

Our Vision

To be the market leader in the various industries and segments where our products are deployed and used

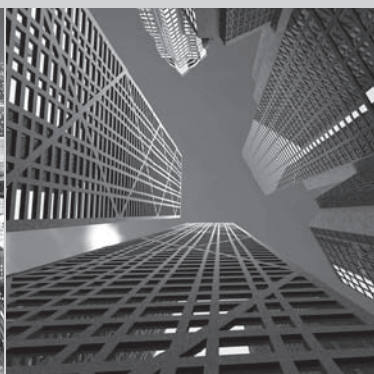
To Achieve Our Vision

We are responsible, team oriented, creative and passionate about what we do



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Financial Highlights



RM Million	2003	2004	2005	2006	2007
Revenue	86.5	82.7	112.9	80.4	94.6
Pre-tax Profit/(Loss)	7.5	4.3	4.6	2.5	(0.4)
Profit/(Loss) Attributable to Shareholders	4.2	2.4	3.0	1.9	(2.5)
Net Assets	57.7	58.1	60.4	60.0	56.1
SEN					
Earnings Per Share *	4.6	2.7	3.3	2.1	(2.8)
Net Assets Per Share	127.6 [^]	63.9 [#]	66.8 [#]	58.0 [#]	62.1 [#]
Gross Dividend Per Share	5.0 [^]	3.0 [#]	3.0 [#]	3.0 [#]	-

* The comparative basic earnings per share have been restated to reflect the effect of subdivision of every one existing ordinary share of RM1.00 each into two new ordinary shares of RM 0.50 each.

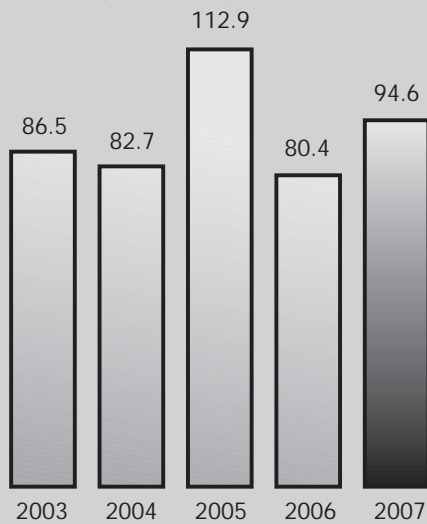
[^] Based on ordinary shares of RM1.00 each

[#] Based on ordinary shares of RM 0.50 each

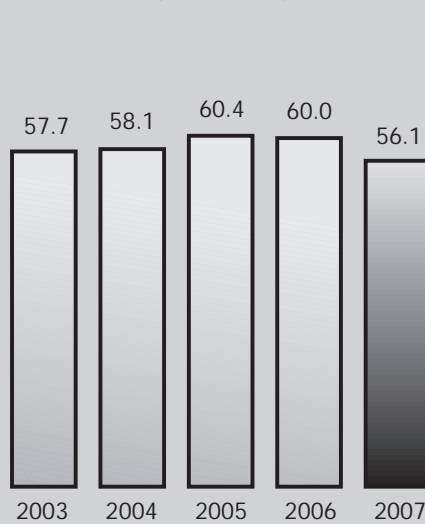
Financial Highlights



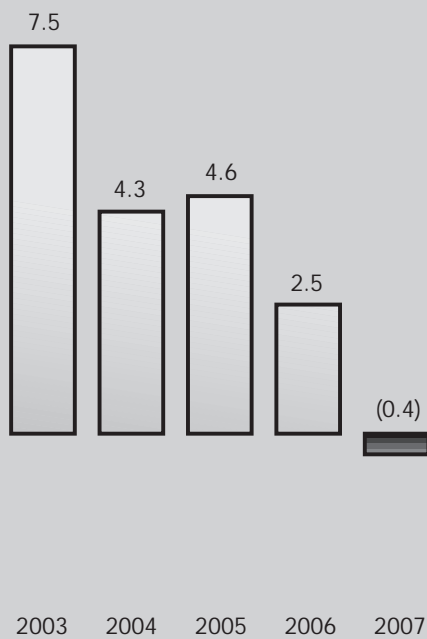
Revenue (RM million)



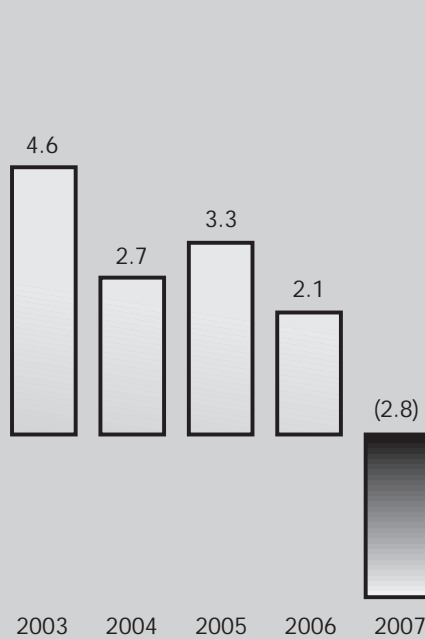
Net Assets (RM million)



Pre-tax Profit / (Loss) (RM million)



Earnings Per Share (Sen)



Corporate Information

INDUSTRONICS

BOARD OF DIRECTORS

Tengku Dato' Shamsul Bahrin (*Chairman*)
Dr. Lim Jit Chow
Dr. Junid bin Abu Saham
Ooi Soon Kiam
Gan Boon Chuan
Lim Hsiu Hoon
Pawan Kumar Ruia
Deepak Kumar Ruia
Sanjay Kumar Garodia
Lim Jit Fu
(*alternate to Lim Hsiu Hoon*)

AUDIT COMMITTEE

Ooi Soon Kiam (*Chairman*)
(*Independent Non-Executive Director*)
Tengku Dato' Shamsul Bahrin (*Member*)
(*Independent Non-Executive Director*)
Dr. Junid Bin Abu Saham (*Member*)
(*Independent Non-Executive Director*)

NOMINATION COMMITTEE

Tengku Dato' Shamsul Bahrin (*Chairman*)
(*Independent Non-Executive Director*)
Ooi Soon Kiam (*Member*)
(*Independent Non-Executive Director*)
Dr. Junid bin Abu Saham (*Member*)
(*Independent Non-Executive Director*)

REMUNERATION COMMITTEE

Tengku Dato' Shamsul Bahrin (*Chairman*)
(*Independent Non-Executive Director*)
Dr. Junid bin Abu Saham (*Member*)
(*Independent Non-Executive Director*)
Ooi Soon Kiam (*Member*)
(*Independent Non-Executive Director*)

COMPANY SECRETARY

Liew Lay Kim (*MAICSA 0868844*)

AUDITORS

Ernst & Young (AF 0039)
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
50490 Kuala Lumpur

Corporate Information



REGISTERED OFFICE

No. 9 Jalan Taming 3
Taman Tanming Jaya
43300 Seri Kembangan Selangor D.E.
Tel : (603) 8961 3024
Fax : (603) 8961 6409
Homepage: www.industronics.com.my

SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd.
Level 26, Menara Multi Purpose
Capital Square
No. 8 Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : (603) 2721 2222
Fax : (603) 2721 2530

PRINCIPAL BANKERS

Malayan Banking Berhad
HSBC Bank Malaysia Berhad
RHB Bank Berhad
AmBank Berhad
EON Bank Berhad

SOLICITORS

Harjit & Co.
K. Y. Foo & Company

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
(Second Board)

INVESTORS SERVICE

Shareholders, investors and members of public are invited to access the Company's website at www.industronics.com.my for information on the Group's operations and latest developments. For further details, please contact -

Dr. Junid bin Abu Saham

Lead Independent Director

Industronics Berhad
Tel : (603) 8961 3024
Fax : (603) 8961 6409
email : lead-director@industronics.com.my

Melissa Liew

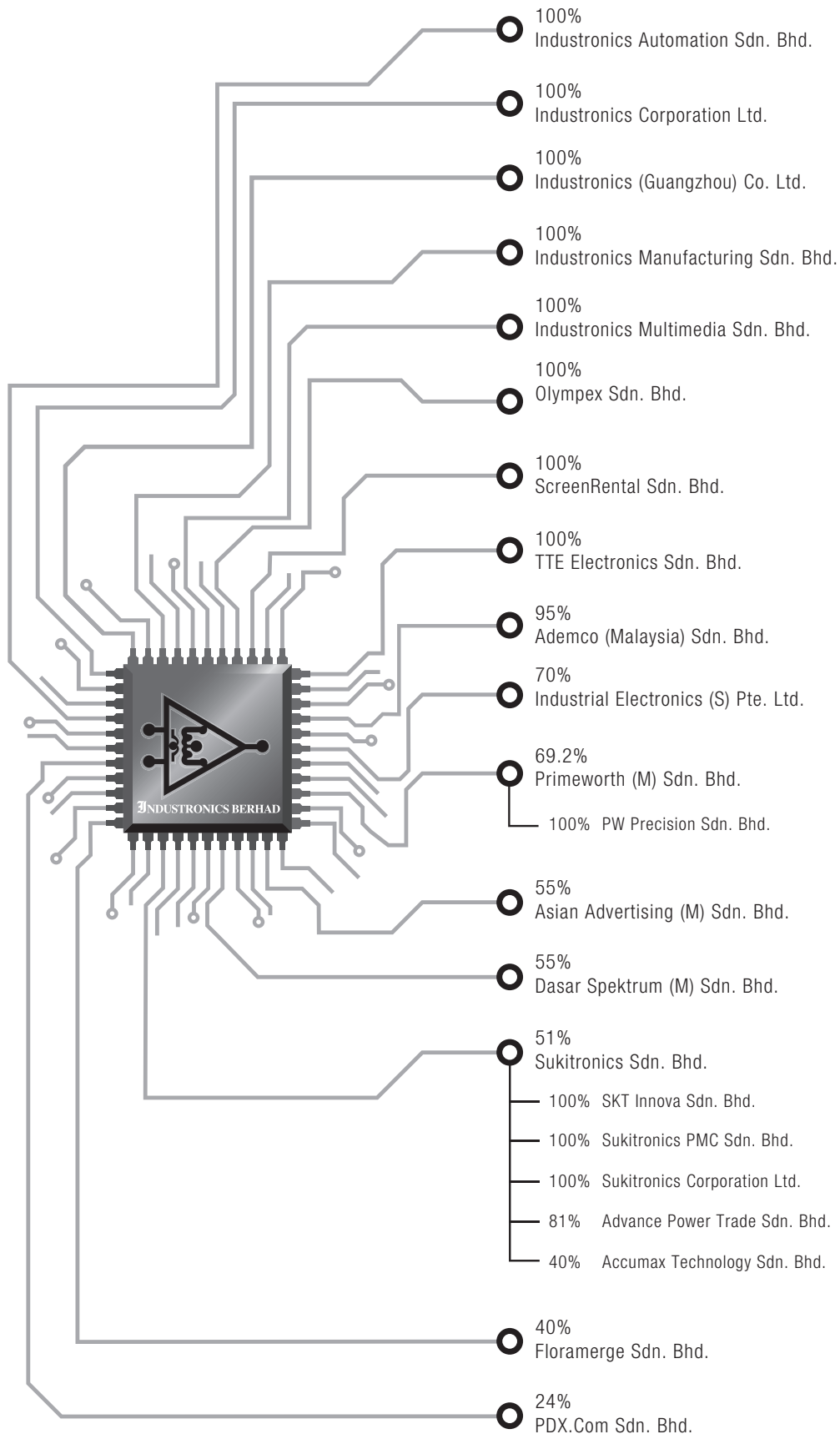
Company Secretary / Investor Relations

Industronics Berhad
Tel : (603) 8961 3024
Fax : (603) 8961 6409
email : cosec@industronics.com.my or
IR@industronics.com.my



Corporate Structure

Corporate Structure





Chairman's Statement

Chairman's Statement

On behalf of the Board of Directors of Industronics Berhad ("Industronics" or "the Company"), I am pleased to present the Annual Report and the Financial Statements of the Group and the Company for the Financial Year ended 31 December 2007.

General Overview

In 2007, the Malaysian economy grew by 6.3% (2006: 5.9%) as measured by GDP driven by strong domestic growth and private sector investment despite weaker external markets. Private sector growth rate recorded the highest since 2000. While the manufacturing sector growth is still substantial, the main driver of growth is now in the service sector with a growth rate of 9.7%.

Financial Report

The Group recorded a revenue of RM94.57 million, an increase of 17.6% over the previous year. Despite the higher revenue the Group recorded a loss of RM2.5 million which were mainly contributed by the inventory adjustment to recognise the variance between the physical inventories balances and the book balances by approximately RM8.6 million, the effect of which has reduced the income of the Group by the same amount with corresponding reduction in inventories reflected in the balance sheets. However, the Cash position of the Group had improved by RM4.5 million.

At the Company level the revenue was RM59.08 million compared to RM51.05 million the previous year. Despite the increase in revenue, the Company recorded a net loss of RM2.98 million which were mainly attributed by the net allowance for doubtful debts of RM4.53 million and inventories adjustment to recognise the variance between the physical inventories balances and the book balances by approximately RM5.9 million.

2007 Business Highlights and Operations Review

Industronics designs and manufactures a range of Electronic LED Displays and Public Information Display Systems (PIDS) under its brand OLYMPEX. Our Flight Information Display Systems (FIDS) inform and connect you and loved ones in the many airports in Malaysia and at Suvarnabhumi International Airport in Bangkok, Thailand. Our electronics display systems are your source of information on the highways, financial burses, sport avenues, train/bus stations and electronic advertising media.

However, the Industronics Group is also an engineering and systems solutions provider with a strong presence in the following business segments:

- Electronics Products
- Telecommunications
- Security Systems, Mechanical & Electrical Engineering
- Fabrication & Manufacturing
- Industrial Automation and others

Our services and solutions are needed and used in infrastructure developments such as airports, transportation infrastructures/ highways, power plants, stadiums, commercial and industrial markets including universities, commercial buildings, urban township development and private homes.

Chairman's Statement

(cont'd)

Electronics Products

Demand for OLYMPEX products in 2007 increased by 7% over the same period in 2006 and also saw significant portions of businesses coming from overseas markets. This trend is expected to continue well into 2008 as the Company further strengthens its foothold in the international markets.

In the sports arena, we are proud to have been part of the 24th South East Asia Games (SEA Games) held in Nakhon Ratchasima, Thailand in December 2007. The Games are a biennial multi-sport event involving participants from the current 11 countries of South East Asia. Our scoreboards were used in the Main Stadium, the Aquatic Centre and Velodrome.

Our scoreboards also performed strongly on the foreign front with successful installations in Kuwait, Indonesia, Vietnam and the United States. Some of these were supplied together with and worked seamlessly with our partners Track and Field Timing Systems and Swim Timing Systems.

OLYMPEX n-Matrix solutions, which are used primarily for large screen outdoor video and information display and advertising applications, also met with positive interest with installations at Masjid Negara, Technology Park Malaysia and Angkasapuri, Radio Television Malaysia (RTM) in Kuala Lumpur and also of overseas in Pakistan.

The Transport sector also saw strategic successes where OLYMPEX LED Traffic Lights were officially approved for use by Singapore's Land Transport Authority (LTA) and Brunei's Public Works Department. This, coupled with similar efforts in other countries, is hoped to further improve its growing international market position for OLYMPEX transport-related products.

Furthermore, works for the Rail Information Displays for the Mandurah Railway Line in Perth, Western Australia is progressing well and the project is scheduled for completion in mid-2008.



Chairman's Statement

(cont'd)

Telecommunications

Telecommunications covers the business areas of telecommunications equipment, audio visual and multimedia systems, Intelligent Transport Systems (ITS) solutions and other major system integration projects involving Information and Communication Technology (ICT).

In 2007, the Company successfully carried out audio visual systems projects in Bank Negara Malaysia, the University of Nottingham in Malaysia, the Tun Hussein Onn Eye Hospital and University Sains Malaysia.

The Company has also successfully carried out the SMART Tunnel Linear Heat Detection System as well as the Surveillance and Communication portion of its Flood Detection System (FDS). The Stormwater Management and Road Tunnel (SMART Tunnel) is a storm drainage and road structure in Kuala Lumpur, Malaysia and is the longest stormwater tunnel in South East Asia.



Chairman's Statement

(cont'd)



Security Systems and M&E Contracting

The Industronics Group provides integrated systems and solutions for building and home security, fire protection systems and M&E services through our subsidiaries Ademco (M) Sdn Bhd ("Ademco") and Sukitronics Sdn Bhd ("Sukitronics"). The turnover for this segment in year 2007 improved significantly over previous year.

Industronics itself has been a major supplier of conventional, microprocessor and addressable Fire Alarm Detection Panels under the Industronics brand name since 1975.

Ademco had focused on the property and retail industry in 2007. The key project works include the design, supply, installation, testing & commissioning of the following systems.

- CCTV System, Intruder Detection System, Public Address System and SMATV System at JUSCO's new store at Sunway Pyramid's new wing at Bandar Sunway, Selangor D.E.
- CCTV and Door Access Systems for SP Setia Behad's new corporate office at Bandar Eco-Setia in Shah Alam, Selangor D.E.
- Intelligent Home Security Systems for some of the houses at Phase 1B and Phase 1D of Bandar Setia Alam, Shah Alam, Selangor D.E.
- Intruder Detection System and CCTV System, Access Systems, Barrier Gate System and local Central Monitoring System for KIPLAND Sdn Bhd's Phase 3 and Phase 4 gated and guarded KIPark, Sri Utara in Selayang, Selangor D.E.

During the year, Ademco also provided fire protection systems to Titan's industrial plant and warehouses.

Sukitronics Group is primarily focused on the growing business of M & E services for buildings, industrial plants, power stations, oil / petroleum downstream engineering sectors and other similar markets.

The major projects completed in 2007 include the Fire Protection System in Tanjung Bin Power Plant and the Kemaman Bitumen Refinery in Kemaman, Terengganu. The company also continued its project for the Tuanku Jaafar Power Station, Phase II in Port Dickson, Negeri Sembilan.

Chairman's Statement

(cont'd)



Fabrication & Manufacturing

Our fabrication and manufacturing subsidiaries comprise Primeworth (M) Sdn Bhd ("Primeworth") and TTE Electronics Sdn Bhd ("TTE").

Primeworth's core business is its 19" rack and enclosures which is primarily targeted at the IT, Communications and Data Control Centres market.

Local sales and demand from overseas markets, especially from the UAE, improved Primeworth's revenue and helped the company achieve a net profit despite an increasingly challenging environment. Primeworth's continuous focus on the efficiencies of its business processes, product design and quality management system are some of the contributing factors to improved performance.

Our contract manufacturing arm, TTE provides contract manufacturing, in house engineering and design solutions to both local and foreign companies that seek to outsource their product manufacturing needs primarily in the automotive, security and general electronics sectors.

Industrial Automation

The Industronics Group interests in the growing environmental monitoring and supervisory control and data acquisition (SCADA) businesses particularly applied in the irrigation / waterworks related industry is managed through its wholly-owned subsidiary Industronics Automation Sdn Bhd ("IASB").

As an established system integrator, IASB specialises in the provision of integrated system solutions for all monitoring and telemetric works for applications which are used in the waterworks, reservoirs, dams, rivers and flood mitigations.

In 2007, IASB and technology partner Greenspan Technology of Australia successfully completed the handover of a state of art Flood Detection System which is part of the SMART Tunnel in Kuala Lumpur.

IASB's contract for the annual maintenance for some 36 number of automated irrigation gates stations in Selangor with Jabatan Pengaliran and Saluran (JPS) is renewed and the company looks forward to securing further expansion works in the area.

IASB continues to be actively involved in the integrated building automation solution business. In the past year the company has successfully delivered and commissioned the building automation system for the Tawau Sports Complex and a related system for a Polytechnic campus in Kuantan.

Chairman's Statement

(cont'd)

Business Outlook - Exporting Our Solutions To The World

The Industronics Group continues to pursue and develop its Malaysian business opportunities in the various business segments and markets especially in the implementation of the infrastructure and construction projects within the 9th Malaysian Plan (9MP).

Our other focus is on export and foreign market opportunities especially in countries such as Vietnam, Thailand, Middle-East countries, Indonesia, Pakistan, India and United States of America where there exists extensive infrastructure development programs and where our solutions and engineering experience can be replicated. We continue to develop and broaden our foreign market export opportunities through strategic partnerships with local partners in Indonesia, Thailand, the Middle East, Australia and the USA.

To further strengthen our market presence in the ASEAN region we have incorporated two subsidiaries in Vietnam, namely, Sukitronics Corporation Limited (incorporated in December 2006) and Industronics Corporation Limited (incorporated in March 2007) where Sukitronics Corporation Limited will pursue M&E project opportunities and Industronics Corporation Limited will develop the market and sales channels for our LED Display Boards, Swim and Athletic Timing Solutions, Intelligent Transportation Systems (ITS) solutions and Fire Alarm Panels.

Board Changes

Mr. Pawan Kumar Ruia, Mr. Deepak Kumar Ruia and Mr. Sanjay Kumar Garodia were appointed as Non Executive Directors to the Board of Industronics on 30 June 2007. Subsequently, Mr. Deepak Kumar Ruia was re-designated as an Executive Director of Industronics in August 2007. We welcome them to the Board of Industronics.

Dr. Lim Jit Chow retired on 1 May 2008 as the Managing Director of Industronics. He remains on the Board as a Non Independent Non Executive Director. We wish to extend our sincere thanks to Dr. Lim Jit Chow for his vast contribution to the growth and development of the Industronics Group.

Ms. Wendy HH Lim was re-designated as Non Independent Non Executive Director on 26 May 2008 following her resignation from Industronics. We also wish to thank Ms. Wendy HH Lim for her dedicated efforts to the advancement of the Company.

Dividend

The Board of Directors does not recommend any payment of dividend for the financial year ended 31 December 2007.

Corporate Social Responsibility (CSR)

At Industronics, we recognize the importance of achieving commercial success in ways that honour ethical values as well as respecting our stakeholders, employees, suppliers, clients, in particular the general community.

During the year, Industronics has provided industrial training opportunities for undergraduates to enhance their work readiness skillsets upon graduation. We continue to encourage more interaction amongst employees in the Group through the annual company trip and annual dinner. Occupational safety and health is a priority in our work environment due to the nature of the business and seminars are organised to emphasise health and safety measures to our employees. We also sent our employees to various continuing training programmes on a needs basis to enhance job performance and their career development.

Acknowledgements

I would like to record our sincere thanks to all of our customers, business associates, the Malaysian Government, shareholders and Board members for the support given to the Group in 2007.

I also wish to thank the Management and Staff for their ongoing dedication, resourcefulness and commitment to the Group. Our people, with their skills and knowledge, innovation, courage and discipline, are the key assets that allow the Industronics Group to grow.

This is my final Report on behalf of the Board of Directors of Industronics as I have decided not to seek re-election at the upcoming Annual General Meeting in June 2008. I would like to place on record my thanks to all my colleagues, past and present, for their support over the years, and to wish the Industronics Group a successful future.

Statement On Corporate Governance

THE CODE

The Board of Industronics Berhad (“Industronics” or “the Company”) is aware of its responsibility to ensure that high standards of corporate governance are practiced throughout the Group and that integrity and fair dealing are paramount in all its activities.

In line with this responsibility, the Board is currently reviewing, where appropriate, the necessary steps to comply with the principles of corporate governance, i.e. responsibility, integrity and accountability and provide greater disclosures and transparency in the business of the Group.

