

FUTUTECH BERHAD (122592-U)

annual report **'07**
FUTUTECH BERHAD
(122592-U)

ANNUAL REPORT 2007



CONTENTS

2	Corporate Information
3	Profile of Directors
6	Corporate Structure
7	5-Year Group Financial Summary
8	Chairman's Statement
10	Statement on Corporate Governance
15	Directors' Responsibility Statement
16	Report of the Audit Committee
20	Statement on Internal Control
21	Financial Statements
69	List of Properties Owned by the Group
70	Analysis of Shareholdings
73	Analysis of Warrantholdings
76	Notice of Annual General Meeting
	> Statement Accompanying Notice of Annual General Meeting
	Form of Proxy

corporate ■ INFORMATION

BOARD OF DIRECTORS ■

Encik Kamil Ahmad Merican
Non-Independent Non-Executive Chairman

Mr. Loo Soo Loong, Evan
Acting Chief Executive Officer

Mr. Chan Kok Leong, Eric
Non-Independent Non-Executive Director

Mr. Vijayaratham a/l V. Thamothearam Pillay
Independent Non-Executive Director

Professor Datuk Dr. Nik Mohd Zain Bin Nik Yusof
Independent Non-Executive Director

COMPANY SECRETARIES ■

Ms. Chua Siew Chuan (MAICSA 0777689)
Ms. Mak Chooi Peng (MAICSA 7017931)

REGISTERED OFFICE ■

Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel : 603-2084 9000
Fax : 603-2094 9940

REGISTRAR ■

Securities Services (Holdings) Sdn. Bhd.
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel : 603-2084 9000
Fax : 603-2094 9940

AUDITORS ■

Ernst & Young
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

PRINCIPAL BANKERS ■

Malayan Banking Berhad
Public Bank Berhad
RHB Bank Berhad

STOCK EXCHANGE LISTING ■

Second Board of
Bursa Malaysia Securities Berhad

profile of ▪ DIRECTORS

ENCIK KAMIL AHMAD MERICAN

Non-Independent Non-Executive Chairman

Malaysian, 58 years of age

Encik Kamil Ahmad Merican was appointed as a Non-Independent Non-Executive Chairman of Fututech on 22 May 2007. He holds a Diploma in Architecture from the Universiti Teknologi Malaysia and is a graduate from the Architectural Association in London. He has worked in various architectural firms in London and Malaysia and possesses vast experience in the architectural field. Currently, Encik Kamil is the Chief Executive Officer of GDP Architects Sdn. Bhd. and an external examiner for Universiti Teknologi Malaysia and Universiti Malaya.

Encik Kamil also sits on the Board of Eastern & Oriental Berhad and E & O Property Development Berhad and its Group.

Encik Kamil has no family relationship with any other directors or major shareholders of the Company nor any conflict of interest with the Company. He has not been convicted of any offences within the past ten (10) years. He attended two (2) out of three (3) Board of Directors' Meetings held during the financial year ended 31 December 2007 since his appointment on 22 May 2007.

MR. LOO SOO LOONG, EVAN

Acting Chief Executive Officer

Malaysian, 44 years of age

Mr. Loo Soo Loong was appointed Executive Director of Fututech on 1 November 2002 and subsequently as the Acting Chief Executive Officer on 9 November 2006.

Mr. Loo obtained his Bachelor of Science degree in Business Administration from California State University, Chico (USA) in 1986 and his Bachelor of Law degree (LLB) from the University of Buckingham, United Kingdom in 1988. He qualified as an advocate and solicitor in Malaysia in 1990.

Mr. Loo was involved in managing one of Kuala Lumpur's largest bus companies, which was subsequently amalgamated under the DRB Bhd Group in 1995. He remained as a non-independent non-executive director in the bus company at present. After practicing as an advocate and solicitor from 1995 to 2000, Mr. Loo departed to Hong Kong to set-up a US based internet company with venture capitalists from Hong Kong until end of 2001.

Mr. Loo has no family relationship with any director or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences within the past ten (10) years. He attended all four (4) Board of Directors' Meetings held during the financial year ended 31 December 2007.

profile of
▪ **DIRECTORS** (cont'd)

MR. CHAN KOK LEONG, ERIC

*Non-Independent Non-Executive Director
Malaysian, 38 years of age*

Mr. Chan Kok Leong was appointed to the Board on 6 February 2004. Mr. Chan holds a Master degree in Business Administration from Institut Superieur de Gestion, Paris and he is also a member of the Malaysian Association of Certified Public Accountants.

Mr. Chan has more than 15 years experience in the realm of audit and corporate finance whereby he was involved in, amongst others, special assignments in accountancy and taxation related services, listing, restructuring, take over and merger as well as privatisation exercises.

In May 2003, Mr. Chan joined E & O Property Development Berhad as Director – Corporate & Investment. Currently, Mr. Chan is the Executive Director of Eastern & Oriental Berhad and its Group and E & O Property Development Berhad and its Group.

Mr. Chan is also a member of the Audit Committee, Nominating Committee and the Remuneration Committee of the Company. He has no family relationship with any director or major shareholder of the Company nor any conflict of interest with the Company. He has not convicted of any offences within the past ten (10) years. He attended three (3) out of four (4) Board of Directors' Meetings held during the financial year ended 31 December 2007.

MR. VIJAYARATNAM A/L V. THAMOTHARAM PILLAY

*Independent Non-Executive Director
Malaysian, 57 years of age*

Mr. Vijeyaratnam was appointed as a director of the Company on 6 February 2004. Mr. Vijeyaratnam is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Accountants. He has more than 25 years post qualifying experience covering auditing, financial planning, general management and corporate advisory.

He is currently the Managing Director of his own consultancy company. Mr. Vijeyaratnam also sits on the Board of Directors of Multi-Purpose Holdings Bhd., Mieco Chipboard Berhad, Bandar Raya Developments Bhd. and Eastern & Oriental Berhad.

Mr. Vijeyaratnam is currently the Chairman of the Audit Committee, Nominating Committee and Remuneration Committee of the Company. He has no family relationship with any director or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences within the past ten (10) years. Mr. Vijeyaratnam attended all four (4) Board of Directors' Meetings held during the financial year ended 31 December 2007.

profile of
 ■ **DIRECTORS** (cont'd)

PROFESSOR DATUK DR. NIK MOHD ZAIN BIN NIK YUSOF

Independent Non-Executive Director

Malaysian, 62 years of age

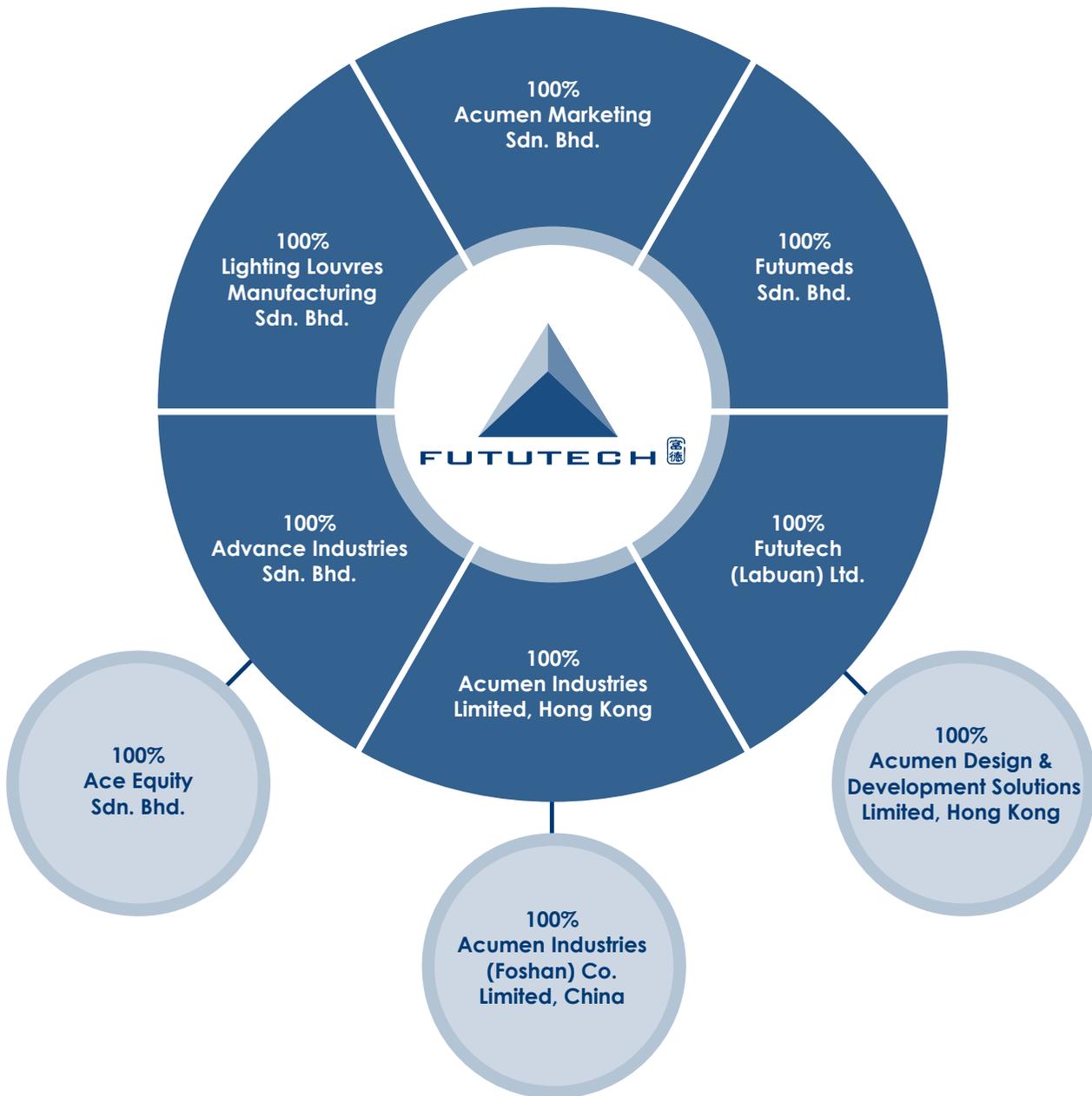
Professor Datuk Dr. Nik Mohd Zain was appointed as a director of the Company on 21 April 2008. He obtained a Bachelor of Arts (Honours) from the University of Malaya, Malaysia and Master of Arts from the University of Wisconsin, Madison, USA. He also has a PhD in Law from the University of Kent, Canterbury, United Kingdom. He has both local and international working experience and is well-versed in the land and property sector, having been in the business as quality and land consultant for more than 20 years. He currently does occasional lectures and provides training at national and international seminars on land and property matters.

Professor Datuk Dr. Nik Mohd Zain was a past-Chairman of the Prime Ministers Quality Award committee for both the public sector and the socio-economy. He has also been the examiner for the Prime Ministers Quality Award and was the alternate chairman to the evaluation committee for public sector from 1996 to 1997. He was the Secretary General, Ministry of Land and Co-operative Development and a Board member of Felda Holdings Sdn. Bhd. from 1995 to 2002. He was a professor of Land Law at University Technology Malaysia until January 2005. He is currently the Chairman of Yayasan Peneroka Negara, Malaysia and also an Adjunct Professor for Universiti Putra Malaysia.

Professor Datuk Dr. Nik Mohd Zain also sits on the Board of Directors of Island & Peninsular Berhad, Amway (Malaysia) Holdings Berhad and E & O Property Development Berhad.

Professor Datuk Dr. Nik Mohd Zain is also a member of the Audit Committee, Nominating Committee and Remuneration Committee of the Company. He has no family relationship with any director or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences within the past ten (10) years.

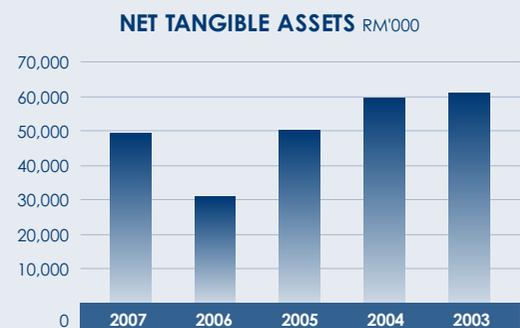
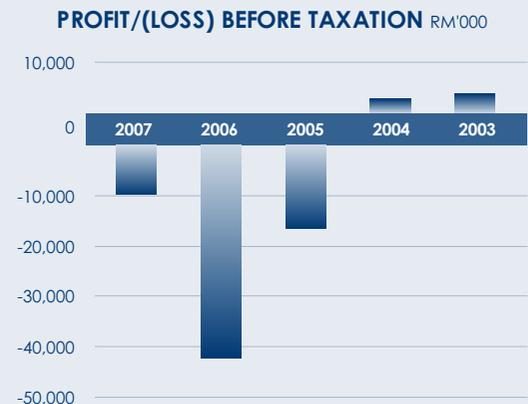
corporate
■ **STRUCTURE**



5-year group

■ FINANCIAL SUMMARY

	2007 RM'000	2006 RM'000	2005 RM'000	2004 RM'000	2003 RM'000
Revenue	34,603	52,809	55,953	85,427	80,125
Profit/(Loss) before taxation	(9,884)	(42,268)	(16,593)	2,724	3,736
Profit/(Loss) after taxation & minority interest	(9,884)	(40,066)	(16,370)	(1,247)	2,522
Dividend -- (Amount net of tax)	-	-	-	-	1,733
Total Assets	93,140	75,878	120,574	134,726	134,895
Shareholders' Funds	49,476	30,883	71,276	86,913	88,826
Net Tangible Assets	49,411	30,818	49,945	59,578	60,936
	Sen	Sen	Sen	Sen	Sen
Net Tangible Assets per share	84.13	52.48	85.05	103.13	105.86
Earnings/(loss) per share	(36.63)	(150.92)	(27.97)	(2.16)	4.38



ECONOMIC OVERVIEW

Real gross domestic product (GDP) of Malaysia improved from 5.9% in 2006 to 6.3% in 2007 amidst a weaker external environment. Domestically, strong private consumption and investment activities coupled with an increase in public sector spending were main factors driving the economy in 2007.

On a sectoral basis, Bank Negara reported strong growth in the services, construction and mining & quarrying sectors whilst substantially reduced growth was registered in the agricultural and manufacturing sectors. The construction sector had made a turnaround from -0.5% to 4.6% after 3 years in the negative territory with main activities deriving from the civil engineering sub-sector due to the implementation of the Ninth Malaysian Plan (9MP), oil & gas industry and the non-residential and residential sub-sectors. On the contrary, growth in the manufacturing sector was reduced significantly from 7.1% (2006) to 3.1% (2007); attributed mainly to a weaker external demand from the slowdown in the production and exports of electronics and electrical products particularly in the first half of 2007.

Although the local Consumer Price Index (CPI) registered a lower increase; 2% in 2007 as compared to 3.6% increase in 2006, global oil price continued its hike whilst the Ringgit continued to move up against major and regional currencies during the year.

2007 GROUP REVIEW

The year 2007 was filled with many challenges. Internally, the Group underwent a major restructuring exercise in 2007 to rationalize its resources, streamline its businesses and undergo a corporate exercise to strengthen its overall financial position. Whilst Lighting, Kitchen Cabinetry and Point of Sales ("POS") continue to be the core businesses of the Group, various measures to help turnaround the Group were introduced and implemented vigorously in 2007. Some of these measures are still on-going which the Group believes will continue to improve the Group's overall financial position going forward.

