



NAIM INDAH CORPORATION BERHAD
(19727-P)

Annual Report

2007

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the **THIRTY THIRD ANNUAL GENERAL MEETING** of **NAIM INDAH CORPORATION BERHAD** will be held at the Dynasty Ballroom, Level 5, Dynasty Hotel Kuala Lumpur, 218, Jalan Ipoh, 51200 Kuala Lumpur, on Friday, 27 June 2008 at 10.30 a.m. or at any adjournment thereof to transact the following business:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Statutory Financial Statements for the year ended 31 December 2007 and the Directors and Auditors Reports thereon. (Resolution 1)
2. To re-elect Encik Zailan Bin Othman who retires pursuant to Article 79 of the Company's Articles of Association, and being eligible has offered himself for re-election. (Resolution 2)
3. To appoint Messrs. Horwath as Auditors of the Company to hold office until the next annual general meeting in place of the retiring auditors, Messrs. Ernst & Young and to authorise the Directors to fix their remuneration. (Resolution 3)
4. To transact any other ordinary business for which due notice shall have been given.

AS SPECIAL BUSINESS:

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

5. **Ordinary Resolution**

Re-appointment of Y. Bhg. Dato' Shamsir Bin Omar as a Director pursuant to Section 129(6) of the Companies Act, 1965

"THAT pursuant to Section 129 of the Companies Act, 1965, Y. Bhg. Dato' Shamsir Bin Omar who is over 70 years of age be and is hereby re-appointed as a director of the Company and to hold office until the conclusion of the next Annual General Meeting."

(Resolution 4)

NOTICE OF ANNUAL GENERAL MEETING (CONT'D.)

6. Ordinary Resolution

Approval for Issuance of New Ordinary Shares pursuant to the Section 132D of Companies Act, 1965

"THAT, subject to the Companies Act 1965, the Articles of Association of the Company and the approval from Bursa Malaysia Securities Berhad or other relevant government/regulatory authorities, where such approval is necessary, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Board of Directors may, in its absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Board of Directors be and are also hereby empowered to obtain approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad."

(Resolution 5)

**BY ORDER OF THE BOARD
NAIM INDAH CORPORATION BERHAD**

**YEAP KOK LEONG (MAICSA NO.: 0862549)
YAP WAI BING (MAICSA NO.: 7023640)**
Company Secretaries

KUALA LUMPUR
Date: 5 June 2008

Notes:

- 1. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised. A proxy may but need not be a member of the Company and a member may appoint not more than two (2) proxies to attend the meeting. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. The provisions of Section 149(1)(a) and (b) of the Act shall not apply to the Company.*
- 2. Where a member of the Company is an authorised nominee as defined under the Securities Industries (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities account it holds with ordinary shares of the Company standing to the credit of the said Securities account.*
- 3. Proxy Form duly completed must be deposited with the Company's Share Registrar, Tenaga Koperat Sdn Bhd, 20th Floor, Plaza Permata, Jalan Kampar, Off Jalan Tun Razak, 50400 Kuala Lumpur, not less than forty-eight (48) hours before the time fixed for holding the meeting or any adjournment thereof.*
- 4. Explanatory Notes on Special Business*

Section 129(6) of the Companies Act, 1965

Pursuant to Section 129(6) of the Companies Act, 1965, the proposed resolution under agenda 5 is to seek shareholders' approval on the re- appointment of Director who is over 70 years of age.

Section 132D of the Companies Act, 1965

Pursuant to Section 132D of the Companies Act, 1965, the proposed resolution under agenda 6, if passed will give the Directors of the Company from the date of the above meeting, authority to allot and issue ordinary shares from the unissued capital of the Company for such purposes as the Directors consider would be in the interest of the Company. The authority will, unless revoked or varied by the Company in a General Meeting, expire at the next Annual General Meeting.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.28(2) of the Bursa Malaysia Securities Berhad Listing Requirements appended hereunder are:

DIRECTORS STANDING FOR RE-ELECTION

Directors who are standing for re-election at the Thirty Third Annual General Meeting of the Company which will be held at the Dynasty Ballroom, Level 5, Dynasty Hotel Kuala Lumpur, 218, Jalan Ipoh, 51200 Kuala Lumpur, on Friday, 27 June 2008 at 10.30 a.m. or at any adjournment thereof are:

Name of Director	Details of Board Meeting Attendance	Profile of Director
Y. Bhg. Dato' Shamsir Bin Omar	Refer to Page 9 of Annual Report	Refer to Page 9 of Annual Report
Encik Zailan Bin Othman	Refer to Page 10 of Annual Report	Refer to Page 10 of Annual Report

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LETTER OF NOMINATION

To All Members,

NOTICE IS HEREBY GIVEN THAT in accordance with Section 172(12) of the Companies Act, 1965, Messrs Horwath, Level 16, Tower C, Megan Avenue II, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur has been nominated for appointment as the Company's Auditors at the forthcoming Annual General Meeting of the Company.