In preparing this report, the Board has considered the manner in which it has applied the principles of the Malaysian Code of Corporate Governance and the extent to which it has complied with the best practices of the Code.

BOARD OF DIRECTORS

The Board’s primary role is to direct and monitor the Company’s and the Group’s performance as well as to protect and enhance shareholders value. For this purpose, the Board is responsible for overall Corporate Governance of the Group which includes the Group’s strategic direction and establishing goals for management.

The Board has advised the executive management to build up the strategic and financial plans to achieve the overall goals and objectives of the Company which is not currently in place.

The Board meets at least five (5) times a year, with additional meetings convened as and when necessary. During the financial year ended 31 December 2007, eight (8) Board Meetings were held and details of the attendance record of each Director is listed on Page 31 of this Annual Report.

Board Composition

The Board currently has nine (9) members comprising seven (7) non-executive directors and two (2) executive directors. Three (3) of the non-executive directors are Independent Directors.

Members of the Board comprise professionals from diverse backgrounds, bringing with them depth and diversity of expertise, with a wide range of experience and perspective in discharging their responsibilities and duties in managing the business and affairs of the Group.

The names, skills, experiences, expertise and independence of the directors of the Company in office at the date of this Annual Report are set out on pages 27 to 31.

Board Balance

The Board of Industronics has a good balance of members who are executive, non-executive and independent directors such that no one individual or a group of individuals in the Board can dominate the balance of power and authority. While the substantial shareholders are adequately represented, the independent non-executive directors fulfill a pivotal role in corporate accountability and provide unbiased, objective and independent views, advice and judgment by taking into account the interests of all stakeholders, including shareholders, employees, customers, suppliers and the communities in which the Group conducts business.

There is a distinct and clear division of responsibility between the Chairman and the Managing Director. The position of the Chairman and Managing Director are individually held by separate persons to ensure clear demarcation of responsibility to ensure balance of power and authority. The Chairman is responsible for ensuring the Board effectiveness and conduct whilst the Managing Director has overall responsibilities over the operating units, organizational effectiveness and implementation of Board policies and decision. The presence of independent non-executive directors fulfills a pivotal role in corporate accountability. They provide unbiased and independent views, advice and judgment to take account of the interests, not only of the Group, but also of shareholders, employees, customers, suppliers and many communities in which the Group conducts business.

Statement On Corporate Governance

(cont'd)

Supply of Information

Prior to each Board meeting, each member is provided with the agenda together with the relevant documents and information on each agenda so that Directors have time to review the matters to be deliberated at the Board to facilitate informed decision-making. All directors are encouraged to bring independent judgment to bear in decision-making.

All Directors have direct access to the advice and services of the company secretary and the external auditors whether as a full board or in their individual capacity, in the furtherance of their duties. They may obtain independent professional advice in the furtherance of their duties at the Company's expense.

The Board has discussed the adequacy and timeliness of certain internal processes and decided that the Group's Management Information Systems need to be further improved in order to enhance the efficiency of information delivery. The Board intends to employ procedures to extract the pertinent information to allow the Board and management to assess both the quantitative and qualitative performance of the Group on a timely basis which are designed to enable the Group to take the necessary moves to continuously improve the Group's performance. The Board will take the necessary steps to ensure that areas of high risks faced by the Group will be matched with compliance and control throughout the organisation. The Board plans to formulate better and stronger risk management policies and action plans with the accessibility to timely information thereon.

The Board has advised the executive management to implement plans and processes to provide timely, quality information to the Directors as also provide accessibility to the Board Members for requisite information.

The Board is also reviewing the existing accounting processes so that quarterly and annual accounts are provided to the Board Members in time for a meaningful discussion thereupon in the Board Meeting.

Appointment and Re-Election of Directors

In accordance with the provisions of the Company's Articles of Association, at least one-third (1/3) of the Board of Directors are required to submit themselves for re-election by rotation at each annual general meeting. Directors who are appointed by the Board are subject to re-election by shareholders at the first annual general meeting after their appointment. Directors over seventy (70) years of age are required to submit themselves for re-appointment annually pursuant to Section 129(6) of the Companies Act, 1965.

The Articles of Association of the Company also requires that all directors shall retire from office once in every three (3) years, including the Managing Director and shall be eligible for re-election.

Nomination Committee

The Company has a transparent and formal procedure for the appointment of new directors to the Board. Any proposed candidate for the appointment as director will be considered by the Nomination Committee for recommendation to the Board for full deliberation. The Nomination Committee comprises the Chairman, who is also the Chairman of the Board and two (2) independent non-executive directors. The role and responsibility of the Nomination Committee include:

- composition of the Board and its subsidiaries;
- criteria for board membership;
- recommendation for appointment and removal of directors;
- size and membership of the board; and
- regularly assess the independence of each member.

Statement On Corporate Governance

(cont'd)

Directors' Remuneration

Remuneration Committee

The Remuneration Committee is primarily responsible for development and review of the remuneration policy and packages for the executive directors. The Committee is made up entirely of independent non-executive directors.

Currently, the Company does not have a formal remuneration policy for executive directors and senior executives except for the Managing Director of the Company. However, the Board aims to ensure that the directors are competitively rewarded on a basis that is comparable with companies listed on the Bursa which are of similar size.

The non-executive directors are remunerated on the basis of their anticipated time commitment and the responsibilities entailed in their role. The determination of the fees of non-executive directors is a matter for the Board as a whole, subject to shareholders' approval.

Details of the remuneration of Directors during the year under review are as follows:

	<u>Executive</u> RM	<u>Non-Executive</u> RM
Fee	-	145,000.00
Salaries, Employee Provident Funds & Allowances	1,189,788.00	22,500.00
Bonus	43,400.00	-
Benefits-in-kind	51,950.00	-
Total	1,285,138.00	167,500.00

	<u>Executive</u>	<u>No. of Directors</u>	<u>Non-Executive</u>
RM 50,000 & below	-		7
RM 50,001 - RM150,000	1		-
RM150,001 - RM200,000	-		-
RM200,001 - RM250,000	1		-
RM250,001 - RM300,000	-		-
RM300,001 - RM350,000	1		-
RM350,001 - RM400,000	-		-
RM400,001 - RM500,000	-		-
RM500,001 - RM600,000	-		-
RM600,001 - RM650,000	1		-

Director's Training and Education

All the Directors have completed the Mandatory Accreditation Programme as required by Bursa Malaysia Securities Berhad. During the year, some of the Directors have also attended the Continuing Education Programmes. The Directors will continue to undergo other relevant training programmes from time to time to further enhance their skills and knowledge.

Statement On Corporate Governance

(cont'd)

BOARD COMMITTEE

To assist the Board in fulfilling its duties, the Board has set up three (3) board committees. The respective functions and terms of reference of the board committees as well as authority delegated to these board committees, have been clearly defined by the Board.

The board committees established, namely Audit Committee, Nomination Committee and Remuneration Committee comprise members of the Board, the composition of which are determined after careful consideration of the mix of expertise, experience and independence of the members. The chairman of the committees will report to the Board the outcome of the respective committee meetings and such reports are incorporated in the minutes of Board meeting.

INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION

The Board acknowledges the need for shareholders to be well-informed on all major developments of the Group. Announcements and releases of financial results on a quarterly basis provide the shareholders and investing public with a continuous overview of the Group's performances and operations.

The annual general meeting that is held yearly is a means of communication with shareholders. Shareholders are given opportunities to raise questions pertaining to the business activities of the Group. Members of the Board and the auditors of the Company are ready to respond to all queries and undertake to provide clarification on issues and concerns raised by the shareholders.

Shareholders, investors and members of public are invited to access the Company's website at www.industronics.com.my and Bursa Malaysia's website at www.bursamalaysia.com.my for the latest corporate and market information on the Company and the Group.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible to ensure that the Company's and the Group's financial statements are in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia. The Board aims to present a true and fair assessment of the Group's financial performance, position and prospects to the shareholders of the Company. The Board is also responsible to provide the highest level of disclosure to ensure integrity and consistency of the financial reports.

In this respect, the Board aims to improve the quality and timeliness of the financial statements. Appointment of Messrs. Ernst & Young as the statutory auditors of the Company for financial year ended 31 December 2007 is a step in this direction.

The Audit Committee assists the Board in scrutinizing information for disclosure to ensure accuracy, adequacy and completeness.

The Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965 is disclosed on page 40 of this Annual Report. The Statement of Directors' Responsibility is set out on the following page of this Statement.

Statement On Corporate Governance

(cont'd)

Internal Control

The Directors acknowledge their responsibility to maintain a sound system of internal control to safeguard the shareholders' investment and the Company's assets. The Board also recognizes its overall responsibility for continuous reviewing and maintenance of the system of internal control in the Group.

The Board acknowledges that the internal control system can be improved to meet the Group's needs and to manage the risks to which it is exposed, rather than to eliminate the risk of failure to achieve business objectives. Hence, it can only provide reasonable, and not absolute, assurance against material misstatement, fraud and loss.

The Board shall work closely with internal and external auditors to continuously improve the internal controls of the Group in terms of its integrity as also adequacy. The Board has decided to outsource the internal control functions to a reputable accounting firm in order to ensure that the controls are adequate and well-implemented.

The Statement of Internal Control, as set out on pages 24 to 25, provides an overview of the state of internal controls within the Group.

Relationship with Auditors

The Company has established a formal and transparent relationship with the Company's auditors through the Audit Committee. The role of Audit Committee in relation to the external auditors is stated on pages 22 to 23.

DIRECTORS' RESPONSIBILITY STATEMENT

In preparing the annual financial statements of the Group and of the Company, the Directors are collectively responsible to ensure that these financial statements have been prepared in accordance with the applicable approved accounting standards in Malaysia, the provisions of the Companies Act, 1965 and the Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007 and of their results and cash flows for the financial year ended on that date.

In preparing the financial statements for the year ended 31 December 2007 set out on pages 44 to 117 of this Annual Report, the Directors have:

- applied appropriate accounting policies on a consistent basis;
- made judgments and estimates that are reasonable and prudent;
- 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 have responsibility for ensuring that proper accounting records are kept which disclose with reasonable accuracy the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors have overall responsibilities for taking such steps as reasonably to them to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

Audit Committee Report

ESTABLISHMENT

The Audit Committee was established on 18 August 1994 to act as a Committee to the Board of Directors.

COMPOSITION AND MEETINGS

For the financial year ended 31 December 2007, the composition of the Audit Committee and the attendance of each member at the Committee meetings are set out below:

Chairman

Ooi Soon Kiam – Independent Non-Executive Director

Members

Tengku Dato' Shamsul Bahrin – Independent Non-Executive Director

Dr. Junid bin Abu Saham – Independent Non-Executive Director

<i>Name of Member</i>	<i>No. of Meetings attended</i>
Ooi Soon Kiam	All 5 meetings
Tengku Dato' Shamsul Bahrin	All 5 meetings
Dr. Junid bin Abu Saham	All 5 meetings

The Managing Director, Executive Director, Financial Controller, Internal Audit Officer attended these meetings upon invitation by the Audit Committee. The Group's external auditors were invited to attend all of these meetings.

TERMS OF REFERENCE

The terms of reference of the Audit Committee are as follows :

1.0 Membership

The Audit Committee must be appointed by the Board of Directors from amongst the Directors and must consist of not less than three (3) members. All the members of the Committee must be non-executive directors, with a majority of them being independent directors. At least one member must be a member of the Malaysian Institute of Accountants (MIA) or any other equivalent qualification recognised by MIA.

The Chairman shall be an independent non-executive director appointed by the Board.

The Secretary to the Committee shall be the Company Secretary.

2.0 Authority

The Audit Committee shall have the following authority as empowered by the Board of Directors:

- a. to investigate any activity within its term of reference ;
- b. to have the resources which are required to perform its duties ;
- c. to have full and unrestricted access to information and relevant to its activities, to the Internal and External Auditors, and to senior management of the Company and its subsidiaries ;
- d. to obtain independent professional or other advice as necessary; and
- e. to convene meetings with the External Auditors without the attendance of the executive board members, whenever deemed necessary.

Audit Committee Report

(cont'd)

3.0 Duties

The duties of the Audit Committee are : -

- a. to consider the appointment, resignation and dismissal of the External Auditors and the audit fees;
- b. to review the nature and scope of the audit with Internal and External Auditors before the audit commences;
- c. to review the quarterly and annual financial statements before submission to the Board ;
- d. to review any related party transaction and conflict of interest situation that may arise ;
- e. to discuss problems and reservations arising from the interim and final audits and any matter the Auditors may wish to discuss;
- f. to review the audit reports by the Internal and External Auditors, the major findings and management's responses thereto;
- g. to review the effectiveness and efficiency of internal control systems ; and
- h. to consider other matters relating to audit.

4.0 Meeting

Meetings shall hold at least five (5) times a year with more meetings as the Committee deems necessary. The quorum shall be two (2) Independent Directors.

ACTIVITIES DURING THE FINANCIAL YEAR

In line with the terms of reference of the Committee, the following activities were carried out by the Committee during the year ended 31 December 2007 :-

- Reviewed the External Auditors' scope of works and audit plans for the Group;
- Reviewed the audit fees for the External Auditors;
- Reviewed the quarterly and annual report of the Group prior to submission to the Board for consideration and approval;
- Reviewed internal audit reports and to monitor / follow up on remedial action;
- Reviewed the Audit Committee Report, Statement on Internal Control and Statement on Corporate Governance prior to their inclusion in the Company's Annual Report.

INTERNAL AUDIT FUNCTION

The internal audit function for the Group is carried out by the Internal Audit Department which reports to the Audit Committee that assists the Board of Directors in monitoring and managing risks and internal controls. The Internal Audit is responsible in providing independent assessments for adequate and effective internal control systems in key business areas within the Group. During the financial year, the Internal Audit Department conducted reviews on the operations and the existing systems of controls in the subsidiary companies of the Group and presented their reports to the Audit Committee. Areas for improvements identified were communicated to the management for further action.

The Audit Committee shall work closely with Internal and External Auditors to continuously improve the internal controls of the Group in terms of its integrity as also adequacy. To achieve this, the internal control functions will be outsourced to a reputable accounting firm in order to ensure that the controls are adequate and well-implemented.

STATEMENT IN RELATION TO EMPLOYEE SHARE OPTION SCHEME

The Committee hereby confirms that the allocation of options pursuant to the Industronics Berhad Employee Share Option Scheme to the eligible employees of the Group complies with the By-Laws of the Scheme.

Statement On Internal Control

Responsibility

The Board of Directors acknowledges responsibility for maintaining a sound system of internal control and for reviewing its adequacy and integrity. The system of internal control designed to safeguard shareholders' investment and the Group's assets, by its nature can only manage rather than eliminate the risk of failure to achieve business objectives, and inherently can only provide reasonable and not absolute assurance against the risks of material misstatement or loss.

The Board takes into cognisance the improvement points highlighted by the external auditors and recognizes that reviewing and enhancing the Group's system of internal control is a continuing and concerted process.

The Board also recognizes that there are weaknesses in risk management on the area of financial and marketing mix. Efforts will continue to be made to identify, evaluate and manage the risks areas faced by the Group. To achieve this expeditiously, the Board has decided to outsource the internal control functions to a reputable accounting firm in order to ensure that the controls are adequate and well-implemented.

The Board aims to meet statutory compliances with respect to Corporate Governance and reduce material risks by way of implementing sound internal control and management information system.

Internal Control

Key elements of the Group's system of internal controls are as follows:

- **Operating structure with clearly defined lines of responsibility**

The operating structure includes defined delegation of responsibilities to the committees of the Board, the senior management and the operating units.

- **Independence of the Audit Committee**

The Audit Committee comprises non-executive members of the Board, with the majority being independent directors. The Committee holds regular meetings to deliberate on findings and recommendations and reports back to the Board.

- **Written policies and procedures**

The policies and procedures control daily operations to ensure the compliance with internal controls and relevant laws and regulations. These policies and procedures are reviewed regularly and updated when necessary.

- **Employee competency**

Proper procedures are in place in respect of recruitment and termination of employees. Emphasis is placed on the quality and abilities of employees with continuing education, training and development being actively encouraged through various programmes.

Statement On Internal Control

(cont'd)

- **Internal audit**

Periodical internal audits reviews are conducted to assess the adequacy of the systems of control, highlight significant control weaknesses and provide recommendations of improvement.

- **Financial Reporting**

Regular monitoring and review of financial results by the management and formulation of action plan to address areas of concern.



Director's Profile

Directors' Profile

Tengku Dato' Shamsul Bahrin

Independent Non-Executive Chairman

TENGGU DATO' SHAMSUL BAHRIN,

a Malaysian, aged 69, is an Independent Non-Executive Chairman of Industronics. He was appointed to the Board on 2 August 1994. He graduated with a degree of Bachelor of Arts (Hon) from the University of Malaya in 1962; and a Master of Arts from the University of Sheffield in 1964. He was conferred the title of Professor Emeritus by the University of Malaya in 2005.

Tengku spent a period of thirty-four years in the University of Malaya where he retired as a Professor. His administrative experience includes being Head of Department of Geography, Dean of Faculty of Arts and Social Sciences and has served as a member of the Senate and Council of the University of Malaya for a number of years. Currently, he is the President of Nilai International College and a President of the Malaysian Association of Private Colleges and Universities. He sits on the Board of PK Resources Berhad and the National Higher Education Council.

Tengku is appointed Chairman of the Remuneration Committee and Nomination Committee and a member of Audit Committee.

Tengku does not have any family relationship with any director and/or major shareholder of the Company. There is no business relationship with the Company in which he has a personal interest. He has had no convictions for any offences within the law.

Dr. Lim Jit Chow

Non-Executive Director

DR. LIM JIT CHOW,

a Malaysian, aged 68, is a Non-Executive Director of Industronics. Dr. Lim is the founder of Industronics and was the Managing Director from 1985 until his retirement on 1 May 2008. He was first appointed to the Board on 1 August 1985. Dr. Lim was a Colombo Plan Scholar and obtained his degree in Electrical Engineering at the University of Auckland, New Zealand in 1965. He continued his post-graduate studies in the same university and was awarded a Ph.D. degree in 1968.

In 1969, he served the Jabatan Telekom as an Assistant Controller in charge of the implementation of the first Malaysian Satellite Earth Station in Kuantan. He was later designated as Station Manager of the Earth Station. He joined University of Malaya in 1971 as lecturer in the Department of Electrical Engineering and was promoted to an Associate Professor of the University of Malaya in 1976.

Dr. Lim is a registered Professional Engineer and a Fellow of the Institution of Engineers Malaysia. Dr. Lim's wealth of experience in the electronics field contributes greatly to the development and progress of Industronics, notably the development of their own proprietary designs in the products manufactured by Industronics.

Dr. Lim does not hold any directorships in any other public companies. Dr. Lim is a substantial shareholder of Industronics. His daughter, Ms. Lim Hsiu Hoon, also sits on the Board of Industronics as a Non-Executive Director.

There is no other business relationship with the Company in which Dr. Lim has a personal interest. He has had no convictions for any offences within the law.

**Dr. Junid Bin
Abu Saham**

*Independent
Non-Executive Director*

DR. JUNID BIN ABU SAHAM,

a Malaysian, aged 66, is an Independent Non-Executive Director of Industronics, appointed to the Board on 2 August 1994. A Colombo Plan Scholar who graduated with a Bachelor and Master's degree in Economics from the University of Canterbury, New Zealand in 1963 and 1965 respectively, Dr. Junid Saham later read Economics at the University of Hull, United Kingdom in 1974 where he graduated with Ph.D. under the Inter-British Universities Scholarship.

Dr. Junid Saham worked as an auditor with Arthur Andersen & Co. in Sydney and in London from 1969 to 1972. In 1975 he worked as an Investment Manager with Bank Rakyat. From 1976 to 1992, he was with Arab-Malaysian Merchant Bank Berhad where he held the position of General Manager for several years. Presently, he is a director of Dialog Group Berhad, Hunza Consolidated Berhad and several private companies. Dr. Junid Saham also sits on the Board of Areca Capital, a fund management company. .

Dr. Junid is a member of Audit Committee, Nomination Committee and Remuneration Committee of Industronics.

Dr. Junid does not have any family relationship with any director and/or major shareholder of the Company. There is no business relationship with the Company in which he has a personal interest and he has never had any conviction for any offences within the law.

Ooi Soon Kiam

*Independent Non-
Executive Director*

Ooi Soon KIAM,

a Malaysian, aged 64, is an Independent Non-Executive Director of Industronics. He was appointed to the Board on 29 May 2001. Mr. Ooi is an Arts graduate in economics from the University of Malaya and a graduate in accounting from the University of British Columbia. He is a member of the Malaysian Institute of Accountants (MIA) and Canadian Institute of Chartered Accountants (CICA).

Mr. Ooi is the former technical director of the Malaysian Accounting Standards Board. He has many years of working experience, inter-alia, as an educator in both public and private education institutions, as an economic and financial consultant to organisations and public enterprises. Currently, Mr. Ooi also sits on the Board of PK Resources Berhad.

Mr. Ooi is the Chairman of Audit Committee. He is also a member of the Nomination Committee and Remuneration Committee of Industronics.

Mr. Ooi does not have any family relationship with any director and/or major shareholder of the Company. There is no business relationship with the Company in which he has a personal interest. He has had no convictions for any offences within the law.

Directors' Profile

(cont'd)

Gan Boon Chuan

Executive Director

GAN BOON CHUAN,

a Malaysian, aged 50, is an Executive Director of Industronics. He was appointed to the Board on 11 April 1996. Mr. Gan graduated with a Degree in Business Studies in 1982 and later on, a MBA with honour from Massey University, New Zealand in 1984. He first joined Industronics as a manager in 1989 responsible for the set up of the Communication Division and establishing both telecommunication and audio visual business in the Company. Mr. Gan was promoted to the position of General Manager in 1994 and was appointed as a director in 1996.

Mr. Gan does not hold any directorships in any other public companies. He does not have any family relationship with any director and/or major shareholder of the Company. There is no business relationship with the Company in which he has a personal interest. He has had no convictions for any offences within the law.

**Wendy Lim
Hsiu Hoon**

Non-Executive Director

WENDY LIM HSIU HOON,

a Malaysian, aged 35, is a Non-Executive Director of Industronics. She was appointed to the Board on 27 February 2006 as an Executive Director until her redesignation on 26 May 2008. Ms. Lim holds a Bachelor Degree in Electronics Engineering (Hons) from the University of Western Australia. Ms Lim joined Industronics in 1997 as an Engineer and prior to her appointment as a director of Industronics, she was a Senior Systems Manager of AV, Multimedia & ITS Division of the Company.

She has over 10 years experience in systems design, development, implementation and operations in various areas including Flight Information Display Systems and Intelligent Transportation Systems. Prior to joining Industronics Berhad, she was with Andersen Consulting (Kuala Lumpur) for one and a half years.

Ms. Lim does not hold any directorships in any other public companies. She is a daughter of Dr. Lim, who is a director and major shareholder of Industronics. There is no other business relationship with the Company in which she has a personal interest. She has had no convictions for any offences within the law.

