

**481559-M**

**THREE-A RESOURCES BERHAD  
(Incorporated in Malaysia)**

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**THREE-A RESOURCES BERHAD**  
**(Incorporated in Malaysia)**

**DIRECTORS' REPORT**

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

**PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. The principal activities of the subsidiary are disclosed in Note 5 to the financial statements.

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

**RESULTS**

	<b>Group</b>	<b>Company</b>
	<b>RM</b>	<b>RM</b>
Net profit for the year	<u>10,112,376</u>	<u>25,778,334</u>

There were no material transfers to or from reserves or provisions during the financial year except as disclosed in the statements of changes in equity.

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

**DIVIDEND**

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

**RM**

In respect of the financial year ended 31 December 2007:

1.2 sen tax exempt interim dividend on 175,000,012 ordinary shares, declared on 9 January 2007 and paid on 13 February 2007	<u>2,100,000</u>
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The directors do not recommend the payment of any final dividend in respect of the current financial year ended 31 December 2007.

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## **DIRECTORS**

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

Dato' Mohd Nor Bin Abdul Wahid

Fang Chew Ham

Foong Chiew Fatt

Fong Chiew Hean

Fong Chu King @ Tong Chu King

Chew Eng Chai

Tan Chon Sing @ Tan Kim Tieng

Fang Siew Yee

Fang Siew Ping

Liew Kuo Shin

Khoo Wee Boon

Mohd Zaki Bin Hamzah

(appointed on 19 January 2007)

## **DIRECTORS' BENEFITS**

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 19 to the financial statements or the fixed salary of a full-time employee of the Company or its related corporation) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 25 to the financial statements.

**DIRECTORS' INTERESTS**

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

	<b>Number of Ordinary Shares of RM0.20 each</b>			<b>At 31.12.2007</b>
	<b>At 1.1.2007</b>	<b>Bought</b>	<b>Sold</b>	
<b>Direct interest</b>				
Fang Chew Ham	57,176,075	603,925	-	57,780,000
Dato' Mohd Nor				
Bin Abdul Wahid	5,681,250	805,000	-	6,486,250
Foong Chiew Fatt	9,919,350	100,000	-	10,019,350
Fong Chiew Hean	9,919,350	437,500	-	10,356,850
Fong Chu King @				
Tong Chu King	7,610,925	-	(425,500)	7,185,425
Chew Eng Chai	112,500	-	-	112,500
Tan Chon Sing @				
Tan Kim Tieng	825,000	105,000	-	930,000
Fang Siew Ping	1,312,500	387,500	(300,000)	1,400,000
Liew Kuo Shin	128,125	-	-	128,125
Fang Siew Yee	200,000	-	-	200,000
Mohd Zaki Bin Hamzah	-	670,500	-	670,500

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

**ISSUE OF SHARES**

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM35,000,003 to RM38,500,003 by way of:

- (i) the issuance of 8,750,000 ordinary shares of RM0.20 each through a private placement at an issue price of RM0.36 per ordinary share for cash, for additional working capital purposes; and
- (ii) the issuance of 8,750,000 ordinary shares of RM0.20 each through a private placement at an issue price of RM0.53 per ordinary share for cash, for additional working capital purposes.

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

## OTHER STATUTORY INFORMATION

- (a) Before the balance sheets and income statements of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent in respect of these financial statements; and
  - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

**OTHER STATUTORY INFORMATION (CONTD.)**

(f) In the opinion of the directors:

- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

**SIGNIFICANT EVENT**

Details of a significant event are disclosed in Note 30 to the financial statements.

**AUDITORS**

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 18 February 2008.

Dato' Mohd Nor Bin Abdul Wahid

Fang Chew Ham

**STATEMENT BY DIRECTORS  
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965**

We, Dato' Mohd Nor Bin Abdul Wahid and Fang Chew Ham, being two of the directors of Three-A Resources Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 9 to 48 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2007 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 18 February 2008.

Dato' Mohd Nor Bin Abdul Wahid

Fang Chew Ham

**STATUTORY DECLARATION  
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965**

I, Fang Chew Ham, being the director primarily responsible for the financial management of Three-A Resources Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 9 to 48 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by  
the abovenamed Fang Chew Ham  
at Kuala Lumpur in the Federal  
Territory on 18 February 2008

Fang Chew Ham

Before me,

**481559-M**

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
THREE-A RESOURCES BERHAD  
(Incorporated in Malaysia)**

We have audited the accompanying financial statements set out on pages 9 to 48. These financial statements are the responsibility of the Company's directors.

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

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

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of:
  - (i) the financial position of the Group and of the Company as at 31 December 2007 and of the results and the cash flows of the Group and of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiary have been properly kept in accordance with the provisions of the Act.

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**REPORT OF THE AUDITORS TO THE MEMBERS OF  
THREE-A RESOURCES BERHAD (CONTD.)  
(Incorporated in Malaysia)**

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

The auditors' report on the financial statements of the subsidiary was not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Ernst & Young  
AF: 0039  
Chartered Accountants