In the midst of restructuring the Group, external factors also became demanding. Soaring oil prices coupled with the strong demand for resources by China and India globally during the year resulted in price increases of major raw materials. In addition, the strengthening of the Ringgit against its major and regional currencies had also made Malaysian products more expensive in the export markets. Amidst such challenges, Group sales suffered a decline from RM53 million in 2006 to RM35 million in 2007. Although lower sales in 2007 were recorded than its previous corresponding year, the Group was also able to reduce its loss substantially from RM40 million in 2006 to RM9.9 million in 2007 as various cost rationalization and reduction initiatives yielded positive results.

Whilst overall sales in the POS division generally remained unchanged in 2007, overseas POS sales improved on a year to year basis. Operations in the division were further streamlined to handle more focused projects and to better manage resources. Such measures were necessarily implemented to achieve operational and sales' objectives especially in view of the on-going tightening of rules and advertising budget in certain POS quarters.

Although domestic lighting sales registered a modest improvement in 2007 compared to its previous corresponding year; attributed mainly to quicker roll out of the outstanding projects under the previous Eight Malaysian Plan ("8MP"), export lighting had encountered resource issues and competitive lighting exports from foreign countries. As a result, overall sales in the lighting division had dipped due to the challenging environment. With various initiatives and counter measures planned and implemented, the Group believes that this division will be able to improve its prospects and drive overall revenue.

In 2007, the Group started its kitchen cabinetry projects primarily on landed property projects in Kuala Lumpur and Penang. Although sales were lower in 2007, retail sales related to previous and on-going projects; particularly non-wood based kitchen cabinetry, were encouraging. With the required resources in place, the Group believes that FORTE will be able to position itself meaningfully within the premium kitchen cabinetry market to capitalize on opportunities in the premium property market; both projects and retail in the coming years.

2008 PROSPECTS

Fear of a U.S. recession sparks concern of a global slowdown as we moved into 2008. Global growth is expected to moderate to 3.7% in 2008 as compared to 4.7% in 2007 whilst global inflation is expected to be elevated as commodities and food prices are under pressure to increase in 2008. It is believed that during such challenging times, uncertainty will surround most economies although growth momentum in Asia and emerging economies are still expected to be in the positive territory. Domestically, it was reported by Bank Negara that Malaysia's resilience attributed to its robust domestic demand, diversified export markets and being a commodity producer, amongst others, will help to mitigate Malaysia's economy from the effects of the global slowdown.

Going forward, the Group will implement the necessary initiatives and programs prudently to improve its marketing, operational and financial positions with the primary objective to turnaround the Group as soon as possible. Such implementations may include but without limitation to engaging in effective sales and marketing initiatives, product innovation, human resource management and effective financial planning.

APPRECIATION & ACKNOWLEDGMENT

Towards the end of 2007, the Board of Directors bid farewell to our deputy executive Chairman and fellow director; Mr. Chong Kon You @ Chong Kwan Yew and Mr. Gan Leng Swee, who had resigned on 1 January 2008 and 31 December 2007 respectively. On behalf of the Board of Directors, I would like to take this opportunity to express our appreciation to Mr. Chong and Mr. Gan for their contribution through the years. On a different note, the Board of Directors wishes to welcome our new director; Professor Datuk Dr. Nik Mohd Zain bin Nik Yusof, who was appointed on 21 April 2008.

Last year was certainly a challenging year for the Group. On behalf of the Board of Directors, I would like to take this opportunity to express our sincere gratitude and appreciation to our valued customers, business associates, bankers, suppliers, shareholders and regulatory authorities.

To the management and staff, your efforts are most needed to drive through these demanding times to achieve a turnaround for the Group. For this and beyond, I wish to thank all of you for your commitments, loyalty and perseverance and hope we can all overcome such challenges together in the shortest of time.

KAMIL AHMAD MERICAN

Chairman
June 2007

statement on

■ CORPORATE GOVERNANCE

The Board of Directors of Fututech Berhad is committed to maintaining good corporate governance and recognises that it is a continual process, which requires re-assessment and refinement of management practices and systems.

The Board supports the principles and best practices recommended by the Malaysian Code on Corporate Governance ("Code"). This Statement sets out the practices adopted by the Board in compliance with the Code for the financial year ended 31 December 2007.

BOARD OF DIRECTORS

i) Composition of the Board of Directors

The Board has five (5) members comprising one (1) Executive Director, two (2) Non-Independent Non-Executive Directors and two (2) Independent Non-Executive Directors. The Company complied with the provision of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") in regards to the composition of the Board of Directors. Profile of each Director is presented on pages 3 to 5 of this Annual Report.

The Board has the overall responsibilities as the steward of the Company, guiding the Company towards achieving its short-term and long-term goals by setting various strategies for growth and development whilst providing direction and advice to the Management in achieving the Company's objectives. The Chairman is primarily responsible for matters pertaining to the strategies and policies of the Group whilst the Acting Chief Executive Officer oversees the operations of the Group and the implementation of the Board's directives and policies.

The Directors each bring objective and independent judgment to the Board and there is no domination by a group or an individual in the process of decision making by the Board. In addition thereto, the independent directors also provide the Board with independent guidance and unbiased advice based on their experience specific to the industry as well as the general commercial environment. The Board also ensures a high degree of transparency and accountability towards all the shareholders.

ii) Meetings and Supply of Information

The Board of Directors meet on a quarterly basis with additional meetings convened when deemed necessary.

Issues in relation to, amongst others, financial performance, strategies, resources and standards of conduct of the Group are deliberated and examined before decisions are made. To assist the Directors in reviewing and considering the issues to be discussed at the meeting, they are provided with reports relevant to the agenda of the meeting prior to each board meeting. They are also given access to all information of the Group and the advice of the Company Secretaries and/or other independent professional advisors, where necessary, to enable them to discharge their duties effectively and diligently.

There were four (4) meetings of the Board of Directors held during the year 2007.

Attendance of each Director at the meetings held during the financial year ended 31 December 2007 is as follows:-

Name of Directors	Designation	Number of Meetings Attended
Encik Kamil Ahmad Merican (Appointed w.e.f. 22 May 2007)	Non-Independent Non-Executive Chairman	2/3
Mr. Chong Kon You @ Chong Kwan Yew (Resigned w.e.f. 1 January 2008)	Deputy Executive Chairman	3/4
Mr. Loo Soo Loong, Evan	Acting Chief Executive Officer	4/4
Mr. Gan Leng Swee, Benny (Resigned w.e.f. 31 December 2007)	Independent Non-Executive Director	4/4
Mr. Vijeyaratnam a/I V. Thamotheeram Pillay	Independent Non-Executive Director	4/4
Mr. Chan Kok Leong, Eric	Non-Independent Non-Executive Director	3/4
Professor Datuk Dr. Nik Mohd Zain Bin Nik Yusof (Appointed w.e.f. 21 April 2008)	Independent Non-Executive Director	N/A

statement on

■ CORPORATE GOVERNANCE (cont'd)

BOARD OF DIRECTORS cont'd

iii) Committees

There are three (3) committees of the Board, namely Audit Committee, Nominating Committee and Remuneration Committee, to assist the Board in discharging its duties and responsibilities within clearly defined terms of reference.

The Board delegated to each committee specific authority to consider and approve specific matters in accordance with their respective terms of reference. Each committee will report to the Board with its decisions and/or recommendation. The ultimate responsibility for final decision on all matters however, rests with the Board.

iv) Directors' Training

All the Directors of the Company have attended and successfully completed the Mandatory Accreditation Programme prescribed by Bursa Securities. During the financial year, the Directors have attended continuous education programs to keep abreast with the relevant changes and development in the market place and with new statutory and regulatory requirements. Seminars and courses attended by the Directors are inter-alia on areas relating to corporate governance and leadership skills.

The Company will continuously arrange for further training for the Directors as part of their obligation to update and enhance their skills and knowledge which are important for their carrying out an effective role as Directors, particularly on corporate governance and the best practice set out in the Code. From time to time, the Board also receives updates and briefings, particularly on regulatory and legal developments relevant to the Company's business.

v) Appointment and Retirement of Directors

The present Nominating Committee ("NC") of the Board comprises three (3) members, all being non-executive directors whilst two (2) of whom are independent. The NC is entrusted by the Board to review and evaluate all new nominations for directors. It should be noted that acceptance and approval of the appointment to the Board remained the responsibility of the Board as a whole.

The Articles of Association of the Company requires a director appointed during a financial year to retire at the following annual general meeting. One-third of the directors for the time being are obliged to retire at every annual general meeting of the Company. In addition, all directors are bound to retire at an annual general meeting of the Company at least once every three years. Directors over the age of seventy are required to retire annually. All the retiring directors shall be eligible for re-election.

No annual review of the Board was performed by the NC during the financial year as the Board is satisfied that its current composition fairly reflects the interest of minority shareholders of the Company and represents the needed mix of skills and experience in discharging the Board's duties and responsibilities.

vi) Directors' Remuneration

The responsibilities to assess and to recommend to the Board the remuneration package of the executive directors are vested with the Remuneration Committee.

The Board as a whole recommends the remuneration of the non-executive directors in the form of directors' fees, which is subject to shareholders' approval at annual general meeting. No director will participate in the deliberation and decision in respect of his/her own remuneration.

The aggregate remuneration of the directors for the financial year ended 31 December 2007 categorised into the appropriate components and analysed into bands of RM50,000 is as below:-

Category	Fees (RM)	Salaries & Other Emoluments (RM)
Executive Directors	-	664,076
Non-Executive Directors	81,500	-
Total:	81,500	664,076

statement on **■ CORPORATE GOVERNANCE** *(cont'd)*

BOARD OF DIRECTORS *cont'd*

vi) Directors' Remuneration *cont'd*

Amount of Remuneration	Executive Directors	Non-Executive Directors
Below RM50,000	1	4
RM100,000 to RM150,000	1	-
RM250,001 to RM300,000	-	-
RM400,001 to RM450,000	1	-

SHAREHOLDERS AND INVESTORS

Dialogue between the Company and Investors

The Board values the support of its shareholders and investors. It also recognises the importance of effective communication with shareholders and the investment community of the material corporate and business matters of the Group.

The Annual Report is an important medium of information for the shareholders and investors whereas the Annual General Meeting of the Company provides a vital platform for both private and institutional shareholders to share viewpoints and acquire information on issues relevant to the Group.

Besides the Annual Report, the Board also ensures that timely announcements are made to Bursa Securities and disseminates clear, accurate and sufficient information to enable the shareholders and investors to make informed decisions.

ANNUAL GENERAL MEETING

AGM is the principal platform for dialogue with shareholders, wherein, the Board presents the operations and performance of the Group. During the meeting, shareholders are given every opportunity to enquire and comment on matters relating to the Group's business.

The Chairman and members of the Board are available to respond to shareholders' queries during AGM.

ACCOUNTABILITY AND AUDIT

i) Financial Reporting

Financial statements of the Company are drawn up in accordance with the Companies Act, 1965 and the applicable accounting standards in Malaysia, which are consistently applied and supported by reasonable and prudent judgments and estimates.

The Board has always aimed to present a balanced and comprehensible assessment of the Group's position and prospects when presenting the annual financial statements and quarterly announcement of unaudited results.

ii) Internal Control

The Board has the overall responsibility for maintaining a sound system of internal control in safeguarding the interest of its shareholders and the Group's assets.

The Statement on Internal Control is set out on page 20 of this annual report, providing an overview of the Company's state of internal control.

iii) Relationship with Auditors

The Company has always maintained and will continue to maintain a close and transparent working relationship with its Auditors.

The role of the Audit Committee in relation to the external auditors is presented in the Audit Committee Report on pages 16 and 19 of this annual report.

statement on

■ CORPORATE GOVERNANCE *(cont'd)*

OTHER COMPLIANCE INFORMATION

Utilisation of Proceeds

As at 29 April 2008, the status of utilisation of the proceeds from the Rights Issue of 29,363,178 new ordinary shares of RM1.00 each at an issue price of RM1.00 were as follows:-

	Proposed Utilisation (RM)	Actual Utilisation (RM)	Unutilised/ (Over Utilised) (RM)	Intended Utilisation Period from Completion
Repayment of Bank Borrowings	21,700,000	20,800,000	900,000	by 5 May 2008
Working Capital	6,063,178	6,603,712	(540,534)	-
Payment of Expenses for Corporate Exercise and Related Proposals	1,600,000	1,059,466	540,534	-

Non-audit Fees

The non-audit fees paid to the External Auditors, Messrs Ernst & Young for the financial year ended 31 December 2007 amounted to RM27,500.

Recurrent Related Party Transaction of Revenue Nature

Details of transactions with related parties undertaken by the Group during the financial year are as follows:

Related Parties	Interested Directors/Major Shareholders/Person Connected to them (Interested Parties)	Nature of Relationship	Aggregate Value (RM)
E&O Property Development Berhad ("EOPD") Group and Acumen Marketing Sdn. Bhd. ("AMSB")	EOPD, Encik Kamil Ahmad* ("KAM") and Mr. Chan Kok Leong, Eric* ("CKL")	Sale and supply of lightings, light fittings, outdoor fittings, kitchen cabinetry and related products by AMSB to EOPD Group.	439,380

Notes:

* KAM and CKL are non-independent directors of EOPD Group and the Company.

The Company will be seeking renewal of the current and a new mandate from the shareholders to enter into proposed recurrent related party transactions of a revenue or trading nature at the forthcoming Annual General Meeting of the Company. Details of the recurring and new related party transactions of a revenue or trading nature are set out in the Circular to Shareholders dated 4 June 2008.

Material Contract

There was no material contract entered into by the Company or the Group involving the interest of the Directors or major shareholders, which was still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

Revaluation Policy on Landed Properties

The Group does not have a revaluation policy on landed properties.

statement on

■ **CORPORATE GOVERNANCE** *(cont'd)*

OTHER COMPLIANCE INFORMATION *cont'd*

Options, Warrants or Convertible Securities

There were no options, warrants or convertible securities exercised in respect of the financial year ended 31 December 2007.

Corporate Social Responsibility ("CSR")

As a responsible corporate citizen, the Company is committed to ensuring that its actions not only benefit its shareholders but also its employees, society and the environment.

The Company strived to maintain high standards of recruitment, development and retention of employees initiatives in the workplace aimed at being a sustainable employer of choice. These include the following:-

- Employee volunteerism
- Health, safety and welfare include a series of in-house programmes on safety and health and training on handling chemical, flammable materials and machineries in work place
- Employee communication channels
- Employee training

Although the Company's overall environmental impact is indirect, we strived to manage to reduce our consumption of resources and the generation of waste and encouraged paper usage reduction and recycling plans.

directors'

▪ **RESPONSIBILITY STATEMENT**

The Directors are required by the Companies Act, 1965 to ensure that financial statements prepared for each financial year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year is in accordance with the applicable approved accounting standards.

In preparing those financial statements, the Directors of the Company are required to:

- Adopt a suitable accounting policies and then applied them consistently;
- Made judgement and estimates that are prudent and reasonable;
- Ensured applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepared the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and the Group and that the financial statements comply with the Companies Act, 1965.

report of the ■ **AUDIT COMMITTEE**

The Audit Committee of the Company was established on 12 January 1996. Currently, the members of the Audit Committee are:-

Mr. Vijeyaratnam a/I V. Thamocharan Pillay

(Member of MIA)

Chairman, Independent Non-Executive Director

Mr. Chan Kok Leong, Eric (Appointed on 21 April 2008)

(Member, Non-Independent Non-Executive Director)

Professor Datuk Dr. Nik Mohd Zain Bin Nik Yusof (Appointed on 21 April 2008)

(Member, Independent Non-Executive Director)

TERMS OF REFERENCE:

Composition of the Committee

- 1) The Committee shall be appointed by the Board from amongst the Directors of the Company which fulfills the following requirements:-
 - (a) the Committee shall consist of not less than three (3) members;
 - (b) all members of the Committee shall be non-executive directors and financially literate, a majority of the Committee members shall be independent directors; and
 - (c) at least one member of the Committee:-
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and;
 - (aa) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967;
 - (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
 - (cc) fulfills such requirements as prescribed or approved by Bursa Securities.
 - (d) no alternate director of the Board shall be appointed as a member of the Committee.
- 2) The members of the Committee shall elect a Chairman from amongst their number who shall be an independent director. In the absence of the Chairman of the Committee, the other members of the Committee shall elect amongst themselves a Chairman who must be an independent director to chair the meeting.
- 3) The Company Secretary or any other person appointed by the Committee shall be the Secretary of the Committee.
- 4) In the event of any vacancy in the Committee resulting in non-compliance to the composition criteria as stated in paragraph 1 above with the Listing Requirements of Bursa Securities, the Board shall within three (3) months from the date of that event fill the vacancy.
- 5) The term of office and performance of the Committee and each of its members shall be reviewed by the Board at least once every three (3) years to determine whether such Committee and members have carried out their duties in accordance with their terms of reference.

report of the

▪ **AUDIT COMMITTEE** *(cont'd)*

Meetings of the Committee

1. The Committee shall meet regularly, with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.
2. Upon the request of the external auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider any matter the external auditors believe should be brought to the attention of the directors or shareholders.
3. Notice of Audit Committee meetings shall be given to all the Audit Committee members unless the Audit Committee waives such requirement.
4. The Chairman of the Audit Committee shall engage on a continuous basis with senior management, the internal auditors and the external auditors in order to be kept informed of matters affecting the Company.
5. Other Board members, senior management and employees may attend meetings upon the invitation of the Audit Committee. The Audit Committee shall be able to convene meetings with the external auditors, the internal auditors or both, without executive Board members or employees present whenever deemed necessary.
6. Minutes of each meeting shall be distributed to each member of the Audit Committee and also to the other members of the Board. The Audit Committee Chairman shall report on each meeting to the Board.
7. The minutes of the Audit Committee meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.
8. The quorum for the Audit Committee meeting shall be two (2) both being independent directors and any decision shall be by simple majority. The Chairman of the Committee shall not have a second or casting vote.
9. A resolution in writing signed by all members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee. Any such resolution may consist of several documents in like form, each signed by one or more members.

OBJECTIVES

The principal objectives of the Audit Committee are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the holding company and each of its subsidiaries. In addition, the Audit Committee shall:-

- (a) evaluate the quality of the audits performed by the internal and external auditors;
- (b) provide assurance that the financial information presented by management is relevant, reliable and timely;
- (c) oversee compliance with laws and regulations and observance of a proper code of conduct; and
- (d) determine the quality, adequacy and effectiveness of the Group's control environment.

Authority of the Committee

The Committee shall:-

- (a) have explicit authority to investigate any activity within its terms of reference;
- (b) have the resources which it needs to perform its duties;
- (c) have full and unlimited/unrestricted access to all information pertaining to the Company and Group which it requires in the course of performing its duties;
- (d) have unrestricted access to the senior management of the Company and Group;
- (e) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any, which can be outsourced);
- (f) be able to consult independent professional or other advice in the performance of its duties; and
- (g) be able to convene meetings with external auditors, internal auditors or both excluding the attendance of the other directors and employees, whenever deemed necessary;
- (h) where the Audit Committee is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Audit Committee shall promptly report such matter to Bursa Securities.

report of the ■ **AUDIT COMMITTEE** (cont'd)

Functions of the Committee

- (a) To consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal;
- (b) To discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- (c) To review with the external auditors their evaluation of the system of internal controls and his audit report;
- (d) To review the quarterly and year-end financial statements of the Board, focusing particularly on:-
 - any change in accounting policies and practices;
 - significant adjustments arising from the audit;
 - the going concern assumption; and
 - compliance with accounting standards and other legal requirements.
- (e) To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management, where necessary);
- (f) To review the external auditors' management letter and management's response;
- (g) To do the following, in relation to the internal audit function:-
 - review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - review any appraisal or assessment of the performance of members of the internal audit function;
 - approve any appointment or termination of senior staff members of the internal audit function; and
 - take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (h) To consider any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (i) To report its findings on the financial and management performance, and other material matters to the Board;
- (j) To consider the major findings of internal investigations and management's response;
- (k) To determine the remit of the internal audit function;
- (l) To consider other topics as defined by the Board; and
- (m) To consider and examine such other matters as the Audit Committee considers appropriate.

SUMMARY OF ACTIVITIES

The Committee held 3 meetings during the financial year ended 31 December 2007. Details of the attendance by the Members are as follows:-

Name of Members	Designation on the Board of Directors	No. of Meetings Attended	Percentage (%)
Mr. Vijeyaratnam a/l V. Thamotharam Pillay (Member of MIA)	Independent Non-Executive Director	3/3	100
Mr. Benny Gan Leng Swee (Resigned on 31 December 2007)	Independent Non-Executive Director	3/3	100
Mr. Chong Kon You @ Chong Kwan Yew (Resigned on 1 January 2008)	Deputy Executive Chairman	2/3	75

report of the

▪ **AUDIT COMMITTEE** *(cont'd)*

SUMMARY OF ACTIVITIES *cont'd*

During the year, the Committee carried out its duties as set out in its Terms of Reference, including but not limited to:-

- review of audit plans prepared by both internal and external auditors;
- review of unaudited quarterly financial statements during the financial year prior to submission to the Board for consideration and approval;
- review and evaluate the policies for risk management and systems of internal control;
- review of internal audit reports presented by internal auditors and consider the major findings by the internal auditors and management's responses thereto;
- review of the audited financial statements for the financial year ended 31 December 2007 and to discuss significant audit issues and findings with the external auditors; and
- review the procedures for identification of related party transactions for compliance with the Listing Requirements of Bursa Securities and the appropriateness of such transaction, if any, before recommending to the Board for approval.

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to external consultants. The outsourced internal auditors assist the Board and the Audit Committee in providing independent assessment of the adequacy, efficiency and effectiveness of the Group's internal control systems. The internal auditors report directly to the Audit Committee.

During the financial year under review, the internal audit function was involved in the review of the Group's management reporting process to improve the efficiency and timeliness of presentation of operating units' financial performance. This include reviewing the adequacy of the existing accounting software to cater to the additional financial information required by Management, and the collection and collation of information from the production process for assessing the periodic financial performance of the operating units.

The results of the review were reported to the Audit Committee. Management is in the process of implementing the action plans for the findings of the internal auditors.

statement on ■ INTERNAL CONTROL

The Board of Directors recognises the importance of maintaining a sound system of internal control and risk management to safeguard shareholders' investment and the Group's assets. The Board affirms its overall responsibility for the Group's system of internal control, which includes having a process in place to continuously review the adequacy and integrity of such a system.

However, it should be noted that due to inherent limitations in any system of internal control, such systems put into effect by Management can only manage rather than eliminate all risk of failure to achieve the Group's business objectives. Therefore, the system can only provide reasonable but not absolute assurance against material errors, misstatement, loss, contingencies, fraud or any irregularities.

The Board reviews the effectiveness of the Group's internal control system through feedback mainly from the Audit Committee. The Audit Committee in turn seeks assurance on the adequacy and integrity of the internal control system through independent reviews conducted by the internal audit function, external auditors and the Management.

RISK MANAGEMENT FRAMEWORK

Risk Management is regarded by the Board to be an integral part of the business operations. The Board maintains an on-going commitment to enhance the Group's control environment and processes. The key risks relating to the Group's operations and strategic and business plans are addressed at Management's periodic meetings. Significant risks identified are brought to the attention of the Board at their scheduled meetings.

The abovementioned practices by Management serves as the on-going process used to identify, evaluate and managed significant risks.

INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to external consultants. The outsourced internal auditors assist the Board and the Audit Committee in providing independent assessment of the adequacy, efficiency and effectiveness of the Group's internal control systems. They report directly to the Audit Committee.

OTHER KEY ELEMENTS OF INTERNAL CONTROLS

The other key elements of the Group's internal control systems are described below:

- Standard Operating Procedures, which set out the policies, procedures and practices to be complied in accordance to the ISO Standards, are in place for key operating units;
- regular internal quality inspection to monitor compliance of the ISO requirements by the operating units;
- clearly defined and structured lines of reporting and responsibilities within the Group including segregation of duties, appropriate authority limits, review and approval procedures in order to enhance the internal control system of the Group's various operations;
- comprehensive guidelines on the employment and retention of employees are in place, to ensure that the Group has a team of employees who are well trained and equipped with all the necessary knowledge, skills and abilities to carry out their responsibility effectively;
- budgeting process where operating companies in the Group prepare budgets for the coming year, which are considered and reviewed by the Board;
- periodic reporting on operations and financial matters from foreign subsidiaries to monitor their performance and results;
- weekly management meetings to discuss the Group's operations and performance, including the regular monitoring of results against budget, with significant variances explained and management action taken, where necessary; and
- regular factory visits by members of the senior management team and executive directors.

The Board is committed to ensuring that the Group's system of internal controls must continuously evolve to meet the changing business environment. Therefore, reviews of controls procedures will be continuously carried out to ensure the ongoing adequacy and effectiveness of the Group's system of internal controls.

FINANCIAL STATEMENTS

Directors' Report	22
Statement by Directors	26
Statutory Declaration	26
Report of the Auditors	27
Income Statements	28
Balance Sheets	29
Statements of Changes in Equity	30
Cash Flow Statements	32
Notes to the Financial Statements	34

Director's Report

The directors hereby present 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 activities of the Company are investment holding and provision of management services.

The principal activities of the subsidiaries are described in Note 11 to the financial statements.

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

RESULTS

	Group RM	Company RM
Attributable to equity holders of the Company		
Loss for the year	<u>(9,884,705)</u>	<u>(2,372,947)</u>

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

No dividend was proposed or paid since the end of the previous financial year. The directors do not recommend any dividend for the financial year ended 31 December 2007.

DIRECTORS

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

Loo Soo Loong

Vijayarajnam a/l V. Thamotheeram Pillay

Chan Kok Leong

Kamil Ahmad Merican

(appointed on 22 May 2007)

Professor Datuk Dr. Nik Mohd Zain Bin Nik Yusof

(appointed on 21 April 2008)

Gan Leng Swee

(resigned on 31 December 2007)

Chong Kon You @ Chong Kwan Yew

(resigned on 1 January 2008)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any arrangements to which the Company or its subsidiaries 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 6 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 26 to the financial statements.

Director's Report (cont'd)

DIRECTORS' INTEREST

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

	Number of Ordinary Shares of RM1.00 Each			
	1.1.2007	Acquired	Disposed/ Adjustment	31.12.2007
The Company				
Direct Interest:				
Loo Soo Loong	5,560,000	2,780,000 *	(2,780,000) #	5,560,000
Chong Kon You @ Chong Kwan Yew	2,932,068	-	(2,891,034) ^	41,034
		Number of Warrants		
	21.12.2007 @	Acquired	Disposed	31.12.2007
The Company				
Direct Interest:				
Loo Soo Loong	2,224,000	-	-	2,224,000

@ Date of allotment

* Subscription of Rights Issue shares with Warrants

Adjustment made pursuant to capital reduction and consolidation exercise

^ Adjustment made pursuant to capital reduction and consolidation exercise for 41,034 shares while 2,850,000 shares were disposed off during the year

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

CORPORATE EXERCISE

During the financial year, the Company undertook the following corporate exercise:

(a) Issued and Paid-up Ordinary Share Capital and Share Premium

- (i) the Company's issued and paid up share capital of RM58,726,357 comprising 58,726,357 ordinary shares of RM1.00 each was reduced to RM29,363,178 comprising of 58,726,356 ordinary shares of RM0.50 each pursuant to Section 64(1) of the Companies Act, 1965 ("Capital Reduction"). The reduction was set off against the accumulated losses of the Company;
- (ii) the Company's share premium account was reduced by RM8,860,072 pursuant to Section 60(2) and Section 64(1) of the Companies Act, 1965. The reduction was set off against the accumulated losses of the Company;
- (iii) the capital consolidation of every two (2) ordinary shares of RM0.50 each in the Company (post the Capital Reduction) into one (1) ordinary share of RM1.00 each in the Company ("Capital Consolidation"); and
- (iv) the issuance of 29,363,178 ordinary shares of RM1.00 each at par for cash pursuant to the Rights Issue together with 23,490,542 free detachable Warrants.

Director's Report (cont'd)

CORPORATE EXERCISE *cont'd*

(b) Authorised Share Capital

The Company increased its authorised share capital from RM100,000,000 to RM300,000,000 through creation of RM200,000,000 ordinary shares of RM1.00 each.

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

The terms of the Warrants are disclosed in Note 23 to the financial statements.

OTHER STATUTORY INFORMATION

- (a) Before the income statements and the balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to 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 and 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.
- (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 and of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Director's Report *(cont'd)*

SIGNIFICANT AND SUBSEQUENT EVENTS

The significant and subsequent events are disclosed in Notes 30 and 31 to the financial statements.

AUDITORS

Our 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 22 April 2008.

KAMIL AHMAD MERICAN

LOO SOO LOONG

Kuala Lumpur, Malaysia

Statement by Directors Pursuant to Section 169(15) of The Companies Act, 1965

We, Kamil Ahmad Merican and Loo Soo Loong, being two of the directors of FUTUTECH BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 28 to 68 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 22 April 2008.