**Pawan
Kumar Ruia**

Non-Executive Director

PAWAN KUMAR RUIA,

an Indian national, aged 50, is a Non-Executive Director of Industronics. He was appointed to the Board on 30 June 2007. Mr. Pawan K. Ruia is an industrialist with over 30 years of experience. He is a Bachelor of Commerce and Law graduate from Calcutta University and is a Chartered Accountant with The Institute of Chartered Accountants of India, a Cost & Works Accountant with The Institute of Cost & Works Accountants of India and has a Ph. D. in Management from the Intercultural Open University. Mr. Ruia's business canvas includes a diverse portfolio including heavy engineering, automotive and aircraft tyres, and sugar and derivatives. He is a Director of, and heads the Ruia Group of companies which comprises Jessop & Co Ltd, Dunlop India Ltd, Falcon Tyres Ltd, Monotona Tyres Ltd, Kamlapur Sugar & Industries Ltd and Ruia Hospital & Educational Research Institution in India. Mr. Ruia does not hold any directorship in any other public companies in Malaysia.

Mr. Pawan K. Ruia is deemed a substantial shareholder in Industronics by virtue of his interest in Bloom Billions Sdn Bhd, a substantial shareholder of Industronics. Mr. Ruia is nominated by Bloom Billions Sdn Bhd to sit on the Board of Industronics. He is the brother of Mr. Deepak Kumar Ruia, who is an Executive Director of Industronics. There is currently no business relationship with Industronics in which he has a personal interest. He has had no convictions for any offences within the laws.



**Deepak Kumar
Ruia**

Executive Director

DEEPAK KUMAR RUIA,

an Indian national, aged 54, is an Executive Director of Industronics. He was appointed to the Board on 30 June 2007. Mr. Deepak K. Ruia is an experienced marketing person specializing in business start-ups and new product launches. He has 35 years of experience in marketing and technology fusion. He has a Post Graduate Diploma in Business Management specializing in Marketing, from The Xavier Institute of Communications, Mumbai. He is experienced in many areas of Direct, Mass and Industrial Product Marketing and initiated the launch of the first business directory services in India. Mr. Ruia is also one of the pioneers to initiate the process of technology driven database of investors and pave the way for paperless trading. In this capacity, he was involved in creating over a million databases for multinationals. Other than specializing in the service industry, he was also involved in marketing chemicals, ceramic tiles and industrial rubber products – conveyor belts and industrial hoses. Mr. Deepak K. Ruia does not hold any directorship in any other public companies in Malaysia.

Mr. Deepak K. Ruia does not hold any share in Industronics. He also does not have any shareholding, directly or indirectly, in Bloom Billions Sdn Bhd, a substantial shareholder of Industronics. Bloom Billions Sdn Bhd has nominated Mr. Ruia in his professional capacity to sit on the Board of Industronics. Mr. Deepak K. Ruia is the brother of Mr. Pawan Kumar Ruia who is also a Director and deemed substantial shareholder of Industronics. There is currently no business relationship with Industronics in which he has a personal interest. He has had no convictions for any offences within the laws.



**Sanjay Kumar
Garodia**

Non-Executive Director

SANJAY KUMAR GARODIA,

an Indian national, aged 40, is a Non-Executive Director of Industronics Berhad. He was appointed to the Board on 30 June 2007. Mr. Sanjay K. Garodia is the Executive Vice President (Treasury) in Dunlop India Ltd in India. He is a Rank Holder Commerce Graduate from Calcutta University, West Bengal, India. He is a Rank Holder Chartered Accountant from the Institute of Chartered Accountants of India. He is a Gold Medalist Cost Accountant from the Institute of Cost and Works Accountants of India and a Member of the Institute of Company Secretaries of India. From 1992 to March 2007, he worked in various corporate in India as Treasury Executive in INDAL, DGM Finance cum Company Secretary in Balmer Lawrie Group Company, Vice President in SREI Finance and CFO in Tata Steel Group Company prior to joining the Ruia Group in April 2007. He does not hold any directorships in any public companies in Malaysia.

Mr. Sanjay K. Garodia is nominated by Bloom Billions Sdn Bhd, a substantial shareholder of Industronics, to sit on the Board of Industronics. He is not a shareholder of Industronics and does not have any family relationships with any Director and/or substantial shareholder. There is currently no business relationship with Industronics in which he has a personal interest. He has had no convictions for any offences within the laws.

Directors' Profile

(cont'd)

Lim Jit Fu

Alternate Director

LIM JIT FU,

a Malaysian, aged 48, is currently a General Manager of Industronics. He was appointed to the Board on 27 February 2006 as an alternate director to Ms. Wendy Lim Hsiu Hoon. Mr. Lim graduated with a degree in Bachelor of Electrical & Electronics Engineering from University of Texas, Austin, Texas USA and Master of Business Administration from Texas Tech University, Texas USA.

Mr. Lim has over 20 years working experience in the electronic and semiconductor industries. He has 4 years experience working with a leading multi-national semiconductor company in various positions – training development engineer, manufacturing and later moved to customer service planning. He joined Industronics in 1991 as Head Marketing Department and was promoted to General Manager in 1997.

Mr. Lim does not hold any directorships in any other public companies. He does not have any family relationship with any director and/or major shareholder of the Company. There is no other business relationship with the Company in which he has a personal interest. He has had no convictions for any offences within the law.

Details of attendance of Directors at Board Meeting

A total of eight (8) Board meetings were held in the financial year ended 31 December 2007.

The details of attendance of each Director at the Board meetings held during the financial year ended 31 December 2007 are:

Name of Director	Attendance	% of Attendance
Tengku Dato' Shamsul Bahrin	8/8	100%
Dr. Lim Jit Chow	8/8	100%
Dr. Junid bin Abu Saham	7/8	88%
Ooi Soon Kiam	8/8	100%
Gan Boon Chuan	8/8	100%
Wendy Lim Hsiu Hoon	8/8	100%
Pawan Kumar Ruia *	2/3	Note *
Deepak Kumar Ruia *	2/3	Note *
Sanjay Kumar Garodia *	2/3	Note *
Tan Hock Keng **	2/4	Note **
Yoon Kwok Ching **	3/4	Note **

*Note ** appointed on 30/06/2007

*Note *** resigned on 01/06/2007

Financial Statements



4.21
42.68
1547.20
672.08

31142.45

+ 3542.55
+ 1352.14
+ 2100.36
+ 854.94

=====
38992.44

7761.67

=====
305

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Directors' Report

for the financial year ended 31 December 2007

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 include the design, manufacturing and installation of electronics and microprocessor controlled products, telecommunication system, audio video multimedia systems, intelligent transportation systems and information communication technology related system.

The principal activities of the subsidiaries and associates are described in Note 44 to the financial statements.

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

RESULTS

	GROUP RM	COMPANY RM
Loss for the year	(1,590,216)	(2,980,569)
Attributable to:		
Equity holders of the Company	(2,499,163)	(2,980,569)
Minority interests	908,947	-
	<u>(1,590,216)</u>	<u>(2,980,569)</u>

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except for the effects of stock variances amounted to approximately RM8.6 million and RM5.9 million in respect of the Group and of the Company respectively, which were charged as an expense to the income statements as disclosed in Note 23 to the financial statements.

DIVIDENDS

The amount of dividends paid by the Company in respect of the financial year ended 31 December 2006 was as follows:

	RM
First and final dividend of 3 sen per share less 27% income tax (2.19 sen net of taxation), on 90,121,200 ordinary shares, declared on 3 July 2007 and paid on 26 July 2007	<u>1,973,650</u>

The Directors do not propose any payment of dividend in respect of the financial year ended 31 December 2007.

Directors' Report

(cont'd)

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:

Tengku Dato' Shamsul Bahrin

Dr. Lim Jit Chow

Dr Junid bin Abu Saham

Gan Boon Chuan

Ooi Soon Kiam

Lim Hsiu Hoon

Lim Jit Fu (alternate to Lim Hsiu Hoon)

Pawan Kumar Ruia (appointed on 30 June 2007)

Deepak Kumar Ruia (appointed on 30 June 2007)

Sanjay Kumar Garodia (appointed on 30 June 2007)

Lim Jit Teng @ Lim Yit Teng (alternate to Dr. Lim Jit Chow, resigned on 28 April 2007)

Tan Hock Keng (resigned on 1 June 2007)

Yoon Kwok Ching (resigned on 1 June 2007)

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 10 of the financial statements or the fixed salary of a full time employee) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 41 to the financial statements.

Directors' Report

(cont'd)

for the financial year ended 31 December 2007

DIRECTORS' INTERESTS

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

The Company	Number of Ordinary Shares of RM0.50 Each			
	1.1.2007/ date of appointment	Acquired	Sold	31.12.2007
<u>Direct Interest:</u>				
Dr. Lim Jit Chow	19,083,000	467,000	-	19,550,000
Tengku Dato' Shamsul Bahrin	50,000	-	-	50,000
Gan Boon Chuan	162,500	-	-	162,500
Lim Hsiu Hoon	570,000	130,000	-	700,000
Lim Jit Fu	153,400	-	-	153,400
<u>Indirect Interest:</u>				
Dr. Lim Jit Chow	2,210,000	130,000	-	2,340,000
Pawan Kumar Ruia	26,455,800	646,600	-	27,102,400

The Company	Number of Options Over Ordinary Shares of RM0.50 Each				
	Exercise Price RM	1.1.2007/ date of appointment	Granted	Exercised	31.12.2007
Dr. Lim Jit Chow	0.50	360,000	-	360,000	-
Gan Boon Chuan	0.50	170,000	-	-	170,000
Lim Hsiu Hoon	0.50	130,000	-	130,000	-
Lim Jit Fu	0.50	200,000	-	-	200,000

The options over ordinary shares of the Company were granted pursuant to the ESOS of the Company.

Dr. Lim Jit Chow and Pawan Kumar Ruia, by virtue of their interest in shares in the Company, are also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

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

Directors' Report

(cont'd)

for the financial year ended 31 December 2007

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM45,476,500 to RM46,193,000 by way of the issuance of 1,433,000 ordinary shares of RM0.50 each for cash pursuant to the Company's ESOS at an average exercise price of RM0.50 per ordinary share.

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

TREASURY SHARES

During the financial year, the Company repurchased 10,400 units of its issued ordinary shares from the open market at an average price of RM0.464 per share. The total consideration paid for the repurchase including transaction costs was RM4,826. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

As at 31 December 2007, the Company held as treasury shares a total of 1,131,000 of its 92,386,000 issued ordinary shares. Such treasury shares are held at a carrying amount of RM545,154 and further relevant details are disclosed in Note 29(b) to the financial statements.

INDUSTRONICS BERHAD EMPLOYEE SHARE OPTION SCHEME

The Company's Employee Share Options Scheme ("ESOS" or the "Scheme") was approved by the shareholders at the Extraordinary General Meeting held on 10 February 2003 and become effective on 21 March 2003. The ESOS continued to be in force for a period of five (5) years commencing 21 March 2003 to 20 March 2008.

The salient features and other terms of the ESOS, details of share options exercised during the financial year, and outstanding at the end of the financial year are disclosed in Note 30 to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders, other than directors, who have been granted options to subscribe for less than 70,000 ordinary shares of RM0.50 each. The names of option holders granted options to subscribe for 70,000 or more ordinary shares of RM0.50 each during the financial year are as follows:

Name	Grant date	Expiry date	Exercise Price RM	Number of Share Options		
				Granted	Exercised	31.12.2007
Kong Chee Wah	30.5.2007	20.3.2008	0.50	77,000	-	77,000
Wong Aik Chee	30.5.2007	20.3.2008	0.50	77,000	-	77,000

Directors' Report

(cont'd)

for the financial year ended 31 December 2007

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in these financial statements inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing methods 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 the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Directors' Report

(cont'd)

for the financial year ended 31 December 2007

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 46 to the financial statements.

SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 47 to the financial statements.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 26 May 2008

Dr. Lim Jit Chow
Director

Gan Boon Chuan
Director

Kuala Lumpur, Malaysia
26 May 2008

Statement By Directors

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

We, Dr. Lim Jit Chow and Gan Boon Chuan, being two of the Directors of Industronics Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 44 to 117 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 26 May 2008

Dr. Lim Jit Chow
Director

Gan Boon Chuan
Director

Kuala Lumpur, Malaysia
26 May 2008

Statutory Declaration

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

I, Sheng Kheng Hong, being the officer primarily responsible for the financial management of Industronics Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 44 to 117 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.

SHENG KHENG HONG
Financial Controller
(MIA 19045)

Subscribed and solemnly declared by the abovenamed Sheng Kheng Hong at Kuala Lumpur in the state of Wilayah Persekutuan on 26 May 2008.

Before me,

Mohd Radzi bin Yasin
No. W 327
Pesuruhjaya Sumpah
Kuala Lumpur, Malaysia

Report of the Auditors To The Members Of Industronics Berhad

We have audited the accompanying financial statements set out on pages 44 to 117. 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.

Other than as described below, 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.

As disclosed in Note 48 to the financial statements, the financial statements of the Group and of the Company for the year ended 31 December 2006 were audited by another firm of auditors who have rendered an unmodified opinion on those financial statements in their report dated 28 April 2007. We did not observe the counting of the physical inventories as of 31 December 2006 so as to satisfy ourselves as to the quantities, ownerships and conditions of those inventories, since that date was prior to our initial engagement as auditors for the Company and certain of its subsidiaries. The records of the Company and its subsidiaries do not permit adequate retroactive audit procedures on the inventory quantities, ownerships and conditions as at 1 January 2007.

As disclosed in Note 23 to the financial statements, the unidentified differences between the Company's and a subsidiary's carrying value of inventories based on physical inventory counts and the recorded amounts in their respective books as at 31 December 2007 of approximately RM5.9 million and RM2.7 million respectively, were adjusted to the income statements of the Group and of the Company for the year then ended. This has an effect of reducing the inventories balances of the Group and of the Company by RM8.6 million and RM5.9 million respectively as at balance sheet date and increasing the losses for the current financial year of the Group and of the Company by the same amounts respectively. The inventories records of the Company and the said subsidiary do not permit us to carry out adequate appropriate audit procedures so as to satisfy ourselves as to the appropriateness of the adjustments described above.

In our opinion, except for the effects of such adjustments, if any, had we been able to satisfy ourselves as to the matters as discussed in the preceding paragraphs:

- (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 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.

However, in our opinion, 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.

Report of the Auditors To The Members Of Industronics Berhad

(cont'd)

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 44 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 except as disclosed in Note 44 to the financial statements.

Ernst & Young
No. AF 0039
Chartered Accountants

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

Kuala Lumpur, Malaysia
26 May 2008

Consolidated Income Statement

for the year ended 31 December 2007

	Note	2007 RM	2006 RM
Revenue	3	94,566,770	80,394,212
Cost of sales	4	(69,554,227)	(52,091,010)
Gross profit		<u>25,012,543</u>	<u>28,303,202</u>
Other income	5	2,240,407	1,114,364
Administrative expenses		(18,157,884)	(16,731,099)
Selling and marketing expenses		(5,024,657)	(6,036,685)
Other expenses		(3,530,177)	(3,705,640)
Operating profit		<u>540,232</u>	<u>2,944,142</u>
Investing results	6	(246,916)	496,059
Finance costs	7	(696,726)	(980,234)
(Loss)/profit before tax	8	<u>(403,410)</u>	<u>2,459,967</u>
Income tax expense	11	(1,186,806)	(1,275,581)
(Loss)/profit for the year		<u>(1,590,216)</u>	<u>1,184,386</u>
Attributable to:			
Equity holders of the Company		(2,499,163)	1,875,184
Minority interests		908,947	(690,798)
		<u>(1,590,216)</u>	<u>1,184,386</u>
Earning per share attributable to equity holders of the Company (sen):			
- Basic, for (loss)/profit for the year	12	<u>(2.77)</u>	<u>2.08</u>

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

Consolidated Balance Sheet

as at 31 December 2007

	Note	2007 RM	2006 RM
ASSETS			
Non-current assets			
Property, plant and equipment	14	16,643,885	17,182,982
Investment properties	15	1,259,659	1,952,712
Prepaid land lease payments	16	1,502,210	1,521,326
Investment in associates	18(a)	1	1
Due from an associate	18(b)	73,826	368,563
Other investments	20	806,195	1,583,908
Development costs	21	102,486	268,192
Goodwill on consolidation	22	-	-
Deferred tax asset	34	-	102,000
		<u>20,388,262</u>	<u>22,979,684</u>
Current assets			
Inventories	23	20,252,374	36,664,762
Trade receivables	24	25,076,271	24,420,058
Other receivables, deposits and prepayments	25	1,041,549	4,764,059
Due from customers on contract	26	3,915,947	6,481,246
Tax recoverable		1,834,143	1,782,431
Cash and bank balances	28	24,603,628	20,064,957
		<u>76,723,912</u>	<u>94,177,513</u>
TOTAL ASSETS		<u>97,112,174</u>	<u>117,157,197</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	29	46,193,000	45,476,500
Treasury shares	29	(545,154)	(540,328)
Reserves	31	10,412,553	14,701,709
		<u>56,060,399</u>	<u>59,637,881</u>
Minority interests		7,222,700	7,396,160
Total equity		<u>63,283,099</u>	<u>67,034,041</u>
Non-current liabilities			
Borrowings	32	1,099,832	874,282
Deferred tax liabilities	34	988,559	1,140,508
		<u>2,088,391</u>	<u>2,014,790</u>
Current liabilities			
Provisions	35	46,969	-
Borrowings	32	4,087,981	7,285,419
Trade payables	36	13,422,082	9,580,143
Other payables and accruals	37	9,925,103	6,689,987
Due to customers on contract	26	3,891,738	24,113,927
Current tax payables		366,811	438,890
		<u>31,740,684</u>	<u>48,108,366</u>
Total liabilities		<u>33,829,075</u>	<u>50,123,156</u>
TOTAL EQUITY AND LIABILITIES		<u>97,112,174</u>	<u>117,157,197</u>

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

Consolidated Statement Of Changes In Equity

for the year ended 31 December 2007

Group	Note	Attributable to Equity Holders of the Company									
		Non-Distributable Reserves						Distributable			
		Share Capital	Share Premium	Treasury Shares	Share Option Reserve	Revaluation Reserves	Foreign Currency Reserve	Retained Earnings	Total	Minority Interests	Total Equity
		RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1 January 2006		45,476,500	-	(244,276)	-	2,420,834	70,845	12,732,493	60,456,396	8,628,587	69,084,983
Restatement of investment property to cost		-	-	-	-	(421,353)	-	-	(421,353)	(404,829)	(826,182)
At 1 January 2006 (restated)		45,476,500	-	(244,276)	-	1,999,481	70,845	12,732,493	60,035,043	8,223,758	68,258,801
Currency translation differences		-	-	-	-	-	(31,951)	-	(31,951)	-	(31,951)
Net expense recognised directly in equity		-	-	-	-	-	(31,951)	-	(31,951)	-	(31,951)
Profit/(loss) for the year		-	-	-	-	-	-	1,875,184	1,875,184	(690,798)	1,184,386
Total recognised income/(expense) for the year		-	-	-	-	-	(31,951)	1,875,184	1,843,233	(690,798)	1,152,435
Dividends	13	-	-	-	-	-	-	(1,944,343)	(1,944,343)	(136,800)	(2,081,143)
Shares repurchased		-	-	(296,052)	-	-	-	-	(296,052)	-	(296,052)
At 31 December 2006		45,476,500	-	(540,328)	-	1,999,481	38,894	12,663,334	59,637,881	7,396,160	67,034,041
At 1 January 2007		45,476,500	-	(540,328)	-	1,999,481	38,894	12,663,334	59,637,881	7,396,160	67,034,041
Currency translation differences		-	-	-	-	-	(7,148)	-	(7,148)	-	(7,148)
Realisation due to disposal of properties		-	-	-	-	(106,588)	-	282,075	175,487	(102,407)	73,080
Net expense recognised directly in equity		-	-	-	-	(106,588)	(7,148)	282,075	168,339	(102,407)	65,932
(Loss)/profit for the year		-	-	-	-	-	-	(2,499,163)	(2,499,163)	908,947	(1,590,216)
Total recognised income/(expense) for the year		-	-	-	-	(106,588)	(7,148)	(2,217,088)	(2,330,824)	806,540	(1,524,284)
Dividends	13	-	-	-	-	-	-	(1,973,650)	(1,973,650)	(980,000)	(2,953,650)
Share option granted under ESOS	30	-	-	-	15,318	-	-	-	15,318	-	15,318
Issuance of ordinary shares pursuant to ESOS	29	716,500	330	-	(330)	-	-	-	716,500	-	716,500
Shares repurchased		-	-	(4,826)	-	-	-	-	(4,826)	-	(4,826)
At 31 December 2007		46,193,000	330	(545,154)	14,988	1,892,893	31,746	8,472,596	56,060,399	7,222,700	63,283,099

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

Consolidated Cash Flow Statement

for the year ended 31 December 2007

	2007	2006
	RM	RM
Cash Flows From Operating Activities		
(Loss)/profit before tax	(403,410)	2,459,967
Adjustments for:		
Interest income	(515,916)	(364,694)
Dividend income	(14,944)	(30,464)
Bad debts written off	681,082	1,251,283
Gain on disposal of quoted investment	(230,085)	(74,829)
Provisions for maintenance warranties	46,969	-
Property, plant and equipment written off	13,845	96,922
Amortisation of development cost	165,706	259,557
Impairment loss on goodwill on consolidation	-	331,352
Impairment loss on transferable membership in golf clubs	135,000	-
Interest expense	400,350	602,980
Depreciation of property, plant and equipment	1,801,603	2,086,491
Depreciation of investment properties	39,763	35,460
Amortisation of prepaid lease rental payments	19,116	19,116
Loss on disposal of property, plant and equipment	131,155	-
Gain on disposal of property, plant and equipment	(127,861)	(50,226)
Loss on disposal of investment properties	-	54,546
Write down of inventories	989,233	732,587
Allowance for doubtful debts		
- third parties	1,384,411	665,850
- written back - third parties	(492,772)	(54,667)
- due from an associate	320,000	-
Net unrealised foreign exchange gains	(57,554)	-
Reversal of impairment loss on quoted investments	(296,345)	(390,766)
Inventories written off	62,431	-
Reversal of previously accrued litigation claims	(431,596)	-
Accrued termination benefits	600,000	-
Impairment of investment properties	653,290	-
Share options granted under ESOS	15,318	-
Operating profit before working capital changes	4,888,789	7,630,465
Decrease/(increase) in inventories	15,360,724	(410,122)
Decrease/(increase) in trade and other receivables	1,493,576	(773,422)
Decrease in amount due from customers	2,565,299	5,179,141
Decrease in amount due to customers	(20,222,189)	(3,296,818)
Increase/(decrease) in trade and other payables	6,966,205	(5,455,554)
Cash generated from operations	11,052,404	2,873,690
Interest paid	(400,350)	(602,980)
Tax refunded	95,823	82,789
Tax paid	(1,380,446)	(1,821,731)
Net cash generated from operating activities	9,367,431	531,768

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

Consolidated Cash Flow Statement

(cont'd)

for the year ended 31 December 2007

	2007	2006
	RM	RM
Cash Flows From Investing Activities		
Increase in amount due from an associate	(25,263)	(17,426)
Purchase of property, plant and equipment	(954,585)	(550,606)
Purchase of investment in quoted investment	(9,600)	(60,772)
Proceeds from disposal of investment property	-	3,075,789
Proceeds from disposal of property, plant and equipment	805,342	52,913
Proceeds from disposal of quoted investment	1,178,743	559,754
Purchase of investment property	-	(234,745)
Interest received	515,916	364,694
Dividend received	12,101	21,934
Net cash generated from investing activities	<u>1,522,654</u>	<u>3,211,535</u>
Cash Flows From Financing Activities		
Dividends paid	(1,973,650)	(1,944,343)
Dividend paid to minority shareholders of a subsidiary company	(980,000)	(136,800)
Net (repayment of)/proceeds from revolving credit and bankers acceptances	(1,599,661)	1,599,394
Increase in pledged fixed deposits	(1,696,209)	(40,754)
Proceeds from issuance of ordinary shares pursuant to ESOS	716,500	-
Purchase of treasury shares	(4,826)	(296,052)
Repayment of term loan	(558,873)	(512,595)
Repayment of hire purchase liabilities	(505,854)	(450,685)
Net cash used in financing activities	<u>(6,602,573)</u>	<u>(1,781,835)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,287,512	1,961,468
Effects of foreign exchange rate changes	(7,214)	(14,583)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>15,287,456</u>	<u>13,340,571</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>19,567,754</u>	<u>15,287,456</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR COMPRISED:		
Cash and bank balances	24,603,628	20,064,957
Less: Fixed deposits not readily available for use	(3,330,029)	(1,633,820)
	<u>21,273,599</u>	<u>18,431,137</u>
Bank overdrafts - unsecured	(1,705,845)	(3,143,681)
	<u>19,567,754</u>	<u>15,287,456</u>

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

Income Statement

for the year ended 31 December 2007

	Note	2007 RM	2006 RM
Revenue	3	59,080,052	51,049,521
Cost of sales	4	(43,559,296)	(32,877,974)
Gross profit		<u>15,520,756</u>	<u>18,171,547</u>
Other income	5	1,324,565	939,556
Administrative expenses		(9,483,718)	(8,814,366)
Selling and marketing expenses		(4,039,930)	(4,690,898)
Other expenses		(6,310,082)	(1,606,368)
Operating (loss)/profit		<u>(2,988,409)</u>	<u>3,999,471</u>
Investing results	6	1,306,606	(221,365)
Finance costs	7	(337,817)	(646,392)
(Loss)/profit before tax	8	<u>(2,019,620)</u>	<u>3,131,714</u>
Income tax expense	11	(960,949)	(1,198,106)
(Loss)/profit for the year		<u>(2,980,569)</u>	<u>1,933,608</u>

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

Balance Sheet

as at 31 December 2007

	Note	2007 RM	2006 RM
ASSETS			
Non-current assets			
Property, plant and equipment	14	9,290,022	9,626,433
Investment properties	15	229,659	234,354
Prepaid land lease payments	16	1,067,835	1,080,701
Investments in subsidiaries	17	2,599,540	2,389,658
Due from subsidiaries	27	3,507,786	5,771,776
Investment in associates	18(a)	1	1
Due from an associate	18(b)	73,826	368,563
Other investments	20	665,195	1,017,001
Development costs	21	102,486	268,192
		<u>17,536,350</u>	<u>20,756,679</u>
Current assets			
Inventories	23	9,951,581	28,552,413
Trade receivables	24	14,302,710	11,316,896
Other receivables, deposits and prepayments	25	346,563	730,541
Due from customers on contract	26	2,382,449	5,539,594
Due from subsidiaries	27	377,906	703,940
Tax recoverable		1,419,509	1,462,070
Cash and bank balances	28	17,762,062	17,439,494
		<u>46,542,780</u>	<u>65,744,948</u>
TOTAL ASSETS		<u>64,079,130</u>	<u>86,501,627</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share Capital	29	46,193,000	45,476,500
Treasury shares	29	(545,154)	(540,328)
Reserves	31	1,884,240	6,835,801
Total equity		<u>47,532,086</u>	<u>51,771,973</u>
Non-current liabilities			
Borrowings	32	68,184	196,936
Deferred tax liabilities	34	341,545	226,000
		<u>409,729</u>	<u>422,936</u>
Current liabilities			
Provisions	35	46,969	-
Borrowings	32	1,146,097	3,096,582
Trade payables	36	3,982,213	1,861,019
Other payables and accruals	37	7,647,487	5,151,724
Due to customers on contract	26	3,303,846	24,113,927
Due to subsidiaries	27	10,703	83,466
		<u>16,137,315</u>	<u>34,306,718</u>
Total liabilities		<u>16,547,044</u>	<u>34,729,654</u>
TOTAL EQUITY AND LIABILITIES		<u>64,079,130</u>	<u>86,501,627</u>

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

Statement Of Changes In Equity

for the year ended 31 December 2007

Company	Note	<----- Non-Distributable Reserves ----->				Revaluation Reserves	Distributable Retained Earnings/ (Accumulated Losses)	Total Equity
		Share Capital RM (Note 29)	Share Premium RM (Note 31)	Treasury Shares RM (Note 29)	Share Option Reserve RM (Note 31)			
At 1 January 2006		45,476,500	-	(244,276)	-	11,287,641	6,430,754	62,950,619
Restatement of investment in subsidiaries to cost		-	-	-	-	(9,378,859)	(1,493,000)	(10,871,859)
At 1 January 2006 (restated)		45,476,500	-	(244,276)	-	1,908,782	4,937,754	52,078,760
Profit for the year		-	-	-	-	-	1,933,608	1,933,608
Dividends	13	-	-	-	-	-	(1,944,343)	(1,944,343)
Shares repurchased		-	-	(296,052)	-	-	-	(296,052)
At 31 December 2006		45,476,500	-	(540,328)	-	1,908,782	4,927,019	51,771,973
At 1 January 2007		45,476,500	-	(540,328)	-	1,908,782	4,927,019	51,771,973
Loss for the year		-	-	-	-	-	(2,980,569)	(2,980,569)
Dividends	13	-	-	-	-	-	(1,973,650)	(1,973,650)
Share option granted under ESOS	30	-	-	-	2,658	-	-	2,658
Issuance of ordinary shares pursuant to ESOS	29	716,500	330	-	(330)	-	-	716,500
Shares repurchased	29	-	-	(4,826)	-	-	-	(4,826)
At 31 December 2007		46,193,000	330	(545,154)	2,328	1,908,782	(27,200)	47,532,086

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

Cash Flow Statement

for the year ended 31 December 2007

	2007	2006
	RM	RM
Cash Flows From Operating Activities		
(Loss)/profit before tax	(2,019,620)	3,131,714
Adjustments for:		
Interest income	(451,754)	(309,248)
Dividend income	(1,031,440)	(17,519)
Bad debts written off	342,871	26,286
Gain on disposal of quoted investment	(153,681)	(2,110)
Provisions for maintenance warranties	46,969	-
Property, plant and equipment written off	11,492	91,696
Amortisation of development cost	165,706	259,557
Impairment loss on subsidiaries	-	530,954
Impairment loss on transferable membership in golf clubs	91,000	-
Interest expense	122,215	322,978
Depreciation of property, plant and equipment	642,857	743,475
Depreciation of investment properties	4,695	391
Amortisation of prepaid lease rental payments	12,866	12,866
Gain on disposal of property, plant and equipment	(6,929)	(20,227)
Write down of inventories	521,020	708,028
Allowance for doubtful debts		
- third parties	257,929	326,544
- written back - third parties	(401,825)	-
- advances due from subsidiaries	4,051,592	-
- amount due from subsidiaries	299,303	-
- due from an associate	320,000	-
Reversal of impairment loss on quoted investments	(212,485)	(289,960)
Inventories written off	62,431	-
Accrued termination benefits	600,000	-
Share options granted under ESOS	2,004	-
Operating profit before working capital changes	<u>3,277,216</u>	<u>5,515,425</u>
Decrease/(increase) in inventories	18,017,381	(407,392)
(Increase)/decrease in trade and other receivables	(2,800,811)	4,549,137
Decrease in amount due from customers	3,157,145	4,868,799
Decrease in amount due to customers	(20,810,081)	(3,296,818)
Increase/(decrease) in trade and other payables	4,016,957	(2,677,713)
Increase in net amount due from subsidiary companies	<u>(46,032)</u>	<u>(209,766)</u>
Cash generated from operations	4,811,775	8,341,672
Interest paid	(122,215)	(322,978)
Tax paid	(800,000)	(1,353,563)
Net cash generated from operating activities	<u><u>3,889,560</u></u>	<u><u>6,665,131</u></u>

Cash Flow Statement

(cont'd)

for the year ended 31 December 2007

	2007 RM	2006 RM
Cash Flows From Investing Activities		
Increase in amount due from an associate	(25,263)	(17,426)
Investment in subsidiary	(209,228)	-
Purchase of property, plant and equipment	(221,509)	(81,574)
Purchase of investment in quoted investment	(9,600)	(60,772)
Proceeds from disposal of property, plant and equipment	10,500	77,459
Proceeds from disposal of quoted investment	636,572	109,442
Purchase of investment property	-	(234,745)
Increase/(decrease) in amount due from subsidiary companies (non-current)	(1,787,602)	291,791
Interest received	451,754	309,248
Dividend received	1,028,597	13,036
Net cash (used in)/ generated from investing activities	<u>(125,779)</u>	<u>406,459</u>
Cash Flows From Financing Activities		
Dividends paid	(1,973,650)	(1,944,343)
Net (repayment of)/proceeds from revolving credit and bankers acceptances	(1,649,804)	800,000
Increase in pledged fixed deposits	(1,690,451)	(46,313)
Proceeds from issuance of ordinary shares pursuant to ESOS	716,500	-
Purchase of treasury shares	(4,826)	(296,052)
Repayment of term loan	(521,565)	(481,723)
Repayment of hire purchase liabilities	(109,933)	(176,384)
Net cash used in financing activities	<u>(5,233,729)</u>	<u>(2,144,815)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,469,948)	4,926,775
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	15,347,140	10,420,365
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>13,877,192</u>	<u>15,347,140</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR COMPRISED:		
Cash and bank balances	17,762,062	17,439,494
Less: Fixed deposits not readily available for use	(3,318,005)	(1,627,554)
	<u>14,444,057</u>	<u>15,811,940</u>
Bank overdrafts - unsecured	(566,865)	(464,800)
	<u>13,877,192</u>	<u>15,347,140</u>

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

Notes To The Financial Statements

31 December 2007

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Second Board of Bursa Malaysia Securities Berhad. The registered office and principal place of business of the Company is located at 9, Jalan Taming 3, Taman Tanming Jaya, 43300 Seri Kembangan, Selangor Darul Ehsan.

The principal activities of the Company include the design, manufacturing and installation of electronics and microprocessor controlled products, telecommunication system, audio video multimedia systems, intelligent transportation systems and information communication technology related system. The principal activities of the subsidiary companies and associated companies are disclosed in Note 44. There have been no significant changes in the nature of these principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 26 May 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

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

These financial statements have also been prepared on a historical basis, except for freehold land and buildings included within property, plant and equipment which are presented at their fair values.

These financial statements are 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 are eliminated in full. Unrealised losses are eliminated on consolidation unless costs cannot be recovered. Uniform accounting policies are adopted in the consolidated financial statements for similar transactions and events in similar circumstances.

Notes To The Financial Statements

(cont'd)

31 December 2007

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)

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

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

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

(b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for postacquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associates, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Notes To The Financial Statements

(cont'd)

31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary Of Significant Accounting Policies (cont'd)

(b) Associates (cont'd)

The most recent available management financial statements of the associates are used by the Group in applying the equity method. Where the dates of the management financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

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

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

(c) 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) Development costs

All research costs are recognised in the profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. The expenditure capitalised includes the cost of material, manpower cost and an appropriate proportion of overheads. Product development expenditures which do not meet these criteria are expensed when incurred.

Development costs, considered to have finite useful lives, are stated at cost less any impairment losses and are amortised using the straight-line basis over a period of five (5) years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each balance sheet date.

Notes To The Financial Statements

(cont'd)

31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary Of Significant Accounting Policies (cont'd)

(d) Property, Plant and Equipment and Depreciation

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

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

Freehold land is stated at revalued amount, which is the fair value at the date of the revaluation less any accumulated impairment losses. Buildings are stated at valuation less accumulated depreciation and any accumulated impairment losses. Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. Revaluations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from that which would be determined using fair values at the balance sheet date. Any revaluation surplus is credited to the revaluation reserve included within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in profit or loss. Upon disposal or retirement of an asset, any revaluation reserve relating to the particular asset is transferred directly to retained earnings.

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

Buildings	2%
Plant and machinery	10% - 20%
Factory, tools and equipment	10% - 15%
Motor vehicles	20%
Computer and office equipment	10% - 20%
Furniture, fittings and renovation	5% - 15%

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

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

Notes To The Financial Statements

(cont'd)

31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary Of Significant Accounting Policies (cont'd)

(e) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

No depreciation is provided on the freehold land within investment properties as it has an indefinite useful life. Depreciation on the building is provided on the straight lines basis to write off the cost of investment properties to its residual value over its estimated useful life.

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

(f) Construction Contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the total of costs incurred on construction contracts plus, recognised profits (less recognised losses), exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

Notes To The Financial Statements

(cont'd)

31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary Of Significant Accounting Policies (cont'd)

(g) Impairment of Non-Financial Assets

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

For goodwill, 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.

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

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

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

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

(h) Inventories

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

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

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

Notes To The Financial Statements

(cont'd)

31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary Of Significant Accounting Policies (cont'd)

(i) Financial Instruments

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

(i) Cash and Cash Equivalents

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

(ii) Other Investments

Investments in transferable memberships in golf clubs are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in profit or loss.

Investments in quoted shares 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 investments in quoted shares are credited or charged to the income statement. On disposal of the investments in quoted shares, the difference between net disposal proceeds and the carrying amount is charged or credited to the income statement.

(iii) Receivables

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

(iv) Payables

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

(v) Interest Bearing Loans and Borrowings

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

(vi) Equity Instruments

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

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

Notes To The Financial Statements

(cont'd)

31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary Of Significant Accounting Policies (cont'd)

(i) Financial Instruments (cont'd)

(vi) Equity Instruments (cont'd)

The consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

(j) Leases

(i) Classification

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

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (Note 2.2(e)).
- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

(ii) Finance leases - the Group and the Company as lessees

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 Group's and the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

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

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

Notes To The Financial Statements

(cont'd)

31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary Of Significant Accounting Policies (cont'd)

(j) Leases (cont'd)

(iii) Operating Leases - the Group and the Company as lessees

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

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

(iv) Operating Leases - the Company as lessor

Assets leased out under operating leases are presented on the balance sheets according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease (Note 2.2(p)(iv)). Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(k) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(l) Income Tax

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

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or 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 is the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

Notes To The Financial Statements

(cont'd)

31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary Of Significant Accounting Policies (cont'd)

(m) Provisions

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

(n) Employee Benefits

(i) Short Term Benefits

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

(ii) Defined Contribution Plans

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

(iii) Share Based Compensation

The Company's Employee Share Options Scheme ("ESOS"), an equity-settled, share-based compensation plan, allows the Group's employees to acquire ordinary shares of the Company. For share options granted after 31 December 2004, the total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings.

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised.

Notes To The Financial Statements

(cont'd)

31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary Of Significant Accounting Policies (cont'd)

(n) Employee Benefits (cont'd)

(iv) Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group and the Company recognise termination benefits as a liability and an expense when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after balance sheet date are discounted to present value.

(o) Foreign Currencies

(i) Functional and Presentation Currency

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

(ii) Foreign Currency Transactions

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

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

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

Notes To The Financial Statements

(cont'd)

31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary Of Significant Accounting Policies (cont'd)

(o) Foreign Currencies (cont'd)

(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.

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

	2007 RM	2006 RM
Singapore Dollar	2.29	2.29
Chinese Renminbi	0.45	0.46
100 Vietnam Dong	0.02	-

(p) 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) Construction Contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.2(f).

(ii) Sale of Goods

Revenue is recognised net of sales taxes and discounts upon transfer of significant risks and rewards of ownership to the buyer.

(iii) Revenue from Services

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

(iv) Rental Income

Rental income from investment property is recognised on a straight-line basis over the term of the lease on an accrual basis.

(v) Interest Income

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

Notes To The Financial Statements

(cont'd)

31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary Of Significant Accounting Policies (cont'd)

(p) Revenue Recognition (cont'd)

(vi) Dividend Income

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

(vii) Management Fees

Management fees are recognised when services are rendered.

(q) Government Grants

Government grants are recognised initially at their fair value in the balance sheet as deferred income where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Grants that compensate the Group for expenses incurred are recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Grants that compensate the Group for the cost of an asset are recognised as income on a systematic basis over the useful life of the asset.

(r) Related Parties

A party is considered to be related to the Group if:

- (i) the party, directly or indirectly through one or more intermediaries,
 - controls, is controlled by, or is under common control with, the Group;
 - has an interest in the Group that gives it significant influence over the Group; or
 - has joint control over the Group;
- (ii) the party is an associate;
- (iii) the party is a jointly-controlled entity;
- (iv) the party is a member of the key management personnel of the Group or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significantly voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(s) Jointly Controlled Operation

The Company has an interest in a joint venture which is a jointly controlled operation. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled operation exists when two or more venturers combine their operations, resources and expertise to manufacture, market and distribute jointly a particular product.

The expenses incurred and share of income earned are recognised directly to the income statement.

Notes To The Financial Statements

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31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

FRS 6	Exploration for and Evaluation of Mineral Resources
Amendment to FRS 1192004 Employee Benefits	Actuarial Gains and Losses, Group Plans and Disclosures

The adoption of the above FRS and amendment to FRS do not have significant financial impact on the Group and the Company.

2.4 Standards and Interpretations Issued but Not Yet Effective

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

FRS, Amendments to FRS and Interpretations	Effective for financial periods beginning on or after
FRS 139 - Financial Instruments: Recognition and Measurement	Deferred
Amendment to FRS 121 - The Effects of Changes in Foreign Exchange Rates : Net Investment in a Foreign Operation	1 July 2007
IC Interpretation 1 - Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2 - Members' Shares in Co-operative Entities and Restoration and Similar Instruments	1 July 2007
IC Interpretation 5 - Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6 - Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7 - Applying the Restatement Approach Under FRS1292004 - Financial Reporting in Hyperinflationary Economics	1 July 2007
IC Interpretation 8 - Scope of FRS 2	1 July 2007
Amendment to FRS 107 - Cash Flow Statements	1 July 2007
Amendment to FRS 111 - Construction Contracts	1 July 2007
Amendment to FRS 112 - Income Taxes	1 July 2007
Amendment to FRS 118 - Revenue	1 July 2007
Amendment to FRS 120 - Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
Amendment to FRS 134 - Interim Financial Reporting	1 July 2007
Amendment to FRS 137 - Provisions, Contingent Liabilities and Contingent Assets	1 July 2007

The above FRS, amendments to FRS and Interpretations are expected to have no significant impact on financial statements of the Group and of the Company upon their initial application.

The Group and the Company are exempted from disclosing the possible impact to the financial statements upon the initial application of FRS 139.

Notes To The Financial Statements

(cont'd)

31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Significant Accounting Estimates and Judgements

(a) Critical Judgements Made in Applying Accounting Policies

In the process of applying the Group's accounting policies which have been described above, the management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

(b) Key Sources of Estimation Uncertainty

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

(i) Useful lives of property, plant and equipment

The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of the property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescences and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property, plant and equipment is based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The Group also performs annual review of the assumptions made on useful lives to ensure that they continue to be valid.

(ii) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. The total carrying value of recognised tax losses and capital allowances of the Group was RM287,572 (2006: RM392,308) and the unrecognised tax losses and capital allowances of the Group was RM11,996,991 (2006: RM11,236,594).

(iii) Allowance for doubtful debts

The Group makes allowance for doubtful debts based on an assessment of the recoverability of receivables and counterparties.

Allowances are applied to receivables and counterparties where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically reviewed historical bad debts, customer creditworthiness and current economic trends when making a judgement to evaluate the allowance for doubtful debts on receivables and counterparties where the expectation is different from the original estimate, such difference will impact the carrying amounts.

(iv) Write-down of inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

Notes To The Financial Statements

(cont'd)

31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Significant Accounting Estimates and Judgements (cont'd)

(b) Key Sources of Estimation Uncertainty (cont'd)

(v) Contracts accounting

The Group recognises contracts revenue and expenses in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that costs incurred for work performed to date bear to the estimated total costs.

Significant judgement is required in determining the stage of completion, the extent of the costs incurred, the estimated total revenue and costs, as well as the recoverability of the projects. In making the judgement, the Group evaluates based on past experience.

(vi) Maintenance warranties

The Company gives an average one (1) year warranty on certain products and undertakes to repair or replace items that fail to perform satisfactorily due to manufacturing defect. A provision is recognised for expected warranty claims on products sold during the year, based on past experience of the level of repairs. Assumptions used to calculate the provision for warranties were based on current sales levels and current data on repair and replacement costs on past one year warranty period for all products sold.