Low Khung Leong  
No. 2697/01/09(J)  
Partner

Kuala Lumpur, Malaysia  
18 February 2008

**THREE-A RESOURCES BERHAD**  
**(Incorporated in Malaysia)**

**BALANCE SHEETS**  
**AS AT 31 DECEMBER 2007**

	Note	Group		Company	
		2007 RM	2006 RM	2007 RM	2006 RM
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	3	53,432,414	45,846,300	2,335	2,803
Prepaid land lease payments	4	9,726,402	9,118,589	-	-
Investment in a subsidiary	5	-	-	20,100,000	20,100,000
Due from a subsidiary	6	-	-	49,206,063	17,918,543
		<u>63,158,816</u>	<u>54,964,889</u>	<u>69,308,398</u>	<u>38,021,346</u>
<b>CURRENT ASSETS</b>					
Inventories	7	20,867,141	13,829,071	-	-
Trade receivables	8	29,516,560	22,968,729	-	-
Other receivables	9	3,379,236	1,273,302	1,160	1,160
Tax recoverable		136,063	-	-	-
Cash and bank balances	10	4,953,979	1,312,541	4,765	362
		<u>58,852,979</u>	<u>39,383,643</u>	<u>5,925</u>	<u>1,522</u>
<b>TOTAL ASSETS</b>		<u>122,011,795</u>	<u>94,348,532</u>	<u>69,314,323</u>	<u>38,022,868</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the Company</b>					
Share capital	11	38,500,002	35,000,002	38,500,002	35,000,002
Share premium	12	4,846,960	733,629	4,846,960	733,629
Retained earnings	13	26,469,895	18,457,519	25,943,573	2,265,239
Total equity		<u>69,816,857</u>	<u>54,191,150</u>	<u>69,290,535</u>	<u>37,998,870</u>

**THREE-A RESOURCES BERHAD**  
**(Incorporated in Malaysia)**

**BALANCE SHEETS**  
**AS AT 31 DECEMBER 2007 (CONTD.)**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
		<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	14	9,323,760	9,323,839	-	-
Deferred tax liabilities	15	6,164,990	4,753,641	-	-
		<u>15,488,750</u>	<u>14,077,480</u>	<u>-</u>	<u>-</u>
<b>CURRENT LIABILITIES</b>					
Borrowings	14	30,582,106	21,458,771	-	-
Trade payables	16	3,024,212	2,298,993	-	-
Other payables	17	3,094,680	2,274,476	23,788	23,998
Provision for taxation		5,190	47,662	-	-
		<u>36,706,188</u>	<u>26,079,902</u>	<u>23,788</u>	<u>23,998</u>
<b>TOTAL LIABILITIES</b>		<u>52,194,938</u>	<u>40,157,382</u>	<u>23,788</u>	<u>23,998</u>
		<u>122,011,795</u>	<u>94,348,532</u>	<u>69,314,323</u>	<u>38,022,868</u>

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

**THREE-A RESOURCES BERHAD**  
**(Incorporated in Malaysia)**

**INCOME STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
		<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Revenue	18	107,118,021	84,015,856	31,078,219	10,000,000
Cost of sales		(80,445,624)	(62,624,285)	-	-
Gross profit		26,672,397	21,391,571	31,078,219	10,000,000
Other income		177,113	67,044	-	-
Administrative expenses		(8,890,122)	(6,772,120)	(221,666)	(99,167)
Other expenses		(3,757,678)	(3,697,097)	-	-
Profit from operations	19	14,201,710	10,989,398	30,856,553	9,900,833
Finance costs	21	(1,881,903)	(1,589,034)	-	-
Profit before taxation		12,319,807	9,400,364	30,856,553	9,900,833
Taxation	22	(2,207,431)	(768,473)	(5,078,219)	-
Net profit for the year		10,112,376	8,631,891	25,778,334	9,900,833

**Earnings per share attributable to equity**  
**holders of the Company (sen):**

Basic, for profit for the year	23	5.6	4.9
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The accompanying notes form an integral part of the financial statements.

**THREE-A RESOURCES BERHAD**  
**(Incorporated in Malaysia)**

**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

Group	Note	Share capital RM	Share premium <sup>(1)</sup> RM	Retained earnings <sup>(2)</sup> RM	Total RM
<b>At 1 January 2006</b>		35,000,002	733,629	9,825,628	45,559,259
Net profit for the year		-	-	8,631,891	8,631,891
<b>At 31 December 2006</b>		<u>35,000,002</u>	<u>733,629</u>	<u>18,457,519</u>	<u>54,191,150</u>
<b>At 1 January 2007</b>		35,000,002	733,629	18,457,519	54,191,150
Issuance of ordinary shares pursuant to private placement		3,500,000	4,287,500	-	7,787,500
Expenses incurred on issuance of ordinary shares not recognised in the income statement		-	(174,169)	-	(174,169)
Dividend paid	24	-	-	(2,100,000)	(2,100,000)
Net profit for the year		-	-	10,112,376	10,112,376
<b>At 31 December 2007</b>		<u>38,500,002</u>	<u>4,846,960</u>	<u>26,469,895</u>	<u>69,816,857</u>

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

**THREE-A RESOURCES BERHAD**  
**(Incorporated in Malaysia)**

**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTD.)**

	Note	Share capital RM	Share premium <sup>(1)</sup> RM	Accumulated losses/ retained earnings <sup>(2)</sup> RM	Total RM
<b>Company</b>					
<b>At 1 January 2006</b>		35,000,002	733,629	(7,635,594)	28,098,037
Net profit for the year		-	-	9,900,833	9,900,833
<b>At 31 December 2006</b>		<u>35,000,002</u>	<u>733,629</u>	<u>2,265,239</u>	<u>37,998,870</u>
<b>At 1 January 2007</b>		35,000,002	733,629	2,265,239	37,998,870
Issuance of ordinary shares pursuant to private placement		3,500,000	4,287,500	-	7,787,500
Expenses incurred on issuance of ordinary shares not recognised in the income statement		-	(174,169)	-	(174,169)
Dividend paid	24	-	-	(2,100,000)	(2,100,000)
Net profit for the year		-	-	25,778,334	25,778,334
<b>At 31 December 2007</b>		<u>38,500,002</u>	<u>4,846,960</u>	<u>25,943,573</u>	<u>69,290,535</u>