By order of the Board
Naim Indah Corporation Berhad

YEAP KOK LEONG (MAICSA NO. 0862549)
YAP WAI BING (MAICSA NO. 7023640)
Company Secretaries

Kuala Lumpur
Dated this 5 June 2008

The Board of Directors
Naim Indah Corporation Berhad
20th Floor, East Wing, Plaza Permata,
Jalan Kampar, Off Jalan Tun Razak,
50400 Kuala Lumpur

9 May 2008

Dear Sirs,

NOMINATION OF AUDITORS

I, Chua Ye Ting being a shareholder of Naim Indah Corporation Berhad hereby give notice pursuant to Section 172(11) of the Companies Act, 1965 of my nomination of Messrs Horwath, Level 16, Tower C, Megan Avenue II, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur as Auditors of the Company in place of the retiring Auditors, Messrs Ernst & Young, at the forthcoming Annual General Meeting of the Company.

Thank you.

Yours faithfully,

Chua Ye Ting

CORPORATE INFORMATION

Board of Directors

Dato' Shamsir Bin Omar

Executive Chairman

Non-Independent Director

Tan Lam Hin

Executive Director/Chief Executive Officer

Non-Independent Director

Ramli Bin Harun

Non-Executive Director

Independent Director

Zailan Bin Othman

Non-Executive Director

Independent Director

Listing

Main Board of Bursa Malaysia Securities Bhd

Registered Office

20th Floor, East Wing

Plaza Permata

Jalan Kampar, Off Jalan Tun Razak

50400 Kuala Lumpur

Tel: 03 – 4047 3838

Fax: 03 – 4043 1233

Auditors

Ernst & Young (AF: 0039)

Chartered Accountants

Level 23A, Menara Milenium

Jalan Damanlela

50490 Kuala Lumpur

Company Secretaries

Yeap Kok Leong (MAICSA No. 0862549)

Yap Wai Bing (MAICSA No. 7023640)

Principal Bankers

Malayan Banking Berhad

OCBC Bank (Malaysia) Berhad

Public Bank Berhad

Naim Indah Corporation Berhad (19727-P)
Incorporated in Malaysia

Audit Committee

Ramli Bin Harun

Chairman

Independent Director

Zailan Bin Othman

Non-Executive Director

Independent Director

Dato' Shamsir Bin Omar

Non-Independent Director

Nomination and Remuneration Committee

Zailan Bin Othman

Chairman

Independent Director

Ramli Bin Harun

Independent Director

Registrar

Tenaga Koperat Sdn Bhd (Co. No. 118401-V)

20th Floor, Plaza Permata

Jalan Kampar, Off Jalan Tun Razak

50400 Kuala Lumpur

Tel: 03 – 4047 3883

Fax: 03 – 4042 6352

Principal Solicitors

Gulam & Wong

Peter Cheah & Co.

Senthi & Associates

Teo, Chew, Rezal & Co.