3. REVENUE

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Revenue comprises:				
Construction contract	81,117,376	66,111,887	59,080,052	51,049,521
Sales of goods	12,410,401	13,207,919	-	-
Rendering of services	1,038,993	1,074,406	-	-
	<u>94,566,770</u>	<u>80,394,212</u>	<u>59,080,052</u>	<u>51,049,521</u>

4. COST OF SALES

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Cost of sales comprises:				
Construction contract and other related costs	59,483,367	44,151,042	43,559,296	32,877,974
Cost of goods sold	9,268,224	7,316,172	-	-
Cost of services rendered	802,636	623,796	-	-
	<u>69,554,227</u>	<u>52,091,010</u>	<u>43,559,296</u>	<u>32,877,974</u>

Notes To The Financial Statements

(cont'd)

31 December 2007

5. OTHER INCOME

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Allowance for doubtful debts				
written back - third parties	492,772	54,667	401,825	-
Bad debt recovered	-	1,632	-	1,632
Gain on disposal of property, plant and equipment	127,861	50,226	6,929	20,227
Gain on foreign exchange				
- realised	262,820	311,893	139,777	222,831
- unrealised	73,986	-	-	-
Government grant	51,489	-	51,489	-
Interest income				
- fixed deposits and short term deposits	515,483	359,903	451,754	309,248
- others	433	4,791	-	-
	515,916	364,694	451,754	309,248
Management fees receivable from a subsidiary company	-	-	36,000	36,000
Rental income				
- subsidiary companies	-	-	182,400	218,400
- others	-	28,077	-	17,500
	-	28,077	182,400	235,900
Reversal of previously accrued litigation claims	431,596	-	-	-
Other income	283,967	303,175	54,391	113,718
	<u>2,240,407</u>	<u>1,114,364</u>	<u>1,324,565</u>	<u>939,556</u>

6. INVESTING RESULTS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Dividend income				
- Subsidiary companies	-	-	1,020,000	-
- Quoted shares	14,944	30,464	11,440	17,519
	14,944	30,464	1,031,440	17,519
Gain on disposal of quoted investments	230,085	74,829	153,681	2,110
Reversal of impairment loss on quoted investments	296,345	390,766	212,485	289,960
Impairment loss on transferable membership in golf clubs	(135,000)	-	(91,000)	-
Impairment loss on investment properties	(653,290)	-	-	-
Impairment loss on subsidiaries	-	-	-	(530,954)
	<u>(246,916)</u>	<u>496,059</u>	<u>1,306,606</u>	<u>(221,365)</u>

Notes To The Financial Statements

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31 December 2007

7. FINANCE COSTS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Interest expense:				
- bank overdrafts	151,503	307,345	43,301	155,278
- term loans	53,385	99,162	36,796	76,637
- hire purchase	86,518	67,258	3,851	10,894
- bankers' acceptances	53,273	39,418	8,094	15,311
- revolving credit facilities	28,633	75,712	28,633	64,246
- letter of credit	20,371	4,494	1,540	612
- other interest	6,667	9,591	-	-
	400,350	602,980	122,215	322,978
- other finance costs	296,376	377,254	215,602	323,414
	696,726	980,234	337,817	646,392

8. (LOSS)/PROFIT BEFORE TAX

The following amounts have been included at arriving at (loss)/profit before tax:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Employee benefits expenses (Note 9)	16,918,757	16,230,255	10,312,309	10,299,069
Non-executive directors' remuneration excluding benefits-in-kind (Note 10)	177,500	108,500	167,500	106,500
Allowance for doubtful debts				
- third parties	1,384,411	665,850	257,929	326,544
- due from subsidiaries (non-current)	-	-	4,051,592	-
- due from subsidiaries (current)	-	-	299,303	-
- due from an associate	320,000	-	320,000	-
Amortisation of development costs	165,706	259,557	165,706	259,557
Auditors' remuneration:				
Current year				
- Auditors of the Company	108,667	97,930	50,000	42,000
- Other auditors	11,339	8,925	-	-
(Over)/underprovision in prior year	16,625	(3,600)	3,000	-
	136,631	103,255	53,000	42,000
Bad debts written off	681,082	1,251,283	342,871	26,286

Notes To The Financial Statements

(cont'd)

31 December 2007

8. (LOSS)/PROFIT BEFORE TAX (cont'd)

The following amounts have been included at arriving at (loss)/profit before tax: (cont'd)

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Impairment loss on goodwill on consolidation	-	331,352	-	-
Depreciation of property, plant and equipment				
- included in cost of sales	485,799	545,595	-	-
- included in administrative expenses	672,947	880,771	-	-
- included in other expenses	642,857	660,125	642,857	743,475
	1,801,603	2,086,491	642,857	743,475
Depreciation of investment properties	39,763	35,460	4,695	391
Amortisation of prepaid lease rental payments	19,116	19,116	12,866	12,866
Loss on disposal of property, plant and equipment	131,155	-	-	-
Loss on disposal of investment properties	-	54,546	-	-
Loss on foreign exchange				
- realised	27,941	11	-	-
- unrealised	16,432	-	-	-
Rent of equipment				
- included in cost of sales	42,560	233,500	42,560	233,500
- included in selling and marketing expenses	5,147	-	5,147	-
Rent of premises				
- included in cost of sales	44,740	100,840	-	-
- included in administrative expenses	151,470	620,109	-	298,528
Property, plant and equipment written off	13,845	96,922	11,492	91,696
Provision for maintenance warranties				
- included in cost of sales	46,969	-	46,969	-
Inventories written off				
- included in cost of sales	62,431	-	62,431	-
Write down of inventories				
- included in cost of sales	713,497	708,028	521,020	708,028
- included in other operating expenses	275,736	24,559	-	-

Notes To The Financial Statements

(cont'd)

31 December 2007

9. EMPLOYEE BENEFITS EXPENSES

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Wages and salaries	14,486,356	14,243,057	8,624,303	9,014,720
Social security contributions	130,179	140,501	69,160	78,382
Contributions to defined contribution plan	1,481,618	1,547,653	907,485	979,862
Share options granted under ESOS (Note 30)	15,318	-	2,004	-
Termination benefits	600,000	-	600,000	-
Estimated benefit-in-kind	51,950	51,950	51,950	51,950
Other benefits	153,336	247,094	57,407	174,155
	<u>16,918,757</u>	<u>16,230,255</u>	<u>10,312,309</u>	<u>10,299,069</u>

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM2,267,686 (2006: RM2,072,751) and RM1,285,138 (2006: RM1,234,821) respectively as further disclosed in Note 10.

10. DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Executive directors				
- fees	24,000	8,000	-	-
- other emoluments	2,191,736	2,012,801	1,233,188	1,182,871
Total remuneration	<u>2,215,736</u>	<u>2,020,801</u>	<u>1,233,188</u>	<u>1,182,871</u>
Estimated money value of benefit-in-kind	51,950	51,950	51,950	51,950
Total remuneration including benefit-in-kind (Note 9)	<u>2,267,686</u>	<u>2,072,751</u>	<u>1,285,138</u>	<u>1,234,821</u>
Non-executive directors				
- fees	155,000	88,000	145,000	88,000
- other emoluments	22,500	20,500	22,500	18,500
Total remuneration (Note 8)	<u>177,500</u>	<u>108,500</u>	<u>167,500</u>	<u>106,500</u>
	<u>2,445,186</u>	<u>2,181,251</u>	<u>1,452,638</u>	<u>1,341,321</u>
Total directors' remuneration	2,393,236	2,129,301	1,400,688	1,289,371
Estimated money value of benefit-in-kind	51,950	51,950	51,950	51,950
Total directors' remuneration including benefit-in-kind	<u>2,445,186</u>	<u>2,181,251</u>	<u>1,452,638</u>	<u>1,341,321</u>

Notes To The Financial Statements

(cont'd)

31 December 2007

10. DIRECTORS' REMUNERATION (cont'd)

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

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Executive:				
- salaries and other emolument	1,942,292	1,741,776	1,130,112	974,676
- fees	36,000	8,000	-	-
- bonus	101,650	167,363	43,400	159,113
- defined contribution plan	135,794	103,662	59,676	49,082
- estimated money value of benefit-in-kind	51,950	51,950	51,950	51,950
	<u>2,267,686</u>	<u>2,072,751</u>	<u>1,285,138</u>	<u>1,234,821</u>
Non-Executive:				
- fees	155,000	88,000	145,000	88,000
- other emoluments	22,500	20,500	22,500	18,500
	<u>2,445,186</u>	<u>2,181,251</u>	<u>1,452,638</u>	<u>1,341,321</u>

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

	Number of Directors	
	2007 RM	2006 RM
Executive directors:		
RM50,001 - RM150,000	1	-
RM150,001 - RM200,000	-	1
RM200,001 - RM300,000	1	-
RM300,001 - RM350,000	1	1
RM600,001 - RM700,000	1	-
RM700,001 - RM750,000	-	1
	<u>4</u>	<u>3</u>
Non-Executive directors:		
RM50,000 and below	7	5
	<u>7</u>	<u>5</u>

Notes To The Financial Statements

(cont'd)

31 December 2007

11. INCOME TAX EXPENSE

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Malaysian income tax:				
Current income tax	1,046,292	1,339,200	759,283	1,200,000
Under/(over)provision in prior years	117,383	52	86,121	(9,894)
	<u>1,163,675</u>	<u>1,339,252</u>	<u>845,404</u>	<u>1,190,106</u>
Deferred tax (Note 34):				
Relating to origination and reversal				
of temporary differences	(116,610)	(11,391)	(27,468)	22,000
Relating to changes in tax rates	(42,765)	(52,280)	(29,522)	(14,000)
Underprovision in prior years	182,506	-	172,535	-
	<u>23,131</u>	<u>(63,671)</u>	<u>115,545</u>	<u>8,000</u>
Total income tax expense	<u>1,186,806</u>	<u>1,275,581</u>	<u>960,949</u>	<u>1,198,106</u>

With effect from year of assessment 2004, chargeable income of certain subsidiary companies (being residents in Malaysia with paid-up capital of less than RM2.5 million) are taxed at the following rates.

On the first RM500,000 : 20% (2006: 20%)

In excess of RM500,000 : 27% (2006: 28%)

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. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Notes To The Financial Statements

(cont'd)

31 December 2007

11. INCOME TAX EXPENSE (cont'd)

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

	2007 RM	2006 RM
Group		
(Loss)/profit before tax	(403,410)	2,459,967
Taxation at statutory tax rate of 27% (2006: 28%)	(108,921)	688,791
Taxation at statutory tax rate of 20% (2006: 20%)	(71,531)	(100,632)
Effect of changes in tax rates on opening balance of deferred tax	(42,765)	(52,280)
Expenses available for double deduction	(9,113)	(13,272)
Income not subject to tax	(171,857)	(133,536)
Expenses not deductible for tax purposes	1,050,736	895,357
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(812,668)	(56,908)
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	1,053,036	48,009
Underprovision of tax expense in prior years	117,383	52
Underprovision of deferred tax in prior years	182,506	-
Income tax expense for the year	1,186,806	1,275,581
Company		
(Loss)/profit before tax	(2,019,620)	3,131,714
Taxation at statutory tax rate of 27% (2006: 28%)	(545,297)	876,880
Effect of changes in tax rates on opening balance of deferred tax	(29,522)	(14,000)
Expenses available for double deduction	(9,113)	(13,272)
Income not subject to tax	(98,865)	(82,060)
Expenses not deductible for tax purposes	1,385,090	440,452
Under/(over) provision of tax expense in prior years	86,121	(9,894)
Underprovision of deferred tax in prior years	172,535	-
Income tax expense for the year	960,949	1,198,106

Notes To The Financial Statements

(cont'd)

31 December 2007

12. EARNINGS PER SHARE

a) Basic

Basic earnings per share amounts are calculated by dividing profit/(loss) for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year, excluding treasury shares held by the Company.

	GROUP	
	2007 RM	2006 RM
(Loss)/profit attributable to ordinary equity holders of the Company	(2,499,163)	1,875,184
Weighted average number of ordinary shares in issue	90,205,950	90,053,983
	GROUP	
	2007 SEN	2006 SEN
Basic earnings per share	(2.77)	2.08

b) Diluted

The diluted earnings per share for the current and previous financial years were not presented as it was anti-dilutive.

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

13. DIVIDENDS

	Dividends in respect of Year			Dividends Recognised in Year	
	2007 RM	2006 RM	2005 RM	2007 RM	2006 RM
Recognised during the year:					
First and final dividend for 2005:					
3 sen per share less 28% taxation, on 90,015,900 ordinary shares					
(2.16 sen per ordinary share)	-	-	1,944,343	-	1,944,343
First and final dividend for 2006:					
3 sen per share less 27% taxation, on 90,121,200 ordinary shares					
(2.19 sen per ordinary share)	-	1,973,650	-	1,973,650	-

No dividend is proposed in respect of the current financial year ended 31 December 2007.

Notes To The Financial Statements

(cont'd)

31 December 2007

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM	Freehold buildings RM	Leasehold buildings RM	Plant and machinery RM	Factory, tools and equipment RM	Motor vehicles RM	Computer and office equipment RM	Furniture, fittings and renovation RM	Total RM
Group									
At 31 December 2007									
Cost or valuation									
At 1 January 2007									
At cost	-	-	-	7,181,954	2,088,086	3,899,999	5,380,354	3,623,763	22,174,156
At valuation	6,350,000	5,368,792	875,000	-	-	-	-	-	12,593,792
	6,350,000	5,368,792	875,000	7,181,954	2,088,086	3,899,999	5,380,354	3,623,763	34,767,948
Additions	-	32,100	-	1,182,640	42,050	507,432	311,603	9,096	2,084,921
Disposals	(550,000)	(250,000)	-	(190,166)	-	(379,745)	(43,531)	-	(1,413,442)
Written off	-	-	-	(16,204)	(1,124)	-	(242,736)	(180,716)	(440,780)
Exchange differences	-	-	-	-	(4)	91	-	(21)	66
At 31 December 2007	5,800,000	5,150,892	875,000	8,158,224	2,129,008	4,027,777	5,405,690	3,452,122	34,998,713
Representing:									
At cost	-	32,100	-	8,158,224	2,129,008	4,027,777	5,405,690	3,452,122	23,204,921
At valuation	5,800,000	5,118,792	875,000	-	-	-	-	-	11,793,792
At 31 December 2007	5,800,000	5,150,892	875,000	8,158,224	2,129,008	4,027,777	5,405,690	3,452,122	34,998,713
Accumulated depreciation									
At 1 January 2007	-	236,866	16,108	5,578,465	1,645,468	3,005,736	4,660,135	2,442,188	17,584,966
Depreciation for the year	-	153,189	10,739	565,510	111,817	455,108	267,899	237,341	1,801,603
Disposals	-	(34,667)	-	(156,095)	-	(375,066)	(38,978)	-	(604,806)
Written off	-	-	-	(15,463)	(141)	-	(233,738)	(177,593)	(426,935)
At 31 December 2007	-	355,388	26,847	5,972,417	1,757,144	3,085,778	4,655,318	2,501,936	18,354,828
Net carrying amount									
At cost	-	31,565	-	2,185,807	371,864	941,999	750,372	950,186	5,231,793
At valuation	5,800,000	4,763,939	848,153	-	-	-	-	-	11,412,092
At 31 December 2007	5,800,000	4,795,504	848,153	2,185,807	371,864	941,999	750,372	950,186	16,643,885

Notes To The Financial Statements

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14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold land RM	Freehold buildings RM	Leasehold buildings RM	Plant and machinery RM	Factory, tools and equipment RM	Motor vehicles RM	Computer and office equipment RM	Furniture, fittings and renovation RM	Total RM
Group									
At 31 December 2006									
Cost or valuation									
At 1 January 2006, restated									
At cost	-	-	-	7,200,554	2,302,091	3,802,114	5,267,563	3,771,605	22,343,927
At valuation	6,350,000	5,368,792	875,000	-	-	-	-	-	12,593,792
	6,350,000	5,368,792	875,000	7,200,554	2,302,091	3,802,114	5,267,563	3,771,605	34,937,719
Additions	-	-	-	8,320	55,600	182,975	247,843	55,868	550,606
Disposals	-	-	-	-	(171,817)	(85,000)	(15,400)	(8,600)	(280,817)
Written off	-	-	-	(26,920)	(97,788)	-	(120,453)	(195,404)	(440,565)
Exchange differences	-	-	-	-	-	(90)	801	294	1,005
At 31 December 2006	6,350,000	5,368,792	875,000	7,181,954	2,088,086	3,899,999	5,380,354	3,623,763	34,767,948
Representing:									
At cost	-	-	-	7,181,954	2,088,086	3,899,999	5,380,354	3,623,763	22,174,156
At valuation	6,350,000	5,368,792	875,000	-	-	-	-	-	12,593,792
At 31 December 2006	6,350,000	5,368,792	875,000	7,181,954	2,088,086	3,899,999	5,380,354	3,623,763	34,767,948
Accumulated depreciation									
At 1 January 2006, restated									
	-	78,879	5,369	4,883,473	1,693,938	2,648,693	4,483,516	2,271,047	16,064,915
Depreciation for									
the year	-	157,987	10,739	721,910	137,147	441,428	302,730	314,550	2,086,491
Disposals	-	-	-	-	(117,165)	(84,999)	(15,400)	(6,020)	(223,584)
Written off	-	-	-	(26,918)	(68,452)	-	(110,782)	(137,491)	(343,643)
Exchange differences	-	-	-	-	-	614	71	102	787
At 31 December 2006	-	236,866	16,108	5,578,465	1,645,468	3,005,736	4,660,135	2,442,188	17,584,966
Net carrying amount									
At cost	-	-	-	1,603,489	442,618	894,263	720,219	1,181,575	4,842,164
At valuation	6,350,000	5,131,926	858,892	-	-	-	-	-	12,340,818
At 31 December 2006	6,350,000	5,131,926	858,892	1,603,489	442,618	894,263	720,219	1,181,575	17,182,982

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14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold land RM	Freehold buildings RM	Leasehold buildings RM	Plant and machinery RM	Factory, tools and equipment RM	Motor vehicles RM	Computer and office equipment RM	Furniture, fittings and renovation RM	Total RM
Company									
At 31 December 2007									
Cost or valuation									
At 1 January 2007									
At cost	-	-	-	198,483	848,163	2,538,417	3,151,632	1,873,745	8,610,440
At valuation	3,850,000	3,350,000	645,000	-	-	-	-	-	7,845,000
	3,850,000	3,350,000	645,000	198,483	848,163	2,538,417	3,151,632	1,873,745	16,455,440
Additions	-	-	-	-	6,100	142,805	166,959	5,645	321,509
Disposals	-	-	-	-	-	(37,425)	(28,600)	-	(66,025)
Written off	-	-	-	-	-	-	(45,556)	(7,347)	(52,903)
At 31 December 2007	3,850,000	3,350,000	645,000	198,483	854,263	2,643,797	3,244,435	1,872,043	16,658,021
Representing:									
At cost	-	-	-	198,483	854,263	2,643,797	3,244,435	1,872,043	8,813,021
At valuation	3,850,000	3,350,000	645,000	-	-	-	-	-	7,845,000
At 31 December 2007	3,850,000	3,350,000	645,000	198,483	854,263	2,643,797	3,244,435	1,872,043	16,658,021
Accumulated depreciation									
At 1 January 2007	-	100,499	11,316	172,757	722,349	1,918,871	2,820,626	1,082,589	6,829,007
Depreciation for the year	-	67,000	7,544	4,560	24,766	272,588	139,934	126,465	642,857
Disposals	-	-	-	-	-	(37,424)	(25,030)	-	(62,454)
Written off	-	-	-	-	-	-	(37,080)	(4,331)	(41,411)
At 31 December 2007	-	167,499	18,860	177,317	747,115	2,154,035	2,898,450	1,204,723	7,367,999
Net carrying amount									
At cost	-	-	-	21,166	107,148	489,762	345,985	667,320	1,631,381
At valuation	3,850,000	3,182,501	626,140	-	-	-	-	-	7,658,641
At 31 December 2007	3,850,000	3,182,501	626,140	21,166	107,148	489,762	345,985	667,320	9,290,022

Notes To The Financial Statements

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31 December 2007

14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold land RM	Freehold buildings RM	Leasehold buildings RM	Plant and machinery RM	Factory, tools and equipment RM	Motor vehicles RM	Computer and office equipment RM	Furniture, fittings and renovation RM	Total RM
Company									
At 31 December 2006									
Cost or valuation									
At 1 January 2006, restated									
At cost	-	-	-	198,483	1,110,413	2,538,417	3,141,439	2,076,069	9,064,821
At valuation	3,850,000	3,350,000	645,000	-	-	-	-	-	7,845,000
	3,850,000	3,350,000	645,000	198,483	1,110,413	2,538,417	3,141,439	2,076,069	16,909,821
Additions	-	-	-	-	7,355	-	72,539	1,680	81,574
Disposals	-	-	-	-	(171,817)	-	(15,400)	(8,600)	(195,817)
Written off	-	-	-	-	(97,788)	-	(46,946)	(195,404)	(340,138)
At 31 December 2006	3,850,000	3,350,000	645,000	198,483	848,163	2,538,417	3,151,632	1,873,745	16,455,440
Representing:									
At cost	-	-	-	198,483	848,163	2,538,417	3,151,632	1,873,745	8,610,440
At valuation	3,850,000	3,350,000	645,000	-	-	-	-	-	7,845,000
At 31 December 2006	3,850,000	3,350,000	645,000	198,483	848,163	2,538,417	3,151,632	1,873,745	16,455,440
Accumulated depreciation									
At 1 January 2006, restated									
	-	33,499	3,772	166,818	858,768	1,633,060	2,712,583	1,064,059	6,472,559
Depreciation for									
the year	-	67,000	7,544	5,939	49,198	285,811	165,942	162,041	743,475
Disposals	-	-	-	-	(117,165)	-	(15,400)	(6,020)	(138,585)
Written off	-	-	-	-	(68,452)	-	(42,499)	(137,491)	(248,442)
At 31 December 2006	-	100,499	11,316	172,757	722,349	1,918,871	2,820,626	1,082,589	6,829,007
Net carrying amount									
At cost	-	-	-	25,726	125,814	619,546	331,006	791,156	1,893,248
At valuation	3,850,000	3,249,501	633,684	-	-	-	-	-	7,733,185
At 31 December 2006	3,850,000	3,249,501	633,684	25,726	125,814	619,546	331,006	791,156	9,626,433

Notes To The Financial Statements

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31 December 2007

14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

- (a) Freehold land and buildings were revalued on 24 March 2005 by the directors based on a revaluation performed by Ms. Susie Tiong, a registered valuer of Yap Burgess Rawson International who is a member of the Institution of Surveyors, Malaysia. Valuation was made using the comparison method.

Had the revalued land and buildings of the Group and of the Company been carried under the cost model, the carrying amount would have been as follows:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Freehold land and buildings	7,500,630	7,213,234	5,327,019	5,294,383
Long term leasehold buildings	675,321	686,235	596,462	608,346
	<u>8,175,951</u>	<u>7,899,469</u>	<u>5,923,481</u>	<u>5,902,729</u>

- (b) The carrying amount of fully depreciated assets of the Group and of the Company that are still in use amounted to RM13,071,719 (2006: RM12,301,033) and RM5,092,363 (2006: RM4,854,958) respectively.
- (c) During the financial year, the Group and the Company acquired property, plant and equipment at aggregate costs of RM1,130,336 (2006: RMNil) and RM100,000 (2006: RMNil) respectively by means of hire purchase. Net carrying amounts of property, plant and equipment held under hire purchase arrangements are as follows:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Plant and machinery	1,689,452	1,202,757	-	-
Motor vehicles	700,260	481,341	378,757	426,368
	<u>2,389,712</u>	<u>1,684,098</u>	<u>378,757</u>	<u>426,368</u>

- (d) Freehold land and building of the Group with a net carrying amount of RM549,473 (2006: RM573,895) are pledged as securities for borrowings (Note 32).

Notes To The Financial Statements

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31 December 2007

15. INVESTMENT PROPERTIES

	Freehold land RM	Buildings RM	Total RM
Group			
At 31 December 2007			
Cost			
At 1 January 2007/31 December 2007	-	2,534,394	2,534,394
Accumulated depreciation			
At 1 January 2007	-	35,460	35,460
Depreciation for the year	-	39,763	39,763
At 31 December 2007	-	75,223	75,223
Accumulated impairment loss			
At 1 January 2007	-	546,222	546,222
Impairment for the year	-	653,290	653,290
At 31 December 2007	-	1,199,512	1,199,512
Net carrying amount at 31 December 2007	-	1,259,659	1,259,659
Estimated fair value	-	1,280,000	1,280,000
At 31 December 2006			
Cost			
At 1 January 2006	3,130,335	2,299,649	5,429,984
Additions	-	234,745	234,745
Disposals	(3,130,335)	-	(3,130,335)
At 31 December 2006	-	2,534,394	2,534,394
Accumulated depreciation			
At 1 January 2006	-	-	-
Depreciation for the year	-	35,460	35,460
At 31 December 2006	-	35,460	35,460
Accumulated impairment loss			
At 1 January 2006/31 December 2006	-	546,222	546,222
Net carrying amount at 31 December 2006	-	1,952,712	1,952,712
Estimated fair value	-	1,988,172	1,988,172

Notes To The Financial Statements

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31 December 2007

15. INVESTMENT PROPERTIES (cont'd)

	Buildings RM
<hr/>	
Company	
At 31 December 2007	
Cost	
At 1 January 2007/31 December 2007	<u>234,745</u>
Accumulated depreciation	
At 1 January 2007	391
Depreciation for the year	<u>4,695</u>
At 31 December 2007	<u>5,086</u>
Net carrying amount at 31 December 2007	<u>229,659</u>
Estimated fair value	<u>250,000</u>
At 31 December 2006	
Cost	
At 1 January 2006	-
Additions	<u>234,745</u>
At 31 December 2006	<u>234,745</u>
Accumulated depreciation	
At 1 January 2006	-
Depreciation for the year	<u>391</u>
At 31 December 2006	<u>391</u>
Net carrying amount at 31 December 2006	<u>234,354</u>
Estimated fair value	<u>234,745</u>

The impairment loss recorded for the year in respect of the Group's investment properties of RM653,290 is derived after considering the estimated fair value of these properties.

Notes To The Financial Statements

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31 December 2007

16. PREPAID LAND LEASE PAYMENTS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
At cost				
At 1 January/31 December	1,550,000	1,550,000	1,100,000	1,100,000
Amortisation				
At 1 January	28,674	9,558	19,299	6,433
During the year	19,116	19,116	12,866	12,866
At 31 December	47,790	28,674	32,165	19,299
	<u>1,502,210</u>	<u>1,521,326</u>	<u>1,067,835</u>	<u>1,080,701</u>
Analysed as:				
Long term leasehold land	<u>1,502,210</u>	<u>1,521,326</u>	<u>1,067,835</u>	<u>1,080,701</u>

The leasehold interest in land was revalued in March 2005 by the directors based on a valuation by an independent professional valuer, Ms. Susie Tiong, a registered valuer of Yap Burgess Rawson International who is a member of the Institution of Surveyors, Malaysia to reflect the market value on existing use basis. As allowed by the transitional provisions of FRS117, where the leasehold land had been previously revalued, the unamortised revalued amount of leasehold land is retained as the surrogate cost of prepaid land lease payments and is amortised over the remaining lease term of the leasehold land.

17. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2007 RM	2006 RM
Unquoted shares at cost	3,130,494	2,920,612
Less: Accumulated impairment losses	(530,954)	(530,954)
	<u>2,599,540</u>	<u>2,389,658</u>

Details of the subsidiaries are disclosed in Note 44.

Notes To The Financial Statements

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31 December 2007

18. ASSOCIATES

(a) Investment in associates

	GROUP/COMPANY	
	2007	2006
	RM	RM
Investment in associates		
Unquoted shares, at cost	1	1

The cost of investment in the associates were written down in prior years.

The unrecognised share of losses of the associates for the current financial year amounted to RM1,058,380 based on management accounts (2006: RM644,964 which is based on management accounts). As at 31 December 2007, the cumulative unrecognised share of losses of the associates amounted to RM3,040,971 based on management accounts (2006: RM1,982,591 based on management accounts).

(b) Due from an associate

	GROUP/COMPANY	
	2007	2006
	RM	RM
Due from an associate	393,826	368,563
Less: Allowance for doubtful debts	(320,000)	-
	73,826	368,563

The amount due from the associate is unsecured, has fixed terms of repayment and attracted interest at 18% (2006: 18%) per annum during the year. Details of the associates are disclosed in Note 44.

The summarised financial information of the associates are as follows:

	2007	2006
	RM	RM
Assets and liabilities		
Current assets	1,858,677	3,277,324
Non-current assets	6,965,771	10,025,969
Total assets	8,824,448	13,303,293
Current liabilities	12,166,266	11,010,412
Non-current liabilities	7,626,108	8,850,890
Total liabilities	19,792,374	19,861,302
Results		
Revenue	4,674,785	5,076,854
Loss for the year	(4,409,917)	(2,687,349)

Notes To The Financial Statements

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31 December 2007

19. JOINTLY CONTROLLED OPERATION

A joint venture arrangement had been established by the Company to undertake construction activities with a joint venture partner, Greenspan Technology Pty Ltd. Each partner uses its own assets to participate in the joint venture activities and incur liabilities separately, which represents its own obligations.

The share of income and expenses of the Company in the jointly controlled operations is based on work done by the individual joint venture partners and have been accounted for separately in the financial statements as follows:

	GROUP/COMPANY	
	2007 RM	2006 RM
Contribution/share of:		
Construction revenue	3,907,999	-
Construction costs	(3,685,084)	-

20. OTHER INVESTMENTS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Quoted shares in Malaysia, at cost	1,364,788	3,819,730	1,364,788	1,765,760
Less: Impairment losses	(872,593)	(2,684,822)	(872,593)	(1,012,759)
	492,195	1,134,908	492,195	753,001
Transferable memberships in golf clubs, at cost	449,000	449,000	264,000	264,000
Less: Impairment losses	(135,000)	-	(91,000)	-
	314,000	449,000	173,000	264,000
	806,195	1,583,908	665,195	1,017,001
Market value:				
Quoted shares in Malaysia	492,195	1,134,908	492,195	753,001

The impairment losses were derived based on the available market prices of these investments.

Notes To The Financial Statements

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31 December 2007

21. DEVELOPMENT COSTS

	GROUP/COMPANY	
	2007 RM	2006 RM
Cost		
At 1 January / 31 December	2,757,475	2,757,475
Accumulated amortisation		
At 1 January	2,489,283	2,229,726
Amortised during the financial year	165,706	259,557
At 31 December	2,654,989	2,489,283
Net carrying value		
At 31 December	102,486	268,192

22. GOODWILL ON CONSOLIDATION

	GROUP	
	2007 RM	2006 RM
At 1 January	-	331,352
Less: Impairment loss	-	(331,352)
At 31 December	-	-

23. INVENTORIES

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Cost				
Finished goods	3,212,088	3,223,453	921,311	2,148,252
Raw materials	11,221,037	19,177,692	8,140,051	13,819,831
Work-in-progress	5,800,591	7,291,673	871,561	6,932,407
	20,233,716	29,692,818	9,932,923	22,900,490
Net realisable value				
Finished goods	18,658	6,971,944	18,658	5,651,923
	20,252,374	36,664,762	9,951,581	28,552,413

Notes To The Financial Statements

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31 December 2007

23. INVENTORIES (cont'd)

The Company and a wholly owned subsidiary, Industronics Manufacturing Sdn. Bhd. ("IMSB"), conducted their annual stock count procedures in order to properly reflect the position of inventories as at financial year end. As a result of this, both the Company and IMSB effected adjustments to recognise variances between the physical inventories balances and their book balances by approximately RM5.9 million and RM2.7 million respectively. The effect of these adjustments is to reduce the income of the Group and of the Company by RM8.6 million and RM5.9 million respectively with corresponding reductions in the inventories reflected in their respective balance sheets. Management attributed the cause of these variances primarily to errors in recording consumptions of these inventories. These variances have been recognised in the respective income statements of the Group and of the Company for the current financial year.

24. TRADE RECEIVABLES

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Trade receivables				
Third parties	23,571,124	22,514,768	11,461,159	8,443,919
Retention sums on contracts (Note 26)	4,021,343	3,686,484	3,410,568	3,657,189
	<u>27,592,467</u>	<u>26,201,252</u>	<u>14,871,727</u>	<u>12,101,108</u>
Less: Allowance for doubtful debts	(2,516,196)	(1,781,194)	(569,016)	(784,212)
Trade receivables, net	<u>25,076,271</u>	<u>24,420,058</u>	<u>14,302,711</u>	<u>11,316,896</u>

The Group's and Company's normal trade credit term ranges from 60 to 90 (2006: 60 to 90) days. Other credit terms are assessed and approved on a case-by-case basis. As at balance sheet date, the Group has concentration of credit risk in the form of outstanding balances due from nine (2006: ten) debtors representing 38% (2006: 27%) of total trade receivables. Trade receivables are non-interest bearing.

As at 31 December, the trade receivables amounts greater than 1 year are as follows:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Debts greater than 1 year	7,636,239	5,192,555	4,371,574	1,033,862
Retention sums on contracts	1,324,087	429,010	1,309,395	399,714
	<u>8,960,326</u>	<u>5,621,565</u>	<u>5,680,969</u>	<u>1,433,576</u>
Percentage of total trade receivables, net	<u>36%</u>	<u>23%</u>	<u>40%</u>	<u>13%</u>

In assessing the recoverability of these debts, the directors have given due consideration to all pertinent information relating to the ability of these debtors to settle their debts. Aside from allowances for doubtful debts made above, the directors have assessed the remaining amounts owing greater than 1 year to be fully recoverable, notwithstanding that these debts have exceeded the terms granted. Accordingly, no further provision has been made in respect of this amount.

Notes To The Financial Statements

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31 December 2007

25. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Sundry receivables	682,416	3,960,363	227,212	437,899
Less: Allowance for doubtful debts	(156,637)	-	(71,300)	-
	<u>525,779</u>	<u>3,960,363</u>	<u>155,912</u>	<u>437,899</u>
Deposits	245,515	450,171	97,464	189,903
Prepayments	270,255	353,525	93,186	102,739
	<u>1,041,549</u>	<u>4,764,059</u>	<u>346,562</u>	<u>730,541</u>

In view of the fact that the Group's sundry receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

As at 31 December, the sundry receivables amounts greater than 1 year are as follows:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Debts greater than 1 year	<u>70,937</u>	<u>488,970</u>	<u>56,008</u>	<u>103,553</u>
Percentage of total sundry receivables, net	<u>13%</u>	<u>12%</u>	<u>36%</u>	<u>24%</u>

In assessing the recoverability of these debts, the directors have given due consideration to all pertinent information relating to the ability of these debtors to settle their debts. Aside from allowances for doubtful debts made above, the directors have assessed the remaining amounts owing greater than 1 year to be fully recoverable, notwithstanding that these debts have exceeded the terms granted. Accordingly, no further provision has been made in respect of this amount.

Notes To The Financial Statements

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31 December 2007

26. DUE FROM/(TO) CUSTOMERS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Contract costs incurred to date	57,658,473	104,003,085	48,417,029	96,991,768
Attributable profits	24,935,598	34,398,394	21,235,755	32,627,726
	82,594,071	138,401,479	69,652,784	129,619,494
Less: Progress billings	(82,569,862)	(139,115,306)	(70,574,181)	(131,274,973)
	24,209	(713,827)	(921,397)	(1,655,479)
Less: Advances from customers	-	(16,918,854)	-	(16,918,854)
	24,209	(17,632,681)	(921,397)	(18,574,333)
Represented by:				
Due from customers on contract	3,915,947	6,481,246	2,382,449	5,539,594
Due to customers on contract	(3,891,738)	(24,113,927)	(3,303,846)	(24,113,927)
	24,209	(17,632,681)	(921,397)	(18,574,333)
Retention sum on contracts, included within trade receivables (Note 24)	4,021,343	3,686,484	3,410,568	3,657,189

27. DUE FROM/(TO) SUBSIDIARIES

	COMPANY	
	2007 RM	2006 RM
Due from subsidiaries - non current	10,279,911	8,492,309
Less: Allowance for doubtful debts	(6,772,125)	(2,720,533)
	3,507,786	5,771,776
Due from subsidiaries - current	677,209	703,940
Less: Allowance for doubtful debts	(299,303)	-
	377,906	703,940
	3,885,692	6,475,716
Due to subsidiaries	(10,703)	(83,466)

The amounts due from subsidiaries are non-interest bearing, unsecured and repayable on demand except for the non current amounts due from subsidiaries which are not expected to be repaid within the foreseeable future.

The current balances with subsidiaries arose from trade transactions. The normal trade credit term given ranges from 60 to 90 (2006: 60 to 90) days.

Notes To The Financial Statements

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28. CASH AND BANK BALANCES

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Cash on hand and at banks	12,144,167	8,668,584	10,447,686	7,665,547
Fixed deposits with licensed banks	9,459,461	8,396,373	4,314,376	6,773,947
Short term deposit with a licensed discount house	3,000,000	3,000,000	3,000,000	3,000,000
Cash and bank balances	<u>24,603,628</u>	<u>20,064,957</u>	<u>17,762,062</u>	<u>17,439,494</u>

Included in fixed deposits with licensed banks are the following fixed deposits which are not readily available for use :

- (a) fixed deposit of the Group and of the Company of RM3,318,005 (2006: RM1,627,554) is held under lien by a bank for contract financing granted to the Company; and
- (b) fixed deposits of the Group of RM12,024 (2006: RM6,266) are pledged to a bank for credit facilities granted to a subsidiary.

The range of effective interest rates of deposits at the balance sheet date were as follows:

	GROUP		COMPANY	
	2007 %	2006 %	2007 %	2006 %
Licensed banks	<u>2.07 to 3.70</u>	<u>3.00 to 3.50</u>	<u>3.40 to 3.70</u>	<u>3.00 to 3.50</u>

The average maturities of deposits as at the end of the financial year were as follows:

	GROUP		COMPANY	
	2007 Months	2006 Months	2007 Months	2006 Months
Licensed banks	<u>8</u>	<u>12</u>	<u>12</u>	<u>12</u>

For the purpose of the cash flow statements, cash and cash equivalents comprise the following as at the balance sheet date:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Cash and bank balances	24,603,628	20,064,957	17,762,062	17,439,494
Less: Fixed deposits not readily available for use	<u>(3,330,029)</u>	<u>(1,633,820)</u>	<u>(3,318,005)</u>	<u>(1,627,554)</u>
	21,273,599	18,431,137	14,444,057	15,811,940
Bank overdrafts (Note 32)	<u>(1,705,845)</u>	<u>(3,143,681)</u>	<u>(566,865)</u>	<u>(464,800)</u>
Total cash and cash equivalents	<u>19,567,754</u>	<u>15,287,456</u>	<u>13,877,192</u>	<u>15,347,140</u>

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29. SHARE CAPITAL AND TREASURY SHARES

	Number of ordinary share of RM0.50 each		<----- Amount ----->	
	Share capital (issued and fully paid) Unit	Treasury shares Unit	Share capital (issued and fully paid) RM	Treasury shares RM
At 1 January 2006	90,953,000	(491,600)	45,476,500	(244,276)
Purchase of treasury shares	-	(629,000)	-	(296,052)
At 31 December 2006	90,953,000	(1,120,600)	45,476,500	(540,328)
Ordinary shares issued during the year pursuant to ESOS (Note 30)	1,433,000	-	716,500	-
Purchase of treasury shares	-	(10,400)	-	(4,826)
At 31 December 2007	92,386,000	(1,131,000)	46,193,000	(545,154)

	Number of ordinary share of RM0.50 each		Amount	
	2007	2006	2007 RM	2006 RM
Authorised share capital				
At 1 January / 31 December	200,000,000	200,000,000	100,000,000	100,000,000

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

(a) Ordinary shares issued for cash

During the financial year, the Company issued 1,433,000 new ordinary shares of RM0.50 each through the Company's ESOS at an average exercise price of RM0.50 per ordinary shares for cash. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

(b) Treasury shares

This amount relates to the acquisition cost of treasury shares.

The shareholders of the Company via the Annual General Meeting held on 9 June 2006 provided their mandate for the Company to repurchase its own ordinary shares up to a maximum of 9,900,000 ordinary shares of RM0.50 each representing ten per cent (10%) of the issued and paid up share capital of the Company (assuming that all the ESOS options which have been or may be granted are fully exercised). The Directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 10,400 (2006: 629,000) of its issued ordinary shares from the open market at an average price of RM0.464 (2006: RM0.471) per share. The total consideration paid for the repurchased including transaction costs was RM4,826 (2006: RM296,052). The repurchased transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965. None of the treasury shares were sold or cancelled during the financial year.

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31 December 2007

29. SHARE CAPITAL AND TREASURY SHARES (cont'd)

(b) Treasury shares (cont'd)

Of the total 92,386,000 (2006: 90,953,000) issued and fully paid ordinary shares as at 31 December 2007, 1,131,000 (2006: 1,120,600) are held as treasury shares by the Company. As at 31 December 2007, the number of outstanding ordinary shares in issue after the setoff is therefore 91,255,000 (2006: 89,832,400) ordinary shares of RM0.50 each.

30. INDUSTRONICS BERHAD EMPLOYEE SHARE OPTION SCHEME

The Company's Employee Share Option Scheme ("ESOS" or the "Scheme") was approved by the shareholders at the Extraordinary General Meeting held on 10 February 2003 and became effective on 21 March 2003. The ESOS shall continue to be in force for a duration of five (5) years commencing 21 March 2003 to 20 March 2008.

The principal features of the ESOS are as follows:

- (i) The total number of options offered under the Scheme shall not exceed 10% of the total issued and paid-up share capital of the Company at any point in time during the duration of the Scheme.
- (ii) Eligible employees and Executive Directors of the Company and its subsidiary companies are entitled to the ESOS for the subscription of new ordinary shares of RM0.50 each in the Company. Employees who are eligible to participate in the Scheme must have been in service with the Group for a continuous period of at least one (1) year for Malaysian employees (including full time Executive Directors) and non-Malaysian employees. In the case of employees under employment contracts, the contracts' duration should be of at least 2 years for Malaysian employees and 5 years for non-Malaysian employees.
- (iii) An option granted under the ESOS shall be capable of being exercised by the grantee by notice in writing to the Company during the year commencing from the date of the offer and expiring on 20 March 2008. The options granted shall be exercisable by the grantee as follows:

Number of Options Granted	Maximum Percentage of Options Exercisable in Each Year Commencing from Date of Offer				
	Year 1	Year 2	Year 3	Year 4	Year 5
Below 10,000	100%	-	-	-	-
10,000 to less than 20,000	50%	50%	-	-	-
20,000 to less than 100,000	#40%	30%	*30%	-	-
100,000 and above	25%	25%	25%	25%	-

40% or 20,000 Options, whichever is lower

* 30% or the remaining number of Options unexercised

- (iv) The Scheme shall be administered by the Option Committee comprising senior management personnel appointed by the Board.
- (v) All the new ordinary shares issued arising from the ESOS shall rank pari-passu in all respect with the existing ordinary shares of the Company.

Notes To The Financial Statements

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30. INDUSTRONICS BERHAD EMPLOYEE SHARE OPTION SCHEME (cont'd)

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	Number of Share Options @ RM0.50 each				Outstanding and exercisable at 31 December
	Outstanding at 1 January	<----- Movements During the Year -----> Granted	Exercised	Forfeited	
2007	5,839,000	996,000	(1,433,000)	(1,236,000)	4,166,000
WAEP	RM0.50	RM0.50	RM0.50	RM0.50	RM0.50
2006	6,921,000	-	-	(1,082,000)	5,839,000
WAEP	RM0.50	RM0.50	RM0.50	RM0.50	RM0.50

(a) Share options exercised during the year

Exercise date	Exercise price	Fair value of ordinary shares RM	Number of options Unit	Considerations received RM
2007				
January	0.50	0.39 - 0.59	80,000	40,000
June	0.50	0.48 - 0.62	219,000	109,500
July	0.50	0.50 - 0.57	40,000	20,000
August	0.50	0.43 - 0.54	90,000	45,000
October	0.50	0.54 - 0.69	60,000	30,000
November	0.50	0.58 - 0.67	290,000	145,000
December	0.50	0.57 - 0.61	654,000	327,000
			<u>1,433,000</u>	<u>716,500</u>

(b) Fair value of share options granted during the year

The fair value of share options granted during the year was estimated by using Black Scholes valuation, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at grant date and the assumptions are as follows:

	Granted on May 2007
Fair value of share options at the grant date (RM):	
Weighted average share price (RM)	0.50
Weighted average exercise price (RM)	0.50
Expected volatility (%)	5.78
Expected life (years)	1.08
Risk free rate (%)	3.43
Expected dividend yield (%)	6.00

The expected life of the share options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

Notes To The Financial Statements

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31 December 2007

31. RESERVES

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Non-distributable				
Share option reserve (Note a)	14,988	-	2,328	-
Share premium	330	-	330	-
Foreign currency translation reserve (Note b)	31,746	38,894	-	-
Revaluation reserve (Note c)	1,892,893	1,999,481	1,908,782	1,908,782
	<u>1,939,957</u>	<u>2,038,375</u>	<u>1,911,440</u>	<u>1,908,782</u>
Distributable				
Retained earnings/ (Accumulated losses)	8,472,596	12,663,334	(27,200)	4,927,019
	<u>10,412,553</u>	<u>14,701,709</u>	<u>1,884,240</u>	<u>6,835,801</u>

(a) Share option reserve

The share option reserve represents the equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded on grant of share options.

(b) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

(c) Revaluation reserve

Revaluation reserve comprise the cumulative changes, net of tax effects, arising from the revaluation of freehold and leasehold land and buildings which are not distributable.

(d) Retained earnings

As at 31 December 2007, the Company had tax exempt profits available for distribution of approximately RM1,395,327 (2006: RM374,717), subject to agreement of the Inland Revenue Board.

Presently, Malaysian companies adopt the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there will be a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 of the Income Tax Act, 1967 ("Section 108") balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the Section 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007.

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31 December 2007

32. BORROWINGS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Short term borrowings				
Secured:				
Term loans	33,374	32,572	-	-
Hire purchase liabilities (Note 33)	506,443	315,925	58,450	109,935
	<u>539,817</u>	<u>348,497</u>	<u>58,450</u>	<u>109,935</u>
Unsecured:				
Bank overdrafts	1,705,845	3,143,681	566,865	464,800
Revolving credits	-	1,200,000	-	1,200,000
Bankers acceptances	1,671,733	2,071,394	350,196	800,000
Term loans	170,586	521,847	170,586	521,847
	<u>3,548,164</u>	<u>6,936,922</u>	<u>1,087,647</u>	<u>2,986,647</u>
	<u>4,087,981</u>	<u>7,285,419</u>	<u>1,146,097</u>	<u>3,096,582</u>
Long term borrowings				
Secured:				
Term loans	277,281	315,391	-	-
Hire purchase liabilities (Note 33)	822,551	388,587	68,184	26,632
	<u>1,099,832</u>	<u>703,978</u>	<u>68,184</u>	<u>26,632</u>
Unsecured:				
Term loans	-	170,304	-	170,304
	<u>1,099,832</u>	<u>874,282</u>	<u>68,184</u>	<u>196,936</u>
Total borrowings				
Bank overdrafts	1,705,845	3,143,681	566,865	464,800
Revolving credits	-	1,200,000	-	1,200,000
Bankers acceptances	1,671,733	2,071,394	350,196	800,000
Term loans	481,241	1,040,114	170,586	692,151
Hire purchase liabilities (Note 33)	1,328,994	704,512	126,634	136,567
	<u>5,187,813</u>	<u>8,159,701</u>	<u>1,214,281</u>	<u>3,293,518</u>

Notes To The Financial Statements

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31 December 2007

32. BORROWINGS (cont'd)

The range of effective interest rates during the financial year for these borrowings, excluding hire purchase payables, were as follows:

	GROUP		COMPANY	
	2007	2006	2007	2006
	%	%	%	%
Bank overdrafts	2.00 - 8.80	8.25 - 9.25	8.25	8.25
Revolving credits	5.48 - 5.58	5.00 - 5.70	5.48 - 5.58	5.00 - 5.70
Bankers acceptances	0.75 - 8.75	0.75 - 8.75	0.75 - 1.50	0.75 - 1.50
Term loans	6.96	7.58	8.25	8.25

The maturity periods for these borrowings, excluding hire purchase payables, were as follows:

	GROUP		COMPANY	
	2007	2006	2007	2006
Bank overdrafts	On demand	On demand	On demand	On demand
Revolving credits	-	On demand	-	On demand
Bankers acceptances	On demand	On demand	On demand	On demand
Term loans				
- secured	2008 - 2015	2008 - 2015	-	-
- unsecured	2008	2008	2008	2008

Term loans

The secured term loan of the Group is pledged against a freehold land and building of a subsidiary at carrying amount of RM549,473 (2006: RM573,895) as disclosed in Note 14.

The unsecured term loan of the Company is in relation to the outstanding sum of corporate guarantee provided to financial institutions for banking facilities granted to its former subsidiary (now associate) due to payment default by the former subsidiary.