**Note:**

(1) Non-distributable

(2) Distributable

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

**THREE-A RESOURCES BERHAD**  
**(Incorporated in Malaysia)**

**CASH FLOW STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

	<b>Note</b>	<b>Group</b> <b>2007</b> <b>RM</b>	<b>2006</b> <b>RM</b>	<b>Company</b> <b>2007</b> <b>RM</b>	<b>2006</b> <b>RM</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit before taxation		12,319,807	9,400,364	30,856,553	9,900,833
Adjustments for:					
Amortisation of leasehold land		155,412	143,671	-	-
Depreciation of property, plant and equipment		3,011,197	2,569,053	468	468
Writeback of provision for doubtful debts		(324,843)	-	-	-
Unrealised foreign exchange gain		124,697	104,731	-	-
Interest expense		1,714,018	1,377,942	-	-
Operating profit before working capital changes		17,000,288	13,595,761	30,857,021	9,901,301
Working capital changes:					
Inventories		(7,038,070)	905,491	-	-
Receivables		(8,453,619)	(2,286,061)	-	-
Payables		1,545,423	(455,752)	(210)	(53,175)
Subsidiary		-	-	(31,287,520)	(9,848,236)
Cash generated from/(used in) operations		3,054,022	11,759,439	(430,709)	(110)
Interest paid		(1,714,018)	(1,377,942)	-	-
Income tax paid		(974,617)	(385,426)	(5,078,219)	-
Net cash generated from/(used in) operating activities		365,387	9,996,071	(5,508,928)	(110)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment		(10,597,311)	(6,782,195)	-	-
Prepayment of land lease		(763,225)	(1,836,881)	-	-
Net cash used in investing activities		(11,360,536)	(8,619,076)	-	-

**THREE-A RESOURCES BERHAD**  
**(Incorporated in Malaysia)**

**CASH FLOW STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTD.)**

	Note	Group		Company	
		2007 RM	2006 RM	2007 RM	2006 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issuance of ordinary shares		7,787,500	-	7,787,500	-
Expenses incurred on issuance of ordinary shares		(174,169)	-	(174,169)	-
Dividend paid		(2,100,000)	-	(2,100,000)	-
Drawdown/(Repayment) of bankers acceptances		9,207,416	(5,039,319)	-	-
Drawdown of term loans		1,957,791	5,753,540	-	-
Payment of term loans		(1,640,732)	(1,626,469)	-	-
Payment of hire purchase obligations		(401,219)	(449,949)	-	-
Net cash generated from/(used in) financing activities		14,636,587	(1,362,197)	5,513,331	-
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>					
		3,641,438	14,798	4,403	(110)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>					
		1,312,541	1,297,743	362	472
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (NOTE 10)</b>					
		4,953,979	1,312,541	4,765	362

Acquisitions of property, plant and equipment during the current financial year were financed by:

	Group	
	2007 RM	2006 RM
Cash	10,597,311	6,782,195
Hire Purchase	-	1,784,880
	10,597,311	8,567,075

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

**THREE-A RESOURCES BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2007**

**1. CORPORATE INFORMATION**

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Malaysian Exchange of Securities Dealing & Automated Quotation (MESDAQ) Market of Bursa Malaysia Securities Berhad. The registered office and the principal place of business of the Company and of the Group is located at AL 308, Lot 590 & Lot 4196, Jalan Industri, U19, Kampung Baru Seri Sungai Buloh, 47000 Selangor Darul Ehsan.

The principal activity of the Company is investment holding. The principal activities of the subsidiary are disclosed in Note 5. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 18 February 2008.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of Preparation**

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia. At the beginning of the current financial year, the Group and the Company had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2007 as described fully in Note 2.3.

These financial statements have also been prepared on a historical basis and are presented in Ringgit Malaysia (RM).

**2.2 Summary of Significant Accounting Policies**

**(a) Subsidiary and Basis of Consolidation**

**(i) Subsidiary**

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (a) Subsidiary and Basis of Consolidation (Contd.)

##### (i) Subsidiary (Contd.)

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

##### (ii) Basis of consolidation

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (b) Property, Plant and Equipment and Depreciation

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

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

Capital work-in-progress are not depreciated as these assets are not available for use. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Factory and office buildings	2%
Plant and machinery	5%
Tools and implements	10%
Furniture and fittings and equipment	10%
Renovations and electrical installations	10%
Motor vehicles	10%

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (c) Leases

##### (i) Classification

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

##### (ii) Finance leases

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

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

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2(b).

##### (iii) Operating Leases

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (d) Inventories

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

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

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

#### (e) Provisions

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

#### (f) Employee Benefits

##### (i) Short term benefits

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

##### (ii) Defined contribution plans

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (g) Income Tax

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

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

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

#### (h) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

#### (i) Sale of goods

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

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(h) Revenue Recognition (Contd.)**

**(ii) Interest income**

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

**(iii) Dividend income**

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

**(i) Foreign Currencies**

**(i) Functional and Presentation Currency**

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

**(ii) Foreign Currency Transactions**

In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.2 Summary of Significant Accounting Policies (Contd.)****(i) Foreign Currencies (Contd.)****(ii) Foreign Currency Transactions (Contd.)**

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

**(j) Impairment of Non-Financial Assets**

The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (j) Impairment of Non-Financial Assets (Contd.)

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period.

#### (k) Financial Instruments

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

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

#### (i) Cash and Cash Equivalents

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

#### (ii) Receivables

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (k) Financial Instruments (Contd.)