T.Y. Teh & Partners

Principal Place of Business

Suite 12A, 03 – 05, Level 12A

Plaza Permata

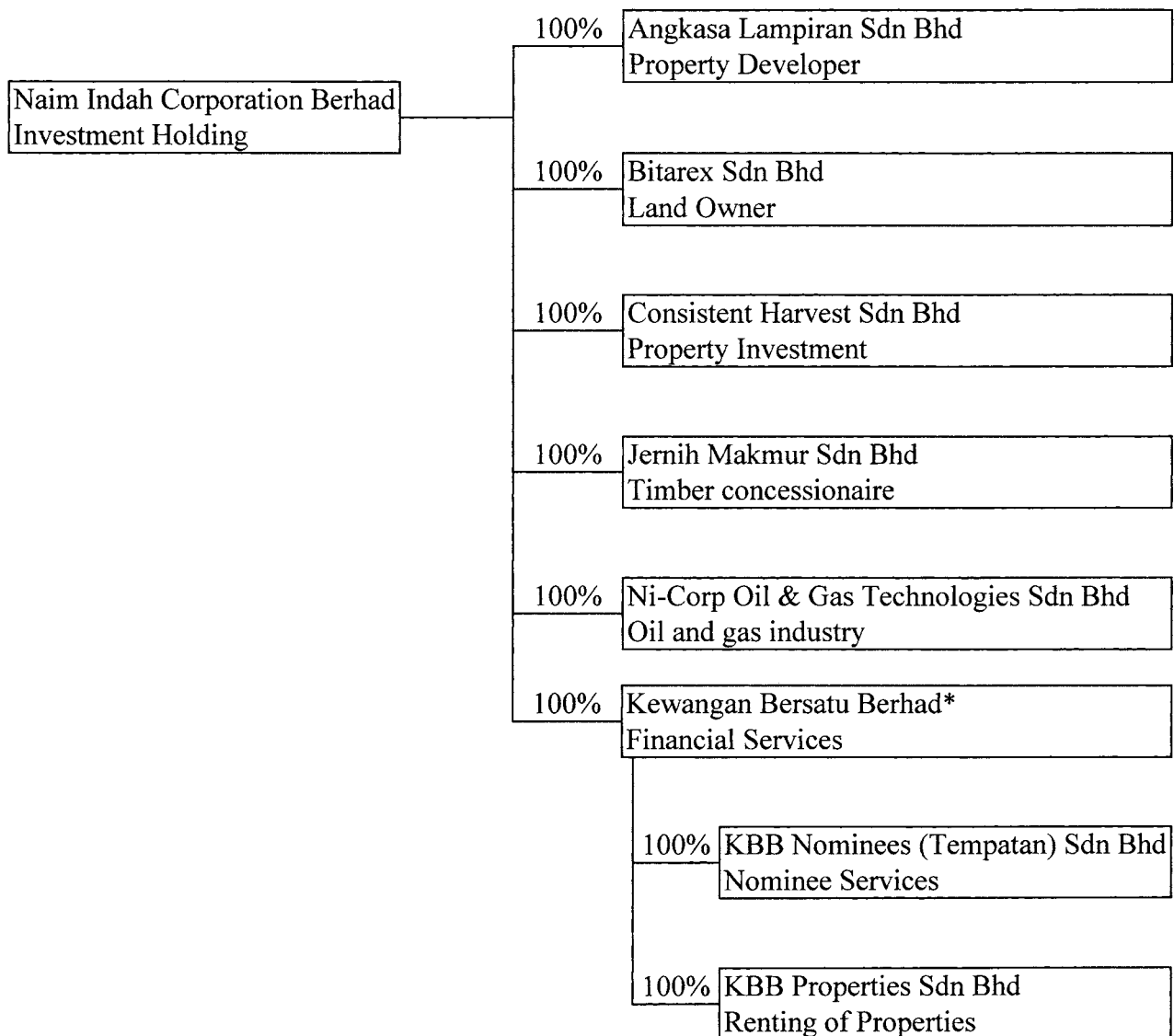
Jalan Kampar, Off Jalan Tun Razak

50400 Kuala Lumpur

Tel: 03 – 4041 8288

Fax: 03 – 4045 2471

CORPORATE STRUCTURE



* Assumed control by Bank Negara Malaysia pursuant to the Banking & Financial Institution (Kewangan Bersatu Berhad) (Assumption of Control), Order 1998.

CHAIRMAN'S STATEMENT

Dear Shareholders,

The development of the Group's business units in the financial year under review was full of challenges. The challenges were not only from the difficult market environment but also from the increase of petrol prices and electricity tariffs. Nonetheless inspite of such challenges, we have yet managed to sustain another year of profit for the group.

On behalf of the Board, I am pleased to present to you the Annual Report 2007 together with the Statutory Financial Statements of the Group for the financial year ended 31 December 2007.

FINANCIAL REVIEW

For the financial year, the Group recorded a lower revenue of RM9.1 million, as compared to the RM15.3 million in the previous year. This substantial reduction of 40.9% in revenue was mainly due, among others, to a decrease in the level of activities from logging which were affected by unfavourable weather conditions.

As a result, a loss before taxation of RM1.1 million (as compared to 2006 profit before taxation of RM0.1 million) was reported.

The loss before taxation of the Group was also attributable to the constant increase in operating costs. This loss, however, was mitigated by a gain on the part disposal of “compartments” of the overall timber concession rights of approximately RM1.5 million, the completion of a development project by our property development subsidiary of approximately RM0.6 million as well as a positive result from the joint venture with Creative Springs Sdn Bhd of approximately RM0.5 million.

The profit after taxation as reported was also due to the reduction of tax rate from 28% to 27% which has resulted in a reduction of provision required for deferred taxation.

SIGNIFICANT EVENTS AND PROSPECTS

During the financial year, the Company entered into a joint venture agreement with Noble Residence Sdn Bhd to jointly develop a three (3) year project for a new township in the state of Kelantan Darul Naim (“Kelantan”) which comprises a hypermarket, a hotel and several 2 ½ storey shop offices. The project was selected as its location is adjacent to our joint venture development with Creative Springs Sdn Bhd (“Creative”).

Our joint venture with Creative is generating positive results. Development progress is presently at a mature state and we foresee the completion of the entire scheme at year 2010 as targeted. Adequate sales and marketing activities are being carried out in order to re-establish our brand name in the local market as the preferred niche market property developer in the State of Kelantan.

CHAIRMAN'S STATEMENT (CONT'D.)

In the last financial year, the Board and I had requested the management of the company to conduct several limited scope of industry and trend analysis. From the research that was conducted internally, the management perceived that the timber prices from our timber extraction segment would still remain extremely volatile and as such the short term profitability impact was rated as neutral.

The continuing pressure of more availability of retail spaces in the Seremban market has also caused our property investment segment to suffer a decrease in revenue and it is envisaged that this trend will continue in the near short term and thus will have a negative impact on the organisation. Housing development in the Seremban market has also reached a near saturated point and a further opportunity in revenue growth in this area is seen limited. However, the demand for retail spaces and commercial areas in Kelantan has been rated positive.

DIVIDEND

In view of the marginal profit attributable to shareholders during the year and the various unfavourably predicted market development, the Board of Directors does not recommend payment of dividends for the financial year ended 31 December 2007.

APPRECIATION

On behalf of the Board of Directors, I would like to thank our management, staff, customers, business partners, business associates, bankers and the governmental authorities for their continuous and unwavering support which has always been vital to us.

To all my fellow colleagues on the Board, I thank them for their counsel and invaluable contribution towards the Group. To our shareholders, we extend our appreciation for being patient with us.