KAMIL AHMAD MERICAN

LOO SOO LOONG

Kuala Lumpur, Malaysia

Statutory Declaration Pursuant to Section 169(16) of The Companies Act, 1965

I, Koh Teck Soon, being the officer primarily responsible for the financial management of FUTUTECH BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 28 to 68 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 Koh Teck Soon
Kuala Lumpur in Federal Territory
on 22 April 2008

KOH TECK SOON

Before me,

SOH AH KAU, AMN
Commissioner for Oaths
No. W 315

Report of the Auditors to the Members of Fututech Berhad (Incorporated in Malaysia)

We have audited the financial statements set out on pages 28 to 68. 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 have 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 subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 11 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

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

ERNST & YOUNG
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
22 April 2008

WONG KANG HWEE
No. 1116/01/10(J)
Partner

Income Statements for the Year Ended 31 December 2007

	Note	Group		Company	
		2007 RM	2006 RM	2007 RM	2006 RM
Revenue	3	34,602,900	52,809,222	-	-
Cost of sales		(30,003,454)	(45,265,761)	-	-
Gross profit		4,599,446	7,543,461	-	-
Other income		875,843	874,599	123,185	-
Administration expenses		(6,350,903)	(15,124,703)	(719,947)	(814,542)
Selling and distribution expenses		(3,131,398)	(3,757,926)	-	-
Other expenses		(4,029,011)	(29,767,892)	(1,497,880)	(41,411,938)
Loss from operations		(8,036,023)	(40,232,461)	(2,094,642)	(42,226,480)
Finance costs		(1,847,809)	(2,035,612)	(278,305)	(49,823)
Loss before taxation	4	(9,883,832)	(42,268,073)	(2,372,947)	(42,276,303)
Taxation	7	(873)	2,377,690	-	(6,516)
Loss for the year		<u>(9,884,705)</u>	<u>(39,890,383)</u>	<u>(2,372,947)</u>	<u>(42,282,819)</u>
Attributable to:					
Equity holders of the Company		(9,884,705)	(40,066,629)	(2,372,947)	(42,282,819)
Minority interests		-	176,246	-	-
		<u>(9,884,705)</u>	<u>(39,890,383)</u>	<u>(2,372,947)</u>	<u>(42,282,819)</u>
Loss per share (sen)					
Basic	8	<u>(36.63)</u>	<u>(150.92)</u>		

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

Balance Sheets

as at 31 December 2007

	Note	Group		Company	
		2007 RM	2006 RM	2007 RM	2006 RM
ASSETS					
Non-current assets					
Property, plant and equipment	9	38,770,576	44,553,374	1,658	32,000
Prepaid land lease payments	10	945,378	959,573	-	-
Subsidiaries	11	-	-	17,275,857	17,275,857
Other investments	12	116,000	116,900	-	-
Goodwill on consolidation	13	-	-	-	-
Other intangible assets	14	65,064	65,064	-	-
		<u>39,897,018</u>	<u>45,694,911</u>	<u>17,277,515</u>	<u>17,307,857</u>
Current assets					
Inventories	15	9,194,001	10,250,485	-	-
Trade receivables	16	7,858,119	12,842,608	-	-
Other receivables	17	2,729,356	6,859,412	28,166,135	25,652,832
Cash and bank balances	18	33,461,428	230,827	33,137,467	34,196
		<u>53,242,904</u>	<u>30,183,332</u>	<u>61,303,602</u>	<u>25,687,028</u>
TOTAL ASSETS		<u>93,139,922</u>	<u>75,878,243</u>	<u>78,581,117</u>	<u>42,994,885</u>
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	23	58,726,356	58,726,357	58,726,356	58,726,357
Share premium	23	-	10,042,337	-	10,042,337
Other reserves	24	500,916	338,002	-	-
Accumulated losses		(9,751,560)	(38,223,251)	(2,641,636)	(38,491,940)
		<u>49,475,712</u>	<u>30,883,445</u>	<u>56,084,720</u>	<u>30,276,754</u>
Minority interests		-	133,145	-	-
Total equity		<u>49,475,712</u>	<u>31,016,590</u>	<u>56,084,720</u>	<u>30,276,754</u>
Non-current liabilities					
Long term borrowings	19	2,728,762	4,790,111	-	-
Deferred taxation	25	-	128,220	-	-
Non-current liabilities		<u>2,728,762</u>	<u>4,918,331</u>	<u>-</u>	<u>-</u>
Current liabilities					
Short term borrowings	19	24,219,106	21,092,267	16,500,000	12,300,000
Trade payables	21	5,950,807	9,672,097	-	-
Other payables	22	10,379,973	8,661,925	5,996,397	418,131
Taxation		385,562	517,033	-	-
		<u>40,935,448</u>	<u>39,943,322</u>	<u>22,496,397</u>	<u>12,718,131</u>
Total liabilities		<u>43,664,210</u>	<u>44,861,653</u>	<u>22,496,397</u>	<u>12,718,131</u>
TOTAL EQUITY AND LIABILITIES		<u>93,139,922</u>	<u>75,878,243</u>	<u>78,581,117</u>	<u>42,994,885</u>

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

Statements of Changes in Equity for the Year Ended 31 December 2007

Group

	←----- Attributable to Equity Holders of the Company -----→					Minority Interests RM	Total Equity RM
	←-- Non-Distributable --→			Distributable			
	Share Capital RM	Share Premium RM	Other Reserves RM	Accumulated Losses RM	Total RM		
At 1 January 2007	58,726,357	10,042,337	338,002	(38,223,251)	30,883,445	133,145	31,016,590
Foreign exchange translation, representing net expense recognised directly in equity	-	-	104,178	-	104,178	-	104,178
Loss for the year	-	-	-	(9,884,705)	(9,884,705)	-	(9,884,705)
Total recognised income and expense for the year	-	-	104,178	(9,884,705)	(9,780,527)	-	(9,780,527)
Capital reduction and consolidation	(29,363,179)	(8,860,072)	-	38,223,251	-	-	-
Transaction costs	-	(1,182,265)	-	-	(1,182,265)	-	(1,182,265)
Rights issue	29,363,178	-	-	-	29,363,178	-	29,363,178
Deconsolidation of subsidiary	-	-	58,736	-	58,736	-	58,736
Purchase of minority interests' shares	-	-	-	133,145	133,145	(133,145)	-
At 31 December 2007	58,726,356	-	500,916	(9,751,560)	49,475,712	-	49,475,712
At 1 January 2006	58,726,357	10,042,337	664,077	1,843,378	71,276,149	611,490	71,887,639
Foreign exchange translation, representing net expense recognised directly in equity	-	-	(39,948)	-	(39,948)	-	(39,948)
Loss for the year	-	-	-	(40,066,629)	(40,066,629)	176,246	(39,890,383)
Total recognised income and expense for the year	-	-	(39,948)	(40,066,629)	(40,106,577)	176,246	(39,930,331)
Disposal of subsidiary	-	-	(286,127)	-	(286,127)	(654,591)	(940,718)
At 31 December 2006	58,726,357	10,042,337	338,002	(38,223,251)	30,883,445	133,145	31,016,590

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

Statements of Changes in Equity for the Year Ended 31 December 2007 (cont'd)

Company

	Share Capital RM	Non- Distributable Share Premium RM	Distributable (Accumulated Losses)/ Retained Profits RM	Total RM
1 January 2007	58,726,357	10,042,337	(38,491,940)	30,276,754
Loss for the year, representing total recognised income and expense for the year	-	-	(2,372,947)	(2,372,947)
Capital reduction and consolidation	(29,363,179)	(8,860,072)	38,223,251	-
Transaction costs	-	(1,182,265)	-	(1,182,265)
Rights issue	29,363,178	-	-	29,363,178
At 31 December 2007	<u>58,726,356</u>	<u>-</u>	<u>(2,641,636)</u>	<u>56,084,720</u>
1 January 2006	58,726,357	10,042,337	3,790,879	72,559,573
Loss for the year, representing total recognised income and expense for the year	-	-	(42,282,819)	(42,282,819)
At 31 December 2006	<u>58,726,357</u>	<u>10,042,337</u>	<u>(38,491,940)</u>	<u>30,276,754</u>

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

Cash Flow Statements for the Year Ended 31 December 2007

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before taxation	(9,883,832)	(42,268,073)	(2,372,947)	(42,276,303)
Adjustments for:				
Loss on disposal of subsidiary	-	2,773,118	-	2,032,778
Amortisation of intangible assets	-	13,823	-	-
Amortisation of prepaid land lease payments	14,195	14,195	-	-
Depreciation	3,967,470	4,396,757	19,328	70,323
Property, plant and equipment written off	15,896	37,098	-	-
Loss/(gain) on disposal of property, plant and equipment	113,793	(103,851)	(88,986)	-
Impairment loss on investment in a subsidiary	-	-	-	11,648,872
Provision for slow moving inventories	198,579	1,598,438	-	-
Inventories written off	-	11,793	-	-
Bad debts written off	79,610	81,418	-	5,947
Provision for doubtful debts	2,231,829	1,944,059	1,497,880	27,724,341
Provision for diminution in value of investment	900	45,000	-	-
Impairment loss recognised on property, plant and machinery	430,000	6,214,830	-	-
Impairment of goodwill	-	8,396,108	-	-
Intangible assets written off	-	9,814,975	-	-
Short term accumulating compensated absences	(45,064)	(8,798)	(11,146)	-
Interest expense	1,852,079	2,035,612	282,575	49,823
Interest income	(4,270)	(439)	(4,270)	-
Unrealised loss on foreign exchange	168,814	349,014	-	-
Loss/(gain) on deconsolidation of subsidiary	19,070	(13,115)	-	-
Operating loss before working capital changes	(840,931)	(4,668,038)	(677,566)	(744,219)
Net changes in:				
Inventories	857,905	(87,652)	-	-
Receivables	6,107,394	7,593,419	(4,011,183)	(1,763,273)
Payables	(7,405,056)	2,263,444	247,114	140,593
Cash (used in)/generated from operations	(1,280,688)	5,101,173	(4,441,635)	(2,366,899)
Tax refund/(paid)	514,758	(787,026)	-	(6,516)
Interest paid	(1,852,079)	(2,035,612)	(282,575)	(49,823)
Net cash (used in)/generated from operating activities	(2,618,009)	2,278,535	(4,724,210)	(2,423,238)

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

Cash Flow Statements

for the Year Ended 31 December 2007 (cont'd)

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	4,270	439	4,270	-
Purchases of property, plant and equipment	(28,050)	(1,761,628)	-	-
Net cash inflow from disposal of subsidiary	-	2,881,481	-	-
Proceeds from disposal of property, plant and equipment	1,275,735	817,250	100,000	-
Net cash generated from investing activities	1,251,955	1,937,542	104,270	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares	29,363,178	-	29,363,178	-
Net drawdown/(repayment) of term loans	2,649,313	(3,558,605)	4,200,000	2,300,000
Net repayment of hire purchase liabilities	(1,748,255)	(1,549,984)	-	-
Short term borrowings	155,630	518,031	-	-
Net cash generated from/ (used in) financing activities	30,419,866	(4,590,558)	33,563,178	2,300,000
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	29,053,812	(374,481)	28,943,238	(123,238)
EFFECTS OF EXCHANGE RATE CHANGES	7,954	(19,630)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	(3,371,411)	(2,977,300)	34,196	157,434
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 18)	25,690,355	(3,371,411)	28,977,434	34,196

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

Notes to the Financial Statements

31 December 2007 (cont'd)

1. CORPORATE INFORMATION

The principal activities of the Company are investment holding and provision of management services.

The principal activities of the subsidiaries are described in Note 11. There have been no significant changes in the nature of these activities during the year.

The Company 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 principal place of business of the Company is located at No. 3, First Floor, Jalan Puchong, Batu 12 1/2, 47100 Puchong, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 22 April 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Accounting

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 Company has adopted new and revised Financial Reporting Standards ("FRSs") which are mandatory for financial periods beginning on or after 1 January 2007 as described fully in Note 2.3.

The financial statements of the Company have been prepared on a historical basis and presented in Ringgit Malaysia (RM).

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

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

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

(ii) Basis of Consolidation

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

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

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

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

Notes to the Financial Statements

31 December 2007 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of Significant Accounting Policies *cont'd*

(a) Subsidiaries and Basis of Consolidation *cont'd*

(ii) Basis of Consolidation *cont'd*

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

(b) Intangible Assets

(i) Goodwill

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

(ii) Other Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

Other intangible assets represent licence fees and development expenditure which are stated at cost less accumulated amortisation and impairment.

(i) Licence fees incurred for rights to manufacture, assemble, market or distribute certain licensed products will be amortised upon the subsidiaries commencing the manufacture of the said licensed products over the licence period on a straight line basis.

(ii) Development expenditure represents expenses incurred in the development of new products prior to the commencement of commercial production. The said expenditure will be amortised over a period in which benefits are expected to be derived, commencing in the year in which the related revenue is first recognised on a straight-line basis.

(c) 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.

Notes to the Financial Statements

31 December 2007 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of Significant Accounting Policies *cont'd*

(c) Property, Plant and Equipment and Depreciation *cont'd*

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

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

Building	2% - 3%
Building structure	10%
Plant and machinery	7.5% - 10%
Office equipment, furniture, fittings, motor vehicles, and renovations	10% - 20%

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

Interest incurred on borrowings relating to the construction of assets is capitalised until the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

(d) Inventories

Inventories are stated at lower of cost and net realisable value (determined on the weighted average basis). Cost of raw materials consists of the original purchase price plus incidental cost incurred in bringing the inventories to their present location. For cost of finished goods and work-in-progress, cost comprise raw materials, direct labour, other direct costs and appropriate proportions of production overheads.

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) Leases and Hire Purchase

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident 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 building 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.

(i) Finance lease

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.

Notes to the Financial Statements

31 December 2007 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of Significant Accounting Policies *cont'd*

(e) Leases and Hire Purchase *cont'd*

(i) Finance lease *cont'd*

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 (c).

(ii) Operating lease

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

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the building elements in proportion to the relative fair values for leasehold interests in the land element and building 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.

(f) Provision

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 costs.

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

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

Notes to the Financial Statements

31 December 2007 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of Significant Accounting Policies *cont'd*

(h) Employee Benefits

(i) Short Term Benefits

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

(ii) Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the income statement as incurred.

(iii) Termination Benefits

The Group pays termination benefits in cases of termination of employment. Termination benefits are recognised as a liability and expense when it is without realistic possibility of withdrawal.

(i) Revenue Recognition

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

(i) 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.

(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 right to receive payment is established.

(j) 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 Transaction

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 translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated 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 translated.

Notes to the Financial Statements

31 December 2007 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of Significant Accounting Policies *cont'd*

(j) Foreign Currencies *cont'd*

(ii) Foreign Currency Transaction *cont'd*

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period 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 statement or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation 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.

(iii) Foreign Operations

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

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

(k) Impairment of Assets

The carrying amounts of 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 goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

Notes to the Financial Statements

31 December 2007 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of Significant Accounting Policies *cont'd*

(k) Impairment of Assets *cont'd*

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

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

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

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

(l) Financial Instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly 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 and deposits at call which have an insignificant risk of changes in value, net of outstanding bank overdrafts and less monies held in relation to the excess of share application pursuant to the Rights Issue.

Notes to the Financial Statements

31 December 2007 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of Significant Accounting Policies *cont'd*

(i) Financial Instruments *cont'd*

(ii) Other Non-Current Investments

Non-current investments other than investments in subsidiaries are stated at cost less provision for any diminution in value other than temporary. Such provision is made when there is a decline other than temporary in the value of investments and is recognised as an expense in the period in which the decline occurred.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in profit or loss.

(iii) Marketable Securities

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

(iv) 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.

(v) Payables

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

(vi) Interest-bearing Borrowings

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

Borrowing costs directly attributable to the acquisition and construction of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

(vii) Equity

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

Notes to the Financial Statements

31 December 2007 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

(a) Adoption of New/Revised FRSs

On 1 January 2007, the Group adopted the following revised FRS and amendments to FRS:

FRS 124 Related Party Disclosures

The Malaysian Accounting Standards Board ("MASB") has issued FRS 6: Exploration for and Evaluation of Mineral Resources and Amendment to FRS 119₂₀₀₄: Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures which will be effective for annual periods beginning on or after 1 January 2007. Both FRS 6 and Amendment to FRS 119₂₀₀₄ are not applicable to the Group.

The adoption of all the above standards does not result in significant changes to the accounting policies and does not have a significant financial impact on the Group other than additional disclosure requirements.