##### (iii) Payables

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

##### (iv) Interest Bearing Loans and Borrowings

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

##### (v) Equity instruments

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

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

### 2.3 Effects Arising from Adoption of New and Revised FRSs

On 1 January 2007, the Group and the Company adopted the following FRSs and Amendment to FRSs mandatory for financial periods beginning on or after 1 January 2007:

- i) FRS 6 : Exploration for and Evaluation of Mineral Resources.
- ii) FRS 119 Amendment : Employee Benefits (Actuarial Gains and Losses, Group Plans and Disclosures)

The adoptions of these FRS and Amendment to FRS have not resulted in significant change to the accounting policies currently adopted by the Group and the Company.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.3 Effects Arising from Adoption of New and Revised FRSs (Contd.)

The Group and the Company have not adopted the following FRSs, Amendments to FRSs and Interpretations that are mandatory for financial periods beginning on or after 1 July 2007:

- i) FRS 107 : Cash Flow Statements
- ii) FRS 111 : Construction Contracts
- iii) FRS 112 : Income Taxes
- iv) FRS 118 : Revenue
- v) FRS 120 : Accounting for Government Grants and Disclosure of Government Assistance
- vi) FRS 121 : The Effect of Changes in Foreign Exchange Rates
- vii) FRS 134 : Interim Financial Reporting
- viii) FRS 137 : Provisions, Contingent Liabilities and Contingent Assets.
- ix) FRS 139 : Financial Instruments - Recognition and Measurement
- x) IC Interpretation 1 : Changes in Existing Decommissioning, Restoration and Similar Liabilities
- xi) IC Interpretation 2 : Members' Shares in Co-operative Entities and Similar Instruments
- xii) IC Interpretation 5 : Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- xiii) IC Interpretation 6 : Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
- xiv) IC Interpretation 7 : Applying the Restatement Approach under FRS 129<sub>2004</sub> - Financial Reporting in Hyperinflationary Economies
- xv) IC Interpretation 8 : Scope of FRS 2

Except for FRS 139, which is deferred indefinitely, all other FRSs, Amendment to FRSs and Interpretations are mandatory for the financial periods beginning on or after 1 July 2007.

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139 while the future adoption of the above FRSs, Amendments to FRSs and Interpretations are not expected to have significant impact to the financial statements of the Group and of the Company except for the adoption of FRS 112, details of which are disclosed below.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.3 Effects Arising from Adoption of New and Revised FRSs (Contd.)

The Group and the Company have not recognised the potential deferred tax benefits arising from unutilised reinvestment allowance. On the adoption of FRS 112, the following amounts would have been adjusted:

	<b>Group RM</b>
<b>Deferred Tax Liabilities</b>	
As at 31 December 2006, as currently stated	4,753,641
Effect of adopting FRS 112	<u>(531,287)</u>
As at 31 December 2006, as restated	<u>4,222,354</u>
As at 31 December 2007, as currently stated	6,164,990
Effect of adopting FRS 112	<u>(844,217)</u>
As at 31 December 2007, as restated	<u>5,320,773</u>
<b>Income Tax Expense</b>	
For the year ended 31 December 2006, as currently stated	768,473
Effect of adopting FRS 112	<u>1,067,003</u>
For the year ended 31 December 2006, as restated	<u>1,835,476</u>
For the year ended 31 December 2007, as currently stated	2,207,431
Effect of adopting FRS 112	<u>(312,930)</u>
For the year ended 31 December 2007, as restated	<u>1,894,501</u>
<b>Retained Earnings</b>	
As at 31 December 2006, as currently stated	18,457,519
Effect of adopting FRS 112	<u>531,287</u>
As at 31 December 2006, as currently stated	<u>18,988,806</u>
As at 31 December 2007, as currently stated	26,469,895
Effect of adopting FRS 112	<u>844,217</u>
As at 31 December 2007, as restated	<u>27,314,112</u>

The impact on the adoption of FRS 112 on the reinvestment allowance to be claimed in respect of the financial year ending 31 December 2008 is presently not quantifiable.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.4 Significant Accounting Judgements and Estimates**

In the process of preparing these financial statements:

- (i) there were no significant judgements made in applying the accounting policies of the Group and the Company which may have significant effects of the amounts recognised in the financial statements; and
- (ii) there were no significant estimation uncertainty at the balance sheet, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## 3. PROPERTY, PLANT AND EQUIPMENT

<b>Group</b>	<b>Factory and office buildings RM</b>	<b>Plant and machinery, tools and implements RM</b>	<b>Furniture and fittings and equipment RM</b>	<b>Renovations and electrical installations RM</b>	<b>Motor vehicles RM</b>	<b>Capital work-in- progress RM</b>	<b>Total RM</b>
<b>Cost</b>							
At 1 January 2006	17,070,652	29,357,355	1,805,957	1,042,860	1,628,264	2,520,834	53,425,922
Additions	729,829	2,112,128	55,011	35,693	1,791,669	3,842,745	8,567,075
Reclassification	-	1,659,516	-	-	-	(1,659,516)	-
Transfer *	-	-	-	-	-	(861,318)	(861,318)
At 31 December 2006/ At 1 January 2007	17,800,481	33,128,999	1,860,968	1,078,553	3,419,933	3,842,745	61,131,679
Additions	1,114,484	8,738,483	167,976	220,500	58,000	297,868	10,597,311
Reclassification	1,736,171	1,981,574	-	-	-	(3,717,745)	-
At 31 December 2007	20,651,136	43,849,056	2,028,944	1,299,053	3,477,933	422,868	71,728,990
<b>Accumulated Depreciation</b>							
At 1 January 2006	1,621,287	8,843,205	722,547	581,980	947,307	-	12,716,326
Charge for the year	356,003	1,698,336	182,800	111,780	220,134	-	2,569,053
At 31 December 2006/ At 1 January 2007	1,977,290	10,541,541	905,347	693,760	1,167,441	-	15,285,379
Charge for the year	395,664	2,013,989	192,914	107,805	300,825	-	3,011,197
At 31 December 2007	2,372,954	12,555,530	1,098,261	801,565	1,468,266	-	18,296,576
<b>Net Carrying Amount</b>							
At 31 December 2007	18,278,182	31,293,526	930,683	497,488	2,009,667	422,868	53,432,414
At 31 December 2006	15,823,191	22,587,458	955,621	384,793	2,252,492	3,842,745	45,846,300

\* This transfer relates to accumulated costs incurred for land improvements on leasehold land transferred to Prepaid Land Lease Payments (Note 4).