Dato' Shamsir Bin Omar
Executive Chairman
5 June 2008

PROFILE OF THE BOARD OF DIRECTORS

Dato' Shamsir Bin Omar

Executive Chairman

Non-Independent Director

A Malaysian aged 73, was appointed as Director and Chairman of the Company on 16 November 1998. He was appointed as the Executive Chairman on 26 August 2002. He is also a member of the Audit Committee. He is a Fellow Member of The Institute of Chartered Accountants in Australia and a member of the Malaysian Institute of Accountants. He commenced his career in 1960 as an Auditor and Accountant in the Department of Co-operative Development. In 1967, he was the Chief Accountant in the Ministry of Education and in 1968, he became the Deputy Accountant General. From 1969 to 1989, he held the position of Accountant General in the Ministry of Finance. He also holds a directorship in Tanah Emas Corporation Berhad.

Dato' Shamsir does not hold any shares in the Company or its subsidiaries and does not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interests with the Company. He has had no convictions for offences within the past ten years other than traffic offences.

Dato' Shamsir attended four (4) Board meetings of the Company held during the financial year ended 31 December 2007.

Tan Lam Hin

Executive Director/Chief Executive Officer

Non-Independent Director

A Malaysian aged 54, was appointed as an Executive Director cum Chief Executive Officer on 30 July 2002 and 13 October 2003 respectively. He graduated from the University of Malaya with a Bachelor of Science (Hons.) degree in 1978. He is a Licentiate Member of the Institute of Chemists. He was involved in the timber industry from 1980 to 1986 and with S.E.A Piling Sdn Bhd before being appointed a Director of Pembinaan Kansalles Sdn Bhd, a development and construction company. He has a strong background in property development and property management skills that he acquired through "hands-on" experience.

Mr. Tan does not hold any shares in the Company or its subsidiaries and does not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interests with the Company. He has had no convictions for offences within the past ten years other than traffic offences.

Mr. Tan attended four (4) Board meetings of the Company held during the financial year ended 31 December 2007.

PROFILE OF THE BOARD OF DIRECTORS (CONT'D.)

Ramli Bin Harun
Non-Executive Director
Independent Director

A Malaysian aged 50, was appointed as an Independent Non-Executive Director on 30 July 2002. He is the Chairman of the Audit Committee and a member of the Nomination and Remuneration Committee. He was a Director of Palembang Usahaniaga Sdn Bhd from 1984 to 1992, managing various large housing projects in Negeri Sembilan Darul Khusus. During his tenure in Palembang Usahaniaga Sdn Bhd, he focused his attention predominantly on project management. Thereby, he has a good working knowledge in property management and property development.

Encik Ramli does not hold any shares in the Company or its subsidiaries and does not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interests with the Company. He has had no convictions for offences within the past ten years other than traffic offences

Encik Ramli attended four (4) Board meetings of the Company held during the financial year ended 31 December 2007.

Zailan Bin Othman
Non-Executive Director
Independent Director

A Malaysian aged 46, was appointed as an Independent Non-Executive Director on 7 August 2002. He is the Chairman of the Nomination and Remuneration Committee and a member of the Audit Committee. He was a Director for Kemayan Resources Sdn Bhd, managing project "Rasah Kemayan" from 1995 to 1998. His role then was predominantly in business development. In 1999, he ventured into trading and distribution of branded sports goods where he is the Director in charge of operations. He has a strong background in successful operational business management.

Encik Zailan does not hold any shares in the Company or its subsidiaries and does not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interests with the Company. He has had no convictions for offences within the past ten years other than traffic offences.

Encik Zailan attended four (4) Board meetings of the Company held during the financial year ended 31 December 2007.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Naim Indah Corporation Berhad recognises the importance of the principles and values embodied in the Malaysian Code on Corporate Governance ("the Code") as a catalyst towards achieving a greater disclosure based framework as well maximising shareholder value of the Company.

The Company has also adopted as far as practicable the Code's Best Practices and the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities").

THE BOARD

The Board's primary responsibilities are to develop a Company wide Strategic Charter as well as to put in place adequate "check and balances" procedures to ensure that each segment of the business is properly managed.

In accordance with the Best Practices of the Code, the Chairman and the Chief Executive Officer of the Company are different persons with separate defined responsibilities.

The Board currently consists of four (4) Directors, two (2) of whom are Independent Non-Executive Directors. The Board has complied with the listing requirements of Bursa Securities that at least two (2) or one-third (1/3) of the Board should consist of independent directors. The independent directors provide assurance that Board's decisions are deliberated objectively in the interest of all stakeholders of the Company.

All the members of the Board have attended the Mandatory Accreditation Programme ("MAP") as per the listing requirements of Bursa Securities for all directors of public listed companies. During the financial year, all the directors attended one (1) Continuing Education Programme, namely the "Code on Take-Overs and Mergers: Issues and Challenges" and "Managing Corporate Mergers and Acquisitions" organised by Bursatra Sdn Bhd. To continually upgrade their skills, all Board members will be required to select training courses in the coming years to enable them to effectively discharge their duties.

BOARD MEETINGS

During the financial year ended 31 December 2007, four (4) Board meetings were held.

Details of each Director's attendance were as follows:

<u>Name</u>	<u>Status</u>	<u>Attendance</u>	<u>%</u>
Dato' Shamsir Bin Omar	Non – Independent	4 of 4	100.0
Tan Lam Hin	Non – Independent	4 of 4	100.0
Ramli Bin Harun	Independent	4 of 4	100.0
Zailan Bin Othman	Independent	4 of 4	100.0

CORPORATE GOVERNANCE STATEMENT (CONT'D.)

THE NOMINATION AND REMUNERATION COMMITTEE

The primary responsibilities of this Committee are to identify suitable candidates to fill Board vacancies, assess the effectiveness of the Board and the contribution of each individual director on a progressive basis as well as to assess the adequacy of the directors' remuneration.

During the financial year ended 31 December 2007, one (1) meeting was held and details of the attendance were as follows:

Name	Status	Attendance	%
Ramli Bin Harun	Independent	1 of 1	100.0
Zailan Bin Othman	Independent	1 of 1	100.0

During the financial year, the Nomination and Remuneration Committee had commenced its identification and nomination of potential candidates for the purposes of replacing the executive director in the Audit Committee with a non-executive director to comply with the Listing Requirements which fall due on 31 January 2009. The identification and nomination processes are still being conducted. Otherwise, the Committee is of the opinion that the existing Board and all committees are well balanced and adequately remunerated.

SUPPLY OF INFORMATION

Notice, agenda and all relevant information are circulated to every member of the Board prior to board meetings so as to enable them to have sufficient time to understand issues to be raised. In so doing, all issues can be deliberated at the said meetings and that an informed decision can be arrived at the conclusion of each board meeting.

In addition, all Board members have access to senior management and services of the Company Secretary and may also obtain independent professional advice at the Company's expense when necessary.

RE-ELECTION

In accordance with the Company's Articles of Association, any director appointed during the year is to retire and seek re-election by the Shareholders at the following Annual General Meeting immediately after his appointment. The Articles also require that one-third (1/3) of the Directors retire by rotation and seek re-election at each Annual General Meeting and each Director shall submit himself for re-election at least once in every three (3) years.

CORPORATE GOVERNANCE STATEMENT (CONT'D.)

REMUNERATION OF DIRECTORS

Details of the remuneration of each director who served during the financial year ended 31 December 2007 are as follows:

	RM
Executive Directors	
Salaries and other emoluments	328,000
Fees	-
Pension costs – defined contribution plan	34,560
Benefits-in-kind	-
	<hr/> 362,560
Non – Executive Directors	
Allowance	40,000
Total	<hr/> <hr/> 402,560

Number of directors whose remuneration falls into the following bands:

	Number of Directors
Executive Directors	
RM50,001 to RM100,000	1
RM200,001 to RM250,000	1
	<hr/> 2
Non – Executive Directors	
Below RM50,000	2
Total	<hr/> <hr/> 4

DIALOGUE BETWEEN COMPANY AND INVESTORS

The Board has always recognised the importance of an accurate and timely dissemination of information to its shareholders. For this purpose, the Company uses the Annual General Meeting/Extraordinary General Meeting and Public Announcements to provide up-to-date information to explain its business development and financial achievement and to solicit feedback from shareholders and investors.

CORPORATE GOVERNANCE STATEMENT (CONT'D.)

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

In presenting the annual financial statements to the shareholders, investors and regulatory authorities, the Board takes responsibility to present a balanced and clear assessment of the Group's financial position and its future prospects.

STATEMENT OF DIRECTORS' RESPONSIBILITY ON FINANCIAL STATEMENTS

In accordance with the Companies Act, 1965, the directors are responsible to prepare financial statements which give a true and fair view of the state of affairs of the Company and of the Group and of the results and cash flows of the Company and of the Group for the relevant period. While preparing those financial statements, the directors are required to:

- ❑ select suitable accounting policies and apply them consistently;
- ❑ state whether applicable approved accounting standards have been applied, subject to any material departures being disclosed and explained in the financial statements;
- ❑ make judgments and estimates that are prudent and reasonable;
- ❑ prepare the financial statements on an on-going concern basis.

The directors are also responsible for keeping the accounting records that disclose with reasonable accuracy the financial position of the Company and of the Group and to ensure that the financial statements also comply with the Companies Act, 1965. In addition, the directors are responsible for safeguarding the assets of the Group and for taking reasonable steps for the detection and prevention of fraud and irregularities.

RELATIONSHIP WITH AUDITORS

The Board has a transparent relationship with both the Internal Auditors and the External Auditors through the establishment of the Audit Committee. Both the Internal and External Auditors have complete access to the Audit Committee to present key material issues that require its attention. Furthermore, the Audit Committee through its charter takes responsibility to ensure that adequate resources are available for both the internal and external auditors to perform their duties.

EMPLOYEES SHARE OPTION SCHEME ("ESOS")

On 19 April 2007, the Board had proposed the establishment of an ESOS. The proposed resolutions were tabled on 15 June 2007 and were approved by our shareholders. However, the options have not been granted as at the date of the notice of the thirty third annual general meeting for its eligible directors and employees of the company and the Group.

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

The Statement on Internal Control of the Group is made by the Board of Directors pursuant to the Listing Requirements of Bursa Securities and with regard to the Group's compliance with The Principles and Best Practices provisions relating to internal controls provided in the Malaysian Code on Corporate Governance ("Code").

BOARD'S RESPONSIBILITIES

The Board of Directors recognises the importance of sound internal control for good corporate governance. The Board affirms its overall responsibility for the Group's systems on internal control, which include the establishment of an appropriate control environment and framework as well as reviewing the adequacy and integrity of those systems. The Board noted, however, that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives. In addition, the Board also noted that these systems could only provide reasonable but not absolute assurance against material misstatement or loss.

