effectiveness of the system of internal controls within the Group and to ensure that adequate resources are channelled to obtain the level of assurance required by the Board. The Audit Committee presents all its findings to the Board.

INTERNAL AUDIT FUNCTION

The Internal Audit Function of the Group has been assisting the Audit Committee and the Board primarily in formalising the Internal Audit Plan based on the risk profile of the Group and performing internal controls review on the business processes that manages the key risks based on the Internal Audit Plan prepared. All findings will be presented independently to the Audit Committee.

The monitoring, review and reporting arrangements undertaken by the Internal Auditor give reasonable assurance that the structure of controls embedded within the major business processes of the Group are appropriate to the Group's operations to properly manage the key risks of the Group to an acceptable level.

The Audit Committee, through the assistance of the Internal Auditor, has formalised the risk profile of the Group based on the Risk Assessment Workshops conducted and interviews carried out with the Senior Management of the Group (collectively known as "Risk Assessment Programme"). This Risk Assessment Programme focuses primarily on the current risks and controls identifications including the generation of future action plans by the management of the Group to mitigate key risks if current controls are inadequate. The Risk Assessment Programme carried out by the Internal Auditor has provided a higher level of awareness among senior management on the importance of risk identification, evaluation and management.

Further independent assurance is provided by the Internal Audit Function, which operates across the Group, and supported by internal audit co-sourcing arrangements with professional service providers, as appropriate.

Statement on Internal Control (Continued)

SYSTEM OF INTERNAL CONTROLS

The Board fully support the contents of the Internal Control Guidance and through the Audit Committee, continually reviews the adequacy and effectiveness of the risk management processes in place within the various operating businesses in Malaysia and Singapore.

The Board of Directors is responsible for managing the principal key risks of the Group and implementing appropriate controls to manage those risks. The followings are key elements of the Group's system of internal controls:

- There is defined management structure, formally defined lines of responsibility and delegation of authority for all aspect of the Group's affairs including the delegation of responsibilities to the committees of the Board, the management and the operating units. Continuous reviews are being carried out to assess and evaluate the effectiveness of the structure.

- Monthly management review of subsidiaries results and performances via monthly management meeting. Key areas of concern will be highlighted accordingly to the Board.

- The Internal Audit Function is to review the effectiveness of the system of internal controls of the Group in managing the key risks identified and also to ensure compliance with the control procedures and policies of the Group. The Internal Auditor reports independently to the Audit Committee on the findings arising from their reviews.

- The Audit Committee comprising majority of independent non-executive members of the Board will be responsible for reviewing quarterly announcement, statutory annual financial statements prior to the submission for Board's approval. The Committee has full access to both the internal and external auditors to discuss on areas of concern in assisting the Committee in discharging their duties.

- Ongoing risk management education and training is provided at management and staff levels.

All the above mentioned processes have been in place and provide reasonable assurance to the effectiveness of the system of internal controls. The Board considers that the internal control system is robust, but will still subject the system to continuous improvement, taking into consideration better practices and the changing business environment.

CONCLUSION

The Group has in place an adequately resourced internal audit department, which provides the Board with much of the assurance it requires regarding the adequacy and effectiveness of risk management, internal control and governance systems.

The Board has reviewed the adequacy and integrity of the Group's system of internal controls and they provide reasonable assurance to the Group in properly managing risks and achieving its business objectives. As the development of an efficient system of internal controls is an ongoing process, the Board and the management maintain an ongoing commitment and continue to take appropriate measures to strengthen the internal control environment of the Group.

This statement is made in accordance with a resolution of the Board dated 17 April 2007.

MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee currently has three (3) members, comprising two (2) Independent Non-Executive Directors and one (1) Executive Director as follows:-

- **Michael Lim Hee Kiang**
  Member
  Independent Non-Executive Director

- **YAM Datuk Seri Tengku Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah**
  Member
  Independent Non-Executive Director

- **Dato' Tan Boon Pun**
  Member
  Executive Director / Chief Executive Officer

Mr Oh Kim Sun, who is a member of the Malaysian Institute of Certified Public Accountants, resigned on 14 March 2007 and the Company has identified a candidate with MIA qualification to be appointed as Director in place of Mr Oh Kim Sun. The proposed appointment is subject to the approval by the shareholders at the forthcoming 6th Annual General Meeting.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Membership

- The Committee shall be appointed by the Board of Directors from amongst Directors of the Company and shall consist of not less than three (3) members, the majority of whom shall be Independent Non-Executive Directors.

- At least one (1) member shall be a member of the Malaysian Institute of Accountants or similar qualification as prescribed in Part I or Part II of the First Schedule of the Accountants Act 1967 with at least three (3) years' working experience.

- The Audit Committee shall not consist of any alternate Director of the Company.

- The members of the Audit Committee shall elect a Chairman from among their members who shall be an Independent Non-Executive Director.

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

Meetings

- Meetings shall be held not less than four (4) times a year.

- A quorum shall be three (3) members, majority of whom must be Independent Non-Executive Directors.

- Other Directors and employees may also attend the Audit Committee meeting upon the invitation of the Committee.

- The Company Secretary shall act as the Secretary of the Committee.