**3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**

	<b>Company</b>	
	<b>Furniture and fittings</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
<b>Cost</b>		
At 1 January/31 December	4,675	4,675
<b>Accumulated Depreciation</b>		
At 1 January	1,872	1,404
Charge for the year	468	468
At 31 December	2,340	1,872
<b>Net Carrying Amount</b>		
At 31 December	2,335	2,803

- (a) All property, plant and equipment are charged as securities for borrowings facilities (Note 14) obtained by the subsidiary.
- (b) The carrying values of motor vehicles held under hire purchase contracts as at balance sheet date was RM1,433,699 (2006: RM1,690,223). Assets under hire purchase contracts are pledged as security for the related hire purchase liabilities.

**4. PREPAID LAND LEASE PAYMENTS**

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
At 1 January	9,118,589	6,564,061
Transfer from property, plant and equipment (Note 3)	-	861,318
Additions	763,225	1,836,881
Amortisation for the year (Note 19)	(155,412)	(143,671)
At 31 December	9,726,402	9,118,589
<b>Analysed as:</b>		
Long term leasehold land	9,340,236	8,721,840
Short term leasehold land	386,166	396,749
	9,726,402	9,118,589
<b>Remaining lease years:</b>		
- Long term leasehold land	34 - 95	35 - 96
- Short term leasehold land	35 - 39	36 - 40

All prepaid land lease payments are pledged as securities for borrowing facilities of the subsidiary (Note 14).

**5. INVESTMENT IN A SUBSIDIARY**

	<b>Company</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
Unquoted investment	20,100,000	20,100,000

Details of the subsidiary are as follows:

<b>Name of Subsidiary</b>	<b>Country of incorporation</b>	<b>Equity interest held</b>		<b>Principal activities</b>
		<b>2007</b>	<b>2006</b>	
San Soon Seng Food Industries Sdn. Bhd.	Malaysia	100%	100%	Manufacturing and selling of food and beverage ingredients

The subsidiary is audited by Ernst & Young, Malaysia

**6. DUE FROM A SUBSIDIARY**

The amount due from a subsidiary is interest-free, unsecured and is not repayable within the foreseeable future.

**7. INVENTORIES**

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
At cost:		
Finished goods	3,143,018	2,813,683
Raw materials	16,925,138	10,582,705
Packing materials	798,985	432,683
	<u>20,867,141</u>	<u>13,829,071</u>

The cost of inventories recognised as an expense during the financial year amounted to RM73,158,851 (2006: RM56,902,943) which is recognised in cost of sales.

**8. TRADE RECEIVABLES**

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
Trade receivables		
- third parties	30,078,480	23,576,026
- related party	88,255	187,721
	<u>30,166,735</u>	<u>23,763,747</u>
Less: Provision for doubtful debts	(650,175)	(795,018)
Trade receivables, net	<u>29,516,560</u>	<u>22,968,729</u>

Movements in the provision for doubtful debts were as follows:

At 1 January	795,018	795,018
Reversal	(144,843)	-
At 31 December	<u>650,175</u>	<u>795,018</u>

**(a) Credit risk**

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The Group's normal trade credit term ranges from 30 to 150 days (2006: 30 to 150 days). Other credit terms are assessed and approved on a case-by-case basis. The Group has internal mechanisms to monitor the granting of credit and management of credit exposures. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk noted at balance sheet date.

**(b) Amount due from a related party**

Related party's debt is due from Seong Chan Sauce & Foodstuff Sdn. Bhd., a company in which certain directors have financial interests. Further details on related party transactions are disclosed in Note 25.

**9. OTHER RECEIVABLES**

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Sundry receivables, deposits and prepayments	3,379,236	1,453,302	1,160	1,160
Less: Provision for doubtful debts	-	(180,000)	-	-
	<u>3,379,236</u>	<u>1,273,302</u>	<u>1,160</u>	<u>1,160</u>

Movements in the provision for doubtful debts were as follows:

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
At 1 January	180,000	180,000
Writeback	(180,000)	-
At 31 December	<u>-</u>	<u>180,000</u>

Included in deposits of the Group are advances paid for purchase of land of RM190,000 (2006: RM Nil).

**10. CASH AND CASH EQUIVALENTS**

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Cash and bank balances	<u>4,953,979</u>	<u>1,312,541</u>	<u>4,765</u>	<u>362</u>

Cash at banks earns interest at floating rates based on daily deposit rates ranging from 3.4% to 4.4% (2006: 3.4% to 4.4%) per annum.

**11. SHARE CAPITAL**

	<b>Group/Company</b>	
	<b>Number of Shares</b>	<b>Amount RM</b>
<b>Authorised</b>		
Ordinary shares of RM0.20 each	<u>250,000,000</u>	<u>50,000,000</u>
<b>Issued and fully paid up</b>		
Ordinary share of RM0.20 each		
At 1 January 2006 / 2007	175,000,012	35,000,002
Issued on 31 May 2007 for cash	8,750,000	1,750,000
Issued on 20 November 2007 for cash	<u>8,750,000</u>	<u>1,750,000</u>
At 31 December 2007	<u>192,500,012</u>	<u>38,500,002</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM35,000,002 to RM38,500,002 by way of:

- (i) the issuance of 8,750,000 ordinary shares of RM0.20 each through a private placement at an issue price of RM0.36 per ordinary share for cash, for additional working capital purposes;
- (ii) the issuance of 8,750,000 ordinary shares of RM0.20 each through a private placement at an issue price of RM0.53 per ordinary share for cash, for additional working capital purposes;

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Group.