(b) Standards and Interpretations That Are Not Yet Effective

At the date of authorisation of these financial statements, the following standards and interpretations were in issue:

FRS 107 Cash Flow Statements
 FRS 111 Construction Contracts
 FRS 112 Income Taxes
 FRS 118 Revenue
 FRS 120 Accounting for Government Grants and Disclosure of Government
 FRS 134 Interim Financial Reporting
 FRS 137 Provisions, Contingent Liabilities and Contingent Assets

Amendments to

FRS 121 The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation

IC Interpretations 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities
 IC Interpretations 2 Members' Shares in Co-operative Entities and Similar Instruments
 IC Interpretations 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Fund
 IC Interpretations 6 Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
 IC Interpretations 7 Applying the Restatement Approach under FRS 129₂₀₀₄ – Financial Reporting in Hyperinflationary Economies
 IC Interpretations 8 Scope of FRS 2

The above standards and interpretations are effective for year beginning on or after 1 July 2007 and are not applicable to the Group.

(c) Deferred Standard

FRS 139 application has been deferred to a date to be announced by MASB. The directors anticipate that the adoption of FRS 139 in future periods will not have a material impact on the financial statements of the Group.

Notes to the Financial Statements

31 December 2007 *(cont'd)*

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.4 Significant Accounting Estimates and Judgements

(a) Key Sources of Estimation Uncertainty

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

(i) Recognition of Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and provisions to the extent that it is probable that taxable profit will be available against which the losses, capital allowances and provisions can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(ii) Impairment of Investment in Subsidiaries

Impairment review has been carried out on investment in subsidiaries by the Group during the year. Cost of investment in subsidiary which has ceased operations was fully impaired as at 31 December 2007. Certain other subsidiaries were impaired up to the net assets value of the subsidiaries.

(iii) Depreciation of Property, Plant and Machinery

The cost of plant and machinery is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be within 13 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

3. REVENUE

Revenue of the Group and the Company represents the invoiced value of sales less returns and discounts.

Notes to the Financial Statements

31 December 2007 (cont'd)

4. LOSS BEFORE TAXATION

Loss before taxation is stated after charging/(crediting):

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Staff costs (Note 5)	9,885,405	16,766,676	60,839	197,609
Auditors' remuneration	88,463	166,065	30,000	20,000
Bad debts written off	79,610	81,418	-	5,947
Bad debts recovered	-	(116,071)	-	-
Inventories written off	-	11,793	-	-
Intangible asset written off	-	9,814,975	-	-
Provision for doubtful debts				
- subsidiaries	-	-	1,497,880	27,724,341
- others	2,231,829	1,944,059	-	-
Loss on disposal of subsidiary	-	2,773,118	-	2,032,778
Property, plant and equipment written off	15,896	37,098	-	-
Provision for slow moving inventories	198,579	1,598,438	-	-
Amortisation of intangible assets	-	13,823	-	-
Amortisation of prepaid land lease payments	14,195	14,195	-	-
Depreciation	3,967,470	4,396,757	19,328	70,323
Provision for diminution in value of investments	900	45,000	-	-
Impairment loss on investment in subsidiaries	-	-	-	11,648,872
Interest income	(4,270)	(439)	(4,270)	-
Interest expense	1,852,079	2,036,051	282,575	49,823
(Gain)/loss on foreign exchange				
- realised	(378,224)	96,487	-	55,810
- unrealised	168,814	349,014	-	-
Loss/(gain) on deconsolidation of subsidiary	19,070	(13,115)	-	-
Impairment loss recognised on property, plant and machinery	430,000	6,214,830	-	-
Impairment of goodwill	-	8,396,108	-	-
Rental expenses	579,349	1,178,540	-	-
Rental income	(396,000)	(531,000)	-	-
Short-term accumulating compensated absences	(45,064)	(8,798)	(11,146)	-
Loss/(gain) on disposal of property, plant and equipment	113,793	(103,851)	(88,986)	-

Notes to the Financial Statements

31 December 2007 (cont'd)

5. STAFF COSTS

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Wages and salaries	8,803,711	15,083,360	58,655	165,600
Social security costs	705,350	109,067	-	-
Pension costs	82,511	953,521	-	26,532
Other staff related expenses	293,833	620,728	2,184	5,477
	<u>9,885,405</u>	<u>16,766,676</u>	<u>60,839</u>	<u>197,609</u>

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM664,076 (2006: RM876,133) and RM20,000 (2006: RM140,000) respectively as further disclosed in Note 6.

6. DIRECTORS' REMUNERATION

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Directors of the Company				
Executive:				
Salaries and other emoluments	595,244	769,301	20,000	140,000
Pension costs - defined contribution plans	68,832	68,832	-	-
Fees	-	38,000	-	-
	<u>664,076</u>	<u>876,133</u>	<u>20,000</u>	<u>140,000</u>
Non-Executive:				
Fees	81,500	36,000	81,500	36,000
Directors of the subsidiaries				
Salaries and other emoluments	166,842	681,046	-	-
Pension costs - defined contribution plans	5,382	66,497	-	-
Fees	-	12,000	-	-
	<u>172,224</u>	<u>759,543</u>	<u>-</u>	<u>-</u>
Total	<u>917,800</u>	<u>1,671,676</u>	<u>101,500</u>	<u>176,000</u>

Notes to the Financial Statements

31 December 2007 (cont'd)

6. DIRECTORS' REMUNERATION *cont'd*

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

	Number of Directors	
	2007	2006
Executive Directors:		
Below RM100,000	1	-
RM100,000 - RM250,000	1	1
RM250,001 - RM350,000	-	1
RM350,001 - RM450,000	1	1
Non-executive Directors:		
Below RM50,000	4	3

7. TAXATION

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Current income tax:				
Malaysian income tax	129,093	348,233	-	-
Foreign tax	-	2,815	-	-
	<u>129,093</u>	<u>351,048</u>	<u>-</u>	<u>-</u>
(Over)/underprovision in prior years:				
Malaysian income tax	-	(31,776)	-	6,516
	<u>129,093</u>	<u>319,272</u>	<u>-</u>	<u>6,516</u>
Deferred tax (Note 25):				
Relating to origination and reversal of temporary differences	(135,797)	(1,318,882)	-	-
Relating to changes in tax rates	(9,453)	(111,358)	-	-
Under/(over)provision in prior years	17,030	(1,266,722)	-	-
	<u>(128,220)</u>	<u>(2,696,962)</u>	<u>-</u>	<u>-</u>
Total income tax expense	<u>873</u>	<u>(2,377,690)</u>	<u>-</u>	<u>6,516</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.

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

Notes to the Financial Statements

31 December 2007 (cont'd)

7. TAXATION cont'd

A reconciliation of income tax expense applicable to loss 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:

	2007 RM	2006 RM
Group		
Loss before taxation	(9,883,832)	(42,268,073)
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	(2,668,635)	(11,835,060)
Effect of different tax rates in foreign countries	54,219	95,922
Effect income subject to tax rate of 20% (2006: 20%)	(35,000)	(40,000)
Effect of deferred tax recognised at different tax rates	8,042	-
Effect of changes in tax rates on opening balance of deferred tax	(9,453)	(111,358)
Income not subject to tax	-	(11,068,058)
Expenses not deductible for tax purposes	639,556	8,179,994
Deferred tax assets not recognised during the year	1,995,114	13,699,368
Under/(over)provision of deferred tax in prior years	17,030	(1,266,722)
Overprovision of income tax expense in prior years	-	(31,776)
Income tax expense for the year	873	(2,377,690)
Company		
Loss before taxation	(2,372,947)	(42,276,303)
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	(640,696)	(11,837,365)
Expenses not deductible for tax purposes	640,696	2,377,989
Deferred tax assets not recognised during the year	-	9,459,376
Underprovision of income tax expense in prior years	-	6,516
Income tax expense for the year	-	6,516

8. LOSS PER SHARE

(a) Basic:

Basic loss per share amounts is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	2007	Group 2006
Loss attributable to shareholders (RM)	(9,884,705)	(40,066,629)
Weighted average number of ordinary shares in issue	26,988,337	26,547,531
Basic loss per share (sen)	(36.63)	(150.92)

The comparative basic loss per share has been restated to take into account the effects of the following:

- (i) capital reduction and consolidation; and
- (ii) notional bonus element in the Rights Issue as disclosed in Note 30.

Notes to the Financial Statements

31 December 2007 (cont'd)

8. LOSS PER SHARE *cont'd*

(b) Diluted:

Fully diluted earnings per share on the basis of the assumed conversion of warrants has not been disclosed as the effect is anti-dilutive.

9. PROPERTY, PLANT AND EQUIPMENT

	** Land and Buildings RM	Plant and Machinery RM	*Other Assets RM	Total RM
Group				
Cost				
At 1 January 2007	23,872,629	40,193,657	6,676,210	70,742,496
Additions	-	23,500	4,550	28,050
Disposal/write-off	-	(1,350,000)	(818,416)	(2,168,416)
Exchange differences	-	-	(21,810)	(21,810)
At 31 December 2007	<u>23,872,629</u>	<u>38,867,157</u>	<u>5,840,534</u>	<u>68,580,320</u>
Accumulated Depreciation and Impairment				
At 1 January 2007	1,361,520	20,112,689	4,714,913	26,189,122
Charge for the year	473,417	2,919,600	574,453	3,967,470
Disposal/write-off	-	(92,811)	(670,181)	(762,992)
Impairment loss recognised	-	430,000	-	430,000
Exchange differences	-	-	(13,856)	(13,856)
At 31 December 2007	<u>1,834,937</u>	<u>23,369,478</u>	<u>4,605,329</u>	<u>29,809,744</u>
Net Carrying Amount				
At 31 December 2007	<u>22,037,692</u>	<u>15,497,679</u>	<u>1,235,205</u>	<u>38,770,576</u>
Cost				
At 1 January 2006	26,653,092	37,183,988	10,072,521	73,909,601
Additions	-	4,111,981	422,696	4,534,677
Disposal/write-off	-	(1,102,312)	(261,011)	(1,363,323)
Disposal of subsidiary	(1,728,489)	-	(3,789,812)	(5,518,301)
Transfer	(1,051,974)	-	(78,887)	(1,130,861)
Exchange differences	-	-	310,703	310,703
At 31 December 2006	<u>23,872,629</u>	<u>40,193,657</u>	<u>6,676,210</u>	<u>70,742,496</u>
Accumulated Depreciation and Impairment				
At 1 January 2006	1,018,895	11,533,072	5,085,236	17,637,203
Charge for the year	494,292	2,811,199	1,091,266	4,396,757
Disposal/write-off	-	(446,412)	(223,914)	(670,326)
Disposal of subsidiary	(73,461)	-	(1,287,229)	(1,360,690)
Impairment loss recognised	-	6,214,830	-	6,214,830
Transfer	(78,206)	-	(13,823)	(92,029)
Exchange differences	-	-	63,377	63,377
At 31 December 2006	<u>1,361,520</u>	<u>20,112,689</u>	<u>4,714,913</u>	<u>26,189,122</u>
Net Carrying Amount				
At 31 December 2006	<u>22,511,109</u>	<u>20,080,968</u>	<u>1,961,297</u>	<u>44,553,374</u>

* Other assets consists of office equipment, furniture, fittings, motor vehicles and renovation.

Notes to the Financial Statements

31 December 2007 (cont'd)

9. PROPERTY, PLANT AND EQUIPMENT cont'd

**Land and Buildings

	Freehold Land RM	Long Term Leasehold Land RM	Buildings RM	Total RM
Group				
Cost				
At 1 January 2007/ 31 December 2007	5,567,553	-	18,305,076	23,872,629
Accumulated Depreciation and Impairment				
At 1 January 2007	-	-	1,361,520	1,361,520
Charge for the year	-	-	473,417	473,417
At 31 December 2007	-	-	1,834,937	1,834,937
Net Carrying Amount At 31 December 2007	5,567,553	-	16,470,139	22,037,692
Cost				
At 1 January 2006	6,143,714	1,051,974	19,457,404	26,653,092
Disposal of subsidiary	(576,161)	-	(1,152,328)	(1,728,489)
Transfer	-	(1,051,974)	-	(1,051,974)
At 31 December 2006	5,567,553	-	18,305,076	23,872,629
Accumulated Depreciation and Impairment				
At 1 January 2006	-	78,206	940,689	1,018,895
Charge for the year	-	-	494,292	494,292
Disposal of subsidiary	-	-	(73,461)	(73,461)
Transfer	-	(78,206)	-	(78,206)
At 31 December 2006	-	-	1,361,520	1,361,520
Net Carrying Amount At 31 December 2006	5,567,553	-	16,943,556	22,511,109

Notes to the Financial Statements

31 December 2007 (cont'd)

9. PROPERTY, PLANT AND EQUIPMENT *cont'd*

	Office Equipment RM	Furniture and Fittings RM	Motor Vehicle RM	Total RM
Company				
Cost				
At 1 January 2007	57,022	2,376	330,430	389,828
Disposal	-	-	(330,430)	(330,430)
31 December 2007	<u>57,022</u>	<u>2,376</u>	<u>-</u>	<u>59,398</u>
Accumulated Depreciation				
At 1 January 2007	53,962	971	302,895	357,828
Charge for the year	2,570	237	16,521	19,328
Disposal	-	-	(319,416)	(319,416)
At 31 December 2007	<u>56,532</u>	<u>1,208</u>	<u>-</u>	<u>57,740</u>
Net Carrying Amount				
At 31 December 2007	<u>490</u>	<u>1,168</u>	<u>-</u>	<u>1,658</u>
Cost				
At 1 January 2006/31 December 2006	<u>57,022</u>	<u>2,376</u>	<u>330,430</u>	<u>389,828</u>
Accumulated Depreciation				
At 1 January 2006	49,962	734	236,809	287,505
Charge for the year	4,000	237	66,086	70,323
At 31 December 2006	<u>53,962</u>	<u>971</u>	<u>302,895</u>	<u>357,828</u>
Net Carrying Amount				
At 31 December 2006	<u>3,060</u>	<u>1,405</u>	<u>27,535</u>	<u>32,000</u>

(a) Net carrying amount of property, plant and equipment held under hire purchase liabilities are as follows:

	Group	
	2007 RM	2006 RM
Plant and machinery	6,612,631	7,207,980
Motor vehicle	113,084	174,241
	<u>6,725,715</u>	<u>7,382,221</u>

(b) The freehold land and buildings of the Group are pledged to financial institutions for bank borrowings as disclosed in Note 19.

Notes to the Financial Statements

31 December 2007 (cont'd)

10. PREPAID LAND LEASE PAYMENTS

	Group	
	2007 RM	2006 RM
Long term leasehold land		
At 1 January	959,573	973,768
Amortisation for the year	(14,195)	(14,195)
At 31 December	945,378	959,573

Long term leasehold land is pledged as security for borrowings as disclosed in Note 19.