Audit Committee Report (Continued)

Authority

The Committee is authorised by the Board and shall:-

- have authority to investigate any matter within its terms of reference.
- have the resources which are required to perform its duties.
- have full and unrestricted access to any information pertaining to the Group.
- have direct communication channels with the external auditors and the internal auditors.
- be able to obtain independent professional or other advice as necessary.
- be able to convene meetings with the external auditors, excluding the attendance of the executive member of the Committee, whenever deemed necessary.

Duties of the Committee

The duties of the Audit Committee shall be amongst others:-

- To review with the external auditor the audit plan, their evaluation of the system of internal controls and their audit report.
- To review the assistance given by the employees of the Company to the external auditors.
- To review the adequacy of the scope, functions and resources of the internal audit department and that it has the necessary authority to carry out its work.
- To review the internal audit programme and processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
- To review the quarterly results and year end financial statements, prior to the approval by the Board of Directors.
- To monitor 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.
- To consider and recommend the nomination and appointment of external auditors, the audit fees and any questions of resignation, dismissal or re-appointment.
- To report promptly to the Bursa Malaysia where the Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of Bursa Malaysia Listing Requirements.
- To recommend the nomination of a person or persons as external auditors.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 December 2006, the Audit Committee held six (6) meetings. The followings are the detail of attendance by individual Committee:-

Name of Committee Members	Total Meetings In Financial Year During Committee Member's Tenure	Number of Meeting Attended	Percentage of Attendance
Michael Lim Hee Kiang	6	5	83%
YAM Datuk Seri Tengku Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah {appointed on 28 February 2006 }	4	4	100%
Dato' Tan Boon Pun {appointed on 14 February 2007}	-	-	-
Lim Kok Chai {resigned wef 15 January 2007}	6	6	100%
Oh Kim Sun {resigned wef 14 March 2007 }	6	6	100%

In line with the terms of reference of the Committee, the following activities were carried out by the Committee during the year:-

- Review the quarterly and annual financial statements prior to the submission to the Board for consideration and approval.
- Review the audit report for the Group prepared by both the external auditors and internal audit department, their findings and Management responses thereto.
- Review the audit plans for the Group prepared by both the external auditors and internal audit department.
- Review and approve the minutes of the Committee's meetings.

Audit Committee Report (Continued)

INTERNAL AUDIT FUNCTION

The Committee is aware of the need to have independent internal auditors to assist in obtaining the assurance it required regarding the effectiveness of the Group's system of internal control. As such, the Company has established an internal audit function to independently conduct reviews of the Group's system of internal control so as to provide assurance that such systems continue to operate satisfactorily and effectively.

The principal roles of the internal auditors are as follows:

- Ascertaining the adequacy of the Group's system of internal controls and procedures that are specifically designed to detect and/or prevent violations.
- Ascertaining the efficiency and effectiveness of operating policies and procedures.
- Ascertaining and reviewing the reliability and integrity of financial and operational information generated and the means used to measure, identify, classify and report such information.
- Ascertaining that the financial and accounting records and reports contain accurate, reliable, timely, complete and relevant information and are prepared in compliance with applicable approved accounting standards.
- Coordinating with the external auditors in planning of audit activities.
- Performing special reviews and/or investigations as requested by management or the Audit Committee.
- Identifying opportunities to improve the operations of and processes within the Group.

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FINANCIAL STATEMENTS

Directors' REPORT

for the year ended 31 December 2006

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

CHANGE OF NAME

The Company changed its name from Greatpac Holdings Berhad to Wawasan TKH Holdings Berhad on 17 May 2006.

RESULTS

	Group RM	Company RM
Loss for the year	49,917,715	70,157,861

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the year under review except as disclosed in the financial statements.

DIVIDEND

No dividend was paid during the year and the Directors do not recommend any dividend to be paid for the financial year under review.

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

- Dato' Tan Boon Pun
- Michael Lim Hee Kiang
- Dr. Tan Ban Leong
- Dato' Tan Hoe Pin
- YAM Datuk Seri Tengku Ahmad Shah
  Ibni Almarhum Sultan Salahuddin Abdul Aziz Shah
- Dato' Tan Kim Hor (appointed on 3.5.2006)
- Lim Kok Chai (resigned on 15.1.2007)
- Oh Kim Sun (resigned on 14.3.2007)

DIRECTORS' INTERESTS

The holdings and deemed holdings in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1 each			
	At 1.1.2006 / Date of appointment	Bought/ Conversion of ICULS ^	Sold	At 31.12.2006
The Company				
Shareholdings in which Directors have direct interests				
Dato' Tan Kim Hor	1,000,000	500,000	-	1,500,000
Dato' Tan Boon Pun	-	1,050,000	-	1,050,000
Dato' Tan Hoe Pin	-	1,000,000	-	1,000,000
Dr. Tan Ban Leong	-	1,000,000	-	1,000,000
Shareholdings in which Directors have deemed interests				
Dato' Tan Kim Hor	41,000,000	-	-	41,000,000
Dato' Tan Boon Pun	41,000,000	-	-	41,000,000
Dato' Tan Hoe Pin	41,000,000	-	-	41,000,000
Dr. Tan Ban Leong	41,000,000	-	-	41,000,000

^ ICULS represents 5-year 2% Irredeemable Convertible Unsecured Loan Stocks.