**12. SHARE PREMIUM**

	<b>Group/Company</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
At 1 January	733,629	733,629
Add: Premium arising from issuing of 8,750,000 new ordinary shares at		
- RM0.36 each	1,400,000	-
- RM0.50 each	2,887,500	-
Less: Transaction cost arising from issuance of shares	(174,169)	-
At 31 December	<u>4,846,960</u>	<u>733,629</u>

The share premium may be applied only for the purposes as specified in the Companies Act, 1965. The balance is not available for distribution of dividends except for in the form of bonus shares.

**13. RETAINED EARNINGS**

Presently, Malaysian companies adopt the full imputation system. In the Budget 2008, the Government announced the proposal to introduce the single tier tax system for companies effective from the year of assessment 2008. Under the proposed single tier system, the Company shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends paid, credited or distributed by the Company will be exempted from tax in the hands of the shareholders. However, there will be a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrecoverable option to disregard the tax credit balance under Section 108 of the Income Tax Act, 1967 and opt to pay dividends under the single tier system. This proposed change in the tax law also provides for the Section 108 balance to be locked in as at 31 December 2007.

During the transitional period, the Company can utilise the tax credit balance in the Section 108 account as at 31 December 2007 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Bill, 2007.

As at 31 December 2007, the Company has tax exempt profits available for distribution of approximately RM26,000,000 (2006: RM10,000,000), subject to the agreement of the Inland Revenue Board.

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and the balance in the tax exempt income account to frank the payment of dividends out of its entire retained earnings as at 31 December 2007.

## 14. BORROWINGS

			<b>Group</b>	
			<b>2007</b>	<b>2006</b>
			<b>RM</b>	<b>RM</b>
<b>Short Term Borrowings</b>				
Secured:				
Bankers acceptances			28,617,378	19,409,962
Term loans			1,583,731	1,627,922
Hire purchase payables			380,997	420,887
			<u>30,582,106</u>	<u>21,458,771</u>
<b>Long Term Borrowings</b>				
Secured:				
Term loans			8,771,045	8,409,795
Hire purchase payables			552,715	914,044
			<u>9,323,760</u>	<u>9,323,839</u>
	<b>Effective</b>		<b>Group</b>	
	<b>Interest rate</b>	<b>Maturity</b>	<b>2007</b>	<b>2006</b>
	<b>%</b>		<b>RM</b>	<b>RM</b>
<b>Total Borrowings</b>				
Bankers acceptances	4.10 - 4.22	On demand	28,617,378	19,409,962
Term loans	7.18 - 9.06	2007 - 2016	10,354,776	10,037,717
Hire purchase payables	4.65 - 7.16	2007 - 2012	933,712	1,334,931
			<u>39,905,866</u>	<u>30,782,610</u>
Maturity of borrowings:				
Within one year			30,582,106	21,458,771
More than 1 year and less than 2 years			2,164,240	2,031,230
More than 2 years but less than 5 years			4,138,622	4,276,548
More than 5 years			3,020,898	3,016,061
			<u>39,905,866</u>	<u>30,782,610</u>

The bank borrowings are secured by the following:

- fixed charges over the prepaid lease payments (Note 4) and factory and office buildings of the subsidiary (Note 3);
- debentures incorporating fixed and floating charges over all assets and undertakings of the subsidiary, both present and future;
- negative pledge on two adjoining pieces of leasehold land; and
- a corporate guarantee by the Company.

**14. BORROWINGS (CONTD.)**

Details on the hire purchase are as follows:

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
<b>Future minimum lease payments:</b>		
Not later than 1 year	423,776	490,296
Later than 1 year and not later than 2 years	357,200	423,776
Later than 2 years and not later than 5 years	225,050	562,583
Total future minimum lease payments	<u>1,006,026</u>	<u>1,476,655</u>
Less: Future finance charges	(72,314)	(141,724)
Present value of finance lease liabilities	<u>933,712</u>	<u>1,334,931</u>
<b>Analysis of present value of finance lease liabilities:</b>		
Not later than 1 year	380,997	420,887
Later than 1 year and not later than 2 years	335,292	380,997
Later than 2 years and not later than 5 years	217,423	533,047
	<u>933,712</u>	<u>1,334,931</u>
Less: Amount due within 12 months	(380,997)	(420,887)
Amount due after 12 months	<u>552,715</u>	<u>914,044</u>

**15. DEFERRED TAX**

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
At 1 January	4,753,641	4,753,782
Recognised in the income statement (Note 22)	1,411,349	(141)
At 31 December	<u>6,164,990</u>	<u>4,753,641</u>
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	6,334,036	4,925,719
Deferred tax assets	(169,046)	(172,078)
	<u>6,164,990</u>	<u>4,753,641</u>

**15. DEFERRED TAX (CONTD.)**

The components and movements of the Group's deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

**Deferred Tax Liabilities**

	<b>Accelerated Capital Allowances RM</b>
At 1 January 2006	4,925,860
Recognised in the income statement	<u>(141)</u>
At 31 December 2006	4,925,719
Recognised in the income statement	<u>1,408,317</u>
At 31 December 2007	<u><u>6,334,036</u></u>

**Deferred Tax Assets**

	<b>Unutilised Reinvestment Allowances RM</b>	<b>Others RM</b>	<b>Total RM</b>
At 1 January 2006	327,022	(172,078)	154,944
Recognised in the income statement	<u>(327,022)</u>	-	<u>(327,022)</u>
At 31 December 2006	-	(172,078)	(172,078)
Recognised in the income statement	<u>-</u>	<u>3,032</u>	<u>3,032</u>
At 31 December 2007	<u>-</u>	<u>(169,046)</u>	<u>(169,046)</u>

**16. TRADE PAYABLES**

The normal trade credit term granted to the Group ranges from 30 to 60 days (2006: 30 to 60 days).