Following the issuance of the Code, the Board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by the Group that has been put in place for the year and up to the date of approval of the Annual Report and financial statements. The process is regularly reviewed by the Board through its Audit Committee, which is assisted by the Internal Auditors.

The Board ensures that management undertakes such actions as may be necessary in the implementation of the policies and procedures on risks and control approved by the Board whereby management identifies and assesses the risk faced and then designs, implements and monitors appropriate internal controls to mitigate and control those risks.

CONTROL AND MONITORING PROCESS

The key elements of the Group's internal control system include:

- ❑ An operational structure with defined line of responsibility and delegation of authority;
- ❑ A process of hierarchical reporting which provides for a documented and auditable trail of accountability;
- ❑ A documented delegation of authority with clear lines of responsibility in identifying the approving authority of various transactions;
- ❑ Internal policies and procedures, which are regularly updated to reflect changes, risks or to resolve operational deficiencies. Instances of non-compliance with such policies and procedures are reported by the internal audit function to the Board via the Audit Committee; and
- ❑ Effective reporting systems, which monitor performance and highlight significant variances against budget and plan. Key variances are followed up by management and reported to the Board on a quarterly basis.

STATEMENT ON INTERNAL CONTROL (CONT'D.)

CONTROL AND MONITORING PROCESS (CONT'D.)

Other main activities performed by the internal auditors are as follows:

- ❑ The recovery of late payment interest imposed on defaulting property buyers;
- ❑ Implementing the policies on identification, selection and retention of the shopping complex tenants; and
- ❑ Undertaking special reviews as and when requested by the Audit Committee and/or management.

The system of internal control that is on-going at this point of time has not resulted in any material loss, contingency or uncertainty that would require disclosure in the Group's Annual Report for the financial year under review.

OTHER INFORMATION

Share Buyback

There was no share buyback in the financial year ended 31 December 2007.

Option, Warrants or Convertible Securities

The Company did not issue any options, warrants or convertible securities in respect of the financial year ended 31 December 2007.

Material Contracts

During the financial year under review, there were no material contracts entered into by the Company and/or its subsidiary companies which involved Directors' and major shareholders' interest, either still subsisting at the end of the financial year 2007 or which was entered into since the end of the previous financial year other than those if any, disclosed in the Statutory Financial Statements.

Sanction and/or Penalty Imposed

There were no sanctions and/or penalties imposed on the Company, Directors or management by the relevant authorities during the financial year ended 31 December 2007.

Non-Audit Fees Paid To External Auditors

The amount of non-audit fees paid to the external auditors for the financial year ended 31 December 2007 was RM6,000.

Corporate Social Responsibility

During the financial year, no activity was conducted by the Group in relation to Corporate Social Responsibility.

AUDIT COMMITTEE REPORT

OBJECTIVE

The primary objective of the Audit Committee (as a standing committee of the Board) is to assist the Board in the effective discharge of its fiduciary responsibilities on financial reporting and internal control in line with the corporate governance.

During the financial year, a review was conducted on the compliance and performance of the audit committee to ensure its effectiveness and compliance to the amended Listing Requirements. The revised terms of reference of the Audit Committee can be summarised as follows:

MEMBERSHIP

The Committee shall be appointed by the Board of Directors amongst the Directors of the Company which fulfils the following requirements:

- (a) the Committee must be composed of no fewer than 3 members;
- (b) all members of the Audit Committee shall be non-executive directors and financially literate, a majority of the Committee must be independent directors; and
- (c) at least one member of the Committee:
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
 - (aa) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
 - (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
 - (iii) fulfils such other requirements prescribed or approved by the Exchange.

The members of the Committee shall elect a Chairman from among themselves who shall be an independent director.

No alternate director should be appointed as a member of the Committee.

In the event of any vacancy in the Committee resulting in the non-compliance of the listing requirement of the Exchange pertaining to composition of the audit committee, the Board of Directors shall within three months of that event fill the vacancy.

The terms of office and performance of the Committee and each of its members must be reviewed by the Board of Directors at least once every 3 years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

AUDIT COMMITTEE REPORT (CONT'D.)

The existing Audit Committee comprises three (3) Directors, the majority of whom are independent. The composition of the Audit Committee is as follows:

Ramli Bin Harun	Chairman, Independent Non-Executive Director
Zailan Bin Othman	Member, Independent Non-Executive Director
Dato' Shamsir Bin Omar	Member, Non-Independent Executive Director

MEETINGS

Frequency

Meetings shall be held not less than four times a year.

Upon the request of the external auditor, the Chairman of the Committee shall convene a meeting of the Committee to consider any matter the external auditor believes should be brought to the attention of the Directors or shareholders.

During the financial year, the audit committee met four (4) times with the details of attendance as follows:-

<u>Name</u>	<u>Attendance</u>	<u>%</u>
Ramli Bin Harun	4/4	100
Dato' Shamsir Bin Omar	4/4	100
Zailan Bin Othman	4/4	100

Quorum

To form a quorum, the majority of members present must be independent directors.

Secretary

The Company Secretary shall be the Secretary of the Committee or in his absence, another person authorised by the Chairman of the Committee.

Attendance

The Financial Director, the Head of Internal Audit (where such a function exists) and a representative of the external auditor shall normally attend meetings. Other Directors and employees may attend any particular meeting only at the Committee's invitation, specific to the relevant meeting.