11. SUBSIDIARIES

	Company	
	2007 RM	2006 RM
Unquoted shares, at cost		
At 1 January	28,952,003	33,876,056
Less: Disposal of subsidiary	-	(4,924,053)
At 31 December	28,952,003	28,952,003
Less: Accumulated impairment losses		
At 1 January	(11,676,146)	(27,274)
Recognised in income statement (Note 4)	-	(11,648,872)
At 31 December	(11,676,146)	(11,676,146)
	17,275,857	17,275,857

Details of the subsidiaries are as follows:

Name of Company	Country of Incorporation	Effective Interests (%)		Principal Activities
		2007	2006	
Advance Industries Sdn. Bhd.	Malaysia	100	100	Manufacturing, assembly, installation and sales of light fittings, advertising point-of-sale, furniture and related products
Acumen Marketing Sdn. Bhd.	Malaysia	100	100	Supply of lightings, light fittings, outdoor fittings, advertising point-of-sale, furniture and related products
Lighting Louvres Manufacturing Sdn. Bhd.	Malaysia	100	100	Manufacturing and sale of aluminium lighting louvres
Ace Equity Sdn. Bhd.	Malaysia	100	100	Manufacturing and sale of high pressure die cast alloy products. Temporary ceased operations.

Notes to the Financial Statements

31 December 2007 (cont'd)

11. SUBSIDIARIES *cont'd*

Name of Company	Country of Incorporation	Effective Interests (%)		Principal Activities
		2007	2006	
Futumeds Sdn. Bhd.	Malaysia	100	100	Production and sale of disposable safety medical devices. Temporary ceased operations.
Lighting Louvres International Corporation	United States of America	100	100	Assembly and sale of light fittings and related products
Acumen Design & Development Solutions Limited (formerly known as Frontline Display International (Asia) Limited*	Hong Kong	100	75	Provision of consultancy services
Fututech (Labuan) Ltd.	Federal Territory of Labuan	100	100	Investment holding
Acumen Industries Limited*	Hong Kong	100	100	Investment holding
Acumen Industries (Foshan) Co. Ltd.*	People's Republic of China	100	100	Manufacturing, assembly, installation and sales of advertising point-of-sale and related products
Futumeds (S) Pte. Ltd.*	Republic of Singapore	-	100	Dormant

* Audited by firms of auditors other than Ernst & Young

(a) Purchase of Additional Shares in Subsidiary

On 26 January 2007, the Company via its wholly-owned subsidiary, Fututech (Labuan) Limited purchased the remaining 25% equity interest in the issued and paid up capital of Acumen Design & Solutions Limited (formerly known as Frontline Display International (Asia) Limited comprising of 50 ordinary shares for a cash consideration of HKD50.

(b) Deconsolidation of Subsidiary

On 28 February 2007, Futumeds (S) Pte. Ltd., a subsidiary of the Company was voluntarily dissolved.

Notes to the Financial Statements

31 December 2007 (cont'd)

12. OTHER INVESTMENTS

	Group	
	2007 RM	2006 RM
Club memberships	156,500	156,500
Less: Provision for diminution in value	(45,000)	(45,000)
	111,500	111,500
Quoted shares in Malaysia, at cost	19,800	19,800
Less: Provision for diminution in value	(15,300)	(14,400)
	4,500	5,400
Total other investments	116,000	116,900
Market value of quoted shares	4,500	4,440

13. GOODWILL ON CONSOLIDATION

	Group	
	2007 RM	2006 RM
At cost:		
At 1 January	8,396,108	11,451,112
Less: Disposal of subsidiary	-	(3,055,004)
At 31 December	8,396,108	8,396,108
Less: Impairment loss	(8,396,108)	(8,396,108)
	-	-

Notes to the Financial Statements

31 December 2007 (cont'd)

14. OTHER INTANGIBLE ASSETS

	Group	
	2007 RM	2006 RM
At cost:		
License fees		
At 1 January	-	9,334,850
Written off	-	(9,270,081)
Disposal of subsidiary	-	(64,769)
At 31 December	-	-
Development expenditure		
At 1 January	-	544,894
Written off	-	(544,894)
At 31 December	-	-
Software		
At 1 January	65,064	78,887
Amortisation (Note 4)	-	(13,823)
At 31 December	65,064	65,064
Total	65,064	65,064

15. INVENTORIES

	Group	
	2007 RM	2006 RM
At cost :		
Raw materials	6,235,617	8,264,209
Work in progress	1,531,017	1,953,795
Finished goods	1,427,367	32,481
	9,194,001	10,250,485

The cost of inventories recognised as an expense during the financial year in the Group amounted to RM16,566,669 (2006: RM23,696,221).

Notes to the Financial Statements

31 December 2007 (cont'd)

16. TRADE RECEIVABLES

	Group	
	2007 RM	2006 RM
Trade receivables	13,419,527	16,700,835
Less: Provision for doubtful debts	(5,561,408)	(3,858,227)
	7,858,119	12,842,608

The Group's normal trade credit term ranges from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

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

17. OTHER RECEIVABLES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Due from subsidiaries	-	-	27,997,247	22,625,736
Deposits	197,017	352,133	-	-
Prepayments	780,148	1,420,757	38,491	2,592
Tax recoverable	1,234,593	2,009,915	129,507	129,507
Sundry receivables	1,046,246	3,076,607	890	2,894,997
	3,258,004	6,859,412	28,166,135	25,652,832
Less: Provision for doubtful debts	(528,648)	-	-	-
	2,729,356	6,859,412	28,166,135	25,652,832

The amount due from subsidiaries is unsecured, interest free and has no fixed terms of repayment.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors (2006: 42%).

Notes to the Financial Statements

31 December 2007 (cont'd)

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Cash on hand and at banks	5,256,366	230,827	4,932,405	34,196
Deposit with licensed bank	205,062	-	205,062	-
Repo	28,000,000	-	28,000,000	-
Cash and bank balances	33,461,428	230,827	33,137,467	34,196
Less: Bank overdraft (Note 19)	(3,611,040)	(3,602,238)	-	-
Less: Excess share application monies account (Note 22)	(4,160,033)	-	(4,160,033)	-
Cash and cash equivalents	25,690,355	(3,371,411)	28,977,434	34,196

Deposit with licensed bank is pledged as security for borrowings as disclosed in Note 19.

The maturity and interest rates of the deposit and repo are as follows:

	Group and Company	
	2007	2006
Deposits with licensed bank		
Maturity (days)	90	-
Interest rate	3.25%	-
Repo		
Maturity (days)	7	-
Interest rate	3.30%	-

Notes to the Financial Statements

31 December 2007 (cont'd)

19. BORROWINGS

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Short Term Borrowings				
Secured:				
Bank overdrafts	3,611,040	3,602,238	-	-
Trade facilities	806,812	262,163	-	-
Term loans	16,842,065	13,812,152	16,500,000	12,300,000
Hire purchase payables (Note 20)	2,012,513	2,080,019	-	-
	<u>23,272,430</u>	<u>19,756,572</u>	<u>16,500,000</u>	<u>12,300,000</u>
Unsecured:				
Trust receipts	946,676	1,335,695	-	-
Total short term borrowings	<u>24,219,106</u>	<u>21,092,267</u>	<u>16,500,000</u>	<u>12,300,000</u>
Long Term Borrowings				
Term loans, secured	1,421,534	1,802,134	-	-
Hire purchase payables (Note 20)	1,307,228	2,987,977	-	-
Total long term borrowings	<u>2,728,762</u>	<u>4,790,111</u>	-	-
Total Borrowings				
Bank overdrafts	3,611,040	3,602,238	-	-
Term loans	18,263,599	15,614,286	16,500,000	12,300,000
Trade facilities	806,812	262,163	-	-
Hire purchase payables	3,319,741	5,067,996	-	-
Trust receipts	946,676	1,335,695	-	-
	<u>26,947,868</u>	<u>25,882,378</u>	<u>16,500,000</u>	<u>12,300,000</u>
Maturity of Borrowings:				
Within one year	22,206,593	19,012,248	16,500,000	12,300,000
More than 1 year and less than 2 years	342,065	392,175	-	-
More than 2 years and less than 5 years	929,128	1,051,455	-	-
More than 5 years	150,341	358,504	-	-
	<u>23,628,127</u>	<u>20,814,382</u>	<u>16,500,000</u>	<u>12,300,000</u>

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

	Group		Company	
	2007 %	2006 %	2007 %	2006 %
Bank overdrafts	7.25 - 8.75	6.25 - 7.50	-	-
Term loans	7.02 - 8.50	5.39 - 6.28	7.02	7.25
Trade facilities	7.75 - 8.75	7.75 - 8.75	-	-
Trust receipts	4.05	4.05	-	-

Notes to the Financial Statements

31 December 2007 (cont'd)

19. BORROWINGS *cont'd*

The bank overdrafts and term loans of the Group and Company are secured by the following:

- (a) Legal charges over the freehold and leasehold land and buildings of Group as disclosed in Notes 9 and 10; and
- (b) Deposit with licensed bank as disclosed in Note 18.
- (c) Corporate guarantee by the Company.

20. HIRE PURCHASE PAYABLES

	2007 RM	Group	2006 RM
Minimum Lease Payments:			
Not later than 1 year	2,220,770		2,409,373
Later than 1 year and not later than 2 years	638,664		1,904,717
Later than 2 years and not later than 5 years	733,259		1,331,173
	<u>3,592,693</u>		<u>5,645,263</u>
Less: Future finance charges	(272,952)		(577,267)
Present value of hire purchase payables	<u>3,319,741</u>		<u>5,067,996</u>
Present Value of Hire Purchase Payables			
Not later than 1 year	2,012,513		2,080,019
Later than 1 year and not later than 2 years	598,753		1,757,418
Later than 2 years and not later than 5 years	708,475		1,230,559
	<u>3,319,741</u>		<u>5,067,996</u>
Analysed as:			
Due within 12 months (Note 19)	2,012,513		2,080,019
Due after 12 months (Note 19)	1,307,228		2,987,977
	<u>3,319,741</u>		<u>5,067,996</u>

The hire purchase and lease bore effective interests of between 3.75% to 6.3% (2006: 4.30% to 7.44%) per annum.

21. TRADE PAYABLES

The normal trade credit term granted to the Group ranges from 30 to 90 days.

Notes to the Financial Statements

31 December 2007 (cont'd)

22. OTHER PAYABLES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Due to subsidiary	-	-	164,047	-
Sundry payables	2,483,545	2,052,585	1,275,750	76,384
Accruals	3,736,395	6,609,340	396,567	341,747
Excess share application monies	4,160,033	-	4,160,033	-
	<u>10,379,973</u>	<u>8,661,925</u>	<u>5,996,397</u>	<u>418,131</u>

The amount due to subsidiary is unsecured, interest free and has no fixed terms of repayment.

The surplus monies in respect of the unsuccessful or partially unsuccessful excess Rights Issue share applications will be refunded in full without interest within eight (8) market days from the last date for acceptance/application.

23. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2007	2006	2007 RM	2006 RM
Authorised share capital:				
At 1 January	100,000,000	100,000,000	100,000,000	100,000,000
Created during the year	200,000,000	-	200,000,000	-
At 31 December	<u>300,000,000</u>	<u>100,000,000</u>	<u>300,000,000</u>	<u>100,000,000</u>

	Number of Ordinary shares of RM1 each	Share Capital (Issued and Fully Paid) RM	Amount	
			Share Capital (Issued and Fully Paid) RM	Share Premium RM
				Total Share Capital and Share Premium RM
At 1 January 2006/31 December 2006	58,726,357	58,726,357	10,042,337	68,768,694
At 1 January 2007	58,726,357	58,726,357	10,042,337	68,768,694
Capital reduction and consolidation	(29,363,179)	(29,363,179)	(8,860,072)	(38,223,251)
Transaction cost	-	-	(1,182,265)	(1,182,265)
Rights issue	29,363,178	29,363,178	-	29,363,178
At 31 December 2007	<u>58,726,356</u>	<u>58,726,356</u>	<u>-</u>	<u>58,726,356</u>

Notes to the Financial Statements

31 December 2007 (cont'd)

23. SHARE CAPITAL *cont'd*

During the financial year, the Company undertook the following corporate exercise:

(a) Issued and Paid-up Ordinary Share Capital and Share Premium

- (i) the Company's issued and paid up share capital of RM58,726,357 comprising 58,726,357 ordinary shares of RM1.00 each was reduced to RM29,363,178 comprising of 58,726,356 ordinary shares of RM0.50 each pursuant to Section 64(1) of the Companies Act, 1965 ("Capital Reduction"). The reduction was set off against the accumulated losses of the Company;
- (ii) the Company's share premium account was reduced by RM8,860,072 pursuant to Section 60(2) and Section 64(1) of the Companies Act 1965. The reduction was set off against the accumulated losses of the Company;
- (iii) the capital consolidation of every two (2) ordinary shares of RM0.50 each in the Company (post the Capital Reduction) into one (1) ordinary share of RM1.00 each in the Company ("Capital Consolidation"); and
- (iv) the issuance of 29,363,178 ordinary shares of RM1.00 each at par for cash pursuant to the Rights Issue together with 23,490,542 free detachable Warrants.

(b) Authorised Share Capital

The Company increased its authorised share capital from RM100,000,000 to RM300,000,000 through creation of RM200,000,000 ordinary shares of RM1.00 each.

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

Warrants 2007/2017

On 21 December 2007, the Company issued 23,490,542 Warrants pursuant to the Company's Rights Issue as disclosed in Note 30.

The terms of the Warrants are as follows:

- (a) Exercise Rights – the rights of a Warrant Holder to subscribe for the New shares at the Exercise Price up to the number of Warrants standing to the credit of the Warrant Holder in his/her Securities Account as at the Exercise Date upon the terms of and subject to the Deed Poll.
- (b) Exercise Price – Subject to adjustment provisions as set out in the Third Schedule of the Deed Poll, the price of RM1.00 payable of each New Share to which a Warrant Holder will be entitled to subscribe for upon valid exercise of the Exercise Rights represented by each Warrant.
- (c) Exercise Period – the period commencing from and including the Issue Date of the Warrants and expiring on the 10 years commencing from the Issue Date of the Warrants. Warrants not exercised during the Exercise Period will thereafter lapse and cease to be valid for any purpose.
- (d) Transferability – the Warrants are transferable at a Board Lot of 100 Warrants or other denomination as determined by the Bursa Malaysia Securities Berhad.
- (e) Ranking – The 23,490,542 new ordinary shares of the Company to be issued pursuant to the exercise of the Warrants will, upon allotment and issue, rank *pari passu* in all respects with the then existing ordinary shares of the Company except that such new ordinary shares shall not be entitled for any dividends, rights, allotment and/or other distributions declared and/or otherwise distributed, the book closing date of which precedes the date of allotment and issue of such new ordinary shares of the Company arising from the exercise of the Warrants.

Notes to the Financial Statements

31 December 2007 (cont'd)

23. SHARE CAPITAL cont'd

Warrants 2007/2017 cont'd

The terms of the Warrants are as follows: cont'd

- (f) The registered holders of the Warrants shall have no participating rights whatsoever in any distribution of shares or other securities issued or offered from time to time by the Company.
- (g) Deed Poll – The Warrants are constituted by a Deed Poll dated 22 November 2007.

24. OTHER RESERVES

	Group	
	2007 RM	2006 RM
Other reserve	475,000	475,000
Translation reserves	25,916	(136,998)
	500,916	338,002

The movements in each category of reserves were as follows:

Other Reserve

At 1 January/31 December	475,000	475,000
--------------------------	---------	---------

Translation Reserves

Balance at 1 January	(136,998)	189,077
Less: Disposal of subsidiary	-	(286,127)
Less: Deconsolidation of subsidiary	58,736	-
Arising during the year	104,178	(39,948)
Balance at 31 December	25,916	(136,998)

The nature and purpose of each category of reserves are as follows:

(a) Other reserve

The other reserve is in respect of capitalisation of retained profits by a subsidiary for a bonus issue made.