**17. OTHER PAYABLES**

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Accruals	3,094,680	1,480,253	23,788	23,998
Sundry payables	-	794,223	-	-
	<u>3,094,680</u>	<u>2,274,476</u>	<u>23,788</u>	<u>23,998</u>

**18. REVENUE**

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Sales of goods	107,118,021	84,015,856	-	-
Dividend income from subsidiary	-	-	31,078,219	10,000,000
	<u>107,118,021</u>	<u>84,015,856</u>	<u>31,078,219</u>	<u>10,000,000</u>

**19. PROFIT FROM OPERATIONS**

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Profit from operations is stated after charging/(crediting):				
Staff costs - excluding directors' remuneration (Note 20)	8,266,249	6,589,842	-	-
Depreciation of property, plant and equipment	3,011,197	2,569,053	468	468
Amortisation of prepaid land lease payments (Note 4)	155,412	143,671	-	-
Non-executive directors' remuneration	38,000	18,000	38,000	18,000
Auditors' remuneration	38,000	38,000	10,000	10,000
Rent of premises	96,000	27,136	-	-
Writeback of provision for doubtful debts	(324,843)	-	-	-
Realised exchange gains	(183,326)	(166,714)	-	-
Unrealised foreign exchange losses	124,697	104,731	-	-
	<u>124,697</u>	<u>104,731</u>	<u>-</u>	<u>-</u>

**19. PROFIT FROM OPERATIONS (CONTD.)**

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Analysis of Directors' remuneration:				
Executive directors' remuneration:				
Other emoluments	1,839,651	1,480,601	35,000	-
Non-executive directors' remuneration:				
Other emoluments	38,000	18,000	38,000	18,000
Total directors' remuneration	<u>1,877,651</u>	<u>1,498,601</u>	<u>73,000</u>	<u>18,000</u>

The details of remuneration receivable by directors of the Company during the year are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Executive:				
Salaries and other emoluments	1,328,643	1,149,093	35,000	-
Bonus	321,000	176,000	-	-
Defined contribution plan	190,008	155,508	-	-
	<u>1,839,651</u>	<u>1,480,601</u>	<u>35,000</u>	<u>-</u>
Non-Executive:				
Other emoluments	38,000	18,000	38,000	18,000
	<u>1,877,651</u>	<u>1,498,601</u>	<u>73,000</u>	<u>18,000</u>

**19. PROFIT FROM OPERATIONS (CONTD.)**

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

	<b>Number of directors</b>	
	<b>2007</b>	<b>2006</b>
Executive directors:		
Below RM50,000	1	1
RM100,001 - RM150,000	-	2
RM150,001 - RM200,000	2	1
RM200,001 - RM250,000	1	-
RM250,001 - RM300,000	-	2
RM300,001 - RM350,000	2	-
RM450,001 - RM500,000	-	1
RM600,001 - RM650,001	1	-
Non-executive directors:		
Below RM50,000	5	5

**20. STAFF COSTS**

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
Wages and salaries	7,505,403	5,970,750
Social security costs	48,898	41,197
Pension costs - defined contribution plans	568,187	474,140
Other staff related expenses	143,761	103,755
	<b>8,266,249</b>	<b>6,589,842</b>

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM1,839,651 (2006: RM1,480,601) and RM35,000 (2006: RM Nil) respectively as further disclosed in Note 19.

**21. FINANCE COSTS**

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
Interest expense on:		
Term loans	809,416	557,655
Other bank borrowings	854,336	786,566
Hire purchase financing	50,266	33,721
	<u>1,714,018</u>	<u>1,377,942</u>
Bank charges	167,885	211,092
	<u>1,881,903</u>	<u>1,589,034</u>

**22. TAXATION**

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Malaysian income tax:				
Tax expense for the year	853,703	768,614	5,078,219	-
Overprovision in prior years	(57,621)	-	-	-
	<u>796,082</u>	<u>768,614</u>	<u>5,078,219</u>	<u>-</u>
Deferred tax (Note 15):				
Relating to origination and reversal of temporary differences	1,435,507	361,406	-	-
Relating to changes in tax rates	(135,050)	(365,411)	-	-
Underprovision in prior years	110,892	3,864	-	-
	<u>1,411,349</u>	<u>(141)</u>	<u>-</u>	<u>-</u>
	<u>2,207,431</u>	<u>768,473</u>	<u>5,078,219</u>	<u>-</u>

Domestic current income tax is calculated at the statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 26% from the current year's rate of 27%, effective year of assessment 2008 and to 25% effective year of assessment 2009. The computation of deferred tax as at 31 December 2007 has reflected these changes.