By virtue of their interests in the shares of the Company, Dato' Tan Kim Hor, Dato' Tan Boon Pun, Dato' Tan Hoe Pin and Dr. Tan Ban Leong are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Wawasan TKH Holdings Berhad (formerly known as Greatpac Holdings Berhad) has an interest.

None of the other Directors holding office at 31 December 2006 had any interest in the ordinary shares of the Company and of its related corporations during the financial year. In addition, all the Directors did not have any holdings in the ICULS during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of full time employees of the Company or of related companies) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 24 to financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES

During the financial year, the Company issued 355,700 new ordinary shares of RM1 each arising from the conversion of RM355,700 nominal value of 5-year 2% Irredeemable Convertible Unsecured Loan Stocks 2003/2008 ("ICULS") at a conversion price of RM1.00 per ICULS.

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

SIGNIFICANT EVENTS DURING THE YEAR

(a) On 14 February 2006, the Company executed an agreement to subscribe 999,998 new ordinary shares of RM1.00 each in Momentum Suria Sdn. Bhd. ("MSSB") and included its wholly owned subsidiary, Clear Expertise Sdn. Bhd. for a total cash consideration of RM999,998 ("Subscription"). The Subscription was approved by the shareholders of the Company on 3 May 2006 and subsequently the said 999,998 new ordinary shares in MSSB were issued and allotted to the Company on 17 May 2006;

(b) On 23 February 2006, Greatpac Sdn. Bhd. ("GPSB"), a wholly owned subsidiary of the Company, incorporated Greatpac (S) Pte. Ltd., a wholly owned subsidiary of GPSB in Singapore with a paid up capital of SGD1.00 to carry out the general wholesale trading business;

(c) On 24 February 2006, Greatpac Sdn. Bhd. ("GPSB"), a wholly owned subsidiary of the Company had accepted the offer from Perbadanan Kemajuan Negeri Selangor ("PKNS") via PKNS's Letters of Offer dated 27 January 2006 to acquire two (2) pieces of vacant leasehold industrial land (with a lease tenure of thirty (30) years expiring 2036) known as Lot 6 and Lot 10 both of Jalan Teknologi, Taman Sains Selangor 1, Kota Damansara, Daerah Petaling, Selangor and measuring an area of approximately 276,345 square feet and 284,229 square feet respectively for a total consideration of RM5,556,388 and RM5,714,898 respectively. A total sum of RM2,254,257, which is equivalent to 20% of the total consideration of the two pieces of land was paid to PKNS upon acceptance of offer. The sale and purchase agreement with PKNS was subsequently executed on 12 April 2006. On 30 August 2006, the land acquisition was completed upon settlement of the balance of the purchase consideration via bank loans.

(d) On 24 May 2006, Greatpac (S) Pte. Ltd. executed a sale and purchase agreement with Soon Lee Realty Ltd to purchase a property at No. 34, Toh Guan Road East, Enterprise Hub, #01-18, Singapore 608579 for a cash consideration of SGD755,780;

(e) On 28 June 2006, the Company subscribed additional 2,499,000 ordinary shares of RM1 each in TKH Manufacturing Sdn. Bhd. ("TKHM") and TKH Auto Parts Sdn. Bhd. ("TKHAP") for total cash consideration of RM2,499,000 for each of the company respectively. The said acquisitions increased the Company's shareholdings in TKHM and TKHAP from its present 998 ordinary shares or 99.8% equity interest to 2,499,998 ordinary shares or 99.9% equity interest respectively;

(f) On 17 August 2006, the Company acquired additional equity interest through purchase of 99,000 ordinary shares in Automotive Design Services Sdn. Bhd. ("ADS") and 69,300 ordinary shares in Automotive Seat Assembly Sdn. Bhd. ("ASA") for cash consideration of RM99,000 and RM69,300 respectively. The said acquisition increased the shareholdings in ADS from 998 ordinary shares or 99.8% equity interest to 99,998 ordinary shares or 99.9% equity interest. In addition, the said acquisition also increased the shareholdings in ASA from 693 ordinary shares or 69.3% equity interest to 69,993 ordinary shares or 69.9% equity interest;

(g) On 6 November 2006, Momentum Suria Sdn. Bhd. ("MSSB"), a 99.9% owned subsidiary of the Company, acquired two (2) ordinary shares of RM1.00 each in Clear Marque Sdn. Bhd. ("CMSB"), representing 100% equity interest in CMSB for a cash consideration of RM6,660 to undertake the automotive dealership business;

(h) On 23 November 2006, CMSB entered into a Dealership Agreement with Cycle and Carriage Bintang Berhad for the appointment of CMSB as Territorial Dealer for Mazda range of vehicles; and

(i) On 19 December 2006, MSSB acquired two (2) ordinary shares of RM1.00 each in Clear Speed Sdn. Bhd. ("CSSB"), representing 100% equity interest in CSSB for a cash consideration of RM6,720 to undertake the automotive dealership business.