(b) Translation reserves

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

25. DEFERRED TAXATION

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
At 1 January	128,220	2,931,611	-	-
Disposal of subsidiary	-	(106,429)	-	-
Recognised in income statement (Note 7)	(128,220)	(2,696,962)	-	-
At 31 December	-	128,220	-	-

Notes to the Financial Statements

31 December 2007 (cont'd)

25. DEFERRED TAXATION cont'd

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

	Property, Plant and Equipment RM	Unabsorbed Capital Allowances and Unused Tax Losses RM	Provision for Liabilities RM	Net RM
At 1 January 2006	4,949,072	(2,017,461)	-	2,931,611
Disposal of subsidiary	(106,429)	-	-	(106,429)
Recognised in the income statement	(1,709,837)	91,379	(1,078,504)	(2,696,962)
At 31 December 2006/1 January 2007	3,132,806	(1,926,082)	(1,078,504)	128,220
Recognised in the income statement	(638,344)	279,885	230,239	(128,220)
At 31 December 2007	2,494,462	(1,646,197)	(848,265)	-

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

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Unused tax losses	23,613,938	19,681,622	754,017	754,017
Unabsorbed capital allowances	10,820,212	7,935,766	-	-
Others	572,551	-	-	-

The unused tax losses and unabsorbed capital allowances are available for offset against future taxable profits of the subsidiaries in which those items arose. Deferred tax assets have not been recognised in respect of these items as they may not be used to offset taxable profits of other subsidiaries in the Group and they have arisen in subsidiaries that have a recent history of losses.

The availability of the unused tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the Group and Company are subject to no substantial changes in shareholdings under the Income Tax Act, 1967 and guidelines issued by the tax authority.

26. SIGNIFICANT RELATED PARTY TRANSACTION

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

	Company	
	2007 RM	2006 RM
Sales to E & O Property Development Berhad* group of companies ("EOPD")	439,380	838,921
Sale of motor vehicle to a former director	100,000	-

* A corporate shareholder in which Kamil Ahmad Merican, Chan Kok Leong and Professor Datuk Dr. Nik Mohd Zain Bin Nik Yusof are directors.

Notes to the Financial Statements

31 December 2007 (cont'd)

26. SIGNIFICANT RELATED PARTY TRANSACTION *cont'd*

b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Salaries and allowances	1,868,483	1,944,780	20,000	140,000
Defined contribution plan	169,466	163,253	-	-
Directors' fees	-	-	81,500	36,000
	<u>2,037,949</u>	<u>2,108,033</u>	<u>101,500</u>	<u>176,000</u>

Included in total key management personnel are:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Directors' remuneration (Note 6)	<u>917,800</u>	<u>1,671,676</u>	<u>101,500</u>	<u>176,000</u>

27. CONTINGENT LIABILITY

	2007 RM	2006 RM
Company		
Unsecured:		
Corporate guarantee given to banks for credit facilities granted to subsidiaries	<u>10,447,868</u>	<u>13,582,378</u>

Notes to the Financial Statements

31 December 2007 (cont'd)

28. SEGMENTAL INFORMATION

Geographical Segments

31 December 2007

	Malaysia RM	Outside Malaysia RM	Eliminations RM	Consolidated RM
Revenue				
External sales	32,579,255	2,023,645	-	34,602,900
Inter-segment sales	11,394,995	-	(11,394,995)	-
Total revenue	<u>43,974,250</u>	<u>2,023,645</u>	<u>(11,394,995)</u>	<u>34,602,900</u>
Results				
Segment results	(8,586,431)	(586,402)	1,136,810	<u>(8,036,023)</u>
Loss from operations				(8,036,023)
Finance costs, net	(1,847,809)	-	-	<u>(1,847,809)</u>
Loss before taxation				(9,883,832)
Taxation	(873)	-	-	<u>(873)</u>
Loss for the year				<u>(9,884,705)</u>
Assets				
Segment assets	147,734,688	1,711,635	(56,306,401)	<u>93,139,922</u>
Liabilities				
Segment liabilities	109,669,816	4,303,569	(70,309,175)	<u>43,664,210</u>
Other information				
Depreciation	3,920,563	46,907	-	<u>3,967,470</u>

Notes to the Financial Statements

31 December 2007 (cont'd)

28. SEGMENTAL INFORMATION *cont'd*

31 December 2006

	Malaysia RM	Outside Malaysia RM	Eliminations RM	Consolidated RM
Revenue				
External sales	21,328,678	31,480,544	-	52,809,222
Inter-segment sales	10,602,981	-	(10,602,981)	-
Total revenue	31,931,659	31,480,544	(10,602,981)	52,809,222
Results				
Segment results	(72,620,822)	177,084	32,211,277	(40,232,461)
Loss from operations				(40,232,461)
Finance costs, net	(1,855,526)	(203,292)	23,206	(2,035,612)
Loss before taxation				(42,268,073)
Taxation	2,380,505	(2,815)	-	2,377,690
Loss for the year				(39,890,383)
Assets				
Segment assets	125,309,935	2,713,722	(52,145,414)	75,878,243
Liabilities				
Segment liabilities	104,966,735	13,633,076	(73,738,158)	44,861,653
Other information				
Depreciation	4,147,282	249,475	-	4,396,757

No business segment is prepared as the Group's operations are substantially in the manufacturing sector only.

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 foreign currency risk, interest rate risk (both fair value and cash flow), liquidity risk and credit risk. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is to not engage in speculative transactions.

(b) 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 Dollar, Japanese Yen, Singapore Dollar, Australian Dollar, Euro, Sterling Pound, Taiwan Dollar, New Zealand Dollar, Hong Kong Dollar and China Renminbi. Foreign exchange exposures in these transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

Notes to the Financial Statements

31 December 2007 (cont'd)

29. FINANCIAL INSTRUMENTS *cont'd*

(b) Foreign Currency Risk *cont'd*

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

	2007 RM	2006 RM
Functional Currency of the Group Companies		
United States Dollar	2,041,205	2,008,991
Japanese Yen (100 units)	(1,116)	(1,116)
Singapore Dollar	864,636	850,329
Australian Dollar	1,428,870	1,515,437
Euro	(119,031)	(499,026)
Sterling Pound	363,090	7,129
New Taiwan Dollar	41,648	-
New Zealand Dollar	35,998	48,843
Hong Kong Dollar	-	333,617
China Renminbi	-	95,591
	4,655,300	4,359,795

(c) Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate exposure by maintaining a mix of fix and floating rate of borrowings.

Information on the carrying amounts, average interest rates as at balance sheet date and the remaining maturities of the Group's and Company's instruments that are exposed to interest rate risk are disclosed in Notes 19 and 20.

(d) Credit Risk

The Group's credit risk is primarily attributable to trade receivables. Credit risks are minimised, controlled and monitored through the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's association to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents marketable securities and non-current investments, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets.

Notes to the Financial Statements

31 December 2007 (cont'd)

29. FINANCIAL INSTRUMENTS *cont'd*

(e) Liquidity Risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. During the financial year, the Group undertake a corporate exercise to maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements.

(f) Fair Values

The carrying amounts of financial assets and financial liabilities approximate their fair values except for the following:

	Note	Group Carrying Amount RM	Fair Value RM
At 31 December 2007			
Borrowings			
Term loan	19	18,263,599	18,819,530
Hire purchase payables	20	3,319,741	3,306,502
		<u>21,583,340</u>	<u>22,126,032</u>
At 31 December 2006			
Borrowings			
Term loan	19	15,614,286	19,959,394
Hire purchase payables	20	5,067,996	4,957,143
		<u>20,682,282</u>	<u>24,916,537</u>

(i) Borrowings

The fair value of borrowings is estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending and borrowing arrangements.

(ii) Quoted Shares

The fair value of quoted shares is determined by reference to stock exchange quoted market bid prices at the close of the business at the balance sheet date. The fair values of the quoted shares are as disclosed in Note 12.

(iii) Amount Due to/from Related Companies

It is not practical to estimate the fair values of amounts due to/from related companies due principally to a lack of fixed repayment term entered into by the parties involved and without incurring excessive costs. The directors are of the opinion that the carrying amounts recorded at the balance sheet date do not differ significantly from the values that would eventually be received or settled.

Notes to the Financial Statements

31 December 2007 (cont'd)

30. SIGNIFICANT EVENTS

During the financial year, the Company undertook the following corporate exercise:

(i) Capital Reduction

The Capital Reduction reduced the Company's accumulated losses that resulted in the elimination of the entire consolidated accumulated losses based on the Company's audited consolidated financial statements for the financial year ended 31 December 2006 amounting to RM38,223,251 in the following manner:

- reduction of the Company's issued and paid-up share capital pursuant to Section 64(1) of the Companies Act, 1965 via the cancellation of RM0.50 of the par value of each of the 58,726,357 ordinary shares of RM1.00 each in the Company in issue; and
- reduction of the Company's share premium account by RM8,860,072 pursuant to Section 60(2) and Section 64(1) of the Companies Act, 1965.

(ii) Share Consolidation

The Share Consolidation involves consolidation of every two (2) ordinary shares of RM0.50 each in the Company (post the Capital Reduction) into one (1) ordinary share of RM1.00 each in the Company.

(iii) Rights Issue

The Renounceable Rights Issue of up to 29,363,178 new shares in the Company at an issue price of RM1.00 per share together with 23,490,542 free detachable warrants ("Rights Warrants") on the basis of five (5) Rights Shares together with four (4) free Rights Warrants attached thereto for every five (5) existing ordinary shares of RM1.00 each in the Company held after the Capital Reduction and Share Consolidation. The Rights Issue was completed on 27 December 2007.

(iv) Exemption from Obligation to Undertake a Mandatory General Offer

Exemption for E & O Property Development Berhad ("EOPD"), Samudra Pelangi Sdn. Bhd. ("SPSB") and parties acting in concert with EOPD and SPSB, (collectively referred to as the "Parties Acting In Concert") from the obligation to undertake a mandatory offer to acquire the remaining shares in the Company and other relevant securities not already held by the Parties Acting In Concert which arose pursuant to the Rights Issue.

(v) Private Placement

Private Placement of up to 10,000,000 new shares in the Company ("Placement Shares") together with up to 8,000,000 free detachable warrants ("Placement Warrants"), on the basis of four (4) free Placement Warrants attached to every five (5) Placement Shares, at an indicative issue price of RM1.00 per Placement Share, to be implemented after the Capital Reduction and Share Consolidation. At the date of the authorisation of these financial statements, the Placement Shares have not been exercised.

(vi) Increase in Authorised Share Capital

Increase in the authorised share capital of the Company from RM100,000,000 comprising 100,000,000 shares in the Company to RM300,000,000 comprising 300,000,000 shares in the Company.

31. SUBSEQUENT EVENT

On 19 March 2008, Lighting Louvres International Corporation, a subsidiary of the Company was voluntarily dissolved.

List of Properties Owned by the Group as at 31 December 2007

Address/ Location	Tenure	Area (square metre)	Description/ Existing Use	Approximate Age of Building	Net Carrying Amount (RM'000)	Date of Last Revaluation (R)/ Acquisition (A)
HSD 97288 Lot P.T. 32331 Mukim Petaling Daerah Petaling Selangor	Freehold	7,985	2-Storey office cum factory	11 years	7,198	A : 20.11.2001
HSD 145784 Lot PT1172 Pekan Puchong Perdana Daerah Petaling Selangor	Freehold	3,534	5-Storey office cum factory	6 years	11,709	A : 16.08.2000
Pajakan Mukim PM640 Lot No. 10492 Tempat Batu 28 Ijuk Mukim Ijuk District Kuala Selangor Negeri Selangor	Leasehold Expiring in 2077	13,961	Factory	5 years	4,076	A : 28.10.2002

Analysis of Shareholdings

AS AT 29 APRIL 2008:

Authorised Share Capital	: RM300,000,000	Class of Shares	: Ordinary Shares of RM1.00 each
Paid-up Share Capital	: RM58,726,356	Voting Rights	: One vote per ordinary share

SIZE OF SHAREHOLDINGS as at 29 April 2008

Size of Shareholdings	No. of Shareholders	Total Shareholdings	% of Shareholding
1 to 99	256	5,917	0.01
100 to 1,000	742	475,001	0.81
1,001 to 10,000	784	2,720,120	4.63
10,001 to 100,000	200	6,910,184	11.77
100,001 to 2,936,316 *	53	23,852,351	40.62
2,936,317 and above **	4	24,762,783	42.17
Total :	2,039	58,726,356	100.00

Remarks :

- * Less than 5% of issued shares
- ** 5% and above of issued shares

SUBSTANTIAL SHAREHOLDERS as per the Register of Substantial Shareholders as at 29 April 2008

Name of Substantial Shareholders	Notes	Direct Interest		Indirect Interest	
		No. of Shares	% of Shareholding	No. of Shares	% of Shareholding
E & O Property Development Berhad	(1)	10,375,783	17.67	5,894,000	10.04
Samudra Pelangi Sdn. Bhd.		5,894,000	10.04	-	-
Loo Soo Loong		5,560,000	9.47	-	-
Tinggi Murni Sdn. Bhd.	(2)	-	-	5,894,000	10.04
Dynamic Degree Sdn. Bhd.	(3)	-	-	16,269,783	27.70
Eastern & Oriental Berhad	(3)	-	-	16,269,783	27.70
Dato' Tham Ka Hon	(3)	-	-	16,269,783	27.70
G.K. Goh Holdings Limited	(3)	-	-	16,269,783	27.70
GKG Investment Holdings Pte. Ltd.	(3)	-	-	16,269,783	27.70
Goh Geok Khim	(3)	-	-	16,269,783	27.70
Goh Yew Lin	(3)	-	-	16,269,783	27.70

Notes :

- (1) Deemed interest by virtue of Section 6A(4) of the Companies Act, 1965 held through Samudra Pelangi Sdn. Bhd. ("SPSB").
- (2) Deemed interest by virtue of Section 6A(4) of the Companies Act, 1965 held through SPSB.
- (3) Deemed interest by virtue of Section 6A(4) of the Companies Act, 1965 held through E & O Property Development Berhad.