## 22. TAXATION (CONTD.)

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

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Profit before taxation	12,319,807	9,400,364	30,856,553	9,900,833
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	3,326,348	2,632,102	8,331,269	2,772,233
Effects of changes in tax rates on opening balances of deferred tax	(180,168)	(339,831)	-	-
Deferred tax recognised at different tax rates	45,118	(25,580)	-	-
Income not subject to tax	-	-	(3,312,900)	(2,800,000)
Expenses not deductible for tax purposes	941,421	263,192	59,850	27,767
Utilisation of current year's reinvestment allowance	(1,978,559)	(1,766,910)	-	-
Underprovision of deferred tax in prior year	110,892	3,864	-	-
Withholding tax	-	1,636	-	-
Overprovision of income tax expense in prior year	(57,621)	-	-	-
Tax expense for the year	<u>2,207,431</u>	<u>768,473</u>	<u>5,078,219</u>	<u>-</u>

Unutilised reinvestment allowance is analysed as follows:

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
Unutilised reinvestment allowance carried forward	<u>3,246,985</u>	<u>2,453,995</u>

**23. EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
Net profit for the year (RM)	<u>10,136,784</u>	<u>8,631,891</u>
Weighted average number of ordinary shares in issue	<u>181,113,026</u>	<u>175,000,013</u>
Basic earnings per share (sen)	<u>5.6</u>	<u>4.9</u>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

**24. DIVIDENDS**

	<b>Dividend in respect of Year</b>		<b>Dividend Recognised in Year</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Recognised during the year				
Interim dividend:				
- 1.2 sen tax exempt on 175,00,012 ordinary shares	<u>2,100,000</u>	-	<u>2,100,000</u>	-

## 25. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	<b>Group</b>		<b>Outstanding balances</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Sales to Seong Chan Sauce & Foodstuff Sdn. Bhd.	(687,518)	(652,861)	(88,255)	(187,721)
Rent payable to Excellent Chemical Industrial Sdn. Bhd.	96,000	24,000	600	600

Seong Chan Sauce & Foodstuff Sdn. Bhd. and Excellent Chemical Industrial Sdn. Bhd. are companies in which Fang Chew Ham, Foong Chiew Fatt, Fong Chiew Hean and Fong Chu King @ Tong Chu King, directors of the Company, have financial interests.

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

- (b) Compensation of key management personnel

The key management personnels comprised mainly executive directors of the Company whose remuneration are disclosed in Note 19.

## 26. OPERATING LEASE COMMITMENT

The Group has entered into a non-cancellable operating lease on its warehouse. This lease has remaining non-cancellable lease term of 1 to 8 years. The future minimum lease payments under non-cancellable operating lease contracted for as at the balance sheet date but not recognised as liability are as follows:

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
Future minimum rental payments:		
Not later than 1 year	168,000	24,000
Later than 1 year and not later than 5 years	240,000	96,000
	<u>408,000</u>	<u>120,000</u>

**27. COMMITMENTS**

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
<b>Capital expenditure:</b>		
Approved and contracted for	1,710,000	1,009,009

**28. CONTINGENT LIABILITIES - UNSECURED**

	<b>Company</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
Guarantees to licensed financial institutions in respect of credit facilities granted to a subsidiary company	87,906,000	78,596,000

**29. FINANCIAL INSTRUMENTS****(a) Financial Risk Management Objectives and Policies**

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

**(b) Interest Rate Risk**

The Group's exposure to market risk for changes in the interest rate environment principally relates to its debts obligations. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings. The Group ensures that it obtains borrowings at favourable interest rates.

Information relating to the Group's interest rates is disclosed in the Note 14.

**29. FINANCIAL INSTRUMENTS (CONTD.)****(c) Foreign Currency Risk**

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollars (USD) and Singapore Dollars (SGD). Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the investments are located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

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

<b>Functional currency of the Group is Ringgit Malaysia</b>	<b>Singapore Dollar RM</b>
<b>At 31 December 2007</b>	
Receivables	<u>977,868</u>
<b>At 31 December 2006</b>	
Receivables	<u>905,186</u>

**(d) Liquidity Risk**

The Group actively manages its cash and cash equivalents, operating cash flows and the availability of funding so as to ensure that there is adequate working capital and that repayment and funding needs are met.

## 29. FINANCIAL INSTRUMENTS (CONTD.)

### (e) Credit Risk

Credit risk is the risk that counter parties will be unable to meet their obligations resulting in financial loss to the Group.

It is the Group's policy to enter into transactions with a diversity of credit-worthy parties to mitigate any significant concentration of credit risk. The Group ensures that the goods sold are to customers with appropriate credit history and has internal mechanisms to monitor the granting of credit and management of credit exposures. The trade receivables represent the Group's maximum exposure to credit risk in the event the counter parties fail to perform their obligations. There was no significant concentration of credit risk to the Group as at year end.

### (f) Fair Values

It is not practical to estimate the fair value of amount due from a subsidiary due principally to a lack of fixed repayment term entered by the parties involved and without incurring excessive costs. However, the Company does not anticipate the carrying amount recorded at the balance sheet date to be significantly different from the value that would eventually be received or settled.

The fair values at all other financial assets and liabilities of the Group and of the Company as at 31 December 2007 are not materially different from their carrying values.

## 30. SIGNIFICANT EVENT

On 13 February 2008, the subsidiary entered into a Sales and Purchase Agreement ("SPA") to acquire a parcel of leasehold land held under HS(M) 9071, PT No. 589, Mukim Sungei Buloh, Daerah Petaling, Negeri Selangor Darul Ehsan together with a Single Storey Factory Building erected thereon measuring in area approximately 4,046.85 square metres and bearing the postal address of Lot 589, Jalan Industries U19, Kampung Baru Seri Sungai Buloh, 47000 Selangor Darul Ehsan ("the Property") for a total cash consideration of RM1,900,000. The completion of the acquisition is subject to fulfillment of the conditions precedent as stipulated in the SPA.

## 31. SEGMENT INFORMATION

No segmental reporting is presented as the Group's activities are predominantly in the manufacturing industry segment and occur predominantly in Malaysia.