Notes To The Financial Statements

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33. HIRE PURCHASE LIABILITIES

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Future minimum lease payments:				
Not later than 1 year	575,833	356,407	62,592	113,971
Later than 1 year and not later than 2 years	451,610	246,545	35,760	26,633
Later than 2 year and not later than 5 years	431,298	169,279	35,740	-
Total minimum future lease payments	1,458,741	772,231	134,092	140,604
Less: Future finance charges	(129,747)	(67,719)	(7,458)	(4,037)
Present value of finance lease liabilities	1,328,994	704,512	126,634	136,567
Analysis of present value of finance lease liabilities:				
Not later than 1 year	506,443	315,925	58,450	109,935
Later than 1 year and not later than 2 years	412,350	226,544	33,315	26,632
Later than 2 year and not later than 5 years	410,201	162,043	34,869	-
	1,328,994	704,512	126,634	136,567
Less: Amount due within 12 months (Note 32)	(506,443)	(315,925)	(58,450)	(109,935)
Amount due after 12 months (Note 32)	822,551	388,587	68,184	26,632

The hire purchase liabilities of the Group and the Company bear effective interest rate range from 4.60 % to 14.90 % (2006: 6.23% to 13.57%) and 4.61% to 4.66 % (2006: 4.61% to 4.66%) per annum respectively.

34. DEFERRED TAXATION

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
At 1 January	1,038,508	1,102,179	226,000	218,000
Recognised in income statement	23,131	(63,671)	115,545	8,000
Recognised in equity	(73,080)	-	-	-
At 31 December	988,559	1,038,508	341,545	226,000
Presented after appropriate offsetting as follows:				
Deferred tax assets	-	(102,000)	-	-
Deferred tax liabilities	988,559	1,140,508	341,545	226,000
	988,559	1,038,508	341,545	226,000

Notes To The Financial Statements

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31 December 2007

34. DEFERRED TAXATION (cont'd)

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

Deferred Tax Liabilities of the Group:

	Accelerated capital allowances RM	Revaluation surplus of land and buildings RM	Others RM	Total RM
At 1 January 2007	467,502	652,658	20,348	1,140,508
Recognised in income statement	367,999	(333,978)	(20,348)	13,673
Recognised in equity	-	(73,080)	-	(73,080)
At 31 December 2007	835,501	245,600	-	1,081,101
At 1 January 2006	280,577	741,832	147,770	1,170,179
Recognised in income statement	186,925	(89,174)	(127,422)	(29,671)
At 31 December 2006	467,502	652,658	20,348	1,140,508

Deferred Tax Assets of the Group:

	Unused tax losses and unabsorbed capital allowances RM	Provisions RM	Total RM
At 1 January 2007	(102,000)	-	(102,000)
Recognised in income statement	30,107	(20,649)	9,458
At 31 December 2007	(71,893)	(20,649)	(92,542)
At 1 January 2006	(68,000)	-	(68,000)
Recognised in income statement	(34,000)	-	(34,000)
At 31 December 2006	(102,000)	-	(102,000)

Deferred Tax Liabilities of the Company:

	Accelerated capital allowances RM	Revaluation surplus of land and buildings RM	Others RM	Total RM
At 1 January 2007	42,000	184,000	-	226,000
Recognised in income statement	278,866	(163,321)	-	115,545
At 31 December 2007	320,866	20,679	-	341,545
At 1 January 2006	155,421	194,809	(132,230)	218,000
Recognised in income statement	(113,421)	(10,809)	132,230	8,000
At 31 December 2006	42,000	184,000	-	226,000

Notes To The Financial Statements

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31 December 2007

34. DEFERRED TAXATION (cont'd)

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	10,015,065	8,717,714	-	-
Unabsorbed capital allowance	1,981,926	2,518,880	-	-
Other temporary differences	129,856	-	-	-
	<u>12,126,847</u>	<u>11,236,594</u>	<u>-</u>	<u>-</u>

The unutilised tax losses and unabsorbed capital allowances of the Group are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority. Deferred tax assets have not been recognised in respect of these items as it is not probable that taxable profit of subsidiaries will be available against which unused tax losses or deductible temporary differences can be utilised.

35. PROVISIONS

	GROUP/COMPANY	
	2007 RM	2006 RM
Maintenance warranties		
At 1 January	-	-
Provision made during the year	46,969	-
At 31 December	<u>46,969</u>	<u>-</u>

Maintenance warranties

The Company gives an average one (1) year warranty on certain products and undertakes to repair or replace items that fail to perform satisfactorily due to manufacturing defect. A provision is recognised for expected warranty claims on products sold during the year, based on past experience of the level of repairs. Assumptions used to calculate the provision for warranties were based on current sales levels and current data on repair and replacement costs on past one year warranty period for all products sold.

36. TRADE PAYABLES

The normal trade credit terms granted to the Group and the Company range from 60 to 90 (2006: 60 to 90) days.

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31 December 2007

37. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Accruals (Note (a))	5,496,058	4,120,634	4,540,041	3,408,063
Accrued project cost	-	1,732,186	-	1,732,186
Other payables	4,429,045	837,167	3,107,446	11,475
	<u>9,925,103</u>	<u>6,689,987</u>	<u>7,647,487</u>	<u>5,151,724</u>

Note (a) - Included in accruals is an accrual for termination benefit of RM600,000 (2006: RMNil)

38. OPERATING LEASE COMMITMENTS

Operating lease payments represent rentals payable by the Group and the Company for use of office buildings and warehouse.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the balance sheet date but not recognised as liabilities, are as follows:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Future minimum rental payments:				
Not later than 1 year	96,562	141,400	27,000	137,900
Later than 1 year and not later than 5 years	50,214	48,000	-	48,000
	<u>146,776</u>	<u>189,400</u>	<u>27,000</u>	<u>185,900</u>

39. CAPITAL COMMITMENTS

	GROUP	
	2007 RM	2006 RM
Capital expenditure		
Approved and contracted for:		
Plant and equipment	-	295,000
		<u>295,000</u>

Notes To The Financial Statements

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31 December 2007

40. CONTINGENT LIABILITIES

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Unsecured:				
Corporate guarantees given to banks for credit facilities granted to subsidiaries	-	-	4,943,616	5,685,596
Contingent liabilities arising from letter of indemnity given to third parties in respect of bankers acceptance for tender submissions	240,290	-	-	-
Potential liquidated ascertained damages chargeable by customers*	1,277,500	-	1,277,500	-
	<u>1,517,790</u>	<u>-</u>	<u>6,221,116</u>	<u>5,685,596</u>

* The potential liquidated ascertained damages is in respect of a project which was completed subsequent to year end. However, no claim has been formally made by the customer up to reporting date.

41. RELATED PARTY DISCLOSURES

In addition to information disclosed elsewhere in the financial statements, the Group and the Company have the following transactions with related parties during the year:

(a) Company

	2007 RM	2006 RM
Sales to subsidiary companies	1,121,734	351,742
Purchases from subsidiary companies	(6,228,813)	(4,539,872)
Consultancy fee paid to a Director of the company	(17,472)	-
Termination benefits payable to a Director of the company	(600,000)	-
Allowance for doubtful debts on amount due from an associate	(320,000)	-
Interest income receivable from an associate	57,600	67,226
Management fee receivable from a subsidiary company	36,000	36,000
Dividend income from a subsidiary company	1,020,000	-
Rental income from subsidiary companies	<u>182,400</u>	<u>218,400</u>

Information regarding outstanding balances arising from related party transactions as at 31 December 2007 are disclosed in Note 18 and 27.

Notes To The Financial Statements

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41. RELATED PARTY DISCLOSURES (cont'd)

(b) Other related party/corporation

	2007 RM	2006 RM
Rental payable to a company in which certain directors of the Company are controlling shareholders	-	120,000

(c) Remuneration package of key management personnel

The remuneration package of the Directors and other member of key management personnel during the year are as follows:-

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Short-term employees benefits	4,918,257	4,528,971	2,453,233	2,507,574
Defined contribution plan	448,204	420,951	192,912	201,626
Estimated benefits-in-kind	51,950	51,950	51,950	51,950
	<u>5,418,411</u>	<u>5,001,872</u>	<u>2,698,095</u>	<u>2,761,150</u>

Executive directors of the Group and the Company and other members of key management have been granted the following number of options under the Employee Share Option Scheme:

	GROUP		COMPANY	
	2007 Unit	2006 Unit	2007 Unit	2006 Unit
At 1 January	2,548,000	3,262,000	1,762,000	2,476,000
Granted	25,000	-	-	-
Forfeited	(20,000)	(714,000)	-	(714,000)
At 31 December	<u>2,553,000</u>	<u>2,548,000</u>	<u>1,762,000</u>	<u>1,762,000</u>

The share options were granted on the same terms and conditions as those offered to other employees of the Group (Note 30).

Included in the total key management personnel are :

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Directors' remuneration	<u>2,445,186</u>	<u>2,181,251</u>	<u>1,452,638</u>	<u>1,341,321</u>

Notes To The Financial Statements

(cont'd)

31 December 2007

42. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policies were established to ensure the adequacy of financial resources for business development and in managing its credit, liquidity, cash flow and currency risks. Capital resources of the Group are managed and allocated centrally to ensure that all business units with the Group maintains sufficient and prudent level of capital and liquidity at all times. The Group operates within clearly defined guidelines that are approved by the Board of Directors.

The Group's policies in respect of the major areas of financial risk activities are set out as follows:

(i) Credit Risk

Credit risk is the risk of default by clients and counterparties. Cash deposits and trade receivables may give rise to credit risk which requires the loss to be recognised if a counterparty fails to perform as contracted. It is the Group's policy to monitor the financial standing of these counterparties on an on-going basis to ensure that the Group's exposure to credit risk is minimal.

The Group manages its credit risk by controlling the application of credit approvals, limits and other monitoring procedures on receivables.

The Group and the Company have no significant concentration of credit risk except that as at balance sheet date, the majority of their fixed deposits and short term placements are placed with major licensed financial institutions in Malaysia and the Group has concentration of credit risk in the form of outstanding balances due from nine (2006: ten) debtors representing 38% (2006: 27%) of total trade receivables.

(ii) Liquidity Risk

Liquidity risk, also referred to as funding risk, is the risk of the Group in raising adequate funds to meet its commitments associated with financial instruments.

The Group manages the funding needs and allocates funds in such manner that all business units maintains optimum levels of liquidity sufficient in meeting their operating requirements. Furthermore, financial commitments are closely monitored to ensure that the Group is able to meet its obligations as and when they fall due and that refinancing needs are met.

(iii) Foreign Currency Risk

Currency risk is the risk of fluctuation in the value of a financial instrument due to changes in foreign exchange rates. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to United States Dollar, Swiss Francs, Japanese Yen, Euro Dollar, Singapore Dollar, Thai Baht, Chinese Renminbi and Indian Rupee. Currency risks relating to operating activities in the ordinary course of business of the Group are minimal as the Group's activities are mostly transacted in Ringgit Malaysia. These currency risks are generally not hedged, such risk may be naturally hedged through planned course of business and by matching income and expenditure to minimise currency exchange fluctuation.

Notes To The Financial Statements

(cont'd)

31 December 2007

42. FINANCIAL INSTRUMENTS (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

(iii) Foreign Currency Risk (cont'd)

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

	Net Financial Assets/(Liabilities) Held in Non-Functional Currencies										Total RM			
	Ringgit Malaysia		Singapore Dollar		United States Dollar		Australian Dollar	Japanese Yen	Sterling Pound	Swiss Francs		Canadian Dollar	Euro Dollar	Thai Baht
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM		RM	RM	
Functional Currency of Group Companies														
At 31 December 2007														
Ringgit Malaysia	-	(586,218)	(2,796,875)	6,408	(613,325)	(43,157)	(33,256)	4,299	(37,165)	7,850,049	3,750,760			
Singapore Dollar	(210,587)	-	86,505	-	-	-	-	-	-	-	(124,082)			
Vietnam Dong	-	-	52,301	-	-	-	-	-	-	-	52,301			
	<u>(210,587)</u>	<u>(586,218)</u>	<u>(2,658,069)</u>	<u>6,408</u>	<u>(613,325)</u>	<u>(43,157)</u>	<u>(33,256)</u>	<u>4,299</u>	<u>(37,165)</u>	<u>7,850,049</u>	<u>3,678,979</u>			
At 31 December 2006														
Ringgit Malaysia	-	(188,643)	(2,048,967)	30	(63,417)	(83,040)	(66,039)	-	(80,477)	6,204,730	3,674,177			
Singapore Dollar	(210,583)	-	98,458	-	-	-	-	-	-	-	(112,125)			
	<u>(210,583)</u>	<u>(188,643)</u>	<u>(1,950,509)</u>	<u>30</u>	<u>(63,417)</u>	<u>(83,040)</u>	<u>(66,039)</u>	<u>-</u>	<u>(80,477)</u>	<u>6,204,730</u>	<u>3,562,052</u>			

(iv) Cash flow and interest rate risk

Cash flow risk is the risk fluctuation in the amounts of future cash flows associated with a monetary financial instrument. Cash flow forecasts are prepared incorporating all major transactions. Any temporary excess funds, as and when available, from operating cash cycles, are invested in short term placements and fixed deposits with a wide array of licensed financial institutions at the most competitive interest rates obtainable.

The Group's and the Company's cash flow and interest rate risks are in respect of the floating interest rate borrowings.

Notes To The Financial Statements

(cont'd)

31 December 2007

42. FINANCIAL INSTRUMENTS (cont'd)

(b) Fair Values

In addition to information disclosed elsewhere in the financial statements, the carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximated their fair values except for the following:

	Note	GROUP		COMPANY	
		Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
At 31 December 2007					
Financial Assets:					
Due from an associate	18(b)	73,826	*	73,826	*
Due from subsidiaries					
- non current	27	-	-	3,507,786	*
- current	27	-	-	377,906	*
Financial Liabilities:					
Term loans	32	481,241	550,252	170,586	202,707
Hire purchase liabilities	33	1,328,994	1,750,118	126,634	125,900
At 31 December 2006					
Financial Assets:					
Due from an associate	18(b)	368,563	*	368,563	*
Due from subsidiaries					
- non current	27	-	-	5,771,776	*
- current	27	-	-	703,940	*
Financial Liabilities:					
Term loans	32	1,040,114	1,189,268	692,151	822,482
Hire purchase liabilities	33	704,512	681,725	136,567	134,539

* It is not practical to estimate the fair value of loan from an associate and amounts from subsidiary companies due principally to the inability to estimate the settlement date without incurring excessive costs as these amounts lack a fixed repayment term. However, the Company does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would be eventually settled.

The following methods and assumptions used by management to determine fair values of the following classes of financial instruments:

(i) Cash and cash equivalents, receivables/payables and short term borrowings

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

The discounted amounts are not material.

Notes To The Financial Statements

(cont'd)

31 December 2007

43. SEGMENT INFORMATION - GROUP

(a) Reporting Format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically.

(b) Primary reporting format - business segments

The Group comprises the following main business segments:

- | | | |
|---|---|---|
| Telecommunication | - | Supply and service of telecommunication equipment, audio visual multimedia systems, intelligent transportation system and major system integration projects involving Information Communication Technology. |
| Security systems, mechanical and electrical engineering ("M&E") | - | Supply and installation of security systems. Specialist in fire protection system design and installation works and mechanical engineering services. Industrial maintenance and service works. Trading of transport equipment and provision of related services. Manufacturing of filter inclusive of import and marketing. |
| Electronics products | - | Design, manufacturing and installation of electronics and microprocessor controlled products. Renting of electronic board. Trading, maintenance and supply of industrial electronic equipment. |
| Fabrication and manufacturing | - | Involving in precision sheet metal fabrications works and manufacturing of precision fabrication. |
| Other Operations | - | <u>Advertising</u>
Advertising agency providing services in all areas of commercial advertising. Media advertising with a special focus on electronic media. |
| | - | <u>Automation</u>
Provide consultation project management and system integration services in industrial automation. Design, manufacture and distribution of power electronics products. |

(c) Secondary reporting format - geographical segments

The Group operates in four principal geographical areas based on location of assets:

- | | | |
|-----------|---|--|
| Malaysia | - | all main businesses disclose in primary reporting format-business segments (Note 43(b)) |
| Singapore | - | trading, maintenance and supply of industrial electronic equipment |
| China | - | inactive |
| Vietnam | - | supply, construction and maintenance of specialised mechanical and electrical equipment and electronic display, engineering service provider for these equipment together with fire protection and air-conditioning / ventilation equipment. |

Notes To The Financial Statements

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31 December 2007

43. SEGMENT INFORMATION - GROUP (cont'd)

(d) Allocation basis and transfer pricing

Segment revenue, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Unallocated income mainly comprise interest income from short term deposits, dividend from other investments and gain on disposal of marketable securities and derivatives derived by the Group's non-core business. Segment assets consist primarily of long term and current assets and mainly exclude short term investment in shares of the Group's non-core business and tax recoverable. Segment liabilities comprise operating liabilities and exclude current tax payable and borrowings.

Inter-segment sales comprise revenue from projects and trading, office rental and secretarial and management fees. The inter-segment transactions have been entered into in the ordinary course of business at terms mutually agreed between the companies concerned and are not less favourable than those arranged with independent third parties.

Notes To The Financial Statements

(cont'd)

31 December 2007

43. SEGMENT INFORMATION - GROUP (cont'd)

2007

Primary reporting format - business segments

	Telecom- munication RM'000	Security systems & M&E RM'000	Electronics products RM'000	Fabrication and manu- facturing RM'000	Other operations RM'000	Elimination RM'000	Consolidated RM'000
Revenue							
Revenue from							
external customers	31,876	25,930	26,822	8,357	1,582	-	94,567
Inter-segment revenue	39	815	1,190	5,749	910	(8,703)	-
Total revenue	31,915	26,745	28,012	14,106	2,492	(8,703)	94,567
Results							
Segment results	9,092	2,701	(7,856)	(3,030)	(367)	-	540
Add : Unallocated income							-
Operating profit							540
Add: Investing results	-	(533)	1,307	-	-	(1,020)	(246)
Less : Finance costs							(697)
Profit before tax							(403)
Income tax expense							(1,187)
Loss for the year							(1,590)
Attributable to :							
Equity holders of the Company							(2,499)
Minority Interests							909
							(1,590)
Other information							
Segment assets	8,778	22,474	55,986	14,587	2,448	(7,161)	97,112
Segment liabilities	(15,051)	(6,835)	(4,007)	(14,813)	(6,009)	12,886	(33,829)
Capital expenditure	48	632	279	1,108	18	-	2,085
Allowance for doubtful debts	29	468	4,912	583	161	(4,769)	1,384
Allowance for doubtful debts written back	(345)	(73)	(57)	-	(18)	-	(493)
Write down of inventories	23	100	498	265	103	-	989
Bad debts written off	343	182	69	24	63	-	681
Depreciation and amortisation	152	485	684	681	24	-	2,026
Impairment loss on transferable membership in golf clubs	28	44	63	-	-	-	135
Impairment loss on investment properties	-	653	-	-	-	-	653
Inventories written off	-	-	62	-	-	-	62
Property, plant and equipment written off	11	1	-	2	-	-	14
Net unrealised foreign exchange gain	-	(6)	(21)	(68)	16	21	(58)

Notes To The Financial Statements

(cont'd)

31 December 2007

43. SEGMENT INFORMATION - GROUP (cont'd)

2007

Secondary reporting format - geographical segments

	Malaysia RM'000	Singapore RM'000	China RM'000	Vietnam RM'000	Elimination RM'000	Consolidated RM'000
Revenue						
Revenue from external customers	93,790	777	-	-	-	94,567
Other information						
Segment assets	102,821	650	674	128	(7,161)	97,112
Capital expenditure	2,071	6	-	8	-	2,085

Notes To The Financial Statements

(cont'd)

31 December 2007

43. SEGMENT INFORMATION - GROUP (cont'd)

2006

Primary reporting format - business segments

	Telecom- munication RM'000	Security systems & M&E RM'000	Electronics products RM'000	Fabrication and manu- facturing RM'000	Other operations RM'000	Elimination RM'000	Consolidated RM'000
Revenue							
Revenue from							
external customers	25,972	15,219	25,589	10,889	2,725	-	80,394
Inter-segment revenue	64	724	585	3,539	1,031	(5,943)	-
Total revenue	26,036	15,943	26,174	14,428	3,756	(5,943)	80,394
Results							
Segment results	2,033	(2,076)	2,023	970	(6)	-	2,944
Add : Unallocated income							-
Operating profit							2,944
Add: Investing results	-	186	310	-	-	-	496
Less : Finance costs							(980)
Profit before tax							2,460
Income tax expense							(1,276)
Profit for the year							1,184
Attributable to :							
Equity holders of the Company							1,875
Minority Interests							(691)
							1,184
Other information							
Segment assets	21,149	22,954	59,217	11,841	1,996	-	117,157
Segment liabilities	(26,573)	(7,090)	(9,398)	(5,797)	(1,265)	-	(50,123)
Capital expenditure	42	364	43	70	32	-	551
Allowance for doubtful debts	-	90	327	146	103	-	666
Allowance for doubtful debts written back	-	(44)	-	-	(11)	-	(55)
Write down of inventories	14	20	694	-	5	-	733
Bad debts written off	-	1,214	26	-	11	-	1,251
Depreciation and amortisation Property, plant and equipment written off	232	1,165	302	677	25	-	2,401
	92	-	5	-	-	-	97

Notes To The Financial Statements

(cont'd)

31 December 2007

43. SEGMENT INFORMATION - GROUP (cont'd)

2006

Secondary reporting format - geographical segments

	Malaysia RM'000	Singapore RM'000	China RM'000	Vietnam RM'000	Elimination RM'000	Consolidated RM'000
Revenue						
Revenue from external customers	79,638	796	-	-	(40)	80,394
Other information						
Segment assets	115,813	631	713	-	-	117,157
Capital expenditure	547	4	-	-	-	551

Notes To The Financial Statements

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31 December 2007

44. SUBSIDIARIES AND ASSOCIATES

(a) Subsidiaries

Details of subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Equity Interest		Principal Activities
		2007 %	2006 %	
Held by the Company:				
ScreenRental Sdn. Bhd.	Malaysia	100	100	Renting of electronic board
Industronics Multimedia Sdn. Bhd.	Malaysia	100	100	Information technology and electronics appliances
# Industronics Automation Sdn. Bhd.	Malaysia	100	100	Provide consultation project management and system integration services in industrial automation
# ~ Industronics Manufacturing Sdn. Bhd.	Malaysia	100	100	Assembly, installation and maintenance of hightech electronics appliances and communication
# TTE Electronics Sdn. Bhd.	Malaysia	100	100	Assembly of electronics device and contract manufacturing
Olympex Sdn. Bhd.	Malaysia	100	100	Design, manufacture and distribution of power electronics products
* Industronics (Guangzhou) Co. Ltd.	People's Republic of China	100	100	Inactive
# Ademco (Malaysia) Sdn. Bhd.	Malaysia	95	95	Supply and installation of security systems
* Industrial Electronics (S) Pte. Ltd.	Singapore	70	70	Trading, maintenance and supply of industrial electronic equipment
# Primeworth (M) Sdn. Bhd.	Malaysia	69.2	69.2	Involving in precision sheet metal fabrications works
Asian Advertising (M) Sdn. Bhd.	Malaysia	55	55	Advertising agency providing services in all areas of commercial advertising
Dasar Spektrum (M) Sdn. Bhd.	Malaysia	55	55	Media advertising with a special focus on electronic media
# Sukitronics Sdn. Bhd.	Malaysia	51	51	Specialist in fire protection system design and installation works and mechanical engineering services
^ * Industronics Corporation Ltd.	Vietnam	100	-	Supply, assembly and maintenance of electronics displays, mechanical & electrical equipment

Notes To The Financial Statements

(cont'd)

31 December 2007

44. SUBSIDIARIES AND ASSOCIATES (cont'd)

(a) Subsidiaries (cont'd)

Name of Subsidiaries	Country of Incorporation	Equity Interest		Principal Activities
		2007 %	2006 %	
Held through Sukitronics Sdn. Bhd.				
Sukitronics PMC Sdn. Bhd. (formerly known as Sukitronics (Penang) Sdn. Bhd.)	Malaysia	100	100	Mechanical engineering and contracting in fire fighting system
# SKT Innova Sdn. Bhd. (formerly known as Filtertech Sdn. Bhd.)	Malaysia	100	100	Manufacturing of filter inclusive of import and marketing
# Advance Power Trade Sdn. Bhd.	Malaysia	81	81	Industrial maintenance and service works
@ Accumax Technology Sdn. Bhd.	Malaysia	40	40	Engineering contracting work
^ * Sukitronics Corporation Ltd.	Vietnam	100	-	Providing engineering services on fire protection, air-conditioning and ventilation, mechanical and electrical/ electronics equipment
Held through Primeworth (M) Sdn. Bhd.				
# PW Precision Sdn. Bhd.	Malaysia	100	100	Manufacturing of precision fabrication

The auditors' reports on the financial statements of these subsidiaries were qualified on the basis that the Messrs. Ernst & Young, the current year's auditors, did not observe the counting of the physical inventories as of 31 December 2006 so as to satisfy themselves as to the quantities, ownerships and conditions of those inventories, since that date was prior to their initial engagement as auditors for these subsidiaries.