SUBSEQUENT EVENT

(a) The Company had on 21 March 2007 announced the following proposed corporate exercises:

(i) Proposed reduction of the issued and paid-up share capital of the Company involving the cancellation of RM0.80 of the par value of each existing ordinary share of RM1.00 each in the Company pursuant to Section 64 of the Companies Act, 1965 on a date to be determined by the Board of Directors and announced later ("Entitlement Date") ("Proposed Par Value Reduction"). The credit created from the Proposed Par Value Reduction of up to a maximum of RM115.586 million will enable the Company to eliminate its accumulated losses. The Proposed Par Value Reduction will facilitate the Proposed Rights Issue as the Company will be able to issue the Rights Shares at a premium to the par value of its ordinary shares of RM0.20 each after the Proposed Par Value Reduction;

(ii) Proposed amendments to the Memorandum of Association of the Company ("Proposed Amendments") to facilitate the change in the par value of the Company's ordinary shares from RM1.00 to RM0.20 as a result of the Proposed Par Value Reduction; and

(iii) Proposed renounceable rights issue of up to 144,482,230 new Shares ("Rights Shares") together with up to 72,241,115 new warrants for free ("Warrants") ("Proposed Rights Issue"), on the basis of two (2) Rights Shares together with one (1) free Warrant for every two (2) ordinary shares of RM0.20 each of the Company held after the Proposed Par Value Reduction, on the Entitlement Date, at an indicative issue price of RM0.35 per Rights Share. The proposed rights issue is to raise funds to finance the Group's working capital requirements, capital expenditure for a new manufacturing facility for the disposable food ware division and for sales, services and spare-parts showrooms, as well as to repay bank borrowings and certain shareholder advances.

(collectively referred to as "Proposals")

The Substantial Shareholders of the Company, which comprise Wawasan TKH Sdn. Bhd., Dato' Tan Kim Hor, Dato' Tan Boon Pun, Dato' Tan Hoe Pin and Dr. Tan Ban Leong will collectively, prior to the implementation of the Proposed Rights Issue, provide irrevocable written undertakings to subscribe for their respective entitlements and provide excess applications totaling 50% of the Rights Shares and Warrants available under the Proposed Rights Issue ("Undertakings"). The Company shall arrange for underwriting for the balance Rights Shares and Warrants where Undertakings have not been provided. The Substantial Shareholders of the Company and persons acting in concert with it will seek a waiver from the Securities Commission ("SC") from the obligation to undertake a mandatory take-over offer under Malaysian Code on Take-Overs and Mergers, 1998 for the remaining shares in the Company not already owned by them after the Proposed Rights Issue.

The approvals required for the Proposals are as follows:

(i) SC for the Proposed Rights Issue, Proposed Mandatory Take-Over Offer Exemption and the listing of and quotation for the Rights Shares and Warrants to be issued under the Proposed Rights Issue and new Shares of the Company to be issued from the exercise of the Warrants, on the Second Board of Bursa Securities;

(ii) Shareholders of the Company at a general meeting to be convened, for the Proposals;

(iii) Bursa Securities, for the admission of the Warrants to Bursa Securities and the listing of and quotation for the Rights Shares and Warrants to be issued under the Proposed Rights Issue and new Shares to be issued from the exercise of the Warrants;

(iv) High Court of Malaya, for the Proposed Par Value Reduction;

(v) Bank Negara Malaysia, for the issue of Warrants to entitled shareholders, including to non-residents; and

(vi) any other relevant authorities/parties.

The Proposed Par Value Reduction and Proposed Amendments are inter-conditional. The Proposed Par Value Reduction is also inter-conditional with the Proposed Rights Issue.

OTHER STATUTORY INFORMATION

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

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) all current assets have been stated at the lower of cost and net realisable value.

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

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or

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

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

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

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

In the opinion of the Directors, except for impairment loss on property, plant and equipment, impairment loss on goodwill and impairment loss on investments in subsidiaries as disclosed in Note 3, Note 4 and Note 5 to the financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 December 2006 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

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

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

Dato' Tan Kim Hor **Dato' Tan Boon Pun**

Kuala Lumpur, Malaysia

Date: 17 April 2007

Statement by DIRECTORS

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

In the opinion of the Directors, the financial statements set out on pages 27 to 82 are 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 the state of affairs of the Group and of the Company at 31 December 2006 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

Dato' Tan Kim Hor **Dato' Tan Boon Pun**

Kuala Lumpur, Malaysia

Date: 17 April 2007

Statutory DECLARATION

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

We, Dato' Tan Boon Pun and Yan Huey Jiuan, being the Director and officer primarily responsible for the financial management of Wawasan TKH Holdings Berhad (formerly known as Greatpac Holdings Berhad), do solemnly and sincerely declare that the financial statements set out on pages 27 to 82 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 by the above named in Kuala Lumpur in the Federal Territory on 17 April 2007.

Dato' Tan Boon Pun **Yan Huey Jiuan**

Before me:

Soh Ah Kau, A.M.N.
(No. W315)
Commissioner for Oaths
26, Jalan Beremi
50200 Kuala Lumpur
Malaysia

Report of THE AUDITORS

Report of the auditors to the members of Wawasan TKH Holdings Berhad

We have audited the financial statements set out on pages 27 to 82. The preparation of the financial statements is the responsibility of the Company's Directors. The financial statements of the Company as at 31 December 2005 were audited by another firm of chartered accountants, whose report dated 24 April 2006, expressed an unqualified opinion on those statements.

