AMALGAMATED INDUSTRIAL STEEL BERHAD

COMPANY REGISTRATION NO. 9118-M

ANNUAL REPORT 2007

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CORPORATE INFORMATION

DIRECTORS	:	Dato' Ghazali Bin Mat Ariff *Chairman, Non-Independent Non-Executive Director* Encik Sulaiman Bin Salleh *Senior Independent Non-Executive Director* Tuan Haji Fauzi Bin Mustapha *Independent Non-Executive Director* Mr. Lim Yew Boon *Non-Independent Executive Director /* *Acting Chief Executive Officer* Mr. Lim Chin Sean *Non-Independent Non-Executive Director*
AUDIT COMMITTEE	:	**Chairman** Encik Sulaiman Bin Salleh **Members** Tuan Haji Fauzi Bin Mustapha Mr. Lim Chin Sean
NOMINATION COMMITTEE	:	**Chairman** Encik Sulaiman Bin Salleh **Members** Tuan Haji Fauzi Bin Mustapha Mr. Lim Chin Sean
REMUNERATION COMMITTEE	:	**Chairman** Dato' Ghazali Bin Mat Ariff **Members** Encik Sulaiman Bin Salleh Tuan Haji Fauzi Bin Mustapha
ESOS COMMITTEE	:	**Chairman** Dato' Ghazali Bin Mat Ariff **Members** Tuan Haji Fauzi Bin Mustapha Mr. Soo Eng Choon Ms. Mok Chong Gan Mr. Tang Lai Soon
RISK MANAGEMENT COMMITTEE	:	**Chairman** Tuan Haji Fauzi Bin Mustapha **Members** Mr. Lim Yew Boon Mr. Soo Eng Choon

COMPANY SECRETARY	:	Ms. Chin Ngeok Mui (MAICSA 7003178)
AUDITORS	:	Moores Rowland (AF:0539) Chartered Accountants Wisma Selangor Dredging, 7th Floor, South Block, 142-A Jalan Ampang, 50450 Kuala Lumpur. Telephone No : 03-21615222 Telefax No : 03-21613909
REGISTERED OFFICE / PRINCIPAL PLACE OF BUSINESS	:	Lot 11A, Jalan Utas 15/7, 40000 Shah Alam, Selangor Darul Ehsan. Telephone No : 03-50327007 (General) / 50327300 (Sales) Telefax No : 03-50327320 (General) / 50327321 (Sales) E-mail : general@aisberhad.com.my Website : www.aisberhad.com.my
SHARE REGISTRAR	:	Symphony Share Registrars Sdn Bhd Level 26, Menara Multi-Purpose, Capital Square, No 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur. Telephone No : 03-27212222 Telefax No : 03-27212530 / 27212531
PRINCIPAL BANKERS (In alphabetical order)	:	Alliance Bank Malaysia Berhad AmBank Berhad Bank Islam Malaysia Berhad CIMB Bank Berhad Malayan Banking Berhad OCBC Bank (Malaysia) Berhad
STOCK EXCHANGE LISTING	:	Main Board of Bursa Malaysia Securities Berhad Stock Code 2682

LIST OF PROPERTIES

Particulars of Group Properties at 31 December 2007 are as follow :-

Tenure
Leasehold

Size
10 acres

Net Carrying Amount (RM)
19,927,241

Address
Lot 11A, Jalan Utas 15/7,
Section 15,
40000 Shah Alam,
Selangor Darul Ehsan.

Location
Q.T. (R) 5331 and
Q.T. (R) 76 at Tapak
Perusahaan Di Shah Alam
Town of Shah Alam
District of Kelang
State of Selangor
Darul Ehsan

Description/Existing Use
Manufacturing concern
99 years lease
(expiring in 2069)
Buildings approximately
between 25 to 36 years

Tenure
Leasehold

Size
11.5 acres

Net Carrying Amount (RM)
27,819,800

Address
Lot 6, Jalan Playar 15/1,
Section 15,
40000 Shah Alam,
Selangor Darul Ehsan.

Location
H.S. (D) 1890
Lot P.T. Kawasan
Perusahaan Shah Alam
District of Petaling
State of Selangor
Darul Ehsan

Description/Existing Use
Manufacturing concern
99 years lease
(expiring in 2074)
Buildings approximately
between 17 to 30 years

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Seventh Annual General Meeting of the Company will be held at Lot 6, Jalan Playar 15/1, Section 15, 40000 Shah Alam, Selangor Darul Ehsan on Thursday, 29 May 2008 at 11.30 a.m. for the following purposes: -

AGENDA

ORDINARY BUSINESS:-

1. To receive the Audited Financial Statements for the financial year ended 31 December 2007 together with the Directors' and Auditors' Reports thereon. **Resolution 1**

2. To declare a first and final tax exempt dividend of 3.5% for the financial year ended 31 December 2007 as recommended by the Directors. **Resolution 2**

3. To approve the payment of Directors' fees of RM90,000 for the financial year ended 31 December 2007. **Resolution 3**

4. To re-elect the following Director who retires by rotation pursuant to Article 116 of the Company's Articles of Association. **Resolution 4**
   - Mr. Lim Yew Boon

5. To re-elect the following Director who retires pursuant to Article 114 of the Company's Articles of Association. **Resolution 5**
   - Mr. Lim Chin Sean

6. To re-appoint Messrs Moores Rowland as the auditors of the Company and to authorise the Board of Directors to fix their remuneration. **Resolution 6**

SPECIAL BUSINESS:-

To consider and, if thought fit, pass with or without modifications, the following resolutions:-

<u>Ordinary Resolution</u>

7. **Authority for Directors to allot and issue shares in the Company pursuant to Section 132D of the Companies Act, 1965** **Resolution 7**

   "**THAT** subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby authorised, pursuant to Section 132D of the Companies Act, 1965 to allot and 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 Directors may, in their 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."

8. **Proposed Renewal of Authority for the Company to Purchase Its Own Shares ("Proposed Share Buy-Back")** **Resolution 8**

   "**THAT** subject to the requirements of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), Companies Act, 1965 ("the Act"), and the Articles of Association of the Company, the Company be and is hereby authorised to purchase such number of ordinary shares of RM0.50 each in the Company through Bursa Securities, as may be determined by the Directors of the Company from time to time upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

   (i) the aggregate number of ordinary shares purchased and/or held by the Company as treasury shares shall not exceed ten percent (10%) of the issued and paid-up ordinary share capital of the Company at any point in time;

(ii) the funds allocated by the Company for the Proposed Share Buy-Back shall not exceed the aggregate retained profits and share premium accounts of the Company; and

(iii) the authority conferred by this resolution shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which this resolution was passed, at which time it shall lapse, unless by ordinary resolution passed at that meeting, the authority is renewed, whether unconditionally or subject to conditions; or

(b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by an ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first.

THAT the Directors of the Company be and are hereby authorised to deal with the shares purchased in the following manner:

(a) cancel all the shares so purchased; and/or

(b) retain the shares so purchased as treasury shares, for distribution as share dividends to the shareholders and/or resell on the market of Bursa Securities; and/or

(c) retain part thereof as treasury shares and cancel the remainder.

AND THAT the Directors of the Company be and are hereby authorised to give effect to the Proposed Share Buy-Back with full power to assent to any modifications and/or amendments as may be required by the relevant authorities."

9. To transact any other business for which due notice shall have been given.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN that a First and Final Tax Exempt Dividend of 3.5% in respect of the financial year ended 31 December 2007, if approved by the shareholders at the Thirty-Seventh Annual General Meeting, will be paid on Thursday, 3 July 2008 to Depositors whose names appear in the Records of Depositors at the close of business on Monday, 9 June 2008.

A Depositor shall qualify for entitlement to the dividend only in respect of: -

a) Shares deposited into the Depositor's Securities Account before 12.30 p.m. on 5 June 2008 in respect of shares which are exempted from mandatory deposit;

b) Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 9 June 2008 in respect of ordinary transfers; and

c) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

CHIN NGEOK MUI (MAICSA 7003178)
Company Secretary

Shah Alam
7 May 2008

Notes: -

1 *A member of the Company who is entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead, and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A proxy may but need not be a member of the Company.*

2. *In the case of a corporate member, the instrument appointing a proxy shall be under its Common Seal or under the hand of an officer or attorney of the corporation duly authorised in that behalf.*

3. *Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*

4. *The instrument appointing a proxy must be deposited at the Company's registered office at Lot 11A, Jalan Utas 15/7, 40000 Shah Alam, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.*

Explanatory Notes on Special Business

1. Resolution 7
Authority for Directors to allot and issue shares in the Company pursuant to Section 132D of the Companies Act, 1965

This Ordinary Resolution proposed is in line with the Company's plans for expansion/diversification. The Company is actively looking into prospective areas to broaden the operating base and earnings potential of the Company. As the expansion/diversification may involve the issue of new shares, the Directors, under present circumstances, would have to convene a general meeting to approve the issue of new shares even though the number involved is less than 10% of the issued share capital.

In order to avoid any delay and costs involved in convening a general meeting to approve such issue of shares, it is considered appropriate that the Directors be empowered to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for the time being for such purpose. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

2. Resolution 8
Proposed Share Buy-Back

This proposed resolution, if passed, will empower the Directors of the Company to purchase the Company's shares up to ten percent (10%) of the issued and paid-up share capital of the Company at any point in time, by utilising the funds allocated which shall not exceed the aggregate retained profits and share premium of the Company.

This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

For further information on the Proposed Share Buy-Back, please refer to the Circular to Shareholders dated 7 May 2008 enclosed together with the Company's Annual Report 2007.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. *The profile of the Directors who are standing for re-election are set out on pages 10 and 11 of the Annual Report.*

2. *The details of the Directors' shareholdings in the Company, are set out on page 17 of the Annual Report.*

3. *None of the Company's Directors hold any interests in the Company's subsidiaries.*

BOARD OF DIRECTORS

From left to right :

- Tuan Haji Fauzi Bin Mustapha
  (Independent Non-Executive Director)
- Mr. Lim Yew Boon
  (Non-Independent Executive Director / Acting Chief Executive Officer)
- Dato' Ghazali Bin Mat Ariff
  (Chairman, Non-Independent Non-Executive Director)
- Encik Sulaiman Bin Salleh
  (Senior Independent Non-Executive Director)

Not in the picture :

- Mr. Lim Chin Sean
  (Non-Independent Non-Executive Director)

PROFILE OF DIRECTORS

DATO' GHAZALI BIN MAT ARIFF

Chairman, Non-Independent Non-Executive Director

Dato' Ghazali Bin Mat Ariff, a Malaysian aged 67, is a Non-Independent Non-Executive Director of Amalgamated Industrial Steel Berhad. He was appointed to the Board on 9 December 2003 and assumed the position as Chairman of the Company on 26 September 2007. He also serves as a Chairman to the Remuneration Committee and Employees' Share Option Scheme Committee.

Dato' Ghazali is an Advocate and Solicitor. He qualified as a Barrister-at Law from Lincoln's Inn, London and was called to the English Bar on 21 November 1978. He was admitted as an Advocate & Solicitor of the High Court of Malaya on 27 September 1979. He set up a legal firm under the name of Messrs. Ghazali Ariff & Partners in March 1980 and is currently the Senior Partner of the firm.

From 1979 to 1980 he worked as a legal assistant at Messrs. Nik Hussain, Ibrahim & Abdullah, Kuala Lumpur. Prior to that, he was a college trained teacher at Chung Hwa Confucian High School Penang from 1962 to 1968 and a lecturer at Sultan Hassanal Bolkiah Teachers' Training College Brunei Darussalam from 1968 to 1974.

Apart from Amalgamated Industrial Steel Berhad, Dato' Ghazali sits on the Board of two public listed companies, namely, Advanced Packaging Technology (M) Berhad and Eden Inc. Berhad (formerly known as Enden Enterprises (M) Berhad). He also sits on the Board of several private limited companies, namely Teknologi Tenaga Perlis Consortium Sdn Bhd, Emrail Sdn Bhd and a few others.

Dato' Ghazali is the vice president of Jemaah Dato'-Dato' Perlis and a member of the Board of Trustees of Yayasan Pahlawan Perlis. He was appointed as a Commissioner for Oaths in 1995 until 2005. From September 1995 to December 1999, he was the Honorary Vice Consul of the Republic of Finland in Kuala Lumpur. Dato' Ghazali was also the Honorary Legal Advisor of Malaysia Thai Association from 1999 to 2002.

Dato' Ghazali attended all four Board meetings held during the financial year ended 31 December 2007.

ENCIK SULAIMAN BIN SALLEH

Senior Independent Non-Executive Director

Encik Sulaiman Bin Salleh, a Malaysian aged 63, is a Senior Independent Non-Executive Director of the Company. He was appointed to the Board in November 1993 and has served as Chairman of the Audit Committee since March 1996. He is also a member of the Nomination Committee and the Remuneration Committee.

He qualified as an Accountant with the Association of Chartered Certified Accountants (United Kingdom) and is a member of the Malaysian Institute of Accountants. Encik Sulaiman has over 30 years of working experience in the financial services sector, which include insurance and asset management. He currently acts as Director in Mayban General Assurance Berhad, Mayban Investment Management Sdn Bhd, Mayban Life Assurance Berhad, Mayban Life International (Labuan) Ltd, PTB Unit Trust Berhad and Taliworks Corporation Berhad.

Encik Sulaiman attended all four Board Meetings held during the financial year ended 31 December 2007.

TUAN HAJI FAUZI BIN MUSTPHA
Independent Non-Executive Director

Tuan Haji Fauzi Bin Mustapha, a Malaysian aged 64 years, joined the Board of Amalgamated Industrial Steel Berhad in November 1993 as a Non-Independent Non-Executive Director representing Permodalan Nasional Berhad ("PNB"). Following his retirement from the PNB Group and upon his declaration as such, he was re-designated as an Independent Non-Executive Director of the Company. He serves as a member of the Audit Committee since January 2000 and also serves as a member in the Nomination Committee, Remuneration Committee and Employees' Share Option Scheme Committee. He serves as Chairman to the Risk Management Committee since November 2007.

In the PNB Group, Tuan Haji Fauzi, who holds a Diploma in Marketing, the Chartered Institute of Marketing, UK, and a Bachelor of Arts (Honours) Degree from University Malaya, served for almost 19 years with Amanah Saham Nasional Berhad ("ASNB"), and the last position he held was as Head of Department of the Services and Quality Assurance Management Department. From January 2000 until March 2002, he held the position of Director of Human Resources in HeiTech Padu Berhad ("HPB"). He was, thereafter, designated as a Consultant to initiate HPB's quality movements until December 2002.

Tuan Haji Fauzi attended all four Board Meetings held during the financial year ended 31 December 2007.

MR. LIM YEW BOON
Non-Independent Executive Director

Mr. Lim Yew Boon, a Malaysian aged 49, is a Non-Independent Executive Director of Amalgamated Industrial Steel Berhad. He was appointed to the Board on 9 December 2003. He had served as a member of the Audit Committee from 16 December 2003 till 22 November 2007. He is currently a member of the Risk Management Committee. He is also the Acting Chief Executive Officer of the Company.

Apart from Amalgamated Industrial Steel Berhad, Mr. Lim Yew Boon also sits on the Board of several private limited companies, namely Grand Saga Sdn Bhd, Southern Waste Management Sdn Bhd, Teknologi Tenaga Perlis Consortium Sdn Bhd and a few others.

Prior to his appointment to the Board of Amalgamated Industrial Steel Berhad, Mr. Lim Yew Boon served as the Group Chief Operating Officer in LGB Group of Companies. He holds a Diploma in Civil Engineering and started his career in the field of construction with consultant engineers. With over twenty years of varied corporate and management experience, he has wide in-depth exposure in various key industries covering construction, manufacturing, property development and public utilities.

Mr. Lim Yew Boon is a cousin of Mr. Lim Chin Sean, who is a Director of the Company.

Mr. Lim Yew Boon attended all four Board meetings held during the financial year ended 31 December 2007.

MR. LIM CHIN SEAN
Non-Independent Non-Executive Director

Mr. Lim Chin Sean, a Malaysian aged 27, is a Non-Independent Non-Executive Director of Amalgamated Industrial Steel Berhad. He was appointed to the Board as a principal Director on 26 September 2007. Prior to his appointment, he was an alternate director to Dato' Ghazali Bin Mat Ariff since 23 November 2005. He is a member of the Audit Committee and Nomination Committee.

Mr. Lim Chin Sean holds a Bachelor of Computer System Engineering Degree (Honours) from University of Kent, United Kingdom.

He joined the LGB Group of Companies since September 2003 and is currently involved in property development, construction projects, manufacturing and IT advisory services. He also sits on the board of several private limited companies.

Mr. Lim Chin Sean is a cousin of Mr. Lim Yew Boon, who is the Acting Chief Executive Officer of the Company.

Mr. Lim Chin Sean is a substantial shareholder of the Company by virtue of his substantial shareholdings in Telaxis Sdn Bhd, which is a substantial shareholder of the Company.

Mr. Lim Chin Sean attended one board meeting during the financial year ended 31 December 2007 subsequent to his appointment as a principal Director to the Board.

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present the Annual Report and the Audited Financial Statements of both the Company and the Group for the financial year ended 31 December 2007.

FINANCIAL PERFORMANCE

The Group achieved a better pre-tax profit of RM2.44 million for the financial year under review, which was 351.8% higher than the pre-tax profit of RM0.54 million recorded in the preceding financial period of eighteen months ended 31 December 2006 ("financial period"). Total revenue of RM143.11 million for the financial year ended 31 December 2007 was 25.1% lower when compared to RM191.11 million achieved in the preceding financial period. By annual pro-rating revenue for 2006 financial period, revenue for financial year 2007 would have been RM15.70 million or 12.3 % higher.

The profit improvement was mainly attributed to better product selling prices and margins for both mild steel and stainless steel products during the financial year 2007.

REVIEW OF OPERATIONS

The Group is principally involved in three divisions namely:

(1) The manufacturing of mild steel pipes, mild steel tubes and galvanized steel pipes.

(2) The manufacturing of stainless steel pipes.

(3) The trading of other steel related products.

Mild Steel Pipes and Tubes Division

The mild steel pipes and tubes division which is directly owned and operated by the Company, reported a significant turnaround by registering a pre-tax profit of RM0.99 million for the financial year under review, as compared to a pre-tax loss of RM3.26 million registered in the preceding financial period. Revenue was 26.4% lower at RM123.57 million as compared to RM167.84 million achieved in the preceding financial period. By annual pro-rating revenue for the financial period 2006, revenue for financial year 2007 would have been RM11.68 million or 10.4 % higher.

Progressive firming of product selling prices in tandem with the gradual rise in the prices of local raw material from the final quarter of financial year 2007 onwards, coupled with continuous cost optimization measures taken by management to improve operational efficiency, had contributed positively to overall financial performance.

Stainless Steel Pipes Division

The Company's wholly-owned subsidiary, Amalgamated Industrial Stainless Steel (1987) Sdn Bhd, registered a 14.5% drop in pre-tax profit to RM3.25 million for the financial year under review, compared to pre-tax profit of RM3.80 million recorded in the preceding financial period. Revenue was 27.2 % lower at RM16.79 million as compared to RM23.06 million achieved in the preceding financial period. By annual pro-rating revenue for the financial period 2006, revenue for financial year 2007 would have been RM1.42 million or 9.2 % higher.

Overall product margin had improved over the previous financial period due to high stainless steel product selling prices achieved during the first half of the financial year 2007. Pre-tax profit was higher in financial period 2006 due to a gain on disposal of some machinery.

Trading Division

The Company's wholly-owned subsidiary, Amalgamated Industrial Marketing Sdn Bhd ("AIM"), registered an improved pre-tax profit of RM0.20 million as compared to a pre-tax profit of RM0.01 million recorded in the preceding financial period. The higher profit was attributed to higher revenue of RM3.92 million achieved against RM0.30 million recorded in the preceding financial period.

AIM commenced business in December 2005 and traded mainly on other steel related products. Sales activities started to pick up in 2007 and will in future help to contribute to higher revenue and profit.

INDUSTRY OVERVIEW AND BUSINESS OUTLOOK

Global steel prices had been volatile throughout the past few years from 2002 to 2005 with prices of hot-rolled steel coils ("HRCs") edging upward progressively from a low of USD200 per metric ton to a peak at USD620 per metric ton. The substantial rise in price was mainly driven by strong demand for steel by the world's largest importer, China, to cope with its economic expansion, particularly the development of infrastructure and constructions to cater for the 2008 Olympic Games.

Domestic prices for HRCs collapsed 14 % from a peak of USD710 per metric ton in the final quarter ended June 2005 to USD610 per metric ton in the subsequent quarter ended September 2005. The drastic drop in price scenario wiped off mild steel product margins and profits across the industry. This adverse condition was further compounded by the depressed construction sectors causing a significant drop in market demand. As a result, the financial performance for the Group deteriorated over the period from April 2005 to March 2006. Mild steel product prices began to recover when international prices of HRCs strengthened from April 2006 onwards.

Since April 2006, mild steel prices had been trending upwards every quarter and for the current financial year under review, steel prices had escalated reaching a new peak during the first quarter ended March 2008 and prices are anticipated to reach even higher during the second quarter ending 30 June 2008. There is a degree of uncertainty as to whether these exceptional high prices will continue to subsist over the next few quarters.

At the beginning of the current financial year, domestic price of HRCs reached USD820 per metric ton and in the quarter ending June 2008 the price level may probably reach approximately USD930 per metric ton, a significant rise of 13.4 %. At the current price level, while steel pipe demand is going strong and product margins still rising, it is certainly difficult to predict if this positive trend for pipe business will continue to remain buoyant for the rest of the financial year.

Nevertheless, the Board of Directors is of the opinion that despite peak prices of mild steel material, the financial performance for the current year will be much better than the previous year.

CORPORATE DEVELOPMENT

On 28 February 2008 the Company signed a memorandum of understanding with Singapore-listed HG Metal Manufacturing Limited ("HGMM") to explore the possibilities of fostering business working relationship and synergizing the respective strengths of both parties by way of strategic alliance. HGMM is involved in the manufacturing and trading of steel products.

The proposed strategic business alliance would leverage on the Company's manufacturing expertise and HGMM strong international network. The alliance is one of our means to boost revenue, further reduce operational costs and make our operations more efficient as well as extending wider market exposure.

A time frame of 3 months or any extension of time necessary, is planned for the completion of the feasibility study.

CORPORATE SOCIAL RESPONSIBILITY

In line with the global call for greater social awareness amongst public corporations, the Group is pleased to state that it has endeavored to carry out its Corporate Social Responsibility (CSR) to its employees as well as the community at large. The following are some of the CSR initiatives during the year under review:-

a) Application of Quality Management System is continuously practised in the Group's operating units to enhance customers' value.

b) Being a responsible corporate citizen, the Group continues to promote a quality work environment through awareness campaigns. The Group is also committed to maintain high safety and health standards at work place. A committee has been set up to monitor the compliance of the safety and health standards. A series of in-house programmes on safety and health issues are regularly conducted with the assistance of external experts and committee members. This includes training on handling chemical, flammable materials and machinery in the work place.

c) The Group continues to allocate management and financial resources to enhance long term value of its human capital. Training and development is being conducted for staff to equip them with the capability and skills to improve operational efficiency.

d) The Group organized a blood donation drive for Hospital Tengku Ampuan Rahimah Klang on 17 March 2007 at our premise.

OTHER MATTERS

Proposal for Share Buy-Back

During the forthcoming Annual General Meeting to be held on 29 May 2008, the Board of Directors will seek your approval for a proposed renewal of authority for the purchase by the Company of its own ordinary shares up to ten per cent (10%) of the issued and paid-up ordinary share capital of the Company. At the close of the financial year, the Company had purchased 4,324,600 treasury shares (3.59% of total issued and paid-up share capital) at an average cost of 59.9 sen per share which is lower than the Group's net asset per share of 77.6 sen.

Dividend

In appreciation of your faith in the Company, the Board of Directors had on 28 February 2008, recommended a first and final tax exempt dividend of 3.5% (1.75 sen per share) in respect of the financial year ended 31 December 2007, and this is subject to your approval at the forthcoming Annual General Meeting. Upon your approval, the dividend shall be paid on 3 July 2008.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I wish to express our sincere appreciation to our shareholders, valued customers, bankers, suppliers and business associates for their continuing support and confidence in the Group.

I also wish to take this opportunity to thank my fellow board members and all employees for their continued commitment and valuable contribution.

On behalf of the Board, I would also like to express our gratitude to Datuk Ismail Bin Haji Ahmad, our former Chairman for his invaluable contribution during his tenure with the Company.

Dato' Ghazali Bin Mat Ariff
Chairman

25 April 2008

GROUP FINANCIAL HIGHLIGHTS

	2003 RM' 000	2004 RM' 000	2005 RM' 000	& 2006 RM' 000	2007 RM' 000
1. RESULT OF OPERATIONS					
Gross Revenue	94,021	116,191	124,666	191,107	143,107
Profit Before Interest, Tax and Depreciation	11,247	15,623	9,903	5,737	6,983
Profit Before Tax	6,727	11,137	6,291	538	2,444
Profit After Tax	4,212	7,905	5,032	38	1,619
2. BALANCE SHEET					
Equity And Long Term Liabilities					
Authorised Share Capital	100,000	100,000	100,000	100,000	100,000
Paid-Up Share Capital	52,004	60,004	60,054	60,204	60,250
Bonus Shares Issued	-	6,500	-	-	-
New Shares Issued	-	1,500	50	150	46
Treasury Stock	-	-	-	(818)	(2,591)
General Reserve	10,000	10,000	-	-	-
Share Premium	1,312	-	20	22	25
Asset Revaluation Reserve	10,305	8,021	7,885	7,682	7,969
Share Option Reserve	-	-	-	67	121
Unappropriated Profit	10,797	14,535	27,302	25,133	25,110
Shareholders' Fund	84,418	92,559	95,261	92,290	90,884
Retirement Gratuities	348	340	448	559	539
Deferred Tax Liabilities	4,820	5,072	5,124	4,472	3,756
Long Term Assets					
Property, Plant & Equipments	54,359	51,793	51,253	27,607	27,605
Prepaid Leased Payment	N/A	N/A	N/A	25,484	25,094
Other Investment	17	17	17	16	16
Deferred Tax Assets	561	-	-	-	-
Other Assets And Liabilities					
Currents Assets	90,443	96,951	122,822	103,751	132,066
Current Liabilities	55,796	50,789	73,258	59,538	89,601
Net Current Assets	34,647	46,162	49,563	44,213	42,465
Total Assets	145,380	148,761	174,092	156,858	184,780
3. FINANCIAL RATIO					
Return on Equity (%)	4.99	8.54	5.28	0.04	1.78
Profit Before Interest, Tax and Depreciation on Revenue (%)	11.96	13.45	7.94	3.00	4.88
Profit Before Tax on Revenue (%)	7.15	9.58	5.05	0.28	1.71
Debt Equity Ratio (times)	0.72	0.61	0.83	0.70	1.03
Current Ratio (times)	1.62	1.91	1.68	1.74	1.47
Liquidity Ratio (times)	0.68	0.84	0.65	0.78	0.62
Interest Cover (times)	5.38	8.23	4.39	1.20	1.85
4. PER SHARE					
Earnings Per Share (Sen)	3.6 #	6.6	4.2	0.03	1.4
Share Price (Sen)	48	70	56	67	50
Net Asset Per Share (Sen)	81.2	77.1	79.3	77.3	77.6
Gross Dividend Rate (%)	3.0	4.0 *	4.0 *	3.0 *	3.5 *
Gross Dividend Per Share (Sen)	1.5	2.0	2.0	1.5	1.75

NOTE

** Dividend paid is exempted from income tax.*

 # Adjusted for bonus issue in 2004.

& Covers a period of 18 months.

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2008

Share Classification and Voting Rights

Class of Shares	:	Ordinary Shares of RM0.50 each
Voting Rights by show of hand	:	One vote for every member
Voting Rights by poll	:	One vote for every share held
Authorised Share Capital	:	200,000,000 Ordinary Shares of RM0.50 each
Issued and Paid-up Capital	:	120,500,875 Ordinary Shares of RM0.50 each

1. Distribution of Shareholdings and Number of Shareholders as at 31 March 2008

Size of Shareholdings	No. of Shareholders	Percentage (%) of Shareholdings	No. of Shares Held	Percentage (%) of Issued Shares
Less than 100	320	5.93	12,441	0.01
100 - 1,000	283	5.24	161,274	0.14
1,001 - 10,000	3,718	68.84	13,341,188	11.51
10,001 - 100,000	980	18.14	28,016,542	24.17
100,001 - 5,796,662 *	98	1.81	37,637,155	32.46
5,796,663 and above **	2	0.04	36,764,675	31.71
Total	5,401	100.00	115,933,275	100.00

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

2. List of Thirty (30) Largest Shareholders as per Records of Depositors as at 31 March 2008

No.	Name of Shareholders	No. of Shares of RM0.50 each	Percentage (%)
1	Telaxis Sdn Bhd	28,100,175	24.24
2	Puan Sri Elham Hamid Binti Abdullah	8,664,500	7.47
3	Excel Impression Sdn Bhd	4,950,788	4.27
4	Mass Ocean Sdn Bhd	3,916,125	3.38
5	Tang Vee Mun	3,375,000	2.91
6	HSBC Nominees (Asing) Sdn Bhd Exempt An for Credit Suisse	2,011,250	1.73
7	Era Erat Sdn Bhd	1,375,000	1.19
8	AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ong Chew Huat	1,020,025	0.88
9	AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chea Hock Hai	889,400	0.77
10	Arus Aspirasi Sdn Bhd	704,800	0.61
11	Lim Seng Qwee	682,700	0.59
12	Dato' Ghazali Bin Mat Ariff	657,125	0.57
13	Yap Kiew @ Yap Yoke Ho	598,100	0.51
14	Azmil Farid Bin Zabir	545,000	0.47
15	AIBB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Shahidan Bin Kassim	517,500	0.45
16	Lim Seng Chee	501,050	0.43
17	Wan Burhanuddin Bin Wan Hassan	500,000	0.43
18	Lai Chin Yang	439,000	0.38
19	HLG Nominee (Asing) Sdn Bhd Exempt An for UOB Kay Hian Pte Ltd	438,425	0.38
20	CIMSEC Nominees (Asing) Sdn Bhd Exempt An for CIMB-GK Securities Pte Ltd	431,050	0.37

2. List of Thirty (30) Largest Shareholders as per Records of Depositors as at 31 March 2008 (cont'd)

No.	Name of Shareholders	No. of Shares of RM0.50 each	Percentage (%)
21	Lim Sau Khim @ Lam Sum Ying	430,000	0.37
22	Pacific Strike Sdn Bhd	357,800	0.31
23	The Ordinary Company Sdn Bhd	333,850	0.29
24	Lim Kian Wat	329,200	0.28
25	Siou Chin Hock	318,800	0.27
26	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Joseph Salang Anak Gandum	312,750	0.27
27	Lim Hung Puan	290,000	0.25
28	Teoh Hunt Thuim	286,500	0.25
29	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chua Eng Ho Waa @ Chua Eng Wah	284,000	0.24
30	Chor Chee Heung	274,700	0.24
	Total	63,534,613	54.80

3. List of Substantial Shareholders as per Register of Substantial Shareholders as at 31 March 2008

	No. of Shares			
Name	Direct	%	Indirect	%
Telaxis Sdn Bhd	28,100,175	24.24	-	-
Puan Sri Elham Hamid Binti Abdullah	8,664,500	7.47	-	-
Dato' Lim Chee Meng	15,750	0.01	*28,100,175	24.24
Mr. Lim Chin Sean	-	-	*28,100,175	24.24
L.G.B. Holdings Sdn Bhd	-	-	#28,100,175	24.24
Adil Cita Sdn Bhd	-	-	#28,100,175	24.24

Notes:-
** Deemed interest by virtue of his interest in Telaxis Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.*
 # Deemed interest by virtue of its interest in Telaxis Sdn Bhd pursuant to Section 6A (4)(C) of the Companies Act, 1965.

4. List of Directors' Shareholdings as per Register of Directors' Shareholdings as at 31 March 2008

	No. of Shares			
Name	Direct	%	Indirect	%
a) Dato' Ghazali Bin Mat Ariff	657,125	0.57	-	-
b) Encik Sulaiman Bin Salleh	20,000	0.02	-	-
c) Tuan Haji Fauzi Bin Mustapha	20,000	0.02	-	-
d) Mr. Lim Yew Boon	10,000	0.01	-	-
e) Mr. Lim Chin Sean	-	-	*28,100,175	24.24

Notes:-
** Deemed interest by virtue of his interest in Telaxis Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.*

The Board of Directors of Amalgamated Industrial Steel Berhad ("AISB or the Company") is committed in ensuring that the highest standards of corporate governance are practised in the Company and its subsidiaries to protect and enhance shareholders' value and the financial performance of the Group.

The Board is pleased to state that the Company has fully complied with Part 1 and 2 of Malaysian Code of Corporate Governance ("the Code"). These principles and practices set out in the Code have been applied throughout the financial year ended 31 December 2007.

1. THE BOARD OF DIRECTORS

a) Board Responsibilities

The Board is overall responsible for the corporate governance structure of the Group. Its key responsibilities include review of the strategic direction of the Group, establishing goals for management and monitoring achievement of these goals.

There is a schedule of matters reserved specifically for the Board's decision, which includes approval of corporate plans and annual budgets, announcement of quarterly results, major capital expenditure, significant financial matters and the adequacy and integrity of internal controls, including risk assessment.

The Board delegated certain responsibilities to the Board Committees namely the Audit Committee, the Nomination Committee, the Remuneration Committee, the Employees' Share Option Committee and the Risk Management Committee. These Committees have the authority to examine specific issues and forward their recommendations to the Board. The ultimate responsibility for final decisions on all matters, however, rests with the Board.

b) Board Composition and Balance

The Board consists of five (5) members, comprising of one (1) Executive Director and four (4) Non-Executive Directors. Two of the Directors are independent, which is in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") in respect of the board composition.

The composition of the Board reflects a balance of Executive, Non-Executive and Independent Directors with a wide range of professional skills, which are relevant and necessary for the business direction of the Group. A brief profile of each Director is presented on pages 9 to11 of this Annual Report.

The Group practises a faithfully observed division of responsibilities between the Chairman and Chief Executive Officer. The roles of the Chairman and Chief Executive Officer are separate and clearly defined, and are held individually by two persons. The Chairman is primarily responsible for the orderly conduct and working of the Board whilst the Chief Executive Officer is responsible for the day-to-day running of the business and implementation of Board's policies and decisions.

The Independent Non-Executive Directors are independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement. They provide a check and balance on the performance of management. Encik Sulaiman Bin Salleh has been identified as the Senior Independent Non-Executive Director for which all concerns regarding the Group may be conveyed.

c) Board Meetings

Board meetings are held at least four (4) times a year, with additional meetings convened when necessary. Due notice is given for the meetings and matters to be dealt with.

Senior Management staff may be invited to attend meetings to provide the Board with their views and explanations on certain agenda tabled and to furnish their clarification on issues that may be raised.

1. THE BOARD OF DIRECTORS (CONT'D)

c) Board Meetings (cont'd)

During the financial year ended 31 December 2007, four (4) Board meetings were held. The following is the record of attendance of the Board members:-

	Attendance/No. of Meetings Held	Percentage
Dato' Ghazali Bin Mat Ariff	4/4	100%
Tuan Haji Fauzi Bin Mustapha	4/4	100%
Encik Sulaiman Bin Salleh	4/4	100%
Mr. Lim Yew Boon	4/4	100%
Mr. Lim Chin Sean (Appointed w.e.f. 26.9.2007)	1/1 *	100%
Datuk Ismail Bin Haji Ahmad (Resigned w.e.f. 26.9.2007)	3/3	100%

* Mr. Lim Chin Sean attended one Board meeting subsequent to his appointment to the Board.

All the directors have attended more than 50% of the total Board meetings held during the financial year ended 31 December 2007.

d) Board Committees

Audit Committee

The report of the Audit Committee is set out on pages 26 to 29 of this Annual Report.

Nomination Committee

The Board established a Nomination Committee in May 2002 consisting of the following Directors:-

Chairman : Encik Sulaiman Bin Salleh *(Independent Non-Executive Director)*
Members : Mr. Lim Chin Sean *(Non-Independent Non-Executive Director)*
: Tuan Haji Fauzi Bin Mustapha *(Independent Non-Executive Director)*

The functions of the Nomination Committee are to assist the Board in discharging its responsibilities, particularly in:-

(i) assessing the effectiveness of the Board, respective Committees and contribution of each Director;

(ii) identifying, appointing and orientating new directors; and

(iii) identifying the relevant skills and experience and other qualities the Board needs for it to function effectively and efficiently.

Remuneration Committee

The Board established a Remuneration Committee in May 2002 consisting of the following Directors:-

Chairman : Dato' Ghazali Bin Mat Ariff *(Non-Independent Non-Executive Director)*
Members : Encik Sulaiman Bin Salleh *(Independent Non-Executive Director)*
: Tuan Haji Fauzi Bin Mustapha *(Independent Non-Executive Director)*

The Remuneration Committee reviews the remuneration packages and other benefits applicable to the Executive Directors.

1. THE BOARD OF DIRECTORS (CONT'D)

d) Board Committees (cont'd)

Employees' Share Option Scheme Committee ("ESOS Committee")

The Board established the ESOS Committee in November 2003 to administer the Employees' Share Option Scheme ("ESOS") in accordance with the objectives and regulations thereof, to determine participation eligibility, option offers and share allocations, and to attend to such other matters as may be required.

The Committee consists of the following members:-

Chairman	:	Dato' Ghazali Bin Mat Ariff *(Non-Independent Non-Executive Director)*
Members	:	Tuan Haji Fauzi Bin Mustapha *(Independent Non-Executive Director)*
	:	Mr. Soo Eng Choon *(General Manager)*
	:	Mr. Tang Lai Soon *(Financial Controller)*
	:	Ms. Mok Chong Gan *(Human Resource Manager)*

Risk Management Committee ("RM Committee")

The Board established the RM Committee in November 2007 consisting of the following members:

Chairman	:	Tuan Haji Fauzi Bin Mustapha *(Independent Non-Executive Director)*
Members	:	Mr. Lim Yew Boon *(Non-Independent Executive Director / Acting Chief Executive Officer*)
	:	Mr. Soo Eng Choon *(General Manager)*

The functions of the RM Committee are to assist the Board in discharging its responsibilities, particularly in:-

(i) reviewing the Group's overall objectives by assessing the adequacy and effectiveness of risk portfolio composition and risk mitigation controls to determine the desired exposures of each major area of risk on a periodic basis.

(ii) promoting and ensuring risk management process and culture are embedded throughout the Group.

(iii) reviewing and assessing the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively.

(iv) ensuring adequate infrastructure, resources and systems are established to make risk management effective.

(v) identifying other corporate risks areas as regulatory compliances, new business development and financial issues.

(vi) establishing a task force as the main risk management unit to oversee the proper operating, reviewing and controlling of risk pertaining to functional activities.

e) Supply of Information

Papers, reports and relevant supporting documents to be tabled at a Board meeting are distributed in advance so that the Board members are duly informed and prepared to participate in the deliberations. Certain reports, such as those relating to the Company's financial results for statutory announcements, are submitted to the Audit Committee for their review and recommendation to the Board for approval thereafter.

Company secretarial functions continue to be outsourced. However, as has always been the case, Directors can readily access the advice and services of the Company Secretary who is responsible for ensuring that all laws and regulations relating to Board procedures are fully complied. The Directors may also seek independent professional advice at the Company's expense if such advice is necessary to facilitate a decision in discharging their duties.

1. THE BOARD OF DIRECTORS (CONT'D)

f) Appointments to the Board

The Board recognises its responsibility to carefully appraise and consider the appointment of new and existing Directors so as to continue functioning effectively. Thus, whilst the initial appraisal of new candidates is delegated to the Nomination Committee, the Board will ensure that the appointment or reappointment of each Director will, the very least, maintain the good balance of skills and experience in its composition.

g) Re-election of the Board

The Company's Articles of Association ("Articles") require a Director to retire at the Annual General Meeting following his appointment but he shall be eligible for re-election. The Articles also provide that one third or the number nearest one third of the Directors in office are to retire by rotation at each annual general meeting and the Directors may offer themselves for re-election.

Directors over the age of seventy (70) years of age are required to offer themselves for re-election at each Annual General Meeting in accordance with Section 129(6) of the Companies Act, 1965.

h) Directors' Training

All the Directors have successfully completed the Mandatory Accreditation Programme ("MAP") and have met the requirements of the Continuing Education Programme ("CEP") as prescribed by Bursa Securities.

For the financial year ended 31 December 2007, all the Directors had attended training. The following courses/ seminars were attended by the respective Directors:

(i) Directorship : Independent vs Executive
(ii) Briefing on FRS 2, FRS 101 and FRS 117

In line with the principle of continuing education, the Directors will continue to undergo training programmes to further enhance their skills and update their knowledge on relevant regulations and corporate governance developments.

i) Directors' Remuneration

All Directors receive directors' fees determined by the Board based on the level of responsibilities. Meeting allowances are also paid to Directors at each Board and Committee meetings.

Set out below are directors' remuneration paid or payable by the Company for financial year ended 31 December 2007, in aggregation and analysed into bands of RM50,000:-

Category of Remuneration	Executive Director (RM)	Non-Executive Directors (RM)
Salaries	329,280	-
Fees	-	72,000
Meeting Allowances	5,850	22,750
Benefits-In-Kind	16,558	12,767
TOTAL	351,688	107,517

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
Less than RM50,000	-	5
From RM350,001 to RM400,000	1	-

2. INVESTORS AND SHAREHOLDERS RELATIONSHIP

The Group recognises the importance of timely and thorough dissemination of information to shareholders and investors on all business matters. The Company is committed to keeping shareholders duly informed while always mindful of the laws and regulations governing the release of specific information. Communication is currently done through published reports and timely statutory periodic announcements to Bursa Securities. Shareholders are also welcomed at annual general meetings where every effort is made to respond to all questions, issues, suggestions and observations raised.

3. ACCOUNTABILITY AND AUDIT

a) Financial Reporting

The Board is firmly resolved to present a proper and meaningful assessment of the Group's financial performance and prospects in every interim and annual reports. In this connection, it is supported by the Audit Committee, which diligently ensures the accuracy, adequacy and reasonableness of information prior to reporting.

b) Internal Control

The Board has taken the responsibility of identifying and reviewing the adequacy of the Group's internal control systems in compliance with the applicable laws, regulations, rules, directives and guidelines. The Statement on Internal Control is presented on pages 24 to 25 of this Annual Report. The Board will ensure the continuous process of identifying, evaluating and managing the internal control systems within the Group for review by the Audit Committee.

c) Relationship with External Auditors

The role of the Audit Committee in relation to the external auditors may be found in the Audit Committee Report set out in pages 26 to 29 of this Annual Report. The Company has always maintained a transparent and appropriate relationship with its auditors in seeking professional advice and ensuring compliance with relevant accounting standards in Malaysia.

d) Directors' Responsibility Statement

The Board duly upholds its responsibility in ensuring that the Group financial statements give a true and fair view of its state of affairs and that of the Company at the end of the accounting period to which they refer. This true and fair view relates also to the Group's profit/loss and cashflow positions over the same period.

In preparing the financial statements for financial year ended 31 December 2007, as has been its unwavering practice, the Board has ensured full compliance with all applicable accounting standards and provisions of the Companies Act of Malaysia. It has also consistently selected and applied appropriate accounting policies and made reasonable and prudent judgment and estimates based on proper accounting records.

4. ADDITIONAL COMPLIANCE INFORMATION

a) Share Buy-Back

During the financial year, the Company purchased in the open market a total of 2,921,300 of its own shares at an average cost of RM0.607 per ordinary share. Details of the Company's share buy-back during the financial year ended 31 December 2007 are set out on page 62 of this Annual Report.

The total shares purchased are held as treasury shares and carried at cost in accordance with the requirement of Section 67A of the Companies Act, 1965. None of the treasury shares has been resold, cancelled or distributed as share dividends during the financial year under review.

4. ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

b) Options, Warrants or Convertible Securities

There was no issuance of any warrants or convertible securities, save for the shares or options issued pursuant to the ESOS. During the financial year under review, the Company offered 294,000 options to eligible employees in the Group and 92,000 ordinary shares of RM0.50 each were issued and paid pursuant to the Company's ESOS at exercise prices of between RM0.50 and RM0.68 per ordinary share.

c) Non-Audit Fees

There was non-audit fees of RM1,500 paid by the Company to the External Auditors during the financial year ended 31 December 2007.

d) Recurrent Related Party Transactions of a Revenue or Trading Nature

During the financial year under review, the Company has disclosed its related party relationship in Note 25 of the financial statements set out on pages 70 to 72 of this Annual Report.

e) Material contracts

There were no material contracts entered into by the Company and the Group, which involved directors and shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

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

The Company did not sponsor any American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") programme during the financial year ended 31 December 2007.

g) Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by any relevant regulatory bodies during the financial year under review.

h) Profit Guarantee

There were no profit guarantees given by the Company during the financial year under review.

i) Variation in Results

There were no profit estimates, forecasts or projections made for the financial year ended 31 December 2007, which differed by 10 per cent or more from the audited results, except for the unaudited results for the fourth quarter ended 31 December 2007 announced on 28 February 2008 which differed by 21% or RM0.43 million from the audited results.

The deviation arose mainly from the application of Financial Reporting Standard 112_{2004} on Income Taxes, which requires the reduction in statutory tax rate relating to revaluation surplus to be credited directly to equity, instead of being credited to income statement.

j) Utilisation of Proceeds

The Company did not carry out any fund raising exercise during the financial year under review.

k) Revaluation Policy on Landed Properties

The Group has a policy of revaluing its buildings at least once in every 5 years.

STATEMENT OF INTERNAL CONTROL

1. INTRODUCTION

Pursuant to paragraph 15.27(b) of the Bursa Malaysia Securities Berhad ("Bursa Malaysia") Listing Requirement, the Board of Directors is pleased to report on the state of internal control of the Group for the financial year ended 31 December 2007.

2. BOARD'S RESPONSIBILITY

The Board acknowledges the importance of the system of internal control and affirms its responsibility to maintain a sound system to safeguard the shareholders' investment. In this connection, the Board is able to confirm there is on-going effort to identify risks and to introduce or improve controls in every area of functional activities.

During the financial year, the Board has established the Risk Management Committee ("RMC") to oversee the effective implementation of risk management process within the Group.

The Audit Committee ("AC") complements the role of the RMC by providing an independent assessment of the adequacy and reliability of the risk management process, compliance with risk policies and regulatory guidelines. The AC is assisted by an independent Internal Audit Department.

As there are limitations inherent in any system of internal control, the Board is aware that the control has been designed and positioned to mitigate risks but cannot totally eliminate present and future risks.

3. RISK MANAGEMENT FRAMEWORK

The RMC which was established on 14 November 2007, formally adopted the Risk Management Framework designed for the Group. This framework provides guidance and facilitates a structured approach for identifying, evaluating and managing significant risks that could inadvertently prevent the achievement of the business objectives.

The Board has approved the following Terms and Reference for the RMC:

a. To review the Group's overall objectives by assessing the adequacy and effectiveness of the risk portfolio composition and risk mitigation controls in determining the desired exposures of each major area on a periodic basis.

b. To promote and ensure risk management process and culture are embedded.

c. To review and assess the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively.

d. To ensure adequate infrastructure, resources and systems are established to make risk management effective.

e. To identify other corporate risk areas such as regulatory compliances, new business development and financial issues.

f. To establish a task force as the main risk management unit to oversee the proper operating, reviewing and controlling of risk pertaining to functional activities.

During the financial year, the Group's current state of risk profile had been assessed, which covered the following activities:-

a. Identification of key risks that may impede achievement of business objectives.

b. Identification of existing controls to mitigate key risks.

c. Developing action plans to reduce risks and improve management of risks.

d. Cascading down the risk management process to departmental level and installing risk management enablers that allow continuous assessment of risk.

The Risk Management Framework has been documented by Management in the 'Risk Management and Internal Control Handbook' and shall be reviewed by the RMC once in every two years.

4. INTERNAL CONTROL

The key elements of the Group's internal control system are as follows:

- A functional organizational structure that defines the level of authority and responsibilities for managing internal control activities.
- Policies and procedures, updated as necessary, are documented and communicated to relevant personnel for compliance purposes.
- The Group's operations are being accredited with the ISO 9001:2000 international quality system standard and such quality management system provided the Group a foundation for improving key processes, quality, customer service and customer satisfaction.
- A RMC with defined responsibilities as set out on page 20.
- An AC with defined responsibilities as set out on page 27.
- An internal audit function, which is accountable to the AC, objectively reviews and reports on the effectiveness of control processes.
- An annual operating budget approved by the Board.
- Appropriate human resource guidelines for hiring and terminating staff, formal training programmes, annual performance appraisals and other relevant procedures are in place to ensure employees' competency.
- The Executive Director and Management monitor the Group's performance using key performance indicators, monthly comprehensive management reports and periodic management meetings. These performance reports are benchmarked against budgets. Any exceptions noted will be investigated and reported.
- Quarterly monitoring of financial results by the Board.

The Board is of the view that there is no significant breakdown or weaknesses in the system of internal control of the Group that may result in material losses incurred for the financial year ended 31 December 2007. The Group will continue to take the necessary measures to strengthen its internal control.

AUDIT COMMITTEE REPORT

1. MEMBERS

Name	Designation	Directorship
Encik Sulaiman Bin Salleh	Chairman	Senior Independent Non-Executive Director and a member of the Malaysian Institute of Accountants
Tuan Haji Fauzi Bin Mustapha	Member	Independent Non-Executive Director
Mr. Lim Chin Sean (Appointed w.e.f. 22.11.2007)	Member	Non-Independent Non-Executive Director
Mr. Lim Yew Boon (Resigned w.e.f. 22.11.2007)	Member	Non-Independent Executive Director

2. TERMS OF REFERENCE

2.1 Purpose

The primary objective of the Committee is to assist the Board to effectively discharge its fiduciary responsibilities with regard to corporate governance, financial reporting and internal control.

2.2 Membership

The Committee shall be appointed by the Board from amongst the Directors and shall consist of not less than three members. All Committee members must be non-executive Directors, with a majority of them being independent directors. All Committee members should be financially literate and at least one of the Committee members:

(i) must be a member of the Malaysian Institute of Accountants ("MIA"); or
(ii) if he is not a member of the MIA, he must have at least three years' working experience and:
  (a) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants' Act 1967; or
  (b) he must be a member of one of the associations of accountants specified in Part II of the said Schedule; or
(iii) must have a degree/masters/doctorate in accounting or finance and at least 3 years' post qualification experience in accounting or finance; or
(iv) must have at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation; or
(v) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

The Chairman shall be an independent, non-executive Director appointed by the Committee.

If a member of the Committee resigns or for any reason ceases to be a member resulting in the number of members to be reduced to below three, the Board of Directors shall, within three months of that event, appoint a replacement to make up the minimum of three.

2.3 Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference and shall have unrestricted access to both the internal and external auditors and to all employees of the Group. The Committee is also authorised by the Board to seek and accept independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, whenever deemed necessary.

2. TERMS OF REFERENCE (CONT'D)

2.4 Duties and Responsibilities

The Committee's duties and responsibilities are as follow:-

(a) To consider the appointment and re-appointment of the external auditors and the audit fee.

(b) To discuss on the resignation or removal of external auditors and the reasons thereof.

(c) To discuss with the external auditors the nature and scope of any audit exercise prior to its commencement and to ensure coordination of such exercise where more than one audit firm is involved.

(d) To review the quarterly and annual financial statements of the Company and the Group, before submission to the Board whilst ensuring that they are prepared in an accurate manner focusing particularly on:
  i) Changes in major accounting policies and principles.
  ii) Significant or unusual events.
  iii) Significant adjustments arising from the audit.
  iv) The going concern assumption.
  v) Compliance with accounting standards and relevant statutory and regulatory requirements.

(e) To discuss issues, concerns and reservations arising from interim and final external audits, and such other matters the external auditors may wish to raise.

(f) To review the external auditors' management letter and management's response to specific matters raised therein.

(g) To do the following in connection with the internal audit function.
  (i) Review the adequacy of its scope, authority, competency and resources.
  (ii) Review and discuss the nature and scope of the audit programme with internal auditors and the follow-up thereto, ensuring that appropriate actions are taken as recommended.
  (iii) Review any performance appraisals or assessment of its staff.
  (iv) Approve the appointment, resignation or termination of its senior members.
  (v) Take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reason for resigning.

(h) To monitor any related-party transaction which may arise within the Group.

(i) To review the adequacy and efficacy of the Group's system of internal control.

(j) To verify the allocation of options as being in compliance with the criteria set out in the By-Laws of the Employee Share Option Scheme (ESOS), at the end of each financial year.

3. MEETINGS, MINUTES AND ACTIVITIES

The Committee shall meet at least four times annually or at more frequent intervals as required. The Committee shall meet with the external auditors at least twice a year and with the internal auditors at least once a year, without the executive Board members present. Besides the Head of Internal Audit, the General Manager and Financial Controller are normally invited to attend the Audit Committee meetings. The presence of the external auditors shall be requested, if required. Other Board members and employees may attend Committee meetings upon the invitation of the Committee.

The Company Secretary shall be the secretary to the Committee. Minutes of each meeting shall be distributed to each member prior to the meeting. The Chairman shall report to the Board, a summary of significant matters arising at each meeting.

There were four (4) Committee meetings held during the financial year ended 31 December 2007 and details of attendance record of each member are as follow:-

	Attendance at Meetings
Encik Sulaiman Bin Salleh	4/4
Tuan Haji Fauzi Bin Mustapha	4/4
Mr. Lim Yew Boon	4/4
Mr. Lim Chin Sean *	-

* Mr. Lim Chin Sean was appointed as an Audit Committee Member on 22 November 2007.

In line with its terms of reference, the Committee discharged its duties and responsibilities in the financial year ended 31 December 2007 through the following activities:-

(a) Discussed with the external auditors on the nature and scope of any audit exercise prior to its commencement.

(b) Reviewed management's response to specific matters raised by the external auditors.

(c) Reviewed internal audit plan for the Group prepared by the Head of Internal Audit.

(d) Reviewed internal audit reports presented by Internal Audit Department and discussed on managements actions taken to improve the system of internal control and any outstanding matters.

(e) Reviewed the quarterly and final year-end results prior to their submission to the Board for consideration and approval.

(f) Met with external auditors during the year without the presence of any executive Board members.

(g) Verified the allocation of options as being in compliance with the criteria set out in the ESOS By-Laws.

4. INTERNAL AUDIT FUNCTION

The Group has an Internal Audit Department whose principal responsibility is to undertake regular and systematic reviews of the system of internal control to provide reasonable assurance that such systems continue to operate satisfactorily and effectively in the Group. The head of internal audit will report directly to the Audit Committee.

The principal roles of the Internal Audit Department are:

(a) To ensure that a sound internal control system is in place and the system is functioning adequately and its integrity is maintained.

(b) To add value and improve the Group's operations by providing independent and objective evaluation of the operations.

(c) To ensure a systematic disciplined approach in evaluating risk management, internal control and governance is adopted.

(d) To carry out investigations and special review requested by Management or the Audit Committee.

(e) To carry out audit work in liaison with the external auditors so as to maximise the use of resources and for effective coverage of audit risks.

The internal audit activities carried out during the financial year 31 December 2007 were as follows:-

(a) Formulated and agreed with the Audit Committee on the audit plan, strategy and scope of work.

(b) Reviewed compliance with internal policies and procedures, relevant external rules and regulations, as well as assessed the adequacy and effectiveness of the Group's internal control system.

(c) Audited various functional activities and areas, such as sales and delivery, purchasing, costing, inventory, production and quality control in accordance with approved audit plan, provided feedback and made necessary recommendation to the Committee and Management.

(d) Followed up on internal audit reports to ascertain whether matters which require to be addressed have been rectified and corrective actions effectively taken.

(e) Carried out investigations and special review requested by the Management or Audit Committee.

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2007.

PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The principal activities of the Company are the manufacture and sale of steel-related products, mainly black welded steel and galvanised industrial pipes, square and rectangular hollow tubes, tubes, conduits and C-and-lipped channels. The principal activities of the subsidiaries are indicated in Note 6 to the financial statements.

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

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities").

The address of the registered office and principal place of business of the Company is as follows:

Lot 11A, Jalan Utas 15/7, Section 15, 40000 Shah Alam.

RESULTS

	Group RM	Company RM
Net profit for the year attributable to shareholders of the Company	1,618,955	1,044,596

DIVIDENDS

Dividend paid or declared by the Company since the end of the previous financial period was as follows:

In respect of the financial period ended 31 December 2006 as disclosed in the Directors' report of that financial year - First and final dividend of 3% tax exempt on 119,005,575 ordinary shares of RM0.50 each, paid on 3 May 2007	RM1,785,084

The Directors now recommend the payment of a first and final dividend of 3.5% tax exempt on 116,176,275 ordinary shares of RM0.50 each, amounting to RM2,033,085 for the financial year ended 31 December 2007, subject to the approval of the shareholders at the forthcoming Annual General Meeting. The proposed first and final dividend is payable in respect of all ordinary shares in issue at the date of the financial statements, excluding those ordinary shares held as treasury shares under share buy-back.

RESERVES AND PROVISIONS

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

EMPLOYEES' SHARE OPTION SCHEME ("the Scheme")

In 2003, the Company had granted options to eligible employees, including full time Executive Director of the Group to subscribe up to 10% of the issued and paid-up share capital of the Company under the Scheme approved by the shareholders of the Company at the Extraordinary General Meeting held on 28 August 2003 and the relevant authorities. The Scheme became operative on 9 October 2003 for a period of five years and the options may be exercised between 9 October 2003 and 8 October 2008.

The option price for each share shall be at a discount of not more than ten percent (10%) from the weighted average market price of the shares as shown in the daily official list issued by Bursa Securities for the five (5) market days immediately preceding the date of offer or the par value of the shares, whichever is higher.

These options may be exercised at any date not later than 8 October 2008 subject to the following maximum limits:

Year of exercising the options	% to be exercised (Note 1)	% to be exercised (Note 2)	% to be exercised (Note 3)	% to be exercised (Note 4)	% to be exercised (Note 5)
Year 1	20	-	-	-	-
Year 2	40	25	-	-	-
Year 3	60	50	33	-	-
Year 4	80	75	66	50	-
Year 5	100	100	100	100	100

Note 1 - For selected employees who are given options in the 1st year of the Scheme
Note 2 - For selected employees who are given options in the 2nd year of the Scheme
Note 3 - For selected employees who are given options in the 3rd year of the Scheme
Note 4 - For selected employees who are given options in the 4th year of the Scheme
Note 5 - For selected employees who are given options in the 5th year of the Scheme

The consideration is payable in full on application and the options granted did not confer any rights to participate in any share issue of any other companies of the Group.

The movements in the options during the financial year to take up unissued new ordinary shares of RM0.50 each and the respective option prices are as follows:

		Number of options over ordinary shares of RM0.50 each				
Exercise price	Date granted	At 1 January 2007	Granted	Exercised	Forfeited	At 31 December 2007
RM0.82	21.11.2003	2,906,000	-	-	(494,000)	2,412,000
RM0.63	07.06.2004	44,000	-	-	(22,000)	22,000
RM0.62	07.09.2004	71,000	-	-	(13,000)	58,000
RM0.68	22.11.2004	64,000	-	(9,000)	-	55,000
RM0.74	01.03.2005	98,000	-	-	(10,000)	88,000
RM0.50	08.06.2005	55,000	-	-	(14,000)	41,000
RM0.50	26.08.2005	64,000	-	(14,000)	(14,000)	36,000
RM0.50	09.11.2005	210,000	-	-	-	210,000
RM0.50	24.11.2005	30,000	-	-	(4,000)	26,000
RM0.50	01.03.2006	85,000	-	-	(73,000)	12,000
RM0.50	08.06.2006	57,000	-	(8,000)	(27,000)	22,000
RM0.50	07.09.2006	139,000	-	(30,000)	(5,000)	104,000
RM0.69	08.12.2006	64,000	-	-	(15,000)	49,000

		Number of options over ordinary shares of RM0.50 each				
Exercise price	Date granted	At 1 January 2007	Granted	Exercised	Forfeited	At 31 December 2007
RM0.55	08.03.2007	-	169,000	(31,000)	(8,000)	130,000
RM0.56	01.06.2007	-	59,000	-	(22,000)	37,000
RM0.50	03.09.2007	-	33,000	-	(3,000)	30,000
RM0.50	30.11.2007	-	33,000	-	(3,000)	30,000
		3,887,000	294,000	(92,000)	(727,000)	3,362,000

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders granted less than 50,000 options each and details of their option holdings during the year. There is no option holder who has been granted options of 50,000 or more during the year.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 92,000 new ordinary shares of RM0.50 each at prices ranging from RM0.50 to RM0.68 per share for cash from the exercise of options under the Scheme as indicated above. The new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company.

No debentures were issued by the Company during the financial year under review.

REPURCHASE OF SHARES

At the Annual General Meeting ("AGM") of the Company held on 27 October 2005, the shareholders approved the share buy-back of up to 10% of the issued and paid-up share capital of the Company. The authority from the shareholders has been renewed at the Annual General Meeting of the Company held on 30 March 2007 and this authority will expire at the conclusion of the forthcoming AGM of the Company.

The Directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

To date, the Company had purchased the following ordinary shares of its issued and paid-up share capital from the open market:

	No. of ordinary shares	Average cost per share RM	Total cost RM
For the period ended 31 December 2006	1,403,300	0.583	817,960
For the year ended 31 December 2007	2,921,300	0.607	1,772,781
	4,324,600		2,590,741

The repurchase transactions were financed by internally generated funds. The repurchased shares are being held as treasury shares and carried at cost in accordance with the requirements of section 67A of the Companies Act, 1965. There has been no sale or cancellation of such shares to date.

At 31 December 2007, the total number of treasury shares held by the Company is 4,324,600 ordinary shares.

DIRECTORS

The Directors who have held office since the date of the last report are:

Encik Sulaiman Bin Salleh	
Tuan Haji Fauzi Bin Mustapha	
Mr. Lim Yew Boon	
Dato' Ghazali Bin Mat Ariff	(alternate: Mr Lim Chin Sean, resigned on 26-09-2007)
Mr. Lim Chin Sean	(appointed on 26-09-2007)
Datuk Ismail Bin Haji Ahmad	(resigned on 26-09-2007)

In accordance with Article 116 of the Company's Articles of Association, Mr. Lim Yew Boon retires from the Board at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Article 114 of the Company's Articles of Association, Mr. Lim Chin Sean retires from the Board at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings required to be kept under section 134 of the Companies Act, 1965, the interests in shares of the Directors who held office at the end of the financial year, in the Company during the financial year were as follows:

	Number of ordinary shares of RM0.50 each			
	At 1-1-2007/ date of appointment	Bought	Sold	At 31-12-2007
Encik Sulaiman Bin Salleh				
- direct interest	20,000	-	-	20,000
- deemed interest	-	-	-	-
Tuan Haji Fauzi Bin Mustapha				
- direct interest	20,000	-	-	20,000
- deemed interest	-	-	-	-
Mr. Lim Yew Boon				
- direct interest	10,000	-	-	10,000
- deemed interest	-	-	-	-
Dato' Ghazali Bin Mat Ariff				
- direct interest	627,125	-	-	627,125
- deemed interest	-	-	-	-
Mr. Lim Chin Sean				
- direct interest	-	-	-	-
- deemed interest	28,100,175	-	-	28,100,175

	Number of options over ordinary shares of RM0.50 each			
	At 1-1-2007	Granted	Exercised	At 31-12-2007
Mr. Lim Yew Boon	210,000	30,000	-	240,000

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than as disclosed in Notes 20 and 25 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company a party to any arrangements whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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 the action taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts but that adequate allowance had been made for doubtful debts; and

  (ii) to ensure that any current assets which were unlikely to realise in the ordinary course of business their value as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances:

  (i) which would render it necessary to write off any debt or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent, or

  (ii) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading, or

  (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(c) At the date of this report, there does not exist:

  (i) any charge on the assets of the Company or its subsidiaries 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 Company or its subsidiaries which has arisen since the end of the financial year.

(d) No contingent or other liability of the Company or its subsidiaries has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company or its subsidiaries to meet their obligations as and when they fall due.

(e) 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 respective financial statements misleading.

OTHER STATUTORY INFORMATION (CONT'D)

(f) In the opinion of the Directors:

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature 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.

AUDITORS

The auditors, Moores Rowland, Chartered Accountants, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the Board of Directors dated 22 April 2008.

DATO' GHAZALI BIN MAT ARIFF
Director

LIM YEW BOON
Director

BALANCE SHEETS

AS AT 31 DECEMBER 2007

	Note	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
NON-CURRENT ASSETS					
Property, plant and equipment	4	27,604,684	27,607,112	23,671,450	23,442,807
Prepaid lease payments	5	25,093,757	25,483,734	25,093,757	25,483,734
Investments in subsidiaries	6	-	-	4,014,003	4,014,003
Other investment	7	15,818	16,182	15,818	16,182
		52,714,259	53,107,028	52,795,028	52,956,726
CURRENT ASSETS					
Inventories	8	76,129,183	57,206,536	56,138,706	46,393,668
Trade and other receivables	9	53,532,035	41,706,421	49,850,385	36,403,633
Amount owing by subsidiaries	10	-	-	2,109,450	194,830
Current tax assets		1,010,707	1,791,789	978,835	1,791,789
Cash and bank balances	11	1,393,916	3,046,234	805,284	1,989,958
		132,065,841	103,750,980	109,882,660	86,773,878
TOTAL ASSETS		184,780,100	156,858,008	162,677,688	139,730,604
EQUITY					
Share capital	12	60,250,438	60,204,438	60,250,438	60,204,438
Reserves, non-distributable	13	8,114,259	7,770,486	8,114,259	7,770,486
Unappropriated profit		25,109,921	25,133,374	12,190,693	12,788,505
Treasury shares	14	(2,590,741)	(817,960)	(2,590,741)	(817,960)
TOTAL SHAREHOLDERS' EQUITY		90,883,877	92,290,338	77,964,649	79,945,469
NON-CURRENT LIABILITIES					
Retirement benefit obligations	15	538,869	558,518	522,550	527,589
Deferred tax liabilities	16	3,756,343	4,471,638	3,409,608	4,070,584
		4,295,212	5,030,156	3,932,158	4,598,173
CURRENT LIABILITIES					
Trade and other payables	17	8,582,145	5,694,470	7,638,865	5,136,962
Bank borrowings	18	80,998,016	53,594,000	73,142,016	50,050,000
Current tax liabilities		20,850	249,044	-	-
		89,601,011	59,537,514	80,780,881	55,186,962
TOTAL LIABILITIES		93,896,223	64,567,670	84,713,039	59,785,135
TOTAL EQUITY AND LIABILITIES		184,780,100	156,858,008	162,677,688	139,730,604

Notes to and forming part of the financial statements are set out on pages 42 to 75

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INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	Group 1-1-2007 to 31-12-2007 RM	Group 1-7-2005 to 31-12-2006 RM	Company 1-1-2007 to 31-12-2007 RM	Company 1-7-2005 to 31-12-2006 RM
Gross revenue	19	143,106,896	191,107,146	123,573,072	167,840,478
Cost of sales		(129,469,380)	(176,866,123)	(114,292,886)	(157,161,184)
Gross profit		13,637,516	14,241,023	9,280,186	10,679,294
Other operating income		810,315	2,222,539	2,920,648	941,949
Selling and distribution costs		(2,172,873)	(2,849,500)	(2,094,501)	(2,714,309)
Administrative and general expenses		(6,808,542)	(10,154,392)	(6,404,302)	(9,425,198)
Profit/(Loss) from operations	20	5,466,416	3,459,670	3,702,031	(518,264)
Finance costs	21	(3,022,465)	(2,921,409)	(2,709,521)	(2,746,715)
Profit/(Loss) before tax		2,443,951	538,261	992,510	(3,264,979)
Tax (expense)/income	22	(824,996)	(499,800)	52,086	565,879
Net profit/(loss) for the year/period attributable to shareholders of the Company		1,618,955	38,461	1,044,596	(2,699,100)
Earnings per share	23				
- basic (sen)		1.39	0.03		
- diluted (sen)		-	-		
Net dividend per ordinary share (sen)	24	1.50	2.00	1.50	2.00

Notes to and forming part of the financial statements are set out on pages 42 to 75

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	Share capital RM	Share premium RM	Asset revaluation reserve RM	Share Option reserve RM	Unappropriated profit RM	Treasury shares RM	Total RM
At 1 July 2005								
As previously stated		60,053,938	19,670	7,885,195	-	27,302,006	-	95,260,809
Effect of adopting FRS 2		-	-	-	8,246	(8,246)	-	-
As restated		60,053,938	19,670	7,885,195	8,246	27,293,760	-	95,260,809
Issue of share capital								
- exercise of ESOS		150,500	2,220	-	-	-	-	152,720
Share options granted under ESOS		-	-	-	58,466	-	-	58,466
Shares purchased during the period held as treasury shares		-	-	-	-	-	(817,960)	(817,960)
Realisation of reserve on amortisation of revalued properties		-	-	(203,311)	-	203,311	-	-
Net gain/(loss) recognised directly in equity		-	-	(203,311)	-	203,311	-	-
Net profit for the period		-	-	-	-	38,461	-	38,461
Total recognised income and expense for the period		-	-	(203,311)	-	241,772	-	38,461
Dividend paid	24	-	-	-	-	(2,402,158)	-	(2,402,158)
At 31 December 2006		60,204,438	21,890	7,681,884	66,712	25,133,374	(817,960)	92,290,338
At 1 January 2007								
As previously stated		60,204,438	21,890	7,681,884	-	25,200,086	(817,960)	92,290,338
Effect of adopting FRS 2		-	-	-	66,712	(66,712)	-	-
As restated		60,204,438	21,890	7,681,884	66,712	25,133,374	(817,960)	92,290,338
Issue of share capital								
- exercise of ESOS		46,000	3,170	-	-	-	-	49,170
Share options granted under ESOS		-	-	-	53,889	-	-	53,889
Shares purchased during the year held as treasury shares		-	-	-	-	-	(1,772,781)	(1,772,781)
Realisation of reserve on amortisation of revalued properties		-	-	(142,676)	-	142,676	-	-
Adjustment for reduction in future statutory tax rate	16	-	-	429,390	-	-	-	429,390
Net gain/(loss) recognised directly in equity		-	-	286,714	-	142,676	-	429,390
Net profit for the year		-	-	-	-	1,618,955	-	1,618,955
Total recognised income and expenses for the year		-	-	286,714	-	1,761,631	-	2,048,345
Dividend paid	24	-	-	-	-	(1,785,084)	-	(1,785,084)
At 31 December 2007		60,250,438	25,060	7,968,598	120,601	25,109,921	(2,590,741)	90,883,877

Notes to and forming part of the financial statements are set out on pages 42 to 75

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STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	Share capital RM	Share premium RM	Asset revaluation reserve RM	Share Option reserve RM	Unappropriated profit RM	Treasury shares RM	Total RM
At 1 July 2005								
As previously stated		60,053,938	19,670	7,885,195	-	17,694,698	-	85,653,501
Effect of adopting FRS 2		-	-	-	8,246	(8,246)	-	-
As restated		60,053,938	19,670	7,885,195	8,246	17,686,452	-	85,653,501
Issue of share capital								
- exercise of ESOS		150,500	2,220	-	-	-	-	152,720
Share options granted under ESOS		-	-	-	58,466	-	-	58,466
Shares purchased during the period held as treasury shares		-	-	-	-	-	(817,960)	(817,960)
Realisation of reserve on amortisation of revalued properties		-	-	(203,311)	-	203,311	-	-
Net gain/(loss) recognised directly in equity		-	-	(203,311)	-	203,311	-	-
Net loss for the period		-	-	-	-	(2,699,100)	-	(2,699,100)
Total recognised income and expense for the period		-	-	(203,311)	-	(2,495,789)	-	(2,699,100)
Dividend paid	24	-	-	-	-	(2,402,158)	-	(2,402,158)
At 31 December 2006		60,204,438	21,890	7,681,884	66,712	12,788,505	(817,960)	79,945,469
At 1 January 2007								
As previously stated		60,204,438	21,890	7,681,884	-	12,855,217	(817,960)	79,945,469
Effect of adopting FRS 2		-	-	-	66,712	(66,712)	-	-
As restated		60,204,438	21,890	7,681,884	66,712	12,788,505	(817,960)	79,945,469
Issue of share capital								
- exercise of ESOS		46,000	3,170	-	-	-	-	49,170
Share options granted under ESOS		-	-	-	53,889	-	-	53,889
Shares purchased during the year held as treasury shares		-	-	-	-	-	(1,772,781)	(1,772,781)
Realisation of reserve on amortisation of revalued properties		-	-	(142,676)	-	142,676	-	-
Adjustment for reduction in future statutory tax rate	16	-	-	429,390	-	-	-	429,390
Net gain/(loss) recognised directly in equity		-	-	286,714	-	142,676	-	429,390
Net profit for the year		-	-	-	-	1,044,596	-	1,044,596
Total recognised income and expenses for the year		-	-	286,714	-	1,187,272	-	1,473,986
Dividend paid	24	-	-	-	-	(1,785,084)	-	(1,785,084)
At 31 December 2007		60,250,438	25,060	7,968,598	120,601	12,190,693	(2,590,741)	77,964,649

Notes to and forming part of the financial statements are set out on pages 42 to 75

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CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

	Group		Company	
	1-1-2007 to 31-12-2007 RM	1-7-2005 to 31-12-2006 RM	1-1-2007 to 31-12-2007 RM	1-7-2005 to 31-12-2006 RM
Cash flows from operating activities				
Profit/(Loss) before tax	2,443,951	538,261	992,510	(3,264,979)
Adjustments for:				
Depreciation of property, plant and equipment				
- current year	1,285,961	1,934,839	1,030,171	1,468,741
- reversal for over recognition	(1,884)	-	(1,884)	-
Amortisation of prepaid lease payments	389,977	584,966	389,977	584,966
Gain on disposal of property, plant and equipment	(40,859)	(1,675,367)	(40,859)	(117,472)
Property, plant and equipment written off	4,980	511	989	509
Amortisation of other investment	364	545	364	545
Allowance for doubtful debts	459,468	200,000	459,468	200,000
Allowance for doubtful debts written back	-	(18,500)	-	(18,500)
Retirement benefit obligations	5,932	134,379	20,542	115,030
Share option expenses	53,889	58,466	53,889	58,466
Dividend income	-	-	(2,000,000)	-
Interest income	(181,677)	(107,596)	(186,214)	(240,070)
Interest expenses	2,865,315	2,679,654	2,558,968	2,521,808
Operating profit before working capital changes	7,285,417	4,330,158	3,277,921	1,309,044
Changes in inventories	(18,922,647)	17,695,978	(9,745,038)	13,611,563
Changes in receivables	(12,285,082)	3,355,178	(13,906,220)	3,678,572
Changes in payables	27,134,675	(7,486,635)	22,436,903	(7,385,414)
Cash generated from operations	3,212,363	17,894,679	2,063,566	11,213,765
Retirement benefits paid	(25,581)	(24,279)	(25,581)	(24,279)
Interest received	181,677	107,596	186,214	240,070
Interest paid	(2,865,315)	(2,679,654)	(2,558,968)	(2,521,808)
Tax paid	(1,703,967)	(1,755,195)	(512,500)	(778,139)
Tax refunded	1,145,954	-	1,145,954	-
Net cash (used in)/from operating activities	(54,869)	13,543,147	298,685	8,129,609

	Group 1-1-2007 to 31-12-2007 RM	Group 1-7-2005 to 31-12-2006 RM	Company 1-1-2007 to 31-12-2007 RM	Company 1-7-2005 to 31-12-2006 RM
Cash flows from investing activities				
Purchase of property, plant and equipment	(1,622,173)	(4,359,965)	(1,593,463)	(4,274,078)
Refund for cost of property, plant and equipment over recognised	28,403	-	28,403	-
Proceeds from disposal of property, plant and equipment	348,000	1,677,479	348,000	117,479
(Advances to)/Repayment from subsidiaries	-	-	(1,914,620)	6,279,170
Dividend received from a subsidiary	-	-	2,000,000	-
Net cash (used in)/from investing activities	(1,245,770)	(2,682,486)	(1,131,680)	2,122,571
Cash flows from financing activities				
Revolving credits raised	2,000,000	-	2,000,000	-
Repayment of revolving credits	-	(5,500,000)	-	(5,500,000)
Proceeds from issue of shares	49,170	152,720	49,170	152,720
Repurchase of shares	(1,772,781)	(817,960)	(1,772,781)	(817,960)
Dividend paid	(1,785,084)	(2,402,158)	(1,785,084)	(2,402,158)
Net cash used in financing activities	(1,508,695)	(8,567,398)	(1,508,695)	(8,567,398)
Net changes in cash and cash equivalents	(2,809,334)	2,293,263	(2,341,690)	1,684,782
Cash and cash equivalents brought forward	3,046,234	752,971	1,989,958	305,176
Cash and cash equivalents carried forward	236,900	3,046,234	(351,732)	1,989,958
Represented by:				
Cash and bank balances	1,393,916	3,046,234	805,284	1,989,958
Bank overdrafts	(1,157,016)	-	(1,157,016)	-
	236,900	3,046,234	(351,732)	1,989,958

Notes to and forming part of the financial statements are set out on pages 42 to 75

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1. PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial year are the manufacture and sale of steel-related products, mainly black welded steel and galvanised industrial pipes, square and rectangular hollow tubes, tubes, conduits and C-and-lipped channels. The principal activities of the subsidiaries are set out in Note 6 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standard Board. At the beginning of the current financial year, the Group and the Company had adopted all the new and revised Financial Reporting Standards ("FRS") which are mandatory and applicable for financial periods beginning on or after 1 January 2006 and 1 October 2006.

In the opinion of the directors, the adoption of these FRSs other than as described below does not result in significant changes in the accounting policies of the Group and of the Company, or has significant impact on the financial statements of the Group and of the Company except for the presentation of the balance sheets of the Group and of the Company upon the adoption of the revised FRS 101. The principal changes in accounting policies and their effects resulting from the adoption of the following FRSs are discussed below:

(i) FRS 2 Share-Based Payment

Prior to 1 January 2006, no compensation expense was recognised in the income statement for share options granted. The Group and the Company recognised increase in share capital and share premium when the share options were exercised. With the adoption of FRS 2, the fair value of share options granted to employees is recognised as an employee expense with a corresponding increase in share option reserve within equity over the vesting period. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share options at date of the grant and the number of share options to be vested by vesting date. At balance sheet date, the Group's revised estimate is included in profit or loss and a corresponding adjustment to equity over the remaining vesting period.

The Group has applied the transitional provisions of FRS 2, which allow the change in accounting policy to be applied to share options that were granted after 31 December 2004 and had not yet vested. The application is retrospective, and accordingly, certain comparative figures have been restated as shown in Note 32. The effects of adopting the new accounting policy are as follows:

	At 1 January 2007	
	Group RM	Company RM
Increase in share option reserve	66,712	66,712
Decrease in unappropriated profit	(66,712)	(66,712)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

(ii) FRS 3 Business Combination, FRS 136 Impairment of Assets and FRS 138 Intangible Assets

FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138. In accordance with the transitional provisions, FRS 3 has been applied for business combinations for which the agreement date is on or after 1 January 2006.

Prior to 1 January 2006, goodwill or negative goodwill, if any, was taken to the income statement as and when they arose if the amount involved was immaterial. Where goodwill was considered to be capable of generating future economic benefits, it was capitalised in the financial statements and review for impairment annually while negative goodwill was retained in the consolidated balance sheet and credited to the income statement over a suitable period in relation to the particular circumstances which give rise to it. At each balance sheet date, the Group assessed if there was any indication of impairment of the cash-generating unit to which the goodwill is attached. The adoption of FRS 3 and FRS 136 has had no impact on the financial statements of the Group for the financial year ended 31 December 2007 and amounts reported for 2006 or prior periods as the Group did not have any goodwill or negative goodwill brought forward at 1 January 2007.

(iii) FRS 117 Leases

Prior to 1 January 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and any accumulated impairment losses. The adoption of FRS 117 has resulted in a change in accounting policy relating to the classification of leases of land and buildings. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and building elements of a lease of land and land held for own use are now classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated between the land and the building elements in proportion to the relative fair values for leasehold interests in the land element and building element of the lease at the inception of the lease. The up-front payments represent prepaid lease payments and are amortised on a straight line basis over the lease term.

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 January 2007, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions. The reclassification of leasehold land as prepaid lease payments has been applied for retrospectively, as disclosed in Note 5, and accordingly, the comparatives have been restated as shown in Note 32.

The Group has not opted for the early adoption of the following revised FRSs which are effective for the financial periods on or after 1 July 2007:

FRS 107 Cash Flow Statements
FRS 112 Income Taxes
FRS 118 Revenue
FRS 137 Provisions, Contingent Liabilities and Contingent Assets

The Company will adopt the above FRSs from the financial year beginning 1 January 2008. These FRSs are not expected to have any significant financial impact on the financial statements of the Company when they are adopted.

The Company has also not opted for the early adoption of FRS 139 Financial Instruments: Recognition and Measurement, which has been deferred to an effective date yet to be announced.

The measurement bases applied in the preparation of the financial statements of the Group and the Company include cost, recoverable value, realisable value and fair value as indicated in the accounting policies set out below. Accounting estimates are used in measuring these values.

The financial statements of the Group and the Company are presented in Ringgit Malaysia ("RM"), which is also the functional currency of the Company and the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Use of estimates and judgements

The preparation of financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

There are no significant critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements except for areas of estimation uncertainty as described in the following notes:

- Note 6 : Measurement of impairment loss on investment in subsidiaries
- Note 9 : Allowance for doubtful debts on trade receivables

(c) Subsidiaries

Subsidiaries are entities over which the Group has the power 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 the entity.

In the Company's balance sheet, investment in subsidiaries are stated at cost less any accumulated impairment losses, unless the investment is classified as held for sale or included in a disposal group that is classified as held for sale. On disposal of the investment, the difference between net disposal proceeds and their carrying amounts is included in income statement.

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all its subsidiaries made up to the end of the financial year. Uniform accounting policies are adopted for like transactions and events in similar circumstances. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

All 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.

All intra-group balances, transactions, income and expenses are eliminated in full on consolidated and the consolidated financial statements reflect external transactions only. Unrealised profits and losses resulting from intra-group transactions that are recognised in assets are also eliminated in full. The temporary differences arising from the elimination of unrealised profits and losses are recognised in accordance with Note 2(s).

Acquisition of subsidiaries are accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of a business combination 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.

The excess of the cost of a business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities recognised, over the Group's cost of a business combination is recognised immediately in the consolidated income statement after reassessment.

Minority interests, if any, represent the portion of profit or loss and net assets of subsidiaries, attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Company. Minority interests are presented separately in the consolidated balance sheet within equity while minority interests in the profit or loss of the Group are separately disclosed in the consolidated income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Intangible assets

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

(f) Property, plant and equipment

(i) Measurement basis

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

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses, except for the buildings which are stated at valuation carried out in 2003 less accumulated depreciation and any accumulated impairment losses. The Group will revalue its buildings at least once in every 5 years. Surplus arising from revaluation is dealt with through the asset revaluation reserve account. Any deficit arising is set-off against the asset revaluation reserve to the extent of a previous increase for the same property. In all cases, a decrease in carrying amount will be charged to the income statement.

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

(ii) Depreciation

Capital work-in-progress is not depreciated. Depreciation is calculated to write off the cost or amount of valuation of other property, plant and equipment on a straight line basis over their estimated useful lives at the following annual rates:

Buildings	2%
Plant and machinery	10%
Electrical installations	7.5%
Factory equipment, furniture and fittings	7.5% - 10%
Office equipment, furniture and fittings	10% - 20%
Motor vehicles	25%

Capital work-in-progress will only be depreciated when the assets are ready for their intended use.

The residual values, useful lives 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 embodies in the items of property, plant and equipment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Operating leases

(i) The Group as lessee

Lease payments under operating leases are recognised as an expense on a straight line basis over the lease term. The aggregate benefits of incentives provided by the lessors, if any, are recognised as a reduction of rental expense over the lease term on a straight line basis.

Land which normally has an indefinite economic life and held under a leasehold title to which the title is not expected to pass to the Group at the end of the lease term, is treated as an operating lease. The minimum lease payments or payments made up-front on entering into or acquiring a leasehold land that is treated as an operating lease are accounted for as prepaid lease payments and where necessary, such payments are allocated between land and buildings elements in proportion to their relative fair values for leasehold interests in the land element and building element of the lease at the inception of the lease.

The prepaid lease payments are amortised on a straight line basis over the remaining lease period of between 66 and 71 years in accordance with the pattern of benefits provided. Any gains or losses on surrender or disposal of the leasehold interest in land are recognised in the income statement in the financial year in which they arise.

(ii) The Group as lessor

Rental income from operating leases is recognised on a straight line basis over the lease term. Initial direct costs incurred in entering into lease arrangements are included as part of the carrying value of the leased asset and recognised on a straight line basis over the lease term.

(h) Other investment

Other investment which represents transferable club membership is stated at cost less accumulated amortisation and any diminution in value of the investments. An allowance for diminution in value is made if the directors are of the opinion that there is a decline in the value of such investment which is other than temporary. The diminution in value, if any, is charged to the income statement. On disposal of the investment, the difference between net disposal proceeds and its carrying amount is included in the income statement.

(i) Inventories

Inventories comprising raw materials, work-in-progress and finished goods are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and in the case of finished goods and work-in-progress, cost consists of direct materials, direct labour, other direct costs and an appropriate proportion of overheads, are determined on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated selling expenses.

(j) Receivables

Receivables are stated at anticipated realisable values. Known bad debts are written off and an estimate is made for doubtful debts based on review of all outstanding amounts at the balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment of assets

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are charged to the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit or groups of units on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the higher of its value in use and its fair value less costs to sell. 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 to the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each balance sheet date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

Any subsequent increase in recoverable amount of an asset is recognised as reversal of previous impairment loss and should not exceed the carrying amount that would have been determined (net of amortisation or depreciation, if applicable) had no impairment loss been previously recognised for the asset.

(l) Share capital

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost directly attributable to the issuance of the shares is accounted for as a deduction from share premium, otherwise, it is charged to the income statement.

When shares are repurchased, the amount of consideration paid, including directly attributable costs, is measured at cost and set off against equity. Shares repurchased and not cancelled are classified as treasury shares. Where treasury shares are reissued by re-sale in the open market, the difference between the sale consideration and the carrying amount is recognised in equity.

Dividends on the ordinary shares, when declared or proposed by the Directors of the Company are disclosed in the notes to the financial statements. Upon approval and when paid, such dividends will be accounted for in the shareholders' equity as an appropriation of unappropriated profit in the financial year/period in which the dividends are paid.

(m) Payables

Payables are stated at cost and are recognised when there is a contractual obligation to deliver cash or another financial asset to settle the obligation.

(n) Provisions

Provisions are recognised when the Group and the Company have a present or constructive obligation as a result of past events, and when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Foreign currencies

Transactions in currencies other than the Group's functional currency, which is the currency of the primary economic environment in which the Company operates, are recorded in the functional currency using the exchange rates prevailing at the date of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the income statement for the year.

Exchange differences arising on the translation of non-monetary items carried at fair value are recognised in income statement for the year except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(p) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the Company and when the revenue can be measured reliably, on the following bases:

(i) Sale of goods

Sale of goods is measured at the fair value of the consideration received or receivable, net of returns and discounts and is recognised in the income statement when significant risks and rewards of ownership have been transferred to the customers.

(ii) Dividend income

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

(iii) Rental income

Rental income is recognised on a time proportion basis over the lease term.

(iv) Interest income

Interest income is recognised on a time proportion basis using the effective interest rate applicable.

(q) Employment benefits

(i) Short term benefits

Salaries, wages, allowances, bonuses and social security contributions are recognised as an expense in the financial year/period in which the services are rendered by the employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlements to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur. Non-monetary benefits such as medical care and other staff related expenses are charged to the income statement as and when incurred.

(ii) Defined contribution plan

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement in the financial year/period to which they relate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Employment benefits (cont'd)

(iii) Defined benefit plan

In addition to the statutory contribution to EPF, the Group operates an unfunded benefit plan since 1 October 1984 for eligible employees under an agreement. Retirement gratuities are payable to employees who have been in service for at least seven years and upon their retirement or resignation.

The liability arising from a defined benefit plan is the present value of the defined benefit obligations at the balance sheet date minus the fair value of plan assets, together with necessary adjustments for actuarial gains/losses and past service cost.

The Group monitors the present value of the defined benefit obligations and the fair value of the plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amount that would be determined at the balance sheet date. The present value of the defined benefit obligations is determined using the projected unit credit method. Actuarial gains or losses arise as a result of movements in either the present value of defined benefit obligations or the fair value of any related plan assets. The net cumulative actuarial gains or losses are recognised in the income statement when it exceeds 10% of the higher of the present value of the defined benefit obligations and fair value of plan assets. Past service cost is recognised immediately to the extent that the benefits are already vested, otherwise, it is amortised as an expense on a straight line basis over the average period until the benefits become vested.

(iv) Share-based compensation

The Amalgamated Industrial Steel Berhad Employees' Share Option Scheme ("ESOS"), an equity-settled share-based compensation plan, allows full time employees (including full time executive directors) of the Company and its subsidiaries to acquire ordinary shares of the Company. The total fair value of share options granted to employees, if any, is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

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

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

(v) Termination benefits

Employee termination benefits are recognised only either after an agreement is in place with the appropriate employee representatives specifying the terms of redundancy or after individual employees have been advised of the specific terms.

(r) Borrowing costs

All interest and other costs incurred in connection with borrowings are expensed as part of finance costs. Finance costs comprise interests paid and payable on borrowings.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Tax expense

The tax expense in the income statement comprises current tax and deferred tax. Current year tax is an estimate of tax payable in respect of taxable profit for the period based on tax rate enacted at the balance sheet date and any adjustment to tax payable in respect of previous period.

Deferred tax is recognised in full, based on the liability method for taxation deferred in respect of all material temporary differences arising from differences between the tax bases of the assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised 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 calculated at the tax rate that is 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. Current and deferred tax is recognised as an income or an expense in the income statement or is credited or charged directly to equity if the tax relates to items that are credited or charged, whether in the same or different period, directly to equity.

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, bank overdrafts and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(u) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

(i) Financial instruments recognised in the balance sheet

The recognised financial instruments of the Group comprise cash and cash equivalents, other investment, receivables, payables and bank borrowings as well as ordinary share capital. These financial instruments are recognised when a contractual relationship has been established. All the financial instruments are denominated in Ringgit Malaysia, unless otherwise stated. The accounting policies and methods adopted, including the criteria for recognition and the basis of measurement applied, are disclosed above. The information on the extent and nature of these recognised financial instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows are disclosed in the respective notes to the financial statements.

(ii) Financial instruments not recognised in the balance sheet

Unsecured guarantees

The Company has provided unsecured corporate guarantees in respect of banking and trade facilities granted to subsidiaries which represent present obligations existed at the balance sheet date but are not recognised in the financial statements at inception because it is not probable that an outflow of economic benefits will be required to settle the obligations.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Financial risk management is carried out through risk reviews, internal control systems, benchmarking the industry's best practices and adherence to Group's financial risk management policies.

The Group has been financing its operations mainly from internally-generated funds and bank borrowings. The Group does not find it necessary to enter into derivative transactions based on its current level of operations.

The main risks arising from the financial instruments of the Group are stated below. The management of the Group monitors its financial position closely with an objective to minimise potential adverse effects on the financial performance of the Group. The management reviews and agrees on policies for managing each of these risks and they are summarised below. These policies have remained unchanged during the financial year.

(a) Credit risk

Credit risk arises when sales are made on deferred credit terms.

The entire financial assets of the Group are exposed to credit risk except for cash and bank balances which are placed with licensed financial institutions in Malaysia. The Group's exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount and period.

Credit risks, or the risk of counter-parties defaulting, are controlled by the application of credit approvals, limits and monitoring procedures. Trade receivables are monitored on an ongoing basis through Group management reporting procedures.

The Group considers the risk of material loss from the non-performance on the part of a financial counter-party to be negligible.

The Group does not require collateral in respect of its financial assets.

(b) Interest rate risk

The Group is exposed to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates.

The Group's exposure to interest rate risk is in respect of its bank borrowings. This risk is managed through the use of fixed and floating interest rate financial instruments. It is the policy of the Group not to trade in interest rate swap agreements.

(c) Foreign currency exchange risk

The Group is exposed to foreign currency exchange risk as a result of transactions denominated in foreign currencies other than its functional currency entered into by the Group. The Group's exposure to currency risk is monitored on an ongoing basis.

The Group has not hedged against the translation exposure as it does not form a significant proportion of the Group's gross assets.

(d) Liquidity and cash flow risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all financing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements. In addition, the Group aims to maintain available banking facilities of a reasonable level to its overall debt position.

4. PROPERTY, PLANT AND EQUIPMENT

Group 2007	Buildings RM	Plant and machinery RM	Electrical installations RM	Factory equipment, furniture and fittings RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Cost/Valuation								
At 1 January								
Cost	2,819,973	35,768,054	1,374,830	5,708,425	2,439,552	1,431,190	47,723	49,589,747
Valuation	21,947,363	-	-	-	-	-	-	21,947,363
	24,767,336	35,768,054	1,374,830	5,708,425	2,439,552	1,431,190	47,723	71,537,110
Adjustments for over-recognition	(13,403)	-	-	-	(15,000)	-	-	(28,403)
Additions	-	-	14,960	184,998	91,471	215,000	1,115,744	1,622,173
Disposals	-	-	-	-	-	(784,205)	-	(784,205)
Write-off	-	-	-	(6,650)	(10,247)	-	-	(16,897)
At 31 December								
Cost	2,806,570	35,768,054	1,389,790	5,886,773	2,505,776	861,985	1,163,467	50,382,415
Valuation	21,947,363	-	-	-	-	-	-	21,947,363
	24,753,933	35,768,054	1,389,790	5,886,773	2,505,776	861,985	1,163,467	72,329,778
Accumulated depreciation								
At 1 January	1,605,793	33,492,714	1,346,412	4,776,046	1,819,372	889,661	-	43,929,998
Charge for the year	494,990	205,842	7,567	192,972	157,023	227,567	-	1,285,961
Adjustments for over-recognition	(134)	-	-	-	(1,750)	-	-	(1,884)
Disposals	-	-	-	-	-	(477,064)	-	(477,064)
Write-off	-	-	-	(2,660)	(9,257)	-	-	(11,917)
At 31 December	2,100,649	33,698,556	1,353,979	4,966,358	1,965,388	640,164	-	44,725,094
Net carrying amount								
At 31 December								
Cost	2,750,572	2,069,498	35,811	920,415	540,388	221,821	1,163,467	7,701,972
Valuation	19,902,712	-	-	-	-	-	-	19,902,712
	22,653,284	2,069,498	35,811	920,415	540,388	221,821	1,163,467	27,604,684

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group 2006	Buildings RM	Plant and machinery RM	Electrical installations RM	Factory equipment, furniture and fittings RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Cost/Valuation								
At 1 July								
Cost	-	36,517,319	1,351,860	5,564,596	2,365,840	1,535,535	396,856	47,732,006
Valuation	21,947,363	-	-	-	-	-	-	21,947,363
	21,947,363	36,517,319	1,351,860	5,564,596	2,365,840	1,535,535	396,856	69,679,369
Additions	-	1,492,643	22,970	143,829	129,028	100,655	2,470,840	4,359,965
Disposals	-	(2,241,908)	-	-	(29,774)	(205,000)	-	(2,476,682)
Write-off	-	-	-	-	(25,542)	-	-	(25,542)
Transfer	2,819,973	-	-	-	-	-	(2,819,973)	-
At 31 December								
Cost	2,819,973	35,768,054	1,374,830	5,708,425	2,439,552	1,431,190	47,723	49,589,747
Valuation	21,947,363	-	-	-	-	-	-	21,947,363
	24,767,336	35,768,054	1,374,830	5,708,425	2,439,552	1,431,190	47,723	71,537,110
Accumulated depreciation								
At 1 July	914,472	35,463,358	1,326,719	4,427,231	1,632,204	730,777	-	44,494,761
Charge for the period	691,321	269,159	19,693	348,815	241,968	363,883	-	1,934,839
Disposals	-	(2,239,803)	-	-	(29,769)	(204,999)	-	(2,474,571)
Write-off	-	-	-	-	(25,031)	-	-	(25,031)
At 31 December	1,605,793	33,492,714	1,346,412	4,776,046	1,819,372	889,661	-	43,929,998
Net carrying amount								
At 31 December								
Cost	2,787,073	2,275,340	28,418	932,379	620,180	541,529	47,723	7,232,642
Valuation	20,374,470	-	-	-	-	-	-	20,374,470
	23,161,543	2,275,340	28,418	932,379	620,180	541,529	47,723	27,607,112

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company 2007	Buildings RM	Plant and machinery RM	Electrical installations RM	Factory equipment, furniture and fittings RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Cost/Valuation								
At 1 January								
Cost	2,819,973	25,344,695	892,569	3,897,689	2,325,200	1,431,190	47,723	36,759,039
Valuation	18,714,875	-	-	-	-	-	-	18,714,875
	21,534,848	25,344,695	892,569	3,897,689	2,325,200	1,431,190	47,723	55,473,914
Adjustment for over-recognition	(13,403)	-	-	-	(15,000)	-	-	(28,403)
Additions	-	-	14,960	158,488	89,271	215,000	1,115,744	1,593,463
Disposals	-	-	-	-	-	(784,205)	-	(784,205)
Write-off	-	-	-	-	(8,823)	-	-	(8,823)
At 31 December								
Cost	2,806,570	25,344,695	907,529	4,056,177	2,390,648	861,985	1,163,467	37,531,071
Valuation	18,714,875	-	-	-	-	-	-	18,714,875
	21,521,445	25,344,695	907,529	4,056,177	2,390,648	861,985	1,163,467	56,245,946
Accumulated depreciation								
At 1 January	1,374,131	23,841,970	864,158	3,351,094	1,710,093	889,661	-	32,031,107
Charge for the year	430,340	32,480	7,567	176,713	155,504	227,567	-	1,030,171
Adjustment for over-recognition	(134)	-	-	-	(1,750)	-	-	(1,884)
Disposals	-	-	-	-	-	(477,064)	-	(477,064)
Write-off	-	-	-	-	(7,834)	-	-	(7,834)
At 31 December	1,804,337	23,874,450	871,725	3,527,807	1,856,013	640,164	-	32,574,496
Net carrying amount								
At 31 December								
Cost	2,750,572	1,470,245	35,804	528,370	534,635	221,821	1,163,467	6,704,914
Valuation	16,966,536	-	-	-	-	-	-	16,966,536
	19,717,108	1,470,245	35,804	528,370	534,635	221,821	1,163,467	23,671,450

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company 2006	Buildings RM	Plant and machinery RM	Electrical installations RM	Factory equipment, furniture and fittings RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Cost/Valuation								
At 1 July								
Cost	-	23,852,052	869,599	3,838,796	2,248,140	1,535,535	396,856	32,740,978
Valuation	18,714,875	-	-	-	-	-	-	18,714,875
	18,714,875	23,852,052	869,599	3,838,796	2,248,140	1,535,535	396,856	51,455,853
Additions	-	1,492,643	22,970	58,893	128,077	100,655	2,470,840	4,274,078
Disposals	-	-	-	-	(29,775)	(205,000)	-	(234,775)
Write-off	-	-	-	-	(21,242)	-	-	(21,242)
Transfer	2,819,973	-	-	-	-	-	(2,819,973)	-
At 31 December								
Cost	2,819,973	25,344,695	892,569	3,897,689	2,325,200	1,431,190	47,723	36,759,039
Valuation	18,714,875	-	-	-	-	-	-	18,714,875
	21,534,848	25,344,695	892,569	3,897,689	2,325,200	1,431,190	47,723	55,473,914
Accumulated depreciation								
At 1 July	779,785	23,836,464	854,915	3,092,202	1,523,724	730,777	-	30,817,867
Charge for the period	594,346	5,506	9,243	258,892	236,871	363,883	-	1,468,741
Disposals	-	-	-	-	(29,769)	(204,999)	-	(234,768)
Write-off	-	-	-	-	(20,733)	-	-	(20,733)
At 31 December	1,374,131	23,841,970	864,158	3,351,094	1,710,093	889,661	-	32,031,107
Net carrying amount								
At 31 December								
Cost	2,787,073	1,502,725	28,411	546,595	615,107	541,529	47,723	6,069,163
Valuation	17,373,644	-	-	-	-	-	-	17,373,644
	20,160,717	1,502,725	28,411	546,595	615,107	541,529	47,723	23,442,807

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The buildings together with the leasehold land classified as prepaid lease payments of the Group and the Company referred to in Note 5 were revalued by the Directors based on valuations carried out by an independent firm of professional valuers in March 2003 using the comparison method and the cost method of valuation basis.

The net carrying amounts of the revalued buildings that would have been included in the financial statements had these properties been carried at cost less accumulated depreciation are as follows:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Buildings	13,027,226	13,486,350	10,076,188	10,438,020

The gross carrying amounts of the fully depreciated property, plant and equipment of the Group and the Company that are still in use are RM38,271,398 (2006 : RM37,865,748) and RM27,923,303 (2006 : RM27,547,074) respectively.

5. PREPAID LEASE PAYMENTS

	Group and Company	
	2007 RM	2006 RM
At 1 January 2007/1 July 2005	26,881,152	26,881,152
Addition/Disposal	-	-
At 31 December	26,881,152	26,881,152
Accumulated amortisation		
At 1 January 2007/1 July 2005	1,397,418	812,452
Amortisation for the year/period	389,977	584,966
At 31 December	1,787,395	1,397,418
Net carrying amount at 31 December	25,093,757	25,483,734

The Group and the Company had previously classified leasehold land as finance lease under property, plant and equipment. On adoption of FRS 117 Leases, the Group and the Company accounted for its leasehold land as operating lease with the unamortised carrying amount classified as prepaid lease payments in accordance with the transitional provisions of FRS 117.

6. INVESTMENTS IN SUBSIDIARIES

	Company 2007 RM	2006 RM
Unquoted shares, at cost	4,014,003	4,014,003

The subsidiaries, which are both incorporated in Malaysia, are as follows:

Name of Company	Gross equity interest 2007 %	2006 %	Principal activities
Amalgamated Industrial Stainless Steel (1987) Sdn Bhd	100	100	Manufacture and sale of stainless steel pipes and fittings
Amalgamated Industrial Marketing Sdn Bhd	100	100	Trading of other steel related products

Impairment test for investment in subsidiaries

The management reviews the carrying amounts of the investments in subsidiaries at each balance sheet date to determine whether there is any indication of impairment. The management's assessment on whether there is an indication is based on external as well as internal sources of information. If such an indication exists, impairment loss on the value of the investment is made to determine the recoverable amount of the investments. At the balance sheet date, there were no indications of impairment on the value of the investments in subsidiaries identified by the management.

7. OTHER INVESTMENT

	Group and Company 2007 RM	2006 RM
Transferable club membership, at cost	20,000	20,000
Less:		
Accumulated amortisation	4,182	3,818
	15,818	16,182

8. INVENTORIES

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
At cost:				
Raw materials	30,926,663	32,431,911	27,656,926	30,244,409
Consumable stores	2,125,283	1,839,014	1,835,815	1,577,124
Work in progress	5,283,853	3,515,491	2,386,402	1,789,335
Finished goods	37,793,384	19,420,120	24,259,563	12,782,800
	76,129,183	57,206,536	56,138,706	46,393,668

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Gross trade receivables	49,746,117	37,769,711	45,978,148	33,511,155
Less: Allowance for doubtful debts	1,643,403	1,183,935	1,466,901	1,007,433
	48,102,714	36,585,776	44,511,247	32,503,722
Other receivables	2,659,303	1,268,533	2,647,348	1,232,284
Deposits	2,034,128	2,351,748	2,034,128	2,351,748
Prepayments	735,890	1,500,364	657,662	315,879
	53,532,035	41,706,421	49,850,385	36,403,633
The currency exposure profiles of trade receivables are as follows:				
Ringgit Malaysia	42,118,751	34,076,928	38,350,782	29,818,372
Singapore Dollar	7,627,366	3,692,783	7,627,366	3,692,783
	49,746,117	37,769,711	45,978,148	33,511,155

Trade receivables represent amounts receivable from the sale of goods to customers. All trade receivables are granted credit periods of 60 to 150 days. Other receivables, deposits and prepayments are from the normal business transactions of the Group. Included in deposits of the Group and the Company is an amount of RM2,000,000 (2006 : RM2,000,000) which represents security deposits placed with a trade creditor. The deposits earn effective interest rate of 8.5% (2006 : 8%) per annum.

The collectibility of receivables is assessed on an ongoing basis. An allowance for doubtful debts is made for any account considered to be doubtful for collection. The allowance for doubtful debts is made based on review of all outstanding accounts at the balance sheet date. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Company were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

10. AMOUNT OWING BY SUBSIDIARIES

The amount owing by the subsidiaries which have no fixed terms of repayment, represents unsecured advances of which RM2,109,450 (2006 : RM157,355) bears effective interest rates of between 0.14% and 0.50% (2006 : 7.20%) per annum and the balance is interest free.

11. CASH AND BANK BALANCES

The currency profiles of cash and bank balances are as follows:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Ringgit Malaysia	1,391,931	3,044,249	803,299	1,987,973
USD	1,985	1,985	1,985	1,985
	1,393,916	3,046,234	805,284	1,989,958

12. SHARE CAPITAL

	Company			
	2007		2006	
	Number of shares	Nominal value RM	Number of shares	Nominal value RM
Authorised				
Ordinary shares of RM0.50 each	200,000,000	100,000,000	200,000,000	100,000,000
Issued and fully paid				
Ordinary shares of RM0.50 each				
At 1 January 2007/1 July 2005	120,408,875	60,204,438	120,107,875	60,053,938
Issue of shares under ESOS	92,000	46,000	301,000	150,500
At 31 December	120,500,875	60,250,438	120,408,875	60,204,438

Of the total 120,500,875 (2006 : 120,408,875) issued and fully paid ordinary shares, 4,324,600 (2006 : 1,403,300) ordinary shares are held as treasury shares by the Company. At 31 December 2007, the number of ordinary shares in issue after deducting treasury shares held is 116,176,275 (2006 : 119,005,575) ordinary shares of RM0.50 each.

In 2003, the Company had implemented an Amalgamated Industrial Steel Berhad's Employees' Share Option Scheme for eligible employees of the Group which is governed by the Bye-Laws of the Scheme and was approved by the shareholders of the Company and the relevant authorities.

The salient features of the Scheme are:

(a) The maximum number of shares to be offered and allotted under the Scheme shall not exceed 10% of the issued and paid-up share capital of the Company at any point in time during the duration of the Scheme.

(b) The following persons are eligible to participate in the Scheme:

(i) a Malaysian who is a confirmed employee, works full-time and is on the payroll of the Group with at least twelve months of continuous service in the Group;

(ii) a Malaysian having attained the age of fifty-five who is employed full-time, on the payroll under a contract of service and who was prior to being so employed, permanently employed with at least twelve months of continuous service in the Group;

(iii) a non-Malaysian who is a full-time employee, on the payroll of the Group and who has served the Group for at least five continuous years on a full-time basis and subject to a restriction whereby not more than 20% of the total options allocated to the said employee can be exercised on an annual basis; and

(iv) any Executive Director of the Company who holds office in a full-time capacity, is on the payroll of the Group and whose entitlement to the Scheme is specifically approved by the Company in a general meeting.

(c) The employees of the Group who are entitled to participate in the Scheme shall be those who fall within certain categories to be determined at the discretion of the Board of Directors or the Option Committee.

(d) Eligible employees who are granted options for the first time during the second and subsequent years of the Scheme, the maximum number of options allowable shall be reduced by 20% for each year of the Scheme the employees have not become eligible for entitlement.

12. SHARE CAPITAL (CONT'D)

(e) No option shall be granted for less than 1,000 new ordinary shares or more than 500,000 new ordinary shares to any eligible employee. In determining the criteria for allocation, the position, length of service, contribution, dedication, loyalty and the potential worth in terms of further contribution to the success of the Group of the eligible employee will or has been taken into consideration. The maximum number of options granted to Executive Directors and senior management of the Group shall not exceed 50% of the total number of options available under the Scheme; and the number of options granted to any individual Executive Director or selected employee who, either singly or collectively through his/her associates (as defined in the Companies Act, 1965), hold 20% or more of the issued and paid-up share capital of the Company, shall not exceed 10% of the total number of options available under the Scheme.

(f) The option price for each share shall be at a discount of not more than ten percent (10%) from the weighted average market price of the shares as shown in the daily official list issued by Bursa Securities for the five (5) market days immediately preceding the date of offer or the par value of the shares, whichever is higher.

(g) An offer shall be valid for a period of thirty (30) days from the date of offer. An offer shall be accepted within the prescribed period by the eligible employee to whom the offer is made by completing and returning the acceptance form accompanied by a non-refundable sum of RM1.00 as consideration. If the offer is not accepted in the manner aforesaid, such offer shall upon the expiry of the prescribed period deemed rejected.

(h) The new ordinary shares to be allotted upon any exercise of options under the Scheme shall, upon allotment and issue, rank pari passu in all respects with the then existing ordinary shares. However, the new ordinary shares so issued shall not be entitled to any dividend or other distributions declared, made or paid prior to the date of exercise of the options.

(i) The Scheme shall continue to be in force for a duration of up to five (5) years commencing the date of lodgement on 9 October 2003. Upon the expiry of the Scheme, all unexercised options shall become null and void unless the Scheme is extended for a further five (5) years. The extended Scheme shall be upon recommendation of the Option Committee and is valid and binding without further approvals from the relevant authorities provided that appropriate notices have been served on each employee and necessary announcement to the relevant authorities have been made within thirty (30) days prior to the expiry of the Scheme and that the Securities Commission ("SC") has been informed.

(j) These options may be exercised at any date not later than 8 October 2008 subject to the following maximum limits:

Year of exercising the options	% to be exercised (Note 1)	% to be exercised (Note 2)	% to be exercised (Note 3)	% to be exercised (Note 4)	% to be exercised (Note 5)
Year 1	20	-	-	-	-
Year 2	40	25	-	-	-
Year 3	60	50	33	-	-
Year 4	80	75	66	50	-
Year 5	100	100	100	100	100

Note 1 - For selected employees who are given options in the 1st year of the Scheme
Note 2 - For selected employees who are given options in the 2nd year of the Scheme
Note 3 - For selected employees who are given options in the 3rd year of the Scheme
Note 4 - For selected employees who are given options in the 4th year of the Scheme
Note 5 - For selected employees who are given options in the 5th year of the Scheme

(k) The Scheme shall be administered by the Option Committee in such manner as it shall in its discretion deem fit and with such powers and duties as conferred upon it by the Board of Directors of the Company.

12. SHARE CAPITAL (CONT'D)

(l) In the event of cessation of employment with the Group prior to the full exercise of the options, the balance of the options shall cease to be valid unless written approval of the Option Committee is obtained.

The movements in the options during the financial year/period to take up unissued new ordinary shares of RM0.50 each in the Company were as follows:

	Number of options over ordinary shares		Weighted average exercise prices	
	2007	2006	2007 RM	2006 RM
Outstanding at 1 January 2007/1 July 2005	3,887,000	3,511,000	0.76	0.80
Granted	294,000	920,000	0.54	0.51
Exercised	(92,000)	(301,000)	0.53	0.51
Forfeited	(727,000)	(243,000)	0.73	0.78
Outstanding at 31 December	3,362,000	3,887,000	0.75	0.76

The terms of the share options outstanding at the end of the financial year/period were as follows:

Exercise Period	Exercise Price RM	Number of share options outstanding 31-12-2007	31-12-2006
21-11-2003 to 8-10-2008 *	0.82	2,412,000	2,906,000
07-06-2004 to 8-10-2008 *	0.63	22,000	44,000
07-09-2004 to 8-10-2008 *	0.62	58,000	71,000
22-11-2004 to 8-10-2008 *	0.68	55,000	64,000
01-03-2005 to 8-10-2008	0.74	88,000	98,000
08-06-2005 to 8-10-2008	0.50	41,000	55,000
26-08-2005 to 8-10-2008	0.50	36,000	64,000
09-11-2005 to 8-10-2008	0.50	210,000	210,000
24-11-2005 to 8-10-2008	0.50	26,000	30,000
01-03-2006 to 8-10-2008	0.50	12,000	85,000
08-06-2006 to 8-10-2008	0.50	22,000	57,000
07-09-2006 to 8-10-2008	0.50	104,000	139,000
08-12-2006 to 8-10-2008	0.69	49,000	64,000
08-03-2007 to 8-10-2008	0.55	130,000	-
01-06-2007 to 8-10-2008	0.56	37,000	-
03-09-2007 to 8-10-2008	0.50	30,000	-
30-11-2007 to 8-10-2008	0.50	30,000	-
		3,362,000	3,887,000

* The recognition and measurement principle in FRS 2 have not been applied to these grants as they were granted and vested prior to the effective date of the FRS 2.

12. SHARE CAPITAL (CONT'D)

The fair value of share options granted in the previous financial years was estimated by the Directors of the Company using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at grant date and the assumptions are as follows:

	2007	2006
Fair value of share options at grant dates (RM)	0.0737 - 0.1513	0.1168 - 0.2139
Weighted average share price (RM)	0.50 - 0.80	0.50 - 0.80
Weighted average exercise price (RM)	0.50 - 0.69	0.50 - 0.74
Expected volatility (%)	38.20	34.74
Expected option life (years)	Less than 1	Less than 2
Expected dividend yield (%)	3.0	2.9
Risk-free interest rate (based on Malaysian government bond) (%)	3.51	3.32

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

13. RESERVES, non-distributable

	Group and Company	
	2007 RM	2006 RM
Share premium	25,060	21,890
Asset revaluation reserve	7,968,598	7,681,884
Share option reserve	120,601	66,712
	8,114,259	7,770,486

14. TREASURY SHARES

	Group and Company	
	2007 RM	2006 RM
At 1 January 2007/1 July 2005	817,960	-
Shares purchased during the year/period	1,772,781	817,960
At 31 December	2,590,741	817,960

During the financial year, the Company purchased a total of 2,921,300 (2006 : 1,403,300) ordinary shares of its issued share capital from the open market at a total cost of RM1,772,781 (2006 : RM817,960). The average cost paid for the shares purchased was RM0.607 (2006 : RM0.583) per share. The repurchase transactions were financed by internally generated funds. The repurchased shares were being held as treasury shares and carried at cost in accordance with the requirements of section 67A of the Companies Act, 1965. Treasury shares had no rights to voting, dividends and participation in other distribution.

At 31 December 2007, the number of treasury shares held is 4,324,600 (2006 : 1,403,300) ordinary shares.

15. RETIREMENT BENEFIT OBLIGATIONS

The Group and the Company operates an unfunded defined retirement benefit plan for a Director and its eligible employees.

The movements during the financial year/period and the amounts recognised in the balance sheets are as follows:

	Retirement benefit plan Group 2007			2006
	Director RM	Employees RM	Total RM	Total RM
At 1 January 2007/1 July 2005	27,722	530,796	558,518	448,418
Charged to income statement	12,152	77,795	89,947	134,379
Reversal of amount not utilised	(1,321)	(82,694)	(84,015)	-
Retirement benefits paid	-	(25,581)	(25,581)	(24,279)
At 31 December	38,553	500,316	538,869	558,518

	Retirement benefit plan Company 2007			2006
	Director RM	Employees RM	Total RM	Total RM
At 1 January 2007/1 July 2005	27,722	499,867	527,589	436,838
Charged to income statement	12,152	74,578	86,730	115,030
Reversal of amount not utilised	(1,321)	(64,867)	(66,188)	-
Retirement benefits paid	-	(25,581)	(25,581)	(24,279)
At 31 December	38,553	483,997	522,550	527,589

The amounts recognised in the balance sheets are determined as follows:

	Retirement benefit plan Group 2007			2006
	Director RM	Employees RM	Total RM	Total RM
Present value of unfunded obligations	38,553	500,316	538,869	558,518
Unrecognised transitional liabilities	-	-	-	-
Liabilities in the balance sheet	38,553	500,316	538,869	558,518

	Retirement benefit plan Company 2007			2006
	Director RM	Employees RM	Total RM	Total RM
Present value of unfunded obligations	38,553	483,997	522,550	527,589
Unrecognised transitional liabilities	-	-	-	-
Liabilities in the balance sheet	38,553	483,997	522,550	527,589

15. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

The amounts recognised in the income statements are as follows:

	Retirement benefit plan Group 1-1-2007 to 31-12-2007			1-7-2005 to 31-12-2006
	Director RM	Employees RM	Total RM	Total RM
Current service cost	11,175	62,164	73,339	118,098
Interest cost	977	15,631	16,608	16,281
Reversal of past service cost not required	(1,321)	(82,694)	(84,015)	-
	10,831	(4,899)	5,932	134,379

	Retirement benefit plan Company 1-1-2007 to 31-12-2007			1-7-2005 to 31-12-2006
	Director RM	Employees RM	Total RM	Total RM
Current service cost	11,175	59,432	70,607	99,668
Interest cost	977	15,146	16,123	15,362
Reversal of past service cost not required	(1,321)	(64,867)	(66,188)	-
	10,831	9,711	20,542	115,030

The above amounts charged to the income statements are included in administrative and general expenses.

The principal actuarial assumptions used in respect of the unfunded defined benefit plan were as follows:

	Group and Company Retirement benefit plan 2007	2006
Discount rate	3.7%	3.7%
Expected rate of salary increases	5.0%	5.0%

16. DEFERRED TAX LIABILITIES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
At 1 January 2007/1 July 2005	4,471,638	5,124,083	4,070,584	4,691,717
Transfer to income statement	(285,905)	(652,445)	(231,586)	(621,133)
Transfer to asset revaluation reserve	(429,390)	-	(429,390)	-
At 31 December	3,756,343	4,471,638	3,409,608	4,070,584
The deferred tax liabilities comprise:				
Taxable temporary differences				
- between net carrying amount and tax written down value of property, plant and equipment	1,500,549	1,569,797	1,149,734	1,160,083
- relating to surplus arising from revaluation of leasehold properties	3,281,914	3,774,550	3,281,914	3,774,550
	4,782,463	5,344,347	4,431,648	4,934,633
Deductible temporary differences				
- on unused tax losses	(186,783)	(221,136)	(186,783)	(221,136)
- on unabsorbed capital allowances	(704,618)	(495,188)	(704,618)	(495,188)
- on retirement benefit obligations	(134,719)	(156,385)	(130,639)	(147,725)
	3,756,343	4,471,638	3,409,608	4,070,584

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Trade payables	6,748,378	3,807,732	6,192,355	3,606,371
Other payables	504,535	517,958	496,462	502,044
Accruals	1,329,232	1,368,780	950,048	1,028,547
	8,582,145	5,694,470	7,638,865	5,136,962

Trade payables represent amounts outstanding from trade purchases. The normal credit periods granted by trade payables are between 5 and 90 days. Other payables and accruals are from the normal business transactions of the Group.

18. BANK BORROWINGS

	Group		Company	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
Bankers' acceptances bearing effective interest rates ranging from 3.62% to 4.18% (2006 : 3.63% to 4.18%) per annum	77,841,000	53,594,000	69,985,000	50,050,000
Revolving credits bearing effective interest rate of 5.04% per annum	2,000,000	-	2,000,000	-
	79,841,000	53,594,000	71,985,000	50,050,000
Bank overdrafts bearing effective interest of 6.50% per annum	1,157,016	-	1,157,016	-
	80,998,016	53,594,000	73,142,016	50,050,000

The bank borrowings of the Group and the Company are unsecured but covered by way of negative pledges on assets of the Group and the Company.

19. GROSS REVENUE

Gross revenue represents the invoiced value of goods sold net of returns and discounts.

20. PROFIT/(LOSS) FROM OPERATIONS

	Group		Company	
	1-1-2007 to 31-12-2007 RM	1-7-2005 to 31-12-2006 RM	1-1-2007 to 31-12-2007 RM	1-7-2005 to 31-12-2006 RM
Profit/(Loss) from operations is stated after charging:				
Allowance for doubtful debts	459,468	200,000	459,468	200,000
Amortisation of other investment	364	545	364	545
Amortisation of prepaid lease payments	389,977	584,966	389,977	584,966
Auditors' remuneration				
- current year	38,000	38,000	27,000	28,000
- overestimated in prior period/years	(1,500)	(10,800)	-	-
Depreciation of property, plant and equipment				
- current	1,285,961	1,934,839	1,030,171	1,468,741
- reversal for over-recognition	(1,884)	-	(1,884)	-
Directors' remuneration				
- fees	72,000	108,000	72,000	108,000
- fees payable to a substantial corporate shareholder of the Company for services rendered by a Director of the Company	18,000	27,000	18,000	27,000
- other emoluments	357,880	562,130	357,880	562,130
- benefits-in-kind	29,325	41,882	29,325	41,882
- retirement benefit obligations	10,831	11,110	10,831	11,110
Legal fees paid to a firm in which a Director of the Company is a partner	72,000	108,000	72,000	108,000
Property, plant and equipment written off	4,980	511	989	509
Realised loss on foreign exchange	112,035	-	112,035	-
Operating leases				
- rental of office equipment	16,896	19,117	16,896	19,117
- rental of premises	22,517	103,611	3,200	72,358
Retirement benefit obligations of employees	(4,899)	123,269	9,711	103,920
and crediting:				
Allowance for doubtful debts written back	-	18,500	-	18,500
Dividend income from a subsidiary	-	-	2,000,000	-
Interest income from				
- subsidiaries	-	-	5,176	134,200
- deposits with licensed banks	12,510	7,565	11,871	7,565
- others	169,167	100,031	169,167	98,305
Gain on disposal of property, plant and equipment	40,859	1,675,367	40,859	117,472
Realised gain on foreign exchange	-	187,902	-	179,156
Rental income from				
- a subsidiary	-	-	105,796	153,576
- others	554,017	-	554,017	-

The estimated monetary value of benefit-in-kind received by the Directors otherwise than in cash from the Company amounted to RM29,325 (2006 : RM41,882).

21. FINANCE COSTS

	Group		Company	
	1-1-2007 to 31-12-2007 RM	1-7-2005 to 31-12-2006 RM	1-1-2007 to 31-12-2007 RM	1-7-2005 to 31-12-2006 RM
Interest expenses on bank borrowings	2,865,315	2,679,654	2,558,968	2,521,808
Other finance charges	157,150	241,755	150,553	224,907
	3,022,465	2,921,409	2,709,521	2,746,715

22. TAX (EXPENSE)/INCOME

	Group		Company	
	1-1-2007 to 31-12-2007 RM	1-7-2005 to 31-12-2006 RM	1-1-2007 to 31-12-2007 RM	1-7-2005 to 31-12-2006 RM
Current tax expense				
- current year/period	(1,112,424)	(1,099,044)	(179,500)	-
- over/(under)estimated in prior period/year	1,523	(53,201)	-	(55,254)
	(1,110,901)	(1,152,245)	(179,500)	(55,254)
Deferred tax income relating to origination and reversal of temporary differences during the year	309,407	587,095	254,528	555,770
Deferred tax expense (under)/overestimated in prior period/year	(23,502)	65,350	(22,942)	65,363
	285,905	652,445	231,586	621,133
	(824,996)	(499,800)	52,086	565,879

The numerical reconciliations between the tax expense and the product of accounting result multiplied by the applicable tax rates are as follows:

	Group		Company	
	1-1-2007 to 31-12-2007 RM	1-7-2005 to 31-12-2006 RM	1-1-2007 to 31-12-2007 RM	1-7-2005 to 31-12-2006 RM
Accounting profit/(loss)	2,443,951	538,261	992,510	(3,264,979)
Tax at the applicable tax rate of 27% (2006 : 28%)	(659,867)	(150,713)	(267,978)	914,194
Add:				
Tax effect of expenses that are not deductible in determining taxable profit	(319,233)	(485,904)	(315,726)	(483,092)
Balance carried forward	(979,100)	(636,617)	(583,704)	431,102

22. TAX (EXPENSE)/INCOME (CONT'D)

	Group		Company	
	1-1-2007 to 31-12-2007 RM	1-7-2005 to 31-12-2006 RM	1-1-2007 to 31-12-2007 RM	1-7-2005 to 31-12-2006 RM
Balance brought forward	(979,100)	(636,617)	(583,704)	431,102
Add:				
Tax effect of income not taxable in determining taxable profit	5,987	24,770	545,987	24,770
Effect of reduction in tax rate	92,529	-	49,499	-
Crystalisation of deferred tax liabilities on amortisation of revalued properties	63,246	99,898	63,246	99,898
Effect of lower tax rate applicable to qualified small and medium enterprise	14,321	-	-	-
	(803,017)	(511,949)	75,028	555,770
Add/(Less):				
Current tax expense over/(under) estimated in prior period/year	1,523	(53,201)	-	(55,254)
Deferred tax expense (under)/ overestimated in prior period/ year	(23,502)	65,350	(22,942)	65,363
Tax (expense)/income for the year/period	(824,996)	(499,800)	52,086	565,879

Based on estimated tax rate of 26% applicable to dividends in the year of assessment 2008, the entire unappropriated profit of the Company at year end is covered by estimated tax credits available under section 108 of the Income Tax Act, 1967 for the distribution of dividends. The Company also has approximately RM12,269,000 (2006 : RM12,055,000) in the tax exempt income accounts available for distribution of tax exempt dividends. However, out of the total unappropriated profit of the Company at year end, an amount of RM2,565,681 (2006 : RM796,070) in excess of the share premium account utilised for the purchase of the treasury shares is considered as non-distributable.

23. EARNINGS PER SHARE

(i) Basic earnings per share

The basic earnings per share has been calculated based on the consolidated net profit for the year of RM1,618,955 (2006 : RM38,461) and on 116,153,471 (2006 : 118,768,187) weighted average number of ordinary shares in issue during the financial year/period after deducting treasury shares calculated as follows:

	Group	
	2007	2006
Number of ordinary shares at 1 January 2007/1 July 2005	120,408,875	120,107,875
Effect of shares issued from ESOS	69,196	63,612
	120,478,071	120,171,487
Less: Treasury shares	4,324,600	1,403,300
Weighted average number of ordinary shares at 31 December	116,153,471	118,768,187

(ii) Diluted earnings per share

The diluted earnings per share is not disclosed as the potential ordinary shares arising from the exercise of options under the Employees' Share Option Scheme at fair value, has anti-dilutive effect.

24. DIVIDEND PAID

	Group and Company	
	1-1-2007 to 31-12-2007 RM	1-7-2005 to 31-12-2006 RM
First and final dividend of 3% tax exempt on 119,005,575 ordinary shares for the financial period ended 31 December 2006 (2006 : 4% tax exempt on 120,107,875 ordinary shares for the financial year ended 30 June 2005), recognised as distribution to equity holders during the year	1,785,084	2,402,158
Net dividend per ordinary share (sen)	1.50	2.00

At the forthcoming Annual General Meeting, a first and final dividend of 3.5% tax exempt on 116,176,275 ordinary shares of RM0.50 each amounting to RM2,033,085 (1.75 sen net per ordinary share) in respect of the financial year ended 31 December 2007 will be proposed for approval by the shareholders of the Company. The proposed first and final dividend is payable in respect of all ordinary shares in issue at the date of the financial statements, excluding those ordinary shares held as treasury shares. These financial statements do not reflect this first and final dividend which will be accounted for in the shareholders' equity as an appropriation of unappropriated profit in the financial year in which the dividend is paid.

25. RELATED PARTY DISCLOSURES

(a) The Company has a controlling related party relationship with its subsidiaries.

(b) The Group also has related party relationship with the following related parties:

(i) A legal firm in which a Director of the Company is a partner.

(ii) A substantial corporate shareholder of the Company.

(iii) A former Director/Chairman of the Company.

25. RELATED PARTY DISCLOSURES (CONT'D)

(c) In addition to information disclosed elsewhere in the financial statements, the Group and the Company have the following significant transactions with related parties during the financial year/period :

	Group		Company	
	1-1-2007 to 31-12-2007 RM	1-7-2005 to 31-12-2006 RM	1-1-2007 to 31-12-2007 RM	1-7-2005 to 31-12-2006 RM
Sale of goods to a subsidiary	-	-	933,354	-
Interest charged to subsidiaries	-	-	5,176	134,200
Rental income from a subsidiary	-	-	105,796	153,576
Sale proceeds from disposal of motor vehicle to a former Director/Chairman of the Company	10,000	-	10,000	-
Repayment from subsidiaries	-	-	-	6,279,170
Purchase of goods from a subsidiary	-	-	237,989	91,197
Fees payable to a substantial corporate shareholder for services rendered by a Director of the Company	18,000	27,000	18,000	27,000
Legal fees charged by a legal firm in which a Director of the Company is a partner	72,000	108,000	72,000	108,000
Advance to subsidiaries	-	-	1,914,620	-

Information regarding outstanding balances arising from related party transactions at year end is disclosed in Note 10. The outstanding balances at year end with other related parties included in other payables are as follows:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
A substantial corporate shareholder for services rendered by a Director of the Company	18,000	27,000	18,000	27,000
A legal firm in which a Director of the Company is a partner	6,000	6,000	6,000	6,000

25. RELATED PARTY DISCLOSURES (CONT'D)

(d) Compensation of key management personnel

The key management personnel are the Directors of the Company.

(i) The remuneration of Directors of the Group and the Company during the year/period comprises:

	Group and Company 2007 RM	2006 RM
Short-term employee benefits		
Fees	90,000	135,000
Salaries, allowances and bonuses	357,880	562,130
Estimated monetary values of benefits-in-kind	29,325	41,882
Total short-term employee benefits	477,205	739,012
Post employment benefits		
- defined contribution plan	39,514	60,682
- defined benefit plan	10,831	11,100
Fair value of share options	6,052	22,011
Total compensation	533,602	832,805

(ii) Movements in share options granted under ESOS to a Director of the Group and the Company are as follows:

	Group and Company 2007 RM	2006 RM
At 1 January 2007/1 July 2005	210,000	-
Granted	30,000	210,000
Exercised	-	-
Lapsed	-	-
At 31 December	240,000	210,000

26. EMPLOYEES BENEFIT EXPENSE

	Group		Company	
	1-1-2007 to 31-12-2007 RM	1-7-2005 to 31-12-2006 RM	1-1-2007 to 31-12-2007 RM	1-7-2005 to 31-12-2006 RM
Salaries, wages, allowances and bonuses				
- Executive directors	329,280	505,680	329,280	505,680
- Other employees	7,456,886	11,444,760	6,156,208	9,502,803
Defined benefit plan				
- retirement benefit obligations	5,932	134,379	20,542	115,030
Defined contribution plan				
- EPF contributions	917,618	1,518,313	758,164	1,279,667
Social security costs				
- SOCSO contributions	81,736	127,236	64,449	100,875
Fair value of share options granted under ESOS	53,889	58,466	53,889	58,466
Other staff related expenses	496,514	941,346	396,759	739,691
	9,341,855	14,730,180	7,779,291	12,302,212

27. CAPITAL COMMITMENTS

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Capital expenditure relating to the acquisition of property, plant and equipment not provided for in the financial statements:				
- approved and contracted	-	724,698	-	724,698
- approved but not contracted	14,058,000	13,826,000	11,560,000	11,605,000
	14,058,000	14,550,698	11,560,000	12,329,698

28. OPERATING LEASE ARRANGEMENTS

The Group as lessee

The Group leases a few units of apartments for its employees as well as certain office equipment from third parties under non-cancellable operating leases for its operations. These leases have tenure of 1 to 3 years, with an option to renew the leases after the expiry of the leases. Increases in lease payments, if any, after the expiry dates, are negotiated between the Company and the lessors which will normally reflect market rentals. None of the above leases includes contingent rentals.

The future minimum lease payments under these non-cancellable operating leases are as follows:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Not later than one year	47,722	51,072	47,722	51,072
Later than one year but not later than five years	1,294	49,646	1,294	49,646
	49,016	100,718	49,016	100,718

29. CONTINGENT LIABILITIES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Unsecured corporate guarantees given in favour of financial institutions for credit facilities granted to subsidiaries	-	-	9,800,000	-

30. FINANCIAL INSTRUMENTS

(a) Credit risk

At balance sheet date, the Group did not have any significant exposure to any individual customer or counter-party or any major concentration of credit risk related to any financial assets.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(b) Fair values

The Company provides corporate guarantees to financial institutions for credit facilities extended to subsidiaries referred to in Note 29. The fair value of such guarantees is not expected to be materially different from the amount stated in Note 29 as the probability of the subsidiaries defaulting on the credit lines is remote.

The carrying amounts of the financial assets and liabilities of the Group and of the Company at 31 December 2007 approximated their fair values.

31. SEGMENT ANALYSIS

No segment analysis is presented as the Group is involved in a single industry segment relating to the manufacturing of steel products. The business of the Group is entirely carried out in Malaysia.

32. COMPARATIVE FIGURES

The comparative figures cover the financial period of eighteen months from 1 July 2005 to 31 December 2006. Accordingly, the comparative figures for the income statements, statements of changes in equity, cash flow statements and the related notes thereon are not comparable to the current financial year.

The following comparative figures of the Group and the Company have been restated arising from changes in accounting policies upon adoption of the FRS 2 and FRS 117:

	Group		Company	
	As restated RM	As previously reported RM	As restated RM	As previously reported RM
(a) Effects of adopting FRS 2				
Balance sheets at 31 December 2006				
Reserves, non-distributable	7,770,486	7,703,774	7,770,486	7,703,774
Unappropriated profit	25,133,374	25,200,086	12,788,505	12,855,217
Income statements for the period ended 31 December 2006				
Administrative and general expenses	(10,154,392)	(10,095,926)	(9,425,198)	(9,366,732)
Profit/(loss) from operations	3,459,670	3,518,136	(518,264)	(459,798)
Profit/(loss) before tax	538,261	596,727	(3,264,979)	(3,206,513)
Net profit/(loss) for the period attributable to shareholders of the Company	38,461	96,927	(2,699,100)	(2,640,634)
(b) Effects of adopting FRS 117				
Balance sheets at 31 December 2006				
Property, plant and equipment	27,607,112	53,090,846	23,442,807	48,926,541
Prepaid lease payments	25,483,734	-	25,483,734	-

33. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company were authorised for issue by the Directors on 22 April 2008.

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

In the opinion of the Directors, the financial statements set out on pages 36 to 75 are drawn up:

(a) so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2007 and of their results and cash flows for the year ended on that date; and

(b) in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards for Entities Other Than Private Entities.

Signed in accordance with a resolution of the Board of Directors dated 22 April 2008.

DATO' GHAZALI BIN MAT ARIFF
Director

LIM YEW BOON
Director

STATUTORY DECLARATION

I, Tang Lai Soon, the person primarily responsible for the financial management of Amalgamated Industrial Steel Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 36 to 75 are correct.

And I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at	)	
Kuala Lumpur on	)	
22 April 2008	)	
	)	
	)	
	)	**TANG LAI SOON**
	)	Financial Controller

Before me:
SOH AH KAU (W315)
Commissioner for Oaths

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the financial statements of the Company set out on pages 36 to 75.

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 approved standards on auditing in Malaysia. These 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 MASB Approved Accounting Standards for Entities Other Than Private Entities so as to give a true and fair view of:

   (i) the state of affairs of the Group and of the Company at 31 December 2007 and of their results and cash flows for the year ended on that date; and

   (ii) the matters required by section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company and of the Group; and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements 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.

Our audit reports on the financial statements of the subsidiaries were not subject to any qualifications and did not include any comment made under section 174 (3) of the Act.

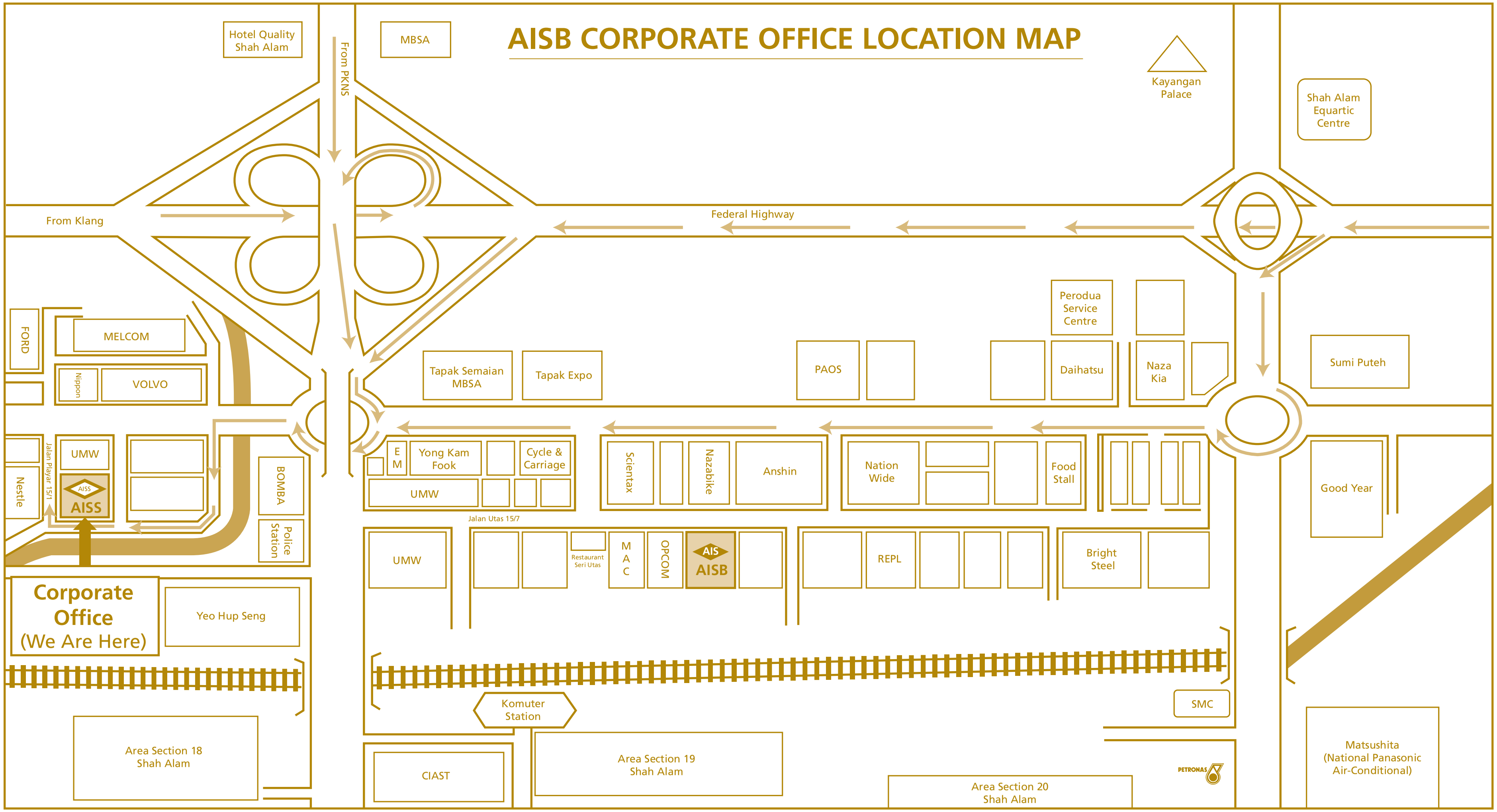
MOORES ROWLAND
No. AF: 0539
Chartered Accountants

GAN MORN GHUAT
No. 1499/5/09 (J)
Partner

Kuala Lumpur

22 April 2008

AISB CORPORATE OFFICE LOCATION MAP



Legend:

River

Komuter Line

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AMALGAMATED INDUSTRIAL STEEL BERHAD
COMPANY REGISTRATION NO. 9118-M

Corporate Office
Lot 6, Jalan Playar 15/1, Section 15,
40000 Shah Alam,
Selangor Darul Ehsan.

FORM OF PROXY

AIS
AMALGAMATED
INDUSTRIAL STEEL BERHAD
COMPANY REGISTRATION NO. 9118-M

THIRTY-SEVENTH ANNUAL GENERAL MEETING

Number of Ordinary Shares held

[Please read notes carefully before completing this form.]

*I/*We ______________________________ (NRIC No ______________) of
______________________________ being the registered holder
of ordinary shares in AMALGAMATED INDUSTRIAL STEEL BERHAD hereby appoint [1] ______________
______________________________ (NRIC No. ______________)
of ______________________________ and /or *[The next name and address should be completed if you wish to appoint two proxies.]*
*[2] ______________________________ (NRIC No. ______________)
of ______________________________

as *my/*our proxy/proxies to attend and, on a poll, to vote for *me/*us and on *my/*our behalf at the Thirty-Seventh Annual General Meeting of the Company, to be held at Lot 6, Jalan Playar 15/1, Section 15, 40000 Shah Alam, Selangor Darul Ehsan on Thursday, 29 May 2008 at 11.30 a.m. and at any adjournment thereof.

[The next paragraph should be completed only when two proxies are appointed.]

The proportion of *my/*our holding to be represented by *my/*our proxies are as follows:

First Proxy [1] __________ %   Second Proxy [2] __________ %

Ordinary Resolution	Ordinary Business	For	Against
1	To receive the Audited Financial Statements		
2	To declare a first and final tax exempt dividend of 3.5%		
3	To approve the Directors' fees		
4	To re-elect Mr. Lim Yew Boon as Director		
5	To re-elect Mr. Lim Chin Sean as Director		
6	To re-appoint Messrs Moores Rowland as the auditors and to authorise the Board of Directors to fix their remuneration.		
	Special Business		
7	Authority to allot shares pursuant to Section 132D of the Companies Act, 1965.		
8	Proposed Renewal of Share Buy-Back		

Please indicate with an [X] how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.

Dated this __________ day of ______________ 2008.

____
Signature/Common Seal of Shareholder(s)

*[*Delete if not applicable.]*

NOTES:

1. *A member of the Company who is entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead, and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A proxy need not be a member of the Company.*

2. *In the case of a corporate member, the instrument appointing a proxy shall be under its Common Seal or under the hand of an officer or attorney of the corporation duly authorised in that behalf.*

3. *Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*

4. *The instrument appointing a proxy must be deposited at the Company's registered office at Lot 11A, Jalan Utas 15/7, 40000 Shah Alam, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.*

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretary
AMALGAMATED INDUSTRIