

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

We have considered the financial statements and the auditors' report thereon of the subsidiary of which we have not acted as auditors, as indicated in Note 15 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 and did not include any comment required to be made under Section 174(3) of the Act.

Ernst & Young
AF: 0039
Chartered Accountants

Yap Seng Chong
2190/12/09(J)
Partner

Kuala Lumpur, Malaysia
19 March 2008

NAIM INDAH CORPORATION BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

		Group		Company	
	Note	2007	2006	2007	2006
		RM'000	RM'000	RM'000	RM'000
			(restated)		
Revenue	3	9,053	15,308	4,067	7,765
Cost of sales	4	(6,977)	(9,774)	(3,452)	(2,112)
Gross profit		2,076	5,534	615	5,653
Other income	5	2,561	1,303	289	239
Administrative expenses		(4,742)	(5,470)	(2,409)	(2,204)
Other expenses		(304)	(915)	(203)	(1,966)
Operating (loss)/profit		(409)	452	(1,708)	1,722
Finance costs	6	(643)	(345)	(33)	(184)
(Loss)/profit before tax	7	(1,052)	107	(1,741)	1,538
Income tax benefit	10	1,440	548	-	-
Profit/(loss) for the year		388	655	(1,741)	1,538

Earnings per share (sen):

Basic	11	<u>0.06</u>	<u>0.09</u>
Diluted	11	<u>0.06</u>	<u>0.09</u>

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

NAIM INDAH CORPORATION BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS
AS AT 31 DECEMBER 2007

		Group		Company	
	Note	2007	2006	2007	2006
		RM'000	RM'000	RM'000	RM'000
			(restated)		
ASSETS					
Non-current assets					
Plant and equipment	12	1,314	1,484	661	730
Investment property	13	82,000	82,000	-	-
Intangible assets	14	41,775	46,627	-	-
Investments in subsidiaries	15	-	-	73,500	73,500
Deferred tax asset	16	-	140	-	-
Other receivables	17	-	-	43,074	54,520
		<u>125,089</u>	<u>130,251</u>	<u>117,235</u>	<u>128,750</u>
Current assets					
Property development costs	18	-	4,543	-	-
Trade and other receivables	17	22,007	14,088	15,571	7,724
Tax recoverable	18	-	-	-	-
Cash and bank balances	19	2,481	569	1,850	111
		<u>24,506</u>	<u>19,200</u>	<u>17,421</u>	<u>7,835</u>
Non-current asset held for sale	20	6,000	-	-	-
		<u>30,506</u>	<u>19,200</u>	<u>17,421</u>	<u>7,835</u>
TOTAL ASSETS		<u>155,595</u>	<u>149,451</u>	<u>134,656</u>	<u>136,585</u>

NAIM INDAH CORPORATION BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS
AS AT 31 DECEMBER 2007 (CONTD.)

	Note	Group 2007 RM'000	2006 RM'000 (restated)	Company 2007 RM'000	2006 RM'000
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	21	140,407	140,407	140,407	140,407
Accumulated losses		(6,219)	(6,607)	(6,393)	(4,652)
Total equity		<u>134,188</u>	<u>133,800</u>	<u>134,014</u>	<u>135,755</u>
Non-current liabilities					
Deferred tax liabilities	16	8,180	9,876	-	-
Borrowings	23	4,917	492	409	492
		<u>13,097</u>	<u>10,368</u>	<u>409</u>	<u>492</u>
Current liabilities					
Borrowings	23	6,236	1,953	83	78
Trade and other payables	25	1,867	2,987	150	260
Income tax payable		207	343	-	-
		<u>8,310</u>	<u>5,283</u>	<u>233</u>	<u>338</u>
TOTAL LIABILITIES		<u>21,407</u>	<u>15,651</u>	<u>642</u>	<u>830</u>
TOTAL EQUITY AND LIABILITIES		<u>155,595</u>	<u>149,451</u>	<u>134,656</u>	<u>136,585</u>

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

NAIM INDAH CORPORATION BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007

	Share Capital (Note 21) RM'000	ICULS (Note 22) RM'000	Non- Distributable Accumulated Losses RM'000	Total Equity RM'000
At 1 January 2006	109,238	31,071	(7,262)	133,047
Conversion of ICULS into share capital				
- equity component	31,071	(31,071)	-	-
- liability component	98	-	-	98
Profit for the year	-	-	655	655
At 31 December 2006	140,407	-	(6,607)	133,800
At 1 January 2007	140,407	-	(6,607)	133,800
Profit for the year	-	-	388	388
At 31 December 2007	140,407	-	(6,219)	134,188

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

NAIM INDAH CORPORATION BERHAD
(Incorporated in Malaysia)

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007

	Share Capital (Note 21) RM'000	ICULS (Note 22) RM'000	Non- Distributable Accumulated Losses RM'000	Total Equity RM'000
At 1 January 2006	109,238	31,071	(6,190)	134,119
Conversion of ICULS into share capital				
- equity component	31,071	(31,071)	-	-
- liability component	98	-	-	98
Profit for the year	-	-	1,538	1,538
At 31 December 2006	140,407	-	(4,652)	135,755
At 1 January 2007	140,407	-	(4,652)	135,755
Profit for the year	-	-	(1,741)	(1,741)
At 31 December 2007	140,407	-	(6,393)	134,014

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

NAIM INDAH CORPORATION BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
		(restated)		
Cash Flows From Operating Activities				
(Loss)/profit before tax	(1,052)	107	(1,741)	1,538
Adjustments for:				
Amortisation of intangible assets	1,354	2,570	-	-
Impairment of intangible assets	-	218	-	-
Depreciation of plant and equipment	181	183	80	86
Provision for doubtful debts	-	-	-	1,587
Reversal of provision for doubtful debts	-	(75)	-	-
Bad debt written off	-	3	-	-
Fair value adjustments of investment property	(692)	(961)	-	-
Gain on partial disposal of concession rights	(1,502)	-	-	-
Interest income	(304)	(176)	(274)	(135)
Interest expense	643	345	33	184
Operating (loss)/profit before working capital changes	(1,372)	2,214	(1,902)	3,260
Decrease in property development costs	(765)	(174)	-	-
Decrease/(increase) in receivables	4,760	(1,701)	11,478	(1,344)
(Decrease)/increase in payables	(1,120)	540	(110)	(1,502)
Cash generated from operations	1,503	879	9,466	414
Interest paid	(643)	(397)	(33)	(236)
Taxes paid	(270)	(881)	-	-
Taxes recovered	-	1,691	-	1,691
Net cash generated from operating activities	590	1,292	9,433	1,869

NAIM INDAH CORPORATION BERHAD
(Incorporated in Malaysia)

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

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
		(restated)		
Cash Flows From Investing Activities				
Advances to joint venture projects	(11,172)	(1,800)	(11,279)	(1,800)
Deposit refunded from proposed joint venture	3,400	-	3,400	-
Purchase of plant and equipment	(11)	(101)	(11)	(14)
Deposits received for partial disposal of concession rights	200	-	-	-
Interest received	197	151	274	-
Net cash used in investing activities	<u>(7,386)</u>	<u>(1,750)</u>	<u>(7,616)</u>	<u>(1,814)</u>
Cash Flows From Financing Activities				
Proceeds from drawdown of term loan	7,000	-	-	-
Repayment of term loan	(936)	(168)	-	-
Repayment of hire purchase and finance lease liabilities	<u>(78)</u>	<u>(31)</u>	<u>(78)</u>	<u>(31)</u>
Net cash generated from/(used in) financing activities	<u>5,986</u>	<u>(199)</u>	<u>(78)</u>	<u>(31)</u>
Net (decrease)/increase in cash and cash equivalents	(810)	(657)	1,739	24
Cash and cash equivalents at beginning of year	<u>569</u>	<u>1,226</u>	<u>111</u>	<u>87</u>
Cash and cash equivalents at end of year (Note 19)	<u>(241)</u>	<u>569</u>	<u>1,850</u>	<u>111</u>

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

NAIM INDAH CORPORATION BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at 20th Floor, East Wing, Plaza Permata, No. 6, Jalan Kampar, Off Jalan Tun Razak, 50400 Kuala Lumpur.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 19 March 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia.

The financial statements of the Group and of the Company have also been prepared under the historical basis, except for investment property and non-current asset held for sale that have been measured at their fair values.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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 and losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(a) Subsidiaries and Basis of Consolidation (Contd.)

(ii) Basis of Consolidation (Contd.)

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.

(b) Jointly Controlled Entities

The Group has an interest in a joint venture which is a jointly controlled operation. The operation of the joint venture involves the use of assets and other resources of the venturers rather than the establishment of an entity or a financial structure that is separate from the venturers. The joint venture agreement provides a means by which the Group will share the revenue and any expenses incurred in common by the joint venture operation.

The Group recognises its interest in the joint venture using proportionate consolidation. The Group combines its share of income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements and recognises the assets that it controls and the liabilities that it incurs. The results of the joint venture operations are prepared for the same reporting year as the Group, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

When the Group contributes or sells assets to the joint venture, any portion of gain or loss from the transaction is recognised based on the substance of the transaction. When the Group purchases assets from the joint venture, the Group does not recognise its share of the profits of the joint venture from the transaction until it resells the assets to an independent party.

The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(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. An exception to non-amortisation of goodwill relates to goodwill arising from the acquisition of a single-asset entity, Jernih Makmur Sdn Bhd, which carries an intangible asset in relation to concession rights. As described in Note 2.2(c)(ii), concession rights have a finite useful life and accordingly, the goodwill arising from the acquisition of the concession rights is deemed to have a finite useful life and is therefore amortised in direct proportion as that used to amortise the concession rights.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Concession Rights

Concession rights represent the initial costs incurred in obtaining the exclusive right to fell, extract and harvest merchantable timber logs from the concession areas granted under the timber concession agreement.

Following initial recognition, concession rights are carried at cost less accumulated amortisation and any accumulated impairment losses. Concession rights are assessed to have finite useful lives and are amortised in proportion to timber resources in the concession area based on the amount of tonnes logged every year. The total timber resources derived are based on estimates provided by professional and forester at the point of acquisition. The concession rights are also assessed for impairment whenever there is an indication that they may be impaired. The amortisation period and amortisation method are reviewed at least at each balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(d) Plant and Equipment and Depreciation

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

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

Depreciation of 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:

Computer equipment	25%
Electrical and fittings	10%
Furniture and fittings	10%
Motor vehicles	20%
Office equipment	10%
Renovations	10%

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

An item of plant and equipment is derecognised upon its 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.

(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 measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(e) Investment Properties (Contd.)

Gains or losses arising from changes in fair values of investment properties are recognised in profit or loss in the year in which they arise.

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) Land Held for Property Development and Property Development Costs

(i) Land held for Property Development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(g).

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

(ii) Property Development Costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(f) Land Held for Property Development and Property Development Costs (Contd.)

(ii) Property Development Costs (Contd.)

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that have the probability of recovery, and property development costs on properties sold are recognised as expenses in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as expenses are recognised as assets, which are measured at the lower of cost and net realisable value.

The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the income statement is classified as progress billings within trade payables.

(g) Impairment of Non-Financial Assets

The carrying amounts of assets, other than investment property, property development costs, deferred tax assets and non-current asset held for sale, 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 that has an indefinite useful life, 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 assets 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(g) Impairment of Non-Financial Assets (Contd.)

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

An impairment loss is recognised in profit or loss in the period 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 the 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) Financial Instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(h) Financial Instruments (Contd.)

(i) Cash and Cash Equivalents

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

(ii) Receivables

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

(iii) Payables

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

(iv) Interest Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Borrowing costs are recognised in profit or loss in the period in which they are incurred.

(v) Irredeemable Convertible Unsecured Loan Stocks ("ICULS")

ICULS are regarded as equity instruments. Under the effective interest rate method, the interest expense on the ICULS is computed by applying the prevailing market interest rate for a similar redeemable loan stocks to the instrument. The difference between this amount and the interest paid is considered as the liability component of the ICULS.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(h) Financial Instruments (Contd.)

(vi) Equity Instruments (Contd.)

The transaction costs of an equity transactions 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.

(i) 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. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

(ii) Finance Leases - the Group as Lessee

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 practical to determine; otherwise, the Group'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 lease assets is consistent with that for depreciable plant and equipment as described in Note 2.2(d).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(i) Leases (Contd.)

(iii) Operating Leases - the Group as Lessee

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

(iv) Operating Leases - the Group as Lessor

Assets leased out under operating leases are presented on the balance sheet 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(m)(iii)).

(j) Income Tax

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(j) Income Tax (Contd.)

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.

(k) 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, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(l) Employee Benefits

(i) Short Term Benefits

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

(ii) Defined Contribution Plans

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(m) Revenue Recognition

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

(i) Sale of Properties

Revenue from sale of properties is accounted for by the stages of completion method as described in Note 2.2(f)(ii).

(ii) Sale of Goods

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

(iii) Rental Income

Rental income from investment property is recognised on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

(iv) Interest Income

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

(v) Management Fees

Management fees are recognised when services are rendered.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(n) Non-current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

2.3 Adoption of Financial Reporting Standards ("FRSs") for the Financial Year

On 1 January 2007, the Group has adopted the following new and revised standards mandatory for the annual periods beginning on or after 1 January 2007:

FRS 6	Exploration for and Evaluation of Mineral Resources
FRS 117	Leases
Amendment to FRS 119 ₂₀₀₄	Employee Benefits- Actuarial Gains and Losses, Group Plans Disclosures
FRS 124	Related Party Disclosures

The adoption of the new and revised standards did not have any financial impact on the Group. However, the adoption of the revised FRS 124 give rise to additional disclosures but did not result in significant changes in accounting policies of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Adoption of Financial Reporting Standards ("FRSs") for the Financial Year (Contd.)

At the date of authorisation of these financial statements, the following new and revised FRSs, amendment to FRS and Interpretations were issued but not yet effective and have not been applied by the Group:

FRSs and Interpretations		Effective for financial period beginning on or after
FRS 107	Cash Flow Statements	1 July 2007
FRS 111	Construction Contracts	1 July 2007
FRS 112	Income Taxes	1 July 2007
FRS 118	Revenue	1 July 2007
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
FRS 134	Interim Financial Reporting	1 July 2007
FRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
FRS 139	Financial Instruments: Recognition and Measurement	Deferred
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investments 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 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 FRS 129: Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8	Scope of FRS 2	1 July 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Adoption of Financial Reporting Standards ("FRSs") for the Financial Year (Contd.)

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139. The new and revised FRSs, amendment to FRS and Interpretations are expected to have no significant impact on the financial statements of the Group and of the Company upon their initial application except for the following:

FRS 112: Income Taxes

The guidance provides that deferred tax liability is not recognised on investment property that is not subject to depreciation or amortisation on grounds that the corresponding disposal will not result in taxes payable and the enterprise does not have a firm commitment to dispose the investment property. Therefore, deferred tax liability on the investment property has not been recognised. This guidance has been removed in the revised FRS 112₂₀₀₇ and accordingly, on adoption of the revised FRS, the Group will apply the changes retrospectively. The restatement has no effect on the Company's financial statements. The assessment of the effects on the consolidated financial statements is as follows:

	RM'000
Description of change	
At 31 December 2007	
Increase in goodwill on acquisition	15,777
Increase in accumulated losses	5,542
Increase in deferred tax liabilities	21,319
	<hr/>
For the year ended 31 December 2007	
Increase in income tax benefit	830
Increase in profit for the year	830
	<hr/>
Earnings per share	
Increase in earnings per share - Basic/Diluted (sen)	0.12
	<hr/>

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Adjustment to Deferred Tax Liabilities

On 25 August 2003, the Group acquired 100% equity interest in Jernih Makmur Sdn Bhd. On consolidation of the subsidiary, deferred tax liability arising from fair value adjustment was not accounted for. The recognition of deferred tax liability has an effect of increasing goodwill on acquisition and deferred tax liabilities of the Group by the same amount. The effect is made on a retrospective basis in accordance with FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors. Accordingly, certain comparatives have been restated as set out below. The restatement has no effect on both the accumulated losses of the Group and the Company's financial statements.

Restatement of comparatives

The following comparative amounts have been restated as a result of the adjustment:

Description of change	Previously Stated RM'000	Increase/ (Decrease) RM'000	Restated RM'000
At 31 December 2006			
Intangible assets - Goodwill	417	9,828	10,245
Deferred tax liabilities	48	9,828	9,876
For the year ended 31 December 2006			
Amortisation of goodwill	-	842	842
Income tax expense/(benefit)	294	(842)	(548)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Significant Accounting Judgements and Estimates

(a) Judgements

There were no significant judgements made in applying the accounting policies of the Company which may have significant effects or the amounts recognised in the financial statements.

(b) 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 as follows:

Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash generating unit ("CGU") to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Based on the assessment, the management determines that goodwill as at balance sheet date is not impaired.

3. REVENUE

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Sale of properties	5,080	3,365	4,067	2,965
Sale of goods	337	8,006	-	-
Rental income from investment property	3,636	3,937	-	-
Management fees from subsidiaries	-	-	-	4,800
	<u>9,053</u>	<u>15,308</u>	<u>4,067</u>	<u>7,765</u>

4. COST OF SALES

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Property development costs	4,462	4,195	3,452	2,112
Cost of goods sold	168	3,187	-	-
Maintenance cost of investment property	2,347	2,392	-	-
	<u>6,977</u>	<u>9,774</u>	<u>3,452</u>	<u>2,112</u>

Included in property development costs of the Group and of the Company is the Company's share of costs from its joint venture with Creative Springs Sdn Bhd of RM3,452,000 (2006: RM2,112,000).

5. OTHER INCOME

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Interest income on:				
- deposits with licensed bank	197	163	167	135
- late payment from purchasers	107	13	107	-
Gain on partial disposal of concession rights	1,502	-	-	-
Fair value adjustments of investment property (Note 13)	692	961	-	-
Miscellaneous	63	166	15	104
	<u>2,561</u>	<u>1,303</u>	<u>289</u>	<u>239</u>

Gain on partial disposal of concession rights is stated net of RM3,498,000 (Note 14) being cost of partial disposal of the concession right.

6. FINANCE COSTS

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Interest expense on:				
- bank borrowings	610	161	-	-
- hire purchase and finance lease liabilities	33	81	33	81
- ICULS	-	103	-	103
	<u>643</u>	<u>345</u>	<u>33</u>	<u>184</u>

7. (LOSS)/PROFIT BEFORE TAX

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

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Employee benefits expense (Note 8)	2,041	2,328	1,137	1,428
Non-executive directors' remuneration (Note 9)	40	80	40	80
Auditors' remuneration:				
- statutory audit	83	94	49	65
- under/(over)provision in prior year	5	(4)	-	-
- other services	6	6	6	6
Operating lease, minimum lease payments for:				
- premises	162	162	162	162
- motor vehicles and equipment	5	5	5	5
Amortisation of intangible assets, included in administrative expenses (Note 14)	1,354	2,570	-	-
Impairment of intangible assets, included in other expenses (Note 14)	-	218	-	-
Depreciation of plant and equipment (Note 12)	181	183	80	86
Provision for doubtful debts	-	-	-	1,587
Reversal of provision for doubtful debts	-	(75)	-	-
Bad debt written off	-	3	-	-

8. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Executive directors' remuneration (Note 9)	363	377	363	377
Wages and salaries	1,364	1,368	655	722
Social security contributions	12	12	3	3
Contributions to defined contribution plan	143	142	70	68
Other staff related expenses	159	429	46	258
	<u>2,041</u>	<u>2,328</u>	<u>1,137</u>	<u>1,428</u>

9. DIRECTORS' REMUNERATION

	Group/Company	
	2007	2006
	RM'000	RM'000
Executive directors' remuneration (Note 8):		
- fees	328	342
- other emoluments	35	35
	<u>363</u>	<u>377</u>
Non-executive directors' remuneration (Note 7):		
- fees	40	80
Total directors' remuneration	<u>403</u>	<u>457</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	2006
Executive:		
RM50,001 to RM100,000	1	2
RM200,001 to RM250,000	<u>1</u>	<u>1</u>
Non-executive:		
Below RM50,000	<u>2</u>	<u>2</u>

10. INCOME TAX BENEFIT

	Group	
	2007	2006
	RM'000	RM'000
Income tax:		
Malaysian income tax	43	230
Underprovision in prior years	73	17
	<u>116</u>	<u>247</u>
Deferred taxation (Note 16):		
Relating to origination and reversal of temporary differences	(857)	(436)
Relating to changes in tax rates	(654)	(359)
Overprovision in prior years	(45)	-
	<u>(1,556)</u>	<u>(795)</u>
Total income tax benefit	<u>(1,440)</u>	<u>(548)</u>

There is no tax expense for the Company as it is in a tax loss position during the year.

Domestic income tax is calculated at the Malaysian statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the year. For subsidiaries in the Group with paid up capital of RM2.5 million and below at the beginning of the basis period, the domestic income tax is calculated at the Malaysian statutory tax rate of 20% on the first RM500,000 (2006: RM500,000) chargeable income and 27% (2006: 28%) on subsequent chargeable income.

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% in subsequent years. The computation of deferred tax as at 31 December 2007 has reflected these changes.

10. INCOME TAX BENEFIT (CONTD.)

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

	2007 RM'000	2006 RM'000
Group		
(Loss)/profit before tax	<u>(1,052)</u>	<u>107</u>
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	(284)	30
Effect of reduction in income tax rate to 20% for the first RM500,000 (2006: RM500,000) chargeable income	-	(40)
Effect of changes in tax rates on opening balance of deferred tax	(654)	(359)
Deferred tax assets recognised at different tax rate	-	(221)
Income not subject to tax	(1,536)	(48)
Expenses not deductible for tax purposes	474	297
Utilisation of previously unrecognised tax losses and capital allowances	(116)	(560)
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	648	336
Overprovision of deferred tax in prior years	(45)	-
Underprovision of income tax expense in prior years	73	17
Income tax benefit for the year	<u>(1,440)</u>	<u>(548)</u>
Company		
(Loss)/profit before tax	<u>(1,741)</u>	<u>1,538</u>
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	(470)	431
Expenses not deductible for tax purposes	107	129
Utilisation of previously unrecognised tax losses	-	(560)
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	363	-
Income tax expense for the year	<u>-</u>	<u>-</u>

10. INCOME TAX BENEFIT (CONTD.)

Tax savings during the financial year arising from:

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Utilisation of current year tax losses	10	-	9	-
Utilisation of previously unrecognised tax losses	32	560	-	560

11. EARNINGS PER SHARE

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

	Group	
	2007	2006
Profit for the year (RM'000)	388	655
Weighted average number of ordinary shares in issue ('000)	702,034	702,034
Basic earnings per share (sen)	0.06	0.09

Upon the full conversion of ICULS into ordinary shares of the Company in prior year, the Group has no potential dilutive ordinary shares as at the balance sheet date and hence basic and diluted earnings per share are equal.

12. PLANT AND EQUIPMENT

Group	Computer Equipment RM'000	Electrical and Fittings RM'000	Furniture and Fittings RM'000	Motor Vehicles RM'000	Office Equipment RM'000	Renovation RM'000	Total RM'000
Cost							
At 1 January 2007	107	39	486	860	506	171	2,169
Additions	10	-	-	-	1	-	11
At 31 December 2007	117	39	486	860	507	171	2,180
Accumulated depreciation							
At 1 January 2007	55	4	102	395	106	23	685
Charge for the year (Note 7)	28	1	49	33	53	17	181
At 31 December 2007	83	5	151	428	159	40	866
Net carrying amount							
At 31 December 2007	34	34	335	432	348	131	1,314
Cost							
At 1 January 2006	96	39	483	860	496	94	2,068
Additions	11	-	3	-	10	77	101
At 31 December 2006	107	39	486	860	506	171	2,169
Accumulated depreciation							
At 1 January 2006	30	3	52	353	54	10	502
Charge for the year (Note 7)	25	1	50	42	52	13	183
At 31 December 2006	55	4	102	395	106	23	685
Net carrying amount							
At 31 December 2006	52	35	384	465	400	148	1,484

12. PLANT AND EQUIPMENT (CONTD.)

Company	Computer Equipment RM'000	Electrical and Fittings RM'000	Furniture and Fittings RM'000	Motor Vehicles RM'000	Office Equipment RM'000	Renovation RM'000	Total RM'000
Cost							
At 1 January 2007	60	12	189	860	32	75	1,228
Additions	10	-	-	-	1	-	11
At 31 December 2007	70	12	189	860	33	75	1,239
Accumulated depreciation							
At 1 January 2007	32	4	40	395	10	17	498
Charge for the year (Note 7)	16	1	19	32	4	8	80
At 31 December 2007	48	5	59	427	14	25	578
Net carrying amount							
At 31 December 2007	22	7	130	433	19	50	661
Cost							
At 1 January 2006	51	12	186	860	30	75	1,214
Additions	9	-	3	-	2	-	14
At 31 December 2006	60	12	189	860	32	75	1,228
Accumulated depreciation							
At 1 January 2006	18	3	21	353	7	10	412
Charge for the year (Note 7)	14	1	19	42	3	7	86
At 31 December 2006	32	4	40	395	10	17	498
Net carrying amount							
At 31 December 2006	28	8	149	465	22	58	730

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12. PLANT AND EQUIPMENT (CONTD.)

Net carrying amount of motor vehicle held under hire purchase and finance lease arrangement is RM432,000 (2006: RM465,000).

13. INVESTMENT PROPERTY

	Group	
	2007	2006
	RM'000	RM'000
At 1 January	82,000	81,039
Transfer from property development costs (Note 18)	5,308	-
Fair value adjustments (Note 5)	692	961
Reclassified as asset held for sale (Note 20)	(6,000)	-
At 31 December	<u>82,000</u>	<u>82,000</u>

Investment property consists of commercial retail spaces leased to third parties. These leases are generally cancellable operating lease arrangements for which the lessees are required to give a three-month notice for the termination of those agreements.

The investment property of RM82,000,000 is pledged as security for borrowings (Note 23).

14. INTANGIBLE ASSETS

	Goodwill	Concession	Total
	RM'000	Rights	RM'000
	RM'000	RM'000	RM'000
	(restated)		
Group			
Cost			
At 1 January 2007	12,463	42,243	54,706
Partial disposal (Note 5)	-	(3,498)	(3,498)
At 31 December 2007	<u>12,463</u>	<u>38,745</u>	<u>51,208</u>
Accumulated amortisation and impairment			
At 1 January 2007	2,218	5,861	8,079
Amortisation (Note 7)	1,303	51	1,354
At 31 December 2007	<u>3,521</u>	<u>5,912</u>	<u>9,433</u>
Net carrying amount			
At 31 December 2007	<u>8,942</u>	<u>32,833</u>	<u>41,775</u>

14. INTANGIBLE ASSETS (CONTD.)

	Goodwill	Concession	
	RM'000	Rights	Total
	(restated)	RM'000	RM'000
Group			
Cost			
At 1 January 2006 and 31 December 2006	<u>12,463</u>	<u>42,243</u>	<u>54,706</u>
Accumulated amortisation and impairment			
At 1 January 2006	1,158	4,133	5,291
Impairment loss (Note 7)	218	-	218
Amortisation (Note 7)	<u>842</u>	<u>1,728</u>	<u>2,570</u>
At 31 December 2006	<u>2,218</u>	<u>5,861</u>	<u>8,079</u>
Net carrying amount			
At 31 December 2006	<u>10,245</u>	<u>36,382</u>	<u>46,627</u>

Goodwill has been allocated to the Group's CGUs identified according to business segments as follows:

	2007	2006
	RM'000	RM'000
Group		
Timber concession	8,525	9,828
Investment property	417	417
Total	<u>8,942</u>	<u>10,245</u>

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2007	2006
	RM'000	RM'000
Unquoted shares at cost	78,570	78,570
Less: Accumulated impairment losses	<u>(5,070)</u>	<u>(5,070)</u>
At 31 December	<u>73,500</u>	<u>73,500</u>

15. INVESTMENTS IN SUBSIDIARIES (CONTD.)

Details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:

Name of subsidiaries	Paid-up capital RM'000	Equity interest (%) held		Principal Activities
		2007	2006	
Angkasa Lampiran Sdn Bhd	300	100	100	Property development
Bitarex Sdn Bhd	4,000	100	100	Investment holding
Consistent Harvest Sdn Bhd	1,000	100	100	Property management
Jernih Makmur Sdn Bhd	1,000	100	100	Logging and selling of round end timber logs
Ni-Corp Oil & Gas Technologies Sdn Bhd *	-**	100	100	Oil and gas industry - dormant

* Audited by firms of auditors other than Ernst & Young

** RM2 only

As disclosed in Note 2.2(a)(i), 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. On 4 January 1999, pursuant to the Banking and Financial Institutions (Kewangan Bersatu Berhad) (Assumption of Control) Order, 1998 issued by the Minister of Finance, Bank Negara Malaysia ("BNM") assumed control of the whole property, business and affairs of Kewangan Bersatu Berhad and its subsidiaries, KBB Nominees (Tempatan) Sdn Bhd and KBB Properties Sdn Bhd ("KBB Group"), a Group which was wholly owned by the Company.

Accordingly, the financial statements of KBB Group had not been consolidated in the preparation of the consolidated financial statements as the directors were of the opinion that the Company had lost effective control in KBB Group where the control and management of the affairs of KBB Group had been assumed by BNM since 4 January 1999. The audited financial statements of KBB Group for the financial year ended 31 December 2007 were not annexed to the Group financial statements as exempted by the Assistant Registrar of Companies on 4 December 2007.

The Company's investments in KBB Group had been fully impaired in prior years. It is the intention of the management to dispose of the equity interest in KBB Group to BNM. The management is in the midst of discussions with BNM on the procedures in relation to the intended disposal.

16. DEFERRED TAXATION

	Group	
	2007	2006
	RM'000	RM'000
At 1 January	9,736	10,531
Recognised in income statement (Note 10)	(1,556)	(795)
At 31 December	<u>8,180</u>	<u>9,736</u>
Presented after appropriate offsetting as follows:		
Deferred tax asset	-	(140)
Deferred tax liabilities:		
- subject to income tax	8,180	9,828
- subject to capital gains tax	-	48
	<u>8,180</u>	<u>9,736</u>

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:

	Investment Property RM'000	Concession Rights RM'000	Total RM'000
At 1 January 2007	48	9,828	9,876
Recognised in income statement	(48)	(1,648)	(1,696)
At 31 December 2007	<u>-</u>	<u>8,180</u>	<u>8,180</u>
At 1 January 2006	-	10,671	10,671
Recognised in income statement	48	(843)	(795)
At 31 December 2006	<u>48</u>	<u>9,828</u>	<u>9,876</u>

Deferred tax assets of the Group:

	Unused Tax Losses RM'000
At 1 January 2007	(140)
Recognised in income statement	140
At 31 December 2007	<u>-</u>
At 1 January 2006	(140)
Recognised in income statement	-
At 31 December 2006	<u>(140)</u>

16. DEFERRED TAXATION (CONTD.)

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

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Unused tax losses	62,200	58,600	56,700	54,100
Unabsorbed capital allowances	100	250	100	-
	<u>62,300</u>	<u>58,850</u>	<u>56,800</u>	<u>54,100</u>

The unused tax losses and unabsorbed capital allowances of the Group and of the Company are available indefinitely for offsetting against future taxable profits of the subsidiaries within the Group and the Company respectively, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Current				
Trade receivables				
Third parties	1,514	5,801	-	-
Accrued billings in respect of property development cost	-	401	-	-
	<u>1,514</u>	<u>6,202</u>	<u>-</u>	<u>-</u>
Less: Provision for doubtful debts	<u>(73)</u>	<u>(73)</u>	<u>-</u>	<u>-</u>
Trade receivables, net	<u>1,441</u>	<u>6,129</u>	<u>-</u>	<u>-</u>
Other receivables				
Deposits:				
- for proposed joint venture	2,000	5,400	2,000	5,400
- others	132	101	42	-
Prepayments	105	116	-	-
Sundry receivables:				
- advances to joint venture projects	13,529	2,250	13,529	2,250
- others	4,800	92	-	74
	<u>20,566</u>	<u>7,959</u>	<u>15,571</u>	<u>7,724</u>
	<u>22,007</u>	<u>14,088</u>	<u>15,571</u>	<u>7,724</u>

17. TRADE AND OTHER RECEIVABLES (CONTD.)

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Non-current				
Other receivables				
Amount due from subsidiaries	-	-	44,661	56,107
Less: Provision for doubtful debts	-	-	(1,587)	(1,587)
	<u>-</u>	<u>-</u>	<u>43,074</u>	<u>54,520</u>

(a) Credit risk

The Group's normal credit term is one month (2006: one month). Other credit terms are assessed and approved on a case-by-case basis. Each customer has a maximum credit limit. Credit risk is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's reporting procedures. As at balance sheet date, the Group and the Company have significant concentration of credit risk in the form of outstanding balance arising from 2 debtors (2006: 1 debtor), representing 69% (2006: 81%) of the total trade receivables. Trade receivables are non-interest bearing.

(b) Deposits for proposed joint venture

In prior year, a deposit of RM5.4 million placed with a stakeholder bearing an interest rate of 2.5% per annum was held for a proposed joint venture for the purpose of part contribution pursuant to a joint venture agreement with Uzma Engineering Sdn Bhd, a company incorporated in Malaysia. The joint venture agreement was to form an unincorporated joint venture, to be known as Nicorp Uzma JV, to jointly provide goods and services to the oil and gas industry. During the year, by way of a deed of revocation and mutual release of parties to the proposed joint venture, the Company has recovered the deposit of up to RM3.4 million together with interest income of RM135,000. The remaining deposit of RM2.0 million has been fully received subsequent to year end.

(c) Advances to joint venture projects

The amount as at balance sheet date comprises advance of RM7.0 million (2006: RM2.25 million) to Creative Spring Sdn Bhd ("CSSB") and RM6.5 million (2006: Nil) to a new joint venturer, Noble Residence Sdn Bhd ("NRSB").

17. TRADE AND OTHER RECEIVABLES (CONTD.)**(c) Advances to joint venture projects (Contd.)****Joint Venture with CSSB**

In prior year, the Company entered into a joint venture agreement with CSSB, a company incorporated in Malaysia, to form an unincorporated joint venture, known as Nicorp Creative JV, to jointly construct 139 units of shops office in Kota Bahru, state of Kelantan. Pursuant to the joint venture agreement dated 9 November 2006, the Company was required to provide an advance of RM2.5 million and a bridging loan of not more than RM4.0 million as working capital for the property development project. Pursuant to the joint venture agreement, the Company is entitled to share 50% of the risks and rewards arising therefrom. Included in the total advance of RM7.0 million is part contribution to and share of profits from the property development project of RM6.2 million (2006: RM1.8 million) and RM0.8 million (2006: RM0.5 million) respectively.

The Group's and Company's share of the income and expenses of the joint venture with CSSB is as follows:

	2007	2006
	RM'000	RM'000
Revenue	4,067	2,965
Expenses, including tax expense	<u>(3,739)</u>	<u>(2,514)</u>
	<u>328</u>	<u>451</u>

Joint Venture with NRSB

During the year, the Company entered into a new joint venture agreement dated 24 December 2007 with NRSB, a company incorporated in Malaysia, to form an unincorporated joint venture, known as Nicorp Noble JV, to jointly develop a land in Kota Bharu, state of Kelantan, into a new township comprising hypermarket, hotel and shops. Pursuant to the joint venture agreement, the Company is required to invest RM6.6 million for the entire development period of 3 years and is entitled to share 70% of the risks and rewards arising therefrom. Nicorp Noble JV is in the process of procuring the necessary approvals from the relevant authorities for the new township.

All advances to joint venture projects are non-interest bearing, repayable on demand, unsecured and are to be settled in cash, except for the advance to Nicorp Noble JV whereby the Company has the right to dispose of the land held by NRSB in the event of failure by the venture to obtain the necessary approval.

17. TRADE AND OTHER RECEIVABLES (CONTD.)**(d) Sundry receivables - others**

The sundry receivable of RM4.8 million due to the Group represents the sales proceed receivable from a third party for the partial disposal of concession rights. Under the terms of the sale, this amount is non-interest bearing and is to be recovered via 4 monthly instalments from March 2008 onwards.

(e) Amounts due from subsidiaries

Amounts due from subsidiaries are non-interest bearing, unsecured and are to be settled in cash. The amounts due from subsidiaries relates to long term loans which are not due for repayment within the next 12 months.

18. PROPERTY DEVELOPMENT COSTS

	Freehold land RM'000	Development costs RM'000	Total RM'000
Group			
2007			
Cumulative property development costs			
At 1 January 2007	4,255	8,723	12,978
Costs incurred during the year	742	1,033	1,775
At 31 December 2007	4,997	9,756	14,753
Cumulative costs recognised in income statement			
At 1 January 2007	2,057	6,378	8,435
Recognised during the year (Note 4)	-	1,010	1,010
Transfer to investment properties (Note 13)	2,940	2,368	5,308
At 31 December 2007	4,997	9,756	14,753
Property development costs			
At 31 December 2007	-	-	-

18. PROPERTY DEVELOPMENT COSTS (CONTD.)

	Freehold land RM'000	Development costs RM'000	Total RM'000
Group			
2006			
Cumulative property development costs			
At 1 January 2006	4,071	6,650	10,721
Costs incurred during the year	184	2,073	2,257
At 31 December 2006	<u>4,255</u>	<u>8,723</u>	<u>12,978</u>
Cumulative costs recognised in income statement			
At 1 January 2006	2,057	4,295	6,352
Recognised during the year (Note 4)	-	2,083	2,083
At 31 December 2006	<u>2,057</u>	<u>6,378</u>	<u>8,435</u>
Property development costs			
At 31 December 2006	<u>2,198</u>	<u>2,345</u>	<u>4,543</u>

In prior year, property development costs of RM4,543,000 were pledged as securities for borrowings (Note 23).

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cash on hand and at banks	677	304	323	111
Deposits with licensed banks	<u>1,804</u>	<u>265</u>	<u>1,527</u>	<u>-</u>
Cash and bank balances	<u>2,481</u>	<u>569</u>	<u>1,850</u>	<u>111</u>

Included in cash at banks of the Group is an amount of RM2,700 (2006: RM8,700) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 which cannot be used for other operations.

19. CASH AND CASH EQUIVALENTS (CONTD.)

The weighted average effective interest rates and average maturities of deposits with licensed banks are as follows:

	Group		Company	
	2007	2006	2007	2006
Weighted average interest rates (%)	3.10	3.10	3.10	-
Weighted average maturities (days)	<u>30</u>	<u>30</u>	<u>30</u>	<u>-</u>

Deposits with licensed banks of the Group are pledged as securities for:

- (i) bank guarantee in favour of CSSB for joint venture project; and
- (ii) for utility deposits of the investment property owned by the Group.

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

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	2,481	569	1,850	111
Bank overdraft (Note 23)	<u>(2,722)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash and cash equivalents	<u>(241)</u>	<u>569</u>	<u>1,850</u>	<u>111</u>

20. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

The asset classified as held for sale on the balance sheet as at 31 December 2007 is in respect of an investment property. The carrying amount of the investment property as at balance sheet date approximates its fair value immediately before being classified as held for sale.

On 19 December 2007, the Group entered into a Sale and Purchase Agreement ("SPA") with a third party for the disposal of a freehold land described as HS(D) 102570 P.T. No. 19434 of Mukim Ampangan, District Seremban of Negeri Sembilan measuring approximately 6.4 acres, together with an approved development plan and layout plan for 35 units of double storey terrace houses and 21 units of terrace shop houses, for a total cash consideration of RM6,000,000 for which an amount of RM120,000 has been received upon execution of the SPA and the remaining cash consideration of RM5,880,000 shall be paid within 6 months commencing from 1 January 2008. As at balance sheet date, the terms specified in SPA have not been fulfilled.

The RM6,000,000 asset held for sale is pledged as securities for borrowings (Note 23).

21. SHARE CAPITAL

	Number of Ordinary Shares of RM0.20 Each		Amount	
	2007 '000	2006 '000	2007 RM'000	2006 RM'000
Authorised:				
At 1 January / 31 December	<u>2,500,000</u>	<u>2,500,000</u>	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:				
At 1 January	702,034	546,191	140,407	109,238
Conversion of ICULS (Note 22)	<u>-</u>	<u>155,843</u>	<u>-</u>	<u>31,169</u>
At 31 December	<u>702,034</u>	<u>702,034</u>	<u>140,407</u>	<u>140,407</u>

In prior year, the Company increased its issued and paid-up ordinary share capital from RM109,238,000 to RM140,407,000 following the conversion of ICULS. The new ordinary shares rank pari passu in all respects with the existing ordinary shares.

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.

22. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("ICULS")

On 25 August 2003, the Company issued RM122,738,611 ICULS comprising 613,693,055 nominal value of 3 year, 0.5% ICULS at a nominal value of RM0.20 each for the purpose of acquiring Consistent Harvest Sdn Bhd and Jernih Makmur Sdn Bhd. The ICULS were constituted by a Trust Deed dated 14 July 2003 made between the Company and the Trustees for the holders of the ICULS. The ICULS were listed on Bursa Malaysia Securities Berhad on 28 August 2003.

The salient features of the ICULS were as follows:

- (i) Conversion rights - the registered holders of the ICULS will have the option at any time during the conversion period to convert the ICULS at the conversion rate into new ordinary shares of RM0.20 each in the Company;
- (ii) Conversion rate - on the basis of one (1) ICULS for one (1) new ordinary share of RM0.20 each in the Company;

22. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("ICULS") (CONTD.)

- (iii) Conversion period - period commencing from and including 25 August 2003 to maturity date 24 August 2006;
- (iv) All outstanding ICULS will be mandatorily converted in full by the Company on 24 August 2006 into ordinary shares of RM0.20 each in the Company;
- (v) The ICULS bear an interest of 0.5% per annum payable annually in arrears, with the first payment due on 24 August 2004; and
- (vi) The new ordinary shares to be allotted and issued upon conversion of the ICULS will rank pari passu in all respects with the existing ordinary shares of the Company save for and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions prior to the entitlement date which is on or before the date of allotment and issue of the Company's shares pursuant to the conversion of the ICULS.

The ICULS are regarded as equity instruments. Under the effective interest rate method, the interest expense of the ICULS is computed by applying the prevailing market interest rate for a similar non-redeemable loan stocks to the instrument. The difference between this amount and the interest paid is considered as the liability component of the ICULS. The ICULS were accounted for in the balance sheet of the Group and of the Company as follows:

	2006 RM'000
Group/Company	
Nominal value of ICULS at 1 January	31,169
Nominal value of ICULS converted into share capital (Note 22)	<u>(31,169)</u>
Nominal value of ICULS outstanding at balance sheet date	<u>-</u>

Interest expense on the ICULS was calculated on the effective yield basis by applying the coupon interest rate of 8% for an equivalent non-redeemable ICULS on the equity component of the convertible ICULS.

In prior year, the balance of the ICULS of approximately RM31,169,000 (representing approximately 155,843,000 units) were converted into ordinary shares of RM0.20 each in the Company on or before the maturity date of the ICULS at 24 August 2006.

23. BORROWINGS

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Short term borrowings				
Secured:				
Bank overdraft	2,722	-	-	-
Term loan	3,431	1,875	-	-
Hire purchase and finance lease liabilities (Note 24)	83	78	83	78
	<u>6,236</u>	<u>1,953</u>	<u>83</u>	<u>78</u>
Long term borrowings				
Secured:				
Term loan	4,508	-	-	-
Hire purchase and finance lease liabilities (Note 24)	409	492	409	492
	<u>4,917</u>	<u>492</u>	<u>409</u>	<u>492</u>
Total borrowings				
Bank overdraft	2,722	-	-	-
Term loan	7,939	1,875	-	-
Hire purchase and finance lease liabilities (Note 24)	492	570	492	570
	<u>11,153</u>	<u>2,445</u>	<u>492</u>	<u>570</u>

Details of borrowings are as follows:-

(a) Maturity periods (excluding hire purchase and finance lease liabilities)

	Group	
	2007	2006
	RM	RM
Not later than 1 year	6,153	1,875
Later than 1 year and not later than 2 years	1,692	-
Later than 2 years and not later than 5 years	2,816	-
	<u>10,661</u>	<u>1,875</u>

23. BORROWINGS (CONTD.)

(b) Interest rates

	Group		Company	
	2007	2006	2007	2006
	%	%	%	%
Bank overdraft	7.75	-	-	-
Term loan	7.86	8.25	-	-
Hire purchase and finance lease liabilities (Note 24)	3.64	3.64	3.64	3.64

(c) The bank overdraft and term loan of the Group are secured by the following:

- (i) A first and third party legal charge created on the investment property which was classified as asset held for sale (Note 20) owned by a subsidiary, Bitarex Sdn Bhd;
- (ii) A debenture incorporating a fixed and floating charge over all present and future assets of a subsidiary, Angkasa Lampiran Sdn Bhd;
- (iii) Joint and several guarantee by all the directors of Angkasa Lampiran Sdn. Bhd.;
- (iv) A first party legal charge created on the investment property owned by a subsidiary, Consistent Harvest Sdn Bhd;
- (v) Equitable assignment of all present and future monthly rental proceeds derived from the investment property (as per (iv)) to the bank; and
- (vi) Corporate guarantee by the Company.

24. HIRE PURCHASE AND FINANCE LEASE LIABILITIES

	Group/Company	
	2007	2006
	RM'000	RM'000
Future minimum lease payments:		
Not later than 1 year	112	112
Later than 1 year and not later than 2 years	112	224
Later than 2 years and not later than 5 years	331	333
Later than 5 years	18	18
Total future minimum lease payments	573	687
Less: Future finance charges	(81)	(117)
Present value of finance lease liabilities (Note 23)	492	570

24. HIRE PURCHASE AND FINANCE LEASE LIABILITIES (CONTD.)

	Group/Company	
	2007	2006
	RM'000	RM'000
Analysis of present value of finance lease liabilities:		
Not later than 1 year	83	79
Not later than 1 year and not later than 2 years	90	173
Later than 2 years and not later than 5 years	301	302
Later than 5 years	18	16
	<u>492</u>	<u>570</u>
Less: Amount due within 12 months (Note 23)	(83)	(78)
Amount due after 12 months (Note 23)	<u>409</u>	<u>492</u>

The Group has finance lease and hire purchase contracts for motor vehicles (see Note 12). These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the Company holding the lease. There are no restrictions placed upon the Company by entering into these leases and no arrangements have been entered into for contingent rental payments.

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Current				
Trade payables				
Third parties	<u>344</u>	<u>1,860</u>	<u>-</u>	<u>-</u>
Other payables				
Accruals	353	363	62	219
Sundry payables	<u>1,170</u>	<u>764</u>	<u>88</u>	<u>41</u>
	<u>1,523</u>	<u>1,127</u>	<u>150</u>	<u>260</u>
	<u>1,867</u>	<u>2,987</u>	<u>150</u>	<u>260</u>

25. TRADE AND OTHER PAYABLES (CONTD.)**(a) Trade payables**

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group is one month (2006: one month).

(b) Sundry payables

Included in sundry payables of the Group is an amount of RM772,000 (2006: RM492,000) being rental deposits from tenants of the investment property of a subsidiary, Consistent Harvest Sdn Bhd, which shall be repaid at the end of the respective tenancy periods.

26. OPERATING LEASE ARRANGEMENTS**(a) The Group as lessee**

The Group has entered into non-cancellable long term operating lease agreement for the use of office space and office equipment. The future aggregate minimum lease payments under non-cancellable operating lease contracted for as at balance sheet date but not recognised as liabilities are as follows:

	Group/Company	
	2007	2006
	RM'000	RM'000
Future minimum rental payments:		
Not later than 1 year	1	5
Later than 1 year but not later than 5 years	-	2
	<u>1</u>	<u>7</u>

(b) The Group as lessor

The Group has entered into non-cancellable operating lease agreement on its investment property. These leases have remaining non-cancellable lease terms of between one and three years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions and certain contracts also include contingent rental arrangements computed based on sales achieved by tenants.

26. OPERATING LEASE ARRANGEMENTS (CONTD.)**(b) The Group as lessor (Contd.)**

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

	Group	
	2007	2006
	RM'000	RM'000
Not later than 1 year	2,073	1,946
Later than 1 year but not later than 5 years	307	852
	<u>2,380</u>	<u>2,798</u>

27. CAPITAL COMMITMENTS

	Group/Company	
	2007	2006
	RM'000	RM'000
Approved and contracted for advances for joint venture projects:		
- Nicorp Creative JV	300	4,700
- Nicorp Noble JV	66	-
	<u>66</u>	<u>-</u>

28. CONTINGENT LIABILITIES

	Company
	2007
	RM'000
Secured:	
Indemnities given to third parties in respect of bank guarantee	<u>1,500</u>

29. PROFIT GUARANTEE

Pursuant to a Profit Guarantee Agreement, Arus Murni Sdn. Bhd. ("AMSB"), a previous shareholder of the Company guaranteed that the profit before tax of KBB should not be less than RM30,192,000 per annum for each of the financial years ended 31 December 1997 to 1999. As at 31 December 1997, 1998 and 1999, there were shortfalls in the guaranteed profit amounting to RM134,321,000, RM359,286,000 and RM102,948,000 respectively.

The Company initiated legal action for the recovery of the shortfall in the guaranteed profit of RM134,321,000 for the financial year ended 31 December 1997 and obtained judgement from the High Court in favour of the Company. The Company's solicitors served the judgement on AMSB on 15 January 2003 and the solicitors had been requested to carry out a search on AMSB to ascertain whether or not AMSB was in a financial position to honour the judgement sum. The Group and the Company decided that the next course of action was to proceed with the filing of the winding-up petition of AMSB. On a prudent basis, the recovery of the judgement sum, if any, will be included in the financial statements of the Group and the Company on a receipt basis.

30. RELATED PARTY DISCLOSURES

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

	Company	
	2007	2006
	RM'000	RM'000
Subsidiaries:		
Settlement of liabilities on behalf of	68	-
Transfer of funds from	14,984	2,853
Transfer of funds to	6,199	1,348
Reimbursement of salaries from	903	901
Joint venture projects:		
Share of profits from	328	451
Transfer of funds to	<u>10,951</u>	<u>1,799</u>

Information regarding outstanding balances arising from related party transactions as at 31 December 2007 is disclosed in Note 17.

30. RELATED PARTY DISCLOSURES (CONTD.)

(b) Compensation of key management personnel

All directors of the Group and the Company represent the key management personnel of the Group and the Company. The remunerations paid to directors are disclosed in Note 9.

31. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, liquidity and credit risks. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

(b) Interest Rate Risk

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

The Group's interest rate risk arises primarily from interest-bearing borrowings. The Group's policy is to borrow only from large financial institutions with a "fixed" base lending rate ("BLR") as determined by Bank Negara Malaysia and agreed spread above the BLR in order to determine the maximum exposure of the Group to interest rate risk. This strategy allows the Group to protect its interest exposure against interest rate hikes.

(c) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

31. FINANCIAL INSTRUMENTS (CONTD.)

(d) Credit risk

Credit risk, or the risk of counterparties defaulting is controlled by application of credit approvals, limits and monitoring procedures. As at balance sheet date, the Group and the Company have significant concentration of credit risk in the form of outstanding balance arising from 2 debtors (2006: 1 debtor), representing 83% (2006: 85%) of the total trade receivables. Trade receivables are non-interest bearing.

(e) Fair Value

It is not practical to determine the fair values of balances with subsidiaries and joint venture projects due principally to a lack of fixed repayment term and lack of quoted market prices entered into by the parties involved and without incurring excessive costs. However, the directors do not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

The carrying amounts of other financial assets and liabilities approximate their fair values except as indicated in their respective notes.

32. SEGMENT INFORMATION

(a) Business Segments

The Group is organised into four major business segments:

- (i) Property development - the development of residential properties
- (ii) Timber concessionaire - logging and selling of round end timber logs
- (iii) Investment property holding
- (iv) Investment holding

The other business segment is of insufficient size to be reported separately.

(b) Geographical Segments

No segmental information is provided on a geographical basis as the activities of the Group are carried out predominantly in Malaysia.

32. SEGMENT INFORMATION (CONTD.)

REVENUE AND RESULTS

Revenue	Property Development		Timber Concessionaire		Investment Property Holding		Investment Holding		Others		Elimination		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	5,080	3,365	337	8,006	3,636	3,937	-	-	-	-	-	-	9,053	15,308
Intersegment revenue	-	-	-	-	-	-	4,800	-	-	-	-	4,800	-	-
Total revenue	5,080	3,365	337	8,006	3,636	3,937	4,800	-	-	-	-	4,800	9,053	15,308

Results

Segment results	640	(1,597)	1,375	(246)	915	666	(2,035)	1,102	(1)	(1)	(1,303)	528	(409)	452
Finance costs	(180)	(161)	-	-	(430)	-	(33)	(184)	-	-	-	-	(643)	(345)
(Loss)/profit before tax													(1,052)	107
Income tax benefit													1,440	548
Profit for the year													388	655

ASSETS AND LIABILITIES

Segment assets	8,793	5,760	38,921	41,791	83,782	83,403	134,655	136,585	-	2	(110,574)	(118,090)	155,577	149,451
Segment liabilities	7,426	6,497	21,028	26,074	36,019	38,407	642	830	6	5	(43,732)	(56,162)	21,389	15,651

OTHER INFORMATION

Fair value adjustments	692	-	-	-	-	961	-	-	-	-	-	-	692	961
Amortisation of intangible assets	-	-	51	1,728	-	-	-	-	-	-	1,303	842	1,354	2,570
Depreciation	1	2	12	12	88	83	80	86	-	-	-	-	181	183
Impairment losses	-	-	-	-	-	-	-	-	-	-	-	218	-	218
(Reversal of)/provision for doubtful debt	-	(33)	-	-	-	(42)	-	1,587	-	-	-	(1,587)	-	(75)

33. OTHER SIGNIFICANT EVENT

On 19 April 2007, the Company proposed to implement an Employee Share Option Scheme ("ESOS") of up to 15% of the issued and paid up share capital of the Company for the benefit of eligible Directors and employees of the Company and its subsidiaries.

As at the date of these financial statements, the Company has not granted any options for the benefit of eligible Director and employees of the Company and its subsidiaries.

NAIM INDAH CORPORATION BERHAD

(Company No. 19727-P)

(Incorporated in Malaysia)

PROXY FORM

CDS account no. of authorised nominee

I/We _____ (name of shareholder as per NRIC, in capital letters) IC No./ID No./Company No. _____ (new) _____ (old) of

(full address) being a member(s) of the abovenamed Company, hereby appoint _____ (name of proxy as per NRIC, in capital letters) IC No. _____ (new) _____ (old) of

(full address) or failing him/her _____ (name of proxy as per NRIC, in capital letters) IC No. _____ (new) _____ (old) of

(full address) failing him/her the Chairman of the Meeting 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 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. and at each and every adjournment thereof.

My/Our proxy is to vote as indicated below:

	RESOLUTIONS		FOR	AGAINST
1.	To receive the Statutory Financial Statements for the financial year ended 31 December 2007	Resolution 1		
2.	To re-elect Encik Zailan Bin Othman who retires pursuant to Article 79 of the Company's Articles of Association	Resolution 2		
3.	To appoint Messrs. Horwath as Auditors of the Company in place of the retiring auditors, Messrs. Ernst & Young	Resolution 3		
4.	To approve the re-appointment of Y. Bhg. Dato' Shamsir Bin Omar as Director of the Company pursuant to Section 129(6) of the Companies Act, 1965	Resolution 4		
5.	To approve the Ordinary Resolution pursuant to Section 132D of the Companies Act, 1965	Resolution 5		

(Please indicate with an "X" in the spaces provided how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion.)

Signature/Common Seal

Number of shares held: _____

Date: _____

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	No. of shares	Percentage
Proxy 1		%
Proxy 2		%
Total		100%

Notes:

- The instrument appointing a proxy shall be in writing under the hand of the appointer or of his 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.
- 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.
- 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.
- A Corporation must complete the proxy form under its common seal or under the hand of a duly authorised officer or attorney. A proxy need not be a member of the company. The instrument appointing a proxy shall be deemed to confer authority to join in demanding a poll.
- Unless voting instructions are indicated in the spaces provided the proxy may vote as he thinks fit.

Please fold here to seal

Affix
Postage
Stamp

TENAGA KOPERAT SDN BHD
20th Floor, Plaza Permata
Jalan Kampar, Off Jalan Tun Razak
50400 Kuala Lumpur

Please fold here to seal