~ The auditors' report on the financial statements of this subsidiary was qualified also on the basis that due to the records of the subsidiary, Messrs. Ernst & Young is not able to carry out adequate appropriate audit procedures so as to satisfy themselves as to the appropriateness of the adjustments with regards the unidentified differences between the subsidiary's carrying value of inventories based on physical inventory count and that as recorded in its books as at 31 December 2007.

* Subsidiary companies audited by firms of chartered accountants other than Messrs. Ernst & Young.

@ Pursuant to Shareholders Agreement dated 27 March 2002 entered into between Sukitronics Sdn. Bhd. ("SSB") and Abdul Kudus bin Mohd Yunus and Nordin bin Sarip for granting the control of the composition of the Board of Directors of Accumax Technology Sdn. Bhd. ("ATSB") to SSB. Hence, ATSB is deemed to be a subsidiary company of SBB pursuant to Section 5(1) of Companies Act, 1965.

^ Subsidiaries incorporated during the financial year.

Notes To The Financial Statements

(cont'd)

31 December 2007

44. SUBSIDIARIES AND ASSOCIATES (cont'd)

(b) Associates

Details of associates are as follows:

Name of Associates	Country of Incorporation	Equity Interest		Principal Activities
		2007 %	2006 %	
Held by the Company:				
# Floramerge Sdn. Bhd.	Malaysia	40	40	Inactive
# PDX Computers Sdn. Bhd.	Malaysia	23	23	Winding up
PDX.com Sdn. Bhd.	Malaysia	24	24	Providing information technologies and electronics appliances

The cost of investment in these associated companies had been fully written off to the income statement in prior years.

45. MATERIAL LITIGATIONS

Other than as disclosed below, the Group and the Company are not involved, either as plaintiff or defendant, in any other material litigations. In this aspect, the Directors are not aware of any other proceedings pending and against the Group and the Company or any events likely to give rise to a litigation which might materially or adversely affect the financial position and business operations of the Group and the Company

(a) Claim by Sukitronics PMC Sdn. Bhd. (formerly known as Sukitronics (Penang) Sdn. Bhd.) against Mustajab Indah Sdn. Bhd.

On 25 June 2001, Sukitronics PMC Sdn. Bhd. (formerly known as Sukitronics (Penang) Sdn. Bhd.) ("Sukitronics PMC") claimed against Mustajab Indah Sdn Bhd ("Mustajab") for an amount of RM2,083,695.35 on account of work done, loss of profit, interest and finance charges arising from Mustajab's breach of an agreement dated 29 October 1998 between the parties thereof. Sukitronics PMC pursued the claim under arbitration with the President of Persatuan Arkitek Malaysia. On 8 March 2005, the Arbitrator awarded that Mustajab shall pay to Sukitronics PMC approximately RM1,460,666.58 being the balance of progress claims unpaid, the loss and expense, storage charges, loss of profits and interests on outstanding amount; and Mustajab shall also bear the costs of award and Sukitronics PMC's costs of reference.

The solicitors of Sukitronics PMC have filed an Originating Summon to register the Arbitrator's Award as Saman Pemula in the High Court of Kuala Lumpur. The matter which was fixed for hearing on 3 March 2006 and postponed to 7 March 2007 and then to 24 September 2007, has been adjourned to 20 November 2007. On 20 November 2007, Sukitronics PMC obtained the court judgement to enforce the award. As Mustajab does not appear to be active, the only option would be to wind up Mustajab if this has not yet been done.

Notes To The Financial Statements

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31 December 2007

46. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 2 March 2007, the Company obtained the Certificate of Investment issued by the Hanoi People's Committee of the Socialist Republic of Vietnam, to set up a 100% owned subsidiary company in Vietnam, named Industronics Corporation Ltd., to pursue future opportunities in the fields of public information display systems, fire-alarm panels, telemetry and telecommunications. The initial registered capital is USD60,000, equivalent to approximately RM210,900.
- (b) On 14 June 2007, Sukitronics Sdn. Bhd., a subsidiary of the Company, entered into agreements with Messrs. Yeap Woon Heng and Kong Wai Hoong, offering the share incentive scheme of 10% equity interest participation in Filtertech Sdn. Bhd., a wholly-owned subsidiary of Sukitronics Sdn. Bhd., on terms and conditions as stipulated in the said agreements.
- (c) On 4 July 2007, Sukitronics Sdn. Bhd., a subsidiary of the Company, entered into a Sale and Purchase agreement with Messrs. Liptaz Enterprise Sdn. Bhd. to dispose off a 3-storey shop office building located at No. 231, Jalan Jelutong, 11600 Georgetown, Penang, for a sale consideration of RM830,000.

47. SUBSEQUENT EVENTS

- (a) On 26 February 2008, the Board approved the deregistration of Industronics (Guangzhou) Co. Ltd, a wholly-owned subsidiary.
- (b) On 6 March 2008, Sukitronics (Penang) Sdn. Bhd., a wholly-owned subsidiary of Sukitronics Sdn. Bhd., has changed its name to Sukitronics PMC Sdn. Bhd.
- (c) During the period from 1 January 2008 to 20 March 2008, the Company allotted 2,877,000 ordinary shares of RM0.50 each fully paid up in the capital of the Company at the option price of RM0.50 per share under the Industronics Berhad Employee Share Option Scheme, and that following the said allotment, the total issued and paid up capital of the Company increased to RM47,631,500 comprising 95,263,000 ordinary shares of RM0.50 each.
- (d) On 9 May 2008, Filtertech Sdn. Bhd., a wholly-owned subsidiary of Sukitronics Sdn. Bhd., has changed its name to SKT Innova Sdn. Bhd.

48. COMPARATIVES

The financial statements of the Group and of the Company for the year ended 31 December 2006 were audited by another firm of auditors who have rendered an unmodified opinion on those financial statements in their report dated 28 April 2007.

Additional Compliance Information

Options, Warrants or Convertible Securities

During the financial year, the Company granted 996,000 units option to eligible employees of the Group under the Industronics Berhad Employee Share option Scheme.

American Depository Receipt (ADR) or Global Depository Receipt (GDR)

The Company did not sponsor any ADR or GDR programme for the financial year ended 31 December 2007.

Imposition of Sanction and/or Penalties

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

Non-Audit Fees

There were no non-audit fees paid by the Company to external auditors for the financial year ended 31 December 2007.

Variation in Results

Details and reconciliation on the variance of RM 891,000 between the consolidated profit after tax for the financial year ended 31 December 2007 as stated in the announced unaudited Quarterly Report for the fourth quarter ended 31 December 2007 and the audited financial statements for the year ended 31 December 2007 are as follows:

	RM '000
Loss After Tax and Minority Interest as stated in the announced Unaudited 4th Quarterly Report	(1,608)
Add / (Less):	
Additional Allowance for Doubtful Debts	(680)
Additional Writedown of Inventories	(203)
Impairment of Investment Properties	(333)
Reversal of Taxation	213
Additional Unrealised Foreign Exchange Gains Recognised	68
Others	44
Audited Loss After Tax and Minority Interest	<u>(2,499)</u>

Profit Guarantee

There was no profit guarantee given by the Company during the financial year ended 31 December 2007.

Material Contract

There were no material contracts entered into by the Company and its subsidiary companies involving Directors' and major shareholders' interests which were still subsisting as at the end of the financial year ended 31 December 2007 or if not then subsisting, entered into since the end of the previous financial year.

Additional Compliance Information

(cont'd)

Revaluation of Policy Landed Properties

The revaluation policy on landed properties is as disclosed in the Financial Statements under Note 2.2 (d) on page 57 of the Annual Report.

Share Buy Back

During the financial year ended 31 December 2007, the shares bought back and retained as treasury shares are set out as below:

Month	No. of Shares bought back	Consideration Paid* RM	Highest Price RM	Lowest Price RM	Average Price* RM
2007					
January	-	-	-	-	-
February	10,400	4,825.86	0.465	0.460	0.464

No shares were bought back during the months from March to December 2007.

Total number of shares bought back and held as treasury shares as at 31 December 2007 is 1,131,000 shares.

** including brokerage, commission, clearing house fee and stamp duty.*

List Of Properties

as at 31 December 2007

Location	Tenure	Description of Property (approximate land area)	Existing use	Age of Building	Value RM	Date of Revaluation / Acquisition
COMPANY						
9 Jalan Taming 3 Taman Tanming Jaya 43300 Seri Kembangan Selangor D.E.	Freehold	Industrial land and building (14,876 sq ft)	Factory, office and warehouse	17 years	2,642,500	March 2005
6 Jalan Perusahaan Utama Taman Perindustrian Selesa Jaya 43300 Seri Kembangan Selangor D.E.	Freehold	Industrial land and building (38,430 sq ft)	Factory, office and warehouse	10 years	4,390,000	March 2005
39 Jalan Sungai Besi Indah 1/21 Taman Sungai Besi Indah 43300 Seri Kembangan Selangor D.E.	Leasehold (99 years) Expire in 2091	Shop office (143 sq m.)	General Office	7 years	854,268	March 2005
41 Jalan Sungai Besi Indah 1/21 Taman Sungai Besi Indah 43300 Seri Kembangan Selangor D.E.	Leasehold (99 years) Expire in 2091	Shop office (143 sq m.)	General Office	7 years	839,707	March 2005
HS (D) 159898 No. PT 1693, Pekan Panchor Daerah Seremban Negeri Sembilan	Leasehold (99 years) Expire in 2103	Industrial land (1,552 sq. m.)	Vacant land	N/A	229,659	December 2006

List Of Properties

(cont'd)

as at 31 December 2007

Location	Tenure	Description of Property (approximate land area)	Existing use	Age of Building	Value RM	Date of Revaluation / Acquisition
SUBSIDIARY COMPANIES						
No. 8, Jalan 5/5 Taman Perindustrian Selesa Jaya 43300 Seri Kembangan Selangor D.E	Freehold	Industrial land and building (4,000 sq ft)	Factory and office	12 years	549,474	March 2005
No. 60, Jalan Manis 3 Taman Segar, Cheras 56100 Kuala Lumpur	Leasehold (99 years) Expire in 2077	Shop office (1,539 sq ft.)	General Office	30 years	656,388	March 2005
No. 20, Jalan Pendidik U1/31 Seksyen U1 Hicom Glenmarie Industrial Park 40150 Shah Alam Selangor D.E.	Freehold	Industrial land and building (9,750 sq ft)	Factory and office	10 years	2,149,381	March 2005
No. 22, Jalan Pendidik U1/31 Seksyen U1 Hicom Glenmarie Industrial Park 40150 Shah Alam Selangor D.E.	Freehold	Industrial land and building (3,900 sq ft)	Office and warehouse	10 years	864,151	March 2005
# GF53, Jalan Persiaran Tun Sri Lanang, Daerah Sentral 80000 Johor Bahru Johor D.T.	Leasehold (99 years) Expire in 2095	Shoplot (475 sq ft)	Retail outlet	7 years	400,000	March 2005
# GF53A, Jalan Persiaran Tun Sri Lanang, Daerah Sentral 80000 Johor Bahru Johor D.T.	Leasehold (99 years) Expire in 2095	Shoplot (475 sq ft)	Retail outlet	7 years	400,000	March 2005
No 6A-13-2A, Kondominium BBK Persiaran Bukit Raja 41150 Klang Selangor D.E.	Leasehold (99 years) Expire in 2093	Condominium (1,605 sq ft)	Vacant	6 years	230,000	November 2005

Analysis of Shareholdings

as at 21 May 2008

Authorised Capital	:	RM100,000,000
Issued and Paid up Capital	:	RM47,631,500
Class of shares	:	Ordinary Shares of RM 0.50 each
Voting Rights	:	One Vote per Share

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings (Number of Ordinary Shares)	Number of Shareholders	% of Shareholders	Total Shareholdings [^]	% of Shareholdings
Less than 100	3	0.16	130	0.00
100 - 1,000	113	6.21	53,216	0.06
1,001 - 10,000	1,277	70.16	6,229,950	6.54
10,001 - 100,000	354	19.45	10,295,100	10.81
100,001 to less than 5% of issued shares	70	3.85	40,899,004	42.92
5% and above of issued shares	3	0.16	37,795,600	39.68
Total:	1,820	100.00	95,263,000	100.00

Note:

[^] Inclusive the total number of shares bought back of 1,131,000 units that held as Treasury Shares as at 21 May 2008.

DIRECTORS' INTERESTS

Ordinary Shares	Direct Interest		Deemed Interest	
	No. of Shares	% [^]	No. of Shares	% [^]
Tengku Dato' Shamsul Bahrin	50,000	0.05	-	-
Dr. Lim Jit Chow	19,550,000 ¹	20.77	2,340,000 ²	2.49
Gan Boon Chuan	332,500	0.35	-	-
Dr. Junid bin Abu Saham	-	-	-	-
Ooi Soon Kiam	-	-	-	-
Lim Hsiu Hoon	700,000	0.74	-	-
Pawan Kumar Ruia	-	-	27,175,100 ³	28.87
Deepak Kumar Ruia	-	-	-	-
Sanjay Kumar Garodia	-	-	-	-
Lim Jit Fu (<i>alternate to Lim Hsiu Hoon</i>)	353,400	0.38	-	-

Notes:

[^] Taking into account shares bought back held as Treasury Shares as at 21 May 2008.

1. Shares are held in own name and nominee accounts.

2. Deemed to have interest by virtue of Section 6A(4) of the Companies Act, 1965, via spouse and children.

3. Deemed to have interest by virtue of Section 6A(4) of the Companies Act, 1965, via Bloom Billions Sdn Bhd.

Analysis of Shareholdings

(cond't)

as at 21 May 2008

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Direct Interest		Deemed Interest	
	No. of Shares	% ^	No. of Shares	% ^
Bloom Billions Sdn Bhd	27,175,100	28.87	-	-
Zipco Industrial Finance Pvt. Ltd	-	-	27,175,100 ²	28.87
Indo Wagon Engineering Limited	-	-	27,175,100 ²	28.87
Raghav Industries Limited	-	-	27,175,100 ²	28.87
Suryamani Financing Company Limited	-	-	27,175,100 ²	28.87
Pawan Kumar Ruia	-	-	27,175,100 ²	28.87
Dr. Lim Jit Chow	19,550,000 ¹	20.77	2,340,000 ³	2.49

Notes:

[^] Taking into account shares bought back that held as Treasury Shares as at 21 May 2008.

1. Shares are held in own name and nominee accounts.

2. Deemed to have interest by virtue of Section 6A(4) of the Companies Act, 1965, via Bloom Billions Sdn Bhd.

3. Deemed to have interest by virtue of Section 6A(4) of the Companies Act, 1965, via spouse and children

THIRTY LARGEST SHAREHOLDERS

Name of Shareholder	No. of Shares	% ^
1 Mayban Nominees (Tempatan) Sdn Bhd <i>[Bloom Billions Sdn Bhd]</i>	27,175,100	28.87
2 Lim Jit Chow	10,620,500	11.28
3 Hontar Holdings Sdn. Bhd.	4,518,000	4.80
4 Amsec Nominees (Tempatan) Sdn Bhd <i>[Ambank (M) Berhad for Lim Jit Chow]</i>	3,300,000	3.51
5 RHB Capital Nominees (Tempatan) Sdn Bhd <i>[Pledged Securities Account for Lim Jit Chow]</i>	2,650,000	2.82
6 Lim Hock Guan	2,144,500	2.28
7 Tye Tek Ngo	2,118,000	2.25
8 HSBC Nominees (Tempatan) Sdn Bhd <i>[Pledged Securities Account for Lim Jit Chow]</i>	2,100,000	2.23
9 RHB Capital Nominees (Tempatan) Sdn Bhd <i>[Pledged Securities Account for Lim Hock Guan]</i>	2,000,000	2.12
10 Lim Yit Peng	1,581,000	1.68
11 Ng Gat Cheng	1,310,000	1.39
12 Lim Fung Tao	1,120,000	1.19
13 HDM Nominees (Asing) Sdn Bhd <i>[DBS Vickers Securities (S) Pte Ltd for Wealth Overseas Pte Ltd]</i>	1,018,000	1.08
14 Ho Keong Bin	793,300	0.84

Analysis of Shareholdings

(cond't)

as at 21 May 2008

THIRTY LARGEST SHAREHOLDERS (cont'd)

Name of Shareholder	No. of Shares	% ^
15 Lim Hsiu Hoon	700,000	0.74
16 Zecon Engineering Berhad	689,500	0.73
17 RHB Capital Nominees (Tempatan) Sdn Bhd <i>[Pledged Securities Account for Lim Jit Chow]</i>	640,000	0.68
18 Mahyon Bt Haji Idris	610,000	0.65
19 Geoffrey Lim Fung Keong	600,000	0.64
20 Karen Lee Yu Ley	600,000	0.64
21 Inter-Pacific Equity Nominees (Asing) Sdn Bhd <i>[Kim Eng Securities Pte Ltd for Lim Jit Teng]</i>	594,000	0.63
22 Gan Wee Peng	573,600	0.61
23 Tye Pei Pin	520,000	0.55
24 Hon Meng Heng	509,000	0.54
25 Mah Seong Huak	500,600	0.53
26 JF Apex Nominees (Tempatan) Sdn Bhd <i>[Pledged Securities Account for Hon Meng Heng]</i>	459,000	0.49
27 Mohd Tahir Bin Haji Abdul Manan	425,000	0.45
28 Lim Jit Teng @ Lim Yit Teng	363,500	0.39
29 Goh Swee Hock	361,100	0.38
30 Lim Hsiu Yen	342,000	0.36
Total	70,935,700	75.36

^ Taking into account shares bought back and held as Treasury Shares as at 21 May 2008

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Thirty Third Annual General Meeting of the shareholders of Industronics Berhad will be held at **Hang Li Po Room, Level 4, Place Beach & Spa, Jalan Dulang, Mines Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan** at **10.00 a.m. on Monday, 30 June 2008** for purpose of transacting the following businesses:-

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2007 together with the Report of the Directors and Auditors thereon. **Resolution 1**
2. To approve the payment of Directors' fees in respect of the financial year ended 31 December 2007. **Resolution 2**
3. To re-elect Dr. Junid bin Abu Saham who retires in accordance with Article 97 of the Company's Articles of Association and, being eligible, offers himself for re-election. **Resolution 3**
4. To re-elect Ms. Lim Hsiu Hoon who retires in accordance with Article 97 of the Company's Articles of Association and, being eligible, offers herself for re-election. **Resolution 4**
5. To appoint Messrs. Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**

AS SPECIAL BUSINESS

As Special Business to consider and, if thought fit, pass the following resolution :

6. **ORDINARY RESOLUTION -GENERAL AUTHORITY TO ALLOT AND ISSUE SHARES** **Resolution 6**
"THAT, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten percent (10%) of the total issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."
7. To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

By Order of the Board

LIEW LAY KIM (MAICSA 0868844)
Secretary

Seri Kembangan, Selangor D.E.
6 June 2008

Notice Of Annual General Meeting

(cont'd)

1. NOTES ON APPOINTMENT OF PROXY

- a. A member entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company. Where a member appoints two proxies the appointment shall be invalid unless he specifies the proportions of his holding to be represented by each proxy. The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 9 Jalan Taming 3, Taman Tanming Jaya, 43300 Seri Kembangan, Selangor D.E. not less than 48 hours before the time set for holding the meeting or any adjournment thereof.
- b. In the case of a corporation, the Form of Proxy must be either under its common seal or signed by a duly authorised officer or attorney.

2. EXPLANATORY NOTES ON SPECIAL BUSINESS

a. *Resolution 6*

The proposed Ordinary Resolution 6, if passed, will give the Directors of the Company, from the date of the above Annual General Meeting, authority to allot and issue ordinary shares from the unissued capital of the Company up to an amount not exceeding in total 10% of the issued capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company at a general meeting, expire at the next Annual General Meeting.

3. STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

The statement accompanying the notice of the Thirty Third Annual General Meeting is set out in following page of the Annual Report 2007.

Statement Accompanying The Notice Of Annual General Meeting

1. Directors Standing for Re-Election

The directors who are offering themselves for re-election at the Thirty Third Annual General Meeting of the Company are:

1.1 Dr. Junid Bin Abu Saham; and

1.2 Ms. Lim Hsiu Hoon.

The details of the directors seeking re-election are set out in their respective profile that appear in the Board of Directors' Profile on Pages 27 to 31. Their interests in the securities of the Company, if any, are disclosed in the Analysis of Shareholdings on Page 122.

2. Details of Attendance of Directors at Board Meeting

A total of eight (8) Board meetings were held in the financial year ended 31 December 2007.

The details of attendance of Directors are set out in the Directors' Profile appearing on page 31 of this Annual Report.

PROXY FORM

No. of shares held

--

I / We _____ (Please Use Block Letters)
of _____
being a member/members of Industronics Berhad hereby appoint _____
of _____
or failing him _____
of _____
as my/our proxy to vote for me/us on my/our behalf at the **Thirty Third Annual General Meeting** of the Company to be held at **Hang Li Po Room, Level 4, Place Beach & Spa, Jalan Dulang, Mines Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan** at **10.00 a.m.** on **Monday, 30 June 2008** and at any adjournment there of.

My/our proxy is to vote as indicated as below:-

RESOLUTIONS	FOR	AGAINST
1. Resolution 1		
2. Resolution 2		
3. Resolution 3		
4. Resolution 4		
5. Resolution 5		
6. Resolution 6		

Please indicate with 'X' in the appropriate spaces how you wish your votes to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he thinks fit, or at his discretion, abstain from voting.

Signed this _____ day of _____ 2008

Signature of Shareholder

Notes :-

- A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company. Where a member appoints two or more proxies, the appointment shall be invalid unless he specifies the proportions of his holding to be represented by each proxy. The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 9, Jalan Taming 3, Taman Tanming Jaya, 43300 Seri Kembangan, Selangor Darul Ehsan not less than 48 hours before the time set for holding the meeting or any adjournment thereof.*
- In the case of a corporation, the Form of Proxy must be either under seal or signed by a duly authorised officer or attorney.*

fold this flap for sealing

Affix
Stamp

Company Secretary
INDUSTRONICS BERHAD
No. 9, Jalan Taming 3, Taman Tanming Jaya
43300 Seri Kembangan
Selangor Darul Ehsan
Malaysia

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