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

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe 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 Group and of the Company at 31 December 2006 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 Group and of the Company; and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and 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 and those consolidated using management accounts are identified in Note 5 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

Tang Seng Choon
Partner
Approval Number: 2011/12/07(J)

Kuala Lumpur, Malaysia

Date: 17 April 2007

Balance SHEETS

as at 31 December 2006

	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Assets					
Property, plant and equipment	3	61,084,276	55,676,613	-	-
Intangible assets	4	32,117,766	61,481,944		
Investments in subsidiaries	5	-	-	82,553,152	144,218,545
Other investments	6	-	107,198	-	-
Total non-current assets		93,202,042	117,265,755	82,553,152	144,218,545
Receivables, deposits and prepayments	7	14,984,098	12,569,942	4,577,054	2,785,268
Inventories	8	22,518,343	15,943,320	-	-
Current tax assets		963,622	764,386	-	-
Cash and cash equivalents	9	2,897,848	6,317,421	15,262	13,729
Total current assets		41,363,911	35,595,069	4,592,316	2,798,997
Total assets		134,565,953	152,860,824	87,145,468	147,017,542
Equity					
Share capital	10	143,018,530	142,662,830	143,018,530	142,662,830
Reserves	10	44,360	-	-	-
Accumulated losses		(83,968,318)	(34,050,607)	(74,542,664)	(4,384,803)
Irredeemable convertible unsecured loan stocks	10	1,416,516	1,719,955	1,416,516	1,719,955
Total equity attributable to shareholders of the Company		60,511,088	110,332,178	69,892,382	139,997,982
Minority interest		-	4	-	-
Total equity		60,511,088	110,332,182	69,892,382	139,997,982
Liabilities					
Loans and borrowings	11	21,430,506	5,128,644	-	-
Irredeemable convertible unsecured loan stocks	10	47,184	99,445	47,184	99,445
Deferred tax liabilities	12	-	5,439,416	-	-
Total non-current liabilities		21,477,690	10,667,505	47,184	99,445
Payables and accruals	13	33,089,886	16,229,794	17,205,902	6,920,115
Loans and borrowings	11	19,439,164	15,579,389	-	-
Current tax liabilities		48,125	51,954	-	-
Total current liabilities		52,577,175	31,861,137	17,205,902	6,920,115
Total liabilities		74,054,865	42,528,642	17,253,086	7,019,560
Total equity and liabilities		134,565,953	152,860,824	87,145,468	147,017,542

The notes on pages 33 to 82 are an integral part of these financial statements.

Income STATEMENTS

for the year ended 31 December 2006

	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Revenue	14	100,807,520	125,859,627	-	-
Cost of sales		(100,090,745)	(110,807,562)	-	-
Gross profit		716,775	15,052,065	-	-
Other income		951,702	367,320	-	
Distribution expenses		(7,790,242)	(9,271,316)	-	-
Administrative expenses		(10,238,983)	(5,174,787)	(1,078,443)	(816,745)
Other expenses		(37,001,494)	(30,560,375)	(69,043,522)	(2,360,119)
Results from operating activities		(53,362,242)	(29,587,093)	(70,121,965)	(3,176,864)
Interest income		35,242	191,392	-	-
Finance costs	15	(1,999,213)	(1,050,841)	(35,896)	(36,748)
Loss before tax	16	(55,326,213)	(30,446,542)	(70,157,861)	(3,213,612)
Taxation	17	5,408,498	(32,342)	-	-
Loss for the year		(49,917,715)	(30,478,884)	(70,157,861)	(3,213,612)
Attributable to:					
Shareholders of the Company		(49,917,711)	(30,478,884)	(70,157,861)	(3,213,612)
Minority interest		(4)	-	-	-
Loss for the year		(49,917,715)	(30,478,884)	(70,157,861)	(3,213,612)
Loss per ordinary share (sen)	18	(34.99)	(21.37)		
Diluted loss per ordinary share (sen)	18	(34.61)	(21.31)		

The notes on pages 33 to 82 are an integral part of these financial statements.

Consolidated Statement of CHANGES IN EQUITY

for the year ended 31 December 2006

Group	Note	Attributable to shareholders of the Company						
		Non-distributable			Distributable			
		Share capital RM	ICULS RM	Translation reserve RM	Accumulated losses RM	Total RM	Minority interests RM	Total equity RM
At 1 January 2005		142,552,830	1,801,592	-	(3,571,723)	140,782,699	-	140,782,699
Conversion of ICULS	10	110,000	(81,637)	-	-	28,363	-	28,363
Loss for the year		-	-	-	(30,478,884)	(30,478,884)	-	(30,478,884)
Minority interest on acquisition	25	-	-	-	-	-	4	4
At 31 December 2005/1 January 2006		142,662,830	1,719,955	-	(34,050,607)	110,332,178	4	110,332,182
Conversion of ICULS	10	355,700	(303,439)	-	-	52,261	-	52,261
Foreign exchange translation differences		-	-	44,360	-	44,360	-	44,360
Loss for the year		-	-	-	(49,917,711)	(49,917,711)	(4)	(49,917,715)
At 31 December 2006		143,018,530	1,416,516	44,360	(83,968,318)	60,511,088	-	60,511,088
		Note 10	Note 10	Note 10				

Company	Note	Attributable to shareholders of the Company			
		Non-distributable		Distributable	
		Share capital RM	ICULS RM	Accumulated losses RM	Total Equity RM
At 1 January 2005		142,552,830	1,801,592	(1,171,191)	143,183,231
Conversion of ICULS	10	110,000	(81,637)	-	28,363
Loss for the year		-	-	(3,213,612)	(3,213,612)
At 31 December 2005/1 January 2006		142,662,830	1,719,955	(4,384,803)	139,997,982
Conversion of ICULS	10	355,700	(303,439)	-	52,261
Loss for the year		-	-	(70,157,861)	(70,157,861)
At 31 December 2006		143,018,530	1,416,516	(74,542,664)	69,892,382

The notes on pages 33 to 82 are an integral part of these financial statements.

Consolidated
CASH FLOW STATEMENTS
for the year ended 31 December 2006

	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Cash flows from operating activities					
Loss before tax		(55,326,213)	(30,446,542)	(70,157,861)	(3,213,612)
Adjustments for:					
Allowance for diminution in value of other investments		-	115,645	-	-
Depreciation of property, plant and equipment	3	10,859,742	9,134,652	-	-
Gain on disposal of property, plant and equipment		(355,135)	(32,300)	-	-
Gain on disposal of other investments		(89,949)	-	-	-
Amortisation of development cost	4	494	-	-	-
Impairment loss on goodwill	4	31,000,000	14,070,142	-	-
Impairment loss on property, plant and equipment	3	2,693,786	8,074,520	-	-
Impairment loss on investments in subsidiaries	5	-	-	67,831,691	1,000,000
Loss on disposal of property, plant and equipment		57	2,240,014	-	-
Property, plant and equipment written off	3	-	2,241,100	-	-
Interest expense	15	1,999,213	1,050,841	35,896	36,748
Interest income		(35,242)	(191,392)	-	-
Operating (loss)/profit before changes in working capital		(9,253,247)	6,256,680	(2,290,274)	(2,176,864)
Change in inventories		(5,190,792)	(3,324,420)	-	-
Change in payables and accruals		6,079,796	(1,055,930)	225,062	4,734,400
Change in receivables, deposits and prepayments		(1,248,963)	1,261,867	(84,399)	(2,785,268)
Cash (used in)/generated from operations		(9,613,206)	3,138,197	(2,149,611)	(227,732)
Income taxes paid		(233,983)	509,366	-	-
Net cash (used in)/from operating activities		(9,847,189)	3,647,563	(2,149,611)	(227,732)

The notes on pages 33 to 82 are an integral part of these financial statements.

	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Cash flows from investing activities					
Acquisition of subsidiaries	25	(720,266)	653,604	-	-
Acquisition of trademark	4	(900)	(2,469)	-	-
Development costs incurred	4	(517,570)	-	-	-
Investments in subsidiaries	5	-	-	(6,166,298)	(3,687)
Interest received		35,242	191,392	-	-
Proceeds from disposal of property, plant and equipment		426,931	927,516	-	-
Proceeds from disposal of other investments	6	197,147	1,800,000	-	-
Purchase of property, plant and equipment	(ii)	(17,582,090)	(11,206,265)	-	-
Net cash used in investing activities		(18,161,506)	(7,636,222)	(6,166,298)	(3,687)
Cash flows from financing activities					
Drawdown of bankers' acceptances		2,203,000	2,435,138	-	-
Drawdown of revolving hire purchase liabilities		1,054,926	-	-	-
Decrease/ (Increase) in deposits pledged with licensed banks		33,491	(104,847)	-	-
Drawdown of bank loans		11,256,682	5,000,000	-	-
Advances from related party		9,684,749	-	7,615,907	-
Interest paid		(1,999,213)	(1,050,841)	(35,896)	(36,748)
Repayments of hire purchase liabilities		(212,730)	(459,456)	-	-
Payments made on behalf of subsidiaries		-	-	737,431	-
Repayments of bank loans		(1,910,252)	(2,079,605)	-	-
Net cash from/(used in) financing activities		20,110,653	3,740,389	8,317,442	(36,748)

Consolidated Cash Flow Statements (Continued)

	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Net (decrease)/increase in cash and bank balances		(7,898,042)	(248,270)	1,533	(268,167)
Effect of exchange differences on translation		44,360	-	-	-
Cash and bank balances at 1 January		4,074,423	4,322,693	13,729	281,896
Cash and bank balances at 31 December		(3,779,259)	4,074,423	15,262	13,729

i) Cash and cash equivalents

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

	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Cash and bank balances	9	2,277,670	2,514,717	15,262	13,729
Deposits placed with licensed banks	9	620,178	3,802,704	-	-
Bank overdrafts	11	(6,124,272)	(1,656,672)	-	-
		(3,226,424)	4,660,749	15,262	13,729
Deposits pledged with licensed banks	9	(552,835)	(586,326)	-	-
		(3,779,259)	4,074,423	15,262	13,729

ii) Acquisition of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM18,284,278 (2005 - RM11,370,565) of which RM702,188 (2005 - RM164,300), were acquired by means of hire purchases.

Wawasan TKH Holdings Berhad (formerly known as Greatpac Holdings Berhad) is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Second Board of the Bursa Malaysia Securities Berhad. The addresses of its registered office and principal place of business are as follows:

Registered office
Level 14, Uptown 1
No. 1, Jalan SS21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan

Principal place of business
No. 2, Jalan 3/46A
Off Jalan Selingsing 7
51200 Kuala Lumpur

The consolidated financial statements as at and for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the Group). The financial statements of the Company as at and for the year ended 31 December 2006 do not include other entities.

The Company is principally engaged in investment holding while the other group entities are primarily involved in manufacturing and trading of disposable wares products, refined kaolin, automotive seats, pharmaceutical, healthcare and hospital products, medical devices, extrusion machines for plastic industry and maintenance, design and develop prototypes for automotive components, investment holdings, distribution of automobiles, spare parts and operating of service workshop.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance 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 the Bursa Malaysia Securities Berhad.

The MASB has issued a number of new and revised Financial Reporting Standards ("FRSs") that are effective for accounting periods beginning after 1 January 2006 or available for early adoption. In this set of financial statements, the Group has chosen not to early adopt FRS 117, *Leases* and FRS 124, *Related Party Disclosures*, which are effective for annual periods beginning on or after 1 October 2006 and by virtue of the exemption in paragraph 67B of FRS 117 and paragraph 22A of FRS 124, the impact of applying FRS 117 and FRS 124 on its financial statements upon first adoption of these financial statements as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed.

The Group has also chosen not to early adopt Amendment to FRS 119 2004, *Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures*, which is effective for annual periods beginning on or after 1 January 2007. As there is no effect upon adoption of this Amendment, no disclosure is warranted.

The MASB has also issued FRS 139, *Financial Instrument: Recognition and Measurement* but for which the MASB has yet to announce the effective date of this standard. The Group has not adopted FRS 139 and by virtue of the exemption in paragraph 103AB of FRS 139, the impact of applying FRS 139 on its financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed.

On 15 August 2006, the MASB issued FRS 6, *Exploration for and Evaluation of Mineral Resources*, which will be effective for annual periods beginning on or after 1 January 2007 and for which is not applicable to the Group. Hence, no further disclosure is warranted.

1. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

On 15 February 2007, the MASB issued the following amendments to FRS and interpretations for entities other than private entities:

(i) Amendments to FRS 121, *The Effect of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation*;

(ii) IC Interpretation 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*;

(iii) IC Interpretation 2, *Members' Share in Co-operative Entities and Similar Instruments*;

(iv) IC Interpretation 5, *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*;

(v) IC Interpretation 6, *Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*;

(vi) IC Interpretation 7, *Applying the Restatement Approach under FRS 129*$_{2004}$ *Financial Reporting in Hyperinflationary Economies*; and

(vii) IC Interpretation 8, *Scope of FRS 2 Share-based Payment*.

The above MASB's amendments to FRS121 and interpretations are effective for annual period beginning on or after 1 July 2007. The initial implication of the said amendments to FRS 121 and interpretations are not expected to have any material impact on the financial statements of the Group and of the Company.

There are no material effects upon adoption of the new/revised FRSs in 2006.

The financial statements were approved by the Board of Directors on 17 April 2007.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

The Group and the Company incurred losses of RM49,917,715 and RM70,157,861 respectively for the year ended 31 December 2006 and as of that date, the Group and the Company have accumulated losses of RM83,968,322 and RM74,542,664 respectively. It is the intention of the Group and the Company to continue operations as going concerns.

As stated in Note 27 to the financial statements, the Company had made an announcement on the following proposed corporate exercises on 21 March 2007, which are currently in progress:

(i) Proposed reduction of the issued and paid-up share capital of the Company involving the cancellation of RM0.80 of the par value of each existing ordinary share of RM1.00 each in the Company pursuant to Section 64 of the Companies Act, 1965 on a date to be determined by the Board of Directors and announced later ("Entitlement Date") ("Proposed Par Value Reduction"). The credit created from the Proposed Par Value Reduction of up to a maximum of RM115.586 million will enable the Company to eliminate its accumulated losses. The Proposed Par Value Reduction will facilitate the Proposed Rights Issue as the Company will be able to issue the Rights Shares at a premium to the par value of its ordinary shares of RM0.20 each after the Proposed Par Value Reduction;

(ii) Proposed amendments to the Memorandum of Association of the Company ("Proposed Amendments") to facilitate the change in the par value of the Company's ordinary shares from RM1.00 to RM0.20 as a result of the Proposed Par Value Reduction ; and

1. BASIS OF PREPARATION (continued)

(b) Basis of measurement (continued)

(iii) Proposed renounceable rights issue of up to 144,482,230 new Shares ("Rights Shares") together with up to 72,241,115 new warrants for free ("Warrants") ("Proposed Rights Issue"), on the basis of two (2) Rights Shares together with one (1) free Warrant for every two (2) ordinary shares of RM0.20 each of the Company held after the Proposed Par Value Reduction, on the Entitlement Date, at an indicative issue price of RM0.35 per Rights Share. The proposed rights issue is to raise funds to finance the Group's working capital requirements, capital expenditure for a new manufacturing facility for the disposable food ware division and for sales, services and spare-parts showrooms, as well as to repay bank borrowings and certain shareholder advances.

(collectively referred to as "Proposals")

The continuation of the Group and the Company as going concerns and the appropriateness of preparing the financial statements on a going concern basis is dependent on the successful completion of the above proposals and on the Group and the Company achieving future profitable operations and attaining cash inflows to sustain their operations.

At the time of this report, the Directors of the Company are of the opinion that the Group and the Company will be able to successfully complete the Proposals. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, and relating to amounts and classification of liabilities that may be necessary if the Group and the Company are unable to continue as going concerns.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency.

(d) Use of estimates and judgements

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 effect on the amounts recognised in the financial statements are described in the following notes:-

- Note 4 - measurement of the recoverable amounts of cash-generating units
- Note 23 - provisions and contingencies
- Note 25 - business combinations

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

Certain comparative amounts have been reclassified to conform to the current year's presentation (see Note 28).

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, if any, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses.

(ii) Changes in Group composition

Where a subsidiary issues new equity shares to minority interests for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statement.

When a group purchases a subsidiary's equity shares from minority interests for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iii) Minority interest

Minority interests at the balance sheet date, being the portion of the net identifiable assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

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

(iv) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the balance sheet date. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost / valuation less accumulated depreciation and impairment losses.

The Group has availed itself to the transitional provision when the MASB first adopted IAS16, Property, Plant and Equipment in 1998. A piece of the Group's leasehold land was revalued in 1978 and another piece of the Group's leasehold land and buildings were revalued in 1983 and no later valuations have been recorded for these property, plant and equipment (except in the case of impairment adjustments based on valuations).

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged 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 fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of those parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Freehold land is not depreciated. Short-term leasehold land is amortised over the lease period of thirty (30) years. Property, plant and equipment under construction (building-in-progress) are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

• buildings	1.67% - 10%
• renovation	15%
• furniture, fittings and office equipment	10% - 20%
• showroom	10% - 20%
• motor vehicles	15% - 20%
• plant and machinery, tools and factory equipment, roads and bridges and mould and electrical installation	6% - 20%

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(iv) Change in estimates

Estimates in respect of certain items of property, plant and equipment were revised in 2006 (see Note 3).

(v) Assets under hire purchase

Property, plant and equipment acquired under hire purchase arrangements are capitalised at their purchase cost and are depreciated on the same basis as owned property, plant and equipment. The total amount payable under hire purchase arrangements is shown under hire purchase liabilities.

(d) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. 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.

Other leases are operating leases, except for leasehold land classified as property, plant and equipment, and the leased assets are not recognised on the Group's balance sheet.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries.

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.

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.

Before adoption of FRS 3, goodwill was measured at cost less accumulated impairment losses where applicable. This is subject to periodic review at the end of each financial year.

Following the adoption of FRS 3, goodwill is measured at cost and being tested for impairment at least annually or more frequently when there is objective evidence of impairment.

Acquisition of minority interests

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

(ii) Research and development

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

(iii) Other intangible assets

Intangible assets other than goodwill that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Expenditure on internally generated goodwill and brands are recognised in the income statement as an expense as incurred.

(iv) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets are capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure are expensed as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Intangible assets (continued)

(v) Amortisation

Goodwill is not amortised and is measured at cost and tested for impairment. Intangible assets other than goodwill is amortised to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite.

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that they may be impaired. Other intangible assets are amortised from the date that they are available for use.

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(f) Investments in debt and equity securities

Investments in debt and equity securities are recognised initially at cost plus attributable transaction costs.

Subsequent to initial recognition:

- Investments in non-current equity securities other than investments in subsidiaries are stated at cost less allowance for diminution in value;
- Investment in non-current debt securities are stated at cost less allowance for diminution in value;
- All current investments are carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investments.

Where in the opinion of the Directors, there is a decline other than temporary in the value of non-current equity securities and non-current debt securities other than investment in subsidiaries, the allowance for diminution in value is recognised as an expense in the financial year in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

All investments in debt and equity securities are accounted for using settlement date accounting. Settlement date accounting refers to:

a) the recognition of an asset on the day it is received by the entity, and

b) the derecognition on an asset and recognition of any gain or loss on disposal on the date it is delivered.

(g) Inventories

Inventories are measured at the lower of cost or net realisable value. The cost of inventories is based on the weighted average cost (for manufacturing and mining segments), standard costing principle, which approximates actual cost (for automotive parts segment), specific identification method and weighted average cost (for automotive sales and services segment), and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work-in-progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Inventories (continued)

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

(h) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have 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 and pledged deposits.

(j) Impairment of assets

The carrying amounts of assets except for financial assets and inventories are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful live, recoverable amount is estimated at each reporting date.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Compound financial instruments

Compound financial instruments issued by the Group comprise irredeemable convertible unsecured loan stocks ("ICULS"), that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

(l) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the loans and borrowings using the effective interest method.

(m) Employee benefits

(i) Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contribution to the Employee's Provident Fund are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(ii) Defined contribution plan

A subsidiary of the Group contributes to a defined contribution plan, which is a pension plan under which the said subsidiary pays fixed contributions into a fund and has obligation to pay contributions based on the terms and condition stipulated in the Collective Agreement with Non-metallic Mineral Products Manufacturing Employees' Union.

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Provisions (continued)

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(o) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(p) Revenue

(i) Goods sold

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

(ii) Services

Revenue from services rendered is recognised in the income statement as and when the services are performed.

(iii) Other revenue

Management fees and rental income are recognised on an accrual basis.

(iv) Dividend income

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

(q) Lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statement using the effective interest method, in the period in which they are incurred. The interest component of hire purchase payments is recognised in the income statement so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period.

(s) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(t) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes i.e. ICULS.

(u) Segment reporting

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