Reporting Procedure

The minutes of each meeting shall be circulated to all members of the Board.

AUDIT COMMITTEE REPORT (CONT'D.)

Meeting Procedure

The Committee shall regulate its own procedure, in particular:-

- (a) the calling of meetings;
- (b) the notice to be given of such meetings;
- (c) the voting and proceedings of such meetings;
- (d) the keeping of minutes; and
- (e) the custody, production and inspection of such minutes.

RIGHTS

The Committee in performing its duties shall in accordance with a procedure to be determined by the Board of Directors:

- (a) have authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Company;
- (d) have direct communication channels with the external auditor and person(s) carrying out the internal audit function or activity (if any);
- (e) be able to obtain independent professional or other advice; and
- (f) be able to convene meetings with external auditors, internal auditors or both, excluding the attendance of the other directors and employees, whenever deemed necessary.

FUNCTIONS

The Committee shall, amongst others, discharge the following functions:

To review:

- (a) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
 - (i) the going concern assumption;
 - (ii) changes in or implementation of major accounting policy changes;
 - (iii) significant and unusual events; and
 - (iv) compliance with accounting standards and other legal requirements.
- (b) any related party transaction and conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions or management integrity.
- (c) with the external auditor:
 - (i) the audit plan;
 - (ii) his evaluation of the system of internal controls;
 - (iii) his audit report; and
 - (iv) his management letter and management's response;
 - (v) the assistance given by the Company's employees to the external auditor;

AUDIT COMMITTEE REPORT (CONT'D.)

To monitor the management's risk management practices and procedures.

In respect of the appointment of an external auditor:

- (a) to review whether there is reason (supported by grounds) to believe that the external auditor is not suitable for reappointment;
- (b) to consider the nomination of a person or persons as external auditors and the audit fee; and
- (c) to consider any questions of resignation or dismissal of the external auditor.

In respect of the internal audit function:

- (a) to review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
- (b) to review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- (c) to review any appraisal or assessment of the performance of members of the internal audit function;
- (d) to approve any appointment or termination of senior staff members of the internal audit function; and
- (e) to inform itself of any resignation of internal audit staff member and to provide the resigning staff member an opportunity to submit his reasons for resigning.

To promptly report such matter to the Exchange if the Committee is of the view that the matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements.

To carry out such other functions as may be agreed to by the Committee and the Board of Directors.

SUMMARY OF ACTIVITIES

During the year, the Audit Committee carried out its duties in accordance with its term of reference. Other main issues reviewed by the Audit Committee were as follows:

- ☐ the financial impact subsequent to the adoption of the new financial reporting standards;
- ☐ Review of compliance of additional Listing Requirements;
- ☐ Review of joint venture agreement with Noble Residence Sdn Bhd;
- ☐ Review the performance of existing joint venture project with Creative Springs Sdn Bhd; and
- ☐ Perform a review and make necessary revision to the terms of reference of Audit Committee.

ANALYSIS OF SHAREHOLDINGS – AS AT 28 APRIL 2008

SHARE CAPITAL

Authorised Share Capital	: 2,500,000,000 Ordinary Shares of RM0.20 per share
Issued and Fully Paid-Up Share Capital	: 702,033,964 Ordinary Shares of RM0.20 per share
Voting Rights	: One voting right for one Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	Number of Shareholders	Percentage (%) of Total	Number of Shares Held	Percentage (%) of Total
1 to 99	279	1.87	12,881	0.00
100 to 1,000	2,211	14.78	1,948,899	0.28
1,001 to 10,000	7,490	50.07	39,120,976	5.57
10,001 to 100,000	4,249	28.41	156,144,445	22.24
100,001 to less than 5% of issued shares	727	4.86	286,895,043	40.87
5% and above of issued shares	2	0.01	217,911,720	31.04
Total	14,958	100.00	702,033,964	100.00

Negligible

SUBSTANTIAL SHAREHOLDERS

No.	Names of Substantial Shareholders	Direct interest		Indirect interest	
		Number of Shares Held	Percentage (%) of Total	Number of Shares Held	Percentage (%) of Total
1.	HDM Nominees (Tempatan) Sdn. Bhd. HDM Capital Sdn. Bhd. for Crest Energy Sdn. Bhd	160,063,744	22.80	-	-
2.	HDM Nominees (Tempatan) Sdn. Bhd. Quantum Discovery Sdn. Bhd.	57,847,976	8.24	-	-
4.	Dato' Tan Ah Chak ^{*1}	-	-	160,063,744	22.80
5.	Lee Keck Keong ^{*2}	-	-	160,063,744	22.80
6.	Wong Kui Yeong ^{*3}	-	-	57,847,976	8.24
7.	Tan Wei Loon ^{*4}	-	-	57,847,976	8.24
8.	Khoo Lay Wah ^{*5}	-	-	57,847,976	8.24

Notes:

^{*1} Deemed interest by virtue of his shareholding in Crest Energy Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

^{*2} Deemed interest by virtue of his shareholding in Crest Energy Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

^{*3} Deemed interest by virtue of her shareholding in Quantum Discovery Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

^{*4} Deemed interest by virtue of his shareholding in Quantum Discovery Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

^{*5} Deemed interest by virtue of her shareholding in Quantum Discovery Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

ANALYSIS OF SHAREHOLDINGS – AS AT 28 APRIL 2008 (CONT'D.)

THIRTY (30) LARGEST SHAREHOLDERS

No.	Names of Shareholders	Number of Shares Held	Percentage (%) of Issued Capital
1.	HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd for Crest Energy Sdn Bhd	160,063,744	22.80%
2.	HDM Nominees (Tempatan) Sdn Bhd Quantum Discovery Sdn Bhd	57,847,976	8.24%
3.	HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd for Wong Foot Kheong	10,000,002	1.42%
4.	Mohd Noor Bin Setapa	7,539,000	1.07%
5.	AIBB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kek Lian Lye	4,193,800	0.60%
6.	Law Ka Hieng	4,000,000	0.57%
7.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Liaw Kit Siong	3,850,000	0.55%
8.	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loh Siew Kiew	3,603,500	0.51%
9.	Lim Siao Gia (Lin XiaoJia)	3,589,300	0.51%
10.	Yeoh Kean Hua	3,330,000	0.47%
11.	Lim Chee Sing	3,039,900	0.43%
12.	M & A Securities Sdn Bhd	3,025,300	0.43%
13.	Chia Hooi Liang	3,000,000	0.43%
14.	AIBB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Batu Bara Resources Corporation Sdn Bhd	2,950,000	0.42%
15.	Hong Yoke Loong	2,800,000	0.40%
16.	JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loh Boon Yeong	2,551,000	0.36%
17.	Aniza Binti Ahmad Azizuddin	2,230,000	0.32%

ANALYSIS OF SHAREHOLDINGS – AS AT 28 APRIL 2008 (CONT'D.)**THIRTY (30) LARGEST SHAREHOLDERS (CONT'D.)**

No.	Names of Shareholders	Number of Shares Held	Percentage (%) of Issued Capital
18.	Lim Seng Qwee	2,218,400	0.32%
19.	Lim Seng Tee	2,214,000	0.32%
20.	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Hai Leng	2,100,000	0.30%
21.	Fong Wui Hoong	2,070,000	0.29%
22.	Teoh Cheoh Thin @ Chung Soo Chern	2,006,800	0.29%
23.	Shaukat Ali Bin Mahmud	2,001,100	0.29%
24.	Teoh Hunt Thuim	2,000,341	0.28%
25.	Chong Tong Siew	2,000,000	0.28%
26.	Malacca Equity Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ong Teng Chai	2,000,000	0.28%
27.	Tan Chin Yee, Grace	1,960,000	0.28%
28.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Kon Chiu Ha	1,900,000	0.27%
29.	Fun Yoon Fah	1,811,000	0.26%
30.	RHB Capital Nominees (Tempatan) Sdn Bhd Hoy Egg Sun	1,789,300	0.25%
Total		303,684,463	43.26%

LIST OF PROPERTIES

<u>Location</u>	<u>Description/ Existing Use</u>	<u>Area</u>	<u>Tenure</u>	<u>Approximate age of property</u>	<u>Date of revaluation</u>	<u>Date of acquisition</u>	<u>Net book value RM'000</u>
Lot No. 20890 and 20891 in the Municipality and District of Seremban Darul Khusus	3 ½ Storey shopping complex for rental and open air car park	Complex net lettable area of 217,096 square feet and car park of approximately 2 acres	Leasehold (Unexpired period of 86 years)	12 years	15.9.2006	25.8.2003	82,000

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NAIM INDAH CORPORATION BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management and administrative services to its subsidiaries.

The principal activities of the subsidiaries are described in Note 15 to the financial statements.

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

RESULTS

	Group RM'000	Company RM'000
Profit/(loss) for the year	<u>388</u>	<u>(1,741)</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.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend any dividend in respect of the current financial year.

DIRECTORS

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

Dato' Shamsir Bin Omar
Tan Lam Hin
Ramli Bin Harun
Zailan Bin Othman

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, none of the 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.

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 provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provisions had been made for doubtful debts, and;
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

OTHER STATUTORY INFORMATION (CONTD.)

- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) the amount written off as bad debts or the amount of the provisions for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to 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 method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or 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 and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

In addition to the significant events disclosed elsewhere in this report, the other significant event is disclosed in Note 33 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 19 March 2008.

Dato' Shamsir Bin Omar

Tan Lam Hin

NAIM INDAH CORPORATION BERHAD
(Incorporated in Malaysia)

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

We, Dato' Shamsir Bin Omar and Tan Lam Hin, being two of the directors of Naim Indah Corporation Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 32 to 86 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 19 March 2008.

Dato' Shamsir Bin Omar

Tan Lam Hin

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

I, Dato' Shamsir Bin Omar, being the director primarily responsible for the financial management of Naim Indah Corporation Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 32 to 86, 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 Declaration Act, 1960.

Subscribed and solemnly declared
by the abovenamed Dato' Shamsir Bin Omar
at Kuala Lumpur in Wilayah Persekutuan
on 19 March 2008

Dato' Shamsir Bin Omar

Before me,

**REPORT OF THE AUDITORS TO THE MEMBERS OF
NAIM INDAH CORPORATION BERHAD
(Incorporated in Malaysia)**

We have audited the financial statements set out on pages 32 to 86. These financial statements are the responsibility of the Company's directors.

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

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

In our opinion:

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