Analysis of Shareholdings (cont'd)

Thirty Largest Shareholders as per the Record of Depositors as at 29 April 2008

Name of Registered Holders	No. of Shares Held	% of Shareholding
1 AMSEC NOMINEES (TEMPATAN) SDN. BHD. <i>AmBank (M) Berhad for E & O Property Development Berhad</i>	10,375,783	17.67
2 AMSEC NOMINEES (TEMPATAN) SDN. BHD. <i>AmBank (M) Berhad for Samudra Pelangi Sdn. Bhd.</i>	5,894,000	10.04
3 AMSEC NOMINEES (TEMPATAN) SDN. BHD. <i>Pledged Securities Account for Loo Soo Loong</i>	5,500,000	9.37
4 CIMSEC NOMINEES (TEMPATAN) SDN. BHD. <i>CIMB Bank for Chia Kwoon Meng</i>	2,993,000	5.10
5 GOH HUI TIANG	1,768,700	3.01
6 CHU YOKE LEN	1,500,000	2.55
7 RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. <i>Pledged Securities Account for Chia Kwoon Meng (CEB)</i>	1,451,900	2.47
8 SOONG CHEE KEONG	1,092,200	1.86
9 AMSEC NOMINEES (TEMPATAN) SDN. BHD. <i>Pledged Securities Account for Yap Ching Loon</i>	1,027,000	1.75
10 POLOFIELD SDN. BHD.	1,000,000	1.70
11 SALTER'S ASSETS LIMITED	1,000,000	1.70
12 FONG MOH CHEEK @ FONG MOW KIT	883,000	1.50
13 CATHERINE GRIPE	832,000	1.42
14 DERRICK KONG YING KIT	776,600	1.32
15 CHIA KWOON MENG	773,800	1.32
16 NIK IBRAHIM KAMIL BIN NIK AHMAD KAMIL	767,053	1.31
17 FAIRWAY AIM SDN. BHD.	700,000	1.19
18 MELISSA KONG YIN PING	632,800	1.08
19 CHOY FOONG LIN	622,000	1.06
20 HAM AH LUI @ HAM WEE BOON	553,731	0.94
21 YAP NYUK FOONG	500,000	0.85
22 CHIA KWOON MENG	430,000	0.73
23 AIBB NOMINEES (TEMPATAN) SDN. BHD. <i>Pledged Securities Account for Wong Ching Ping @ Wong Chin Ping</i>	418,000	0.71
24 HUANG PHANG LYE	410,000	0.70
25 LIM KOK WEI	400,000	0.68
26 AMSEC NOMINEES (TEMPATAN) SDN. BHD. <i>Pledged Securities Account for Chin Siew Ling</i>	400,000	0.68
27 CHAN SAU CHEE	400,000	0.68
28 AFFIN NOMINEES (ASING) SDN. BHD. <i>UOB Kay Hian Pte. Ltd. for Chan Tze Leung Robert</i>	358,600	0.61
29 HDM NOMINEES (TEMPATAN) SDN. BHD. <i>DBS Vickers SECS (S) Pte. Ltd. for Yeap Poh Chim</i>	350,000	0.60
30 NETUREN CO. LTD.	326,667	0.56
TOTAL :	44,136,834	75.15

Analysis of Shareholdings (cont'd)

DIRECTORS' SHAREHOLDINGS as per the Register of Directors' Shareholdings as at 29 April 2008

Name of Directors	Direct Interest		Indirect Interest	
	No. of Shares	% of Shareholding	No. of Shares	% of Shareholding
Kamil Ahmad Merican	-	-	-	-
Loo Soo Loong	5,560,000	9.47	-	-
Chan Kok Leong	-	-	-	-
Vijeyaratnam a/l V. Thamothearam Pillay	-	-	-	-
Professor Datuk Dr. Nik Mohd Zain bin Nik Yusof	-	-	-	-

Analysis of Warrantholdings

AS AT 29 APRIL 2008

No. of 2007/2017 warrants issued : 23,490,542
 No. of 2007/2017 warrants outstanding : 23,490,542

DISTRIBUTION SCHEDULE of 2007/2017 Warrantholders

Size of Shareholdings	No. of 2007/2017 Warrantholders	No. of 2007/2017 Warrants	%
1 to 99	39	2,228	0.01
100 to 1,000	108	64,242	0.27
1,001 to 10,000	249	939,360	4.00
10,001 to 100,000	116	3,997,001	17.02
100,001 to 1,174,526 *	35	9,682,604	41.22
1,174,527 and above **	3	8,805,107	37.48
Total :	550	23,490,542	100.00

Remarks :

* Less than 5% of issued shares

** 5% and above of issued shares

Analysis of Warrantholdings (cont'd)

Thirty Largest Warrantholders as per the Record of Depositors as at 29 April 2008

Name of Registered Holders	No. of 2007/ 2017 Warrants	%
1 AMSEC NOMINEES (TEMPATAN) SDN. BHD. <i>AmBank (M) Berhad for E & O Property Development Berhad</i>	4,811,427	20.48
2 AMSEC NOMINEES (TEMPATAN) SDN. BHD. <i>AmBank (M) Berhad for Samudra Pelangi Sdn. Bhd.</i>	2,357,600	10.04
3 CIMSEC NOMINEES (TEMPATAN) SDN. BHD. <i>CIMB Bank for Chia Kwoon Meng</i>	1,636,080	6.96
4 AMSEC NOMINEES (TEMPATAN) SDN. BHD. <i>Pledged Securities Account for Yap Ching Loon</i>	727,100	3.10
5 GOH HUI TIANG	627,480	2.67
6 CHIA KWON MENG	577,100	2.46
7 CHEW CHOONG SIAM	575,900	2.45
8 RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. <i>Pledged Securities Account for Chia Kwoon Meng</i>	520,760	2.22
9 FONG MOH CHEEK @ FONG MOW KIT	504,000	2.15
10 LIM KOK WEI	460,000	1.96
11 DERRICK KONG YING KIT	400,880	1.71
12 POLOFIELD SDN. BHD.	400,000	1.70
13 MELISSA KONG YIN PING	377,680	1.61
14 SOONG CHEE KEONG	349,504	1.49
15 CATHERINE GRIPE	332,800	1.42
16 FAIRWAY AIM SDN. BHD.	280,000	1.19
17 HLG NOMINEE (TEMPATAN) SDN. BHD. <i>Pledged Securities Account for Pang Yang Chung</i>	265,000	1.13
18 TAN LIAM KWEE	242,000	1.03
19 ANDY TAN CHO YEOW	238,800	1.02
20 CHAN SAU CHEE	200,000	0.85
21 YAP NYUK FOONG	200,000	0.85
22 PUBLIC NOMINEES (TEMPATAN) SDN. BHD. <i>Pledged Securities Account for Yeap Gek @ Yeap Poh Chim</i>	197,900	0.84
23 KOH SOOI KWANG	192,080	0.82
24 HUANG PHANG LYE	176,000	0.75
25 MOHAMED AZMI BIN MAHMOOD	166,640	0.71
26 HAUW TIO HIONG	152,320	0.65
27 HAM AH LUI @ HAM WEE BOON	152,000	0.65
28 LIM KOK SENG	150,000	0.64
29 HDM NOMINEES (TEMPATAN) SDN. BHD. <i>DBS Vickers Secs (S) Pte. Ltd. for Yeap Poh Chim</i>	140,000	0.60
30 HLB NOMINEES (TEMPATAN) SDN. BHD. <i>Pledged Securities Account for Ng Yoke Yen</i>	140,000	0.60
TOTAL :	17,551,051	74.72

Analysis of Warrantholdings (cont'd)

Directors' Warrantholdings as at 29 April 2008

Name of Directors	Direct Interest		Indirect Interest	
	No. of shares	% of Warrantholdings	No. of shares	% of Warrantholdings
Kamil Ahmad Merican	-	-	-	-
Loo Soo Loong	24,000	0.10	-	-
Chan Kok Leong	-	-	-	-
Vijeyaratnam a/l V. Thamoatham Pillay	-	-	-	-
Professor Datuk Dr. Nik Mohd Zain Bin Nik Yusof	-	-	-	-

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty-Fourth Annual General Meeting of Fututech Berhad ("the Company") will be held at Langkawi Room, Bukit Jalil Golf & Country Resort, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur on Thursday, 26 June 2008, at 10:00 a.m. for the following purposes:

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2007 and the Reports of the Directors and Auditors. **Resolution No. 1**
2. To approve payment of Directors' fees for the financial year ended 31 December 2007. **Resolution No. 2**
3. To re-elect as Director, Mr. Loo Soo Loong who retires in accordance with Article 89 of the Company's Articles of Association. **Resolution No. 3**
4. To re-elect as Director, Professor Datuk Dr. Nik Mohd Zain Bin Nik Yusof who retires in accordance with Article 83 of the Company's Articles of Association. **Resolution No. 4**
5. To re-appoint Ernst & Young as Auditors for the year ending 31 December 2008 and to authorise the Directors to fix the Auditors' remuneration. **Resolution No. 5**

As Special Business

6. **To consider and if thought fit, to pass the following Ordinary Resolutions, with or without modifications :** **Resolution No. 6**

Authority for Directors to Issue Shares

"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and they are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting of the Company to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10 % of the issued share capital of the Company for the time being, and that the Directors be and are also authorised to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad."

7. **Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue or Trading Nature** **Resolution No. 7**

"THAT subject to the Companies Act, 1965, the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), approval be and is hereby given to the Company and its subsidiaries to enter into any of the category of existing recurrent transactions of a revenue or trading nature as set out in Section 2.2, Table 1 of the Company's Circular to Shareholders dated 4 June 2008 with the related parties mentioned therein which are necessary for Fututech Group's day-to-day operations subject further to the following:-

- (a) the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those available to the public and on terms not to the detriment of the minority shareholders; and
- (b) disclosure is made in the annual report of the breakdown of the aggregate value of transactions conducted pursuant to the Shareholders' Mandate during the financial year based on the following information:
 - (i) the types of recurrent related party transactions made; and
 - (ii) the names of the related parties involved in each type of the recurrent related party transactions made and their relationship with the Company.

Notice of Annual General Meeting (cont'd)

7. **Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue or Trading Nature** *cont'd* **Resolution No. 7**

AND THAT such approval shall continue to be in force until:-

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the forthcoming AGM at which such Proposed Renewal of Shareholders' Mandate was passed, at which time it will lapse, unless by a resolution passed at an AGM whereby the authority is renewed;
- (b) the expiration of the period within which the next AGM of the Company subsequent to the date it is required to be held pursuant to the provisions of the Act; or
- (c) revoked or varied by resolution passed by the shareholders in an AGM or Extraordinary General Meeting,

whichever is earlier;

And the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this resolution."

8. **Proposed New Shareholders' Mandate for Additional Recurrent Related Party Transactions of A Revenue or Trading Nature** **Resolution No. 8**

"THAT subject to the Companies Act, 1965, the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), approval be and is hereby given to the Company and its subsidiaries to enter into new recurrent transactions of a revenue or trading nature as set out in Section 2.2, Table 2 of the Company's Circular to Shareholders dated 4 June 2008 with the related parties mentioned therein which are necessary for Fututech Group's day-to-day operations subject further to the following:-

- (a) the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those available to the public and on terms not to the detriment of the minority shareholders; and
- (b) disclosure is made in the annual report of the breakdown of the aggregate value of transactions conducted pursuant to the Shareholders' Mandate during the financial year based on the following information:
 - (i) the types of recurrent related party transactions made; and
 - (ii) the names of the related parties involved in each type of the recurrent related party transactions made and their relationship with the Company.

AND THAT such approval shall continue to be in force until:-

- (c) the conclusion of the next Annual General Meeting ("AGM") of the Company following the forthcoming AGM at which such Proposed Renewal of Shareholders' Mandate was passed, at which time it will lapse, unless by a resolution passed at an AGM whereby the authority is renewed;
- (d) the expiration of the period within which the next AGM of the Company subsequent to the date it is required to be held pursuant to the provisions of the Act; or
- (e) revoked or varied by resolution passed by the shareholders in an AGM or Extraordinary General Meeting,

whichever is earlier;

And the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this resolution."

Notice of Annual General Meeting (cont'd)

9. To Transact Any Other Business of which Due Notice shall have been received in accordance with the Companies Act, 1965.

By Order of the Board

CHUA SIEW CHUAN (MAICSA 0777689)
MAK CHOOI PENG (MAICSA 7017931)
 Company Secretaries

Kuala Lumpur
 4 June 2008

Notes:

1. A member of the Company entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company, an advocate, an approved company auditor, or a person approved by the Registrar.
2. A member of the Company may appoint more than one proxy to attend at the same meeting. Where a member appoints two or more proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.
3. Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. A Power of Attorney or a certified copy thereof or the instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing.
5. The instrument appointing a proxy, together with the power of attorney (if any) under which it is signed or a certified copy thereof, shall be deposited at the Registered Office at: Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur at least forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting as the case may be.

EXPLANATORY NOTES TO SPECIAL BUSINESS:

6. Authority for Directors to Issue Shares

The Ordinary Resolution proposed under item 6 of the Agenda, if passed, will empower the Directors to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company, subject to compliance with the relevant regulatory requirements. The approval is sought to avoid any delay and cost in convening a general meeting for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting.

7. Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transaction of A Revenue or Trading Nature and Proposed New Shareholders' Mandate for Additional Recurrent Related Party Transactions of A Revenue or Trading Nature

The Ordinary Resolutions proposed under items 7 and 8 of the Agenda, if passed will enable the Company and its subsidiaries (Fututech's Group) to enter into any of the new and existing recurrent related party transactions of a revenue or trading nature which are necessary for Fututech Group's day to day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Statement Accompanying Notice of Twenty-Fourth Annual General Meeting

The Directors standing for re-election at the 24th Annual General Meeting of the Company are :

- i) **Mr. Loo Soo Loong**
- ii) **Professor Datuk Dr. Nik Mohd Zain Bin Nik Yusof**

Further details of the directors at standing for re-election are set out in pages 3 and 5 of the Annual Report.



FORM OF PROXY

I/We, (full name in block letters) _____

NRIC No./Co. No. _____

Of (address) _____

being a member(s) of Fututech Berhad, hereby appoint (full name) _____

NRIC No. _____

Of (address) _____

or failing him, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Twenty-Fourth Annual General Meeting of Fututech Berhad ("the Company") will be held at Langkawi Room, Bukit Jalil Golf & Country Resort, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur on Thursday, 26 June 2008, at 10:00 a.m. and at any adjournment thereof in the manner indicated below:-

		For	Against
Resolution No. 1	To receive Audited Financial Statements for the year ended 31 December 2007 and the Reports of Directors and Auditors.		
Resolution No. 2	To approve payment of Directors' fees.		
Resolution No. 3	To re-elect Mr. Loo Soo Loong as a Director.		
Resolution No. 4	To re-elect Professor Datuk Dr. Nik Mohd Zain Bin Nik Yusof as a Director.		
Resolution No. 5	To re-appoint Messrs. Ernst & Young as Auditors and to authorise the Directors to fix the Auditors' remuneration.		
Resolution No. 6	To approve authority under Section 132D of the Companies Act, 1965 for Directors to issue shares.		
Resolution No. 7	To approve the Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transaction of A Revenue or Trading Nature.		
Resolution No. 8	To approve the Proposed New Shareholders' Mandate for Additional Recurrent Related Party Transaction of A Revenue or Trading Nature.		

Please indicate with an "X" or "✓" in the appropriate space above. Unless voting instructions are specified herein, the proxy will vote or abstain from voting as he/she thinks fit.

Number of ordinary shares held

Signed this day of June, 2008

Signature of Shareholder(s) or Common Seal

Notes:

1. A member of the Company entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company, an advocate, an approved company auditor, or a person approved by the Registrar.
2. A member of the Company may appoint more than one proxy to attend at the same meeting. Where a member appoints two or more proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.
3. Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. A Power of Attorney or a certified copy thereof or the instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing.
5. The instrument appointing a proxy, together with the power of attorney (if any) under which it is signed or a certified copy thereof, shall be deposited at the Registered Office at: Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur at least forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting as the case may be.

Fold This Flap For Sealing

Then Fold Here

Affix
Stamp

FUTUTECH BERHAD
Level 7, Menara Milenium,
Jalan Damanlela, Pusat Bandar Damansara,
Damansara Heights, 50490 Kuala Lumpur

1st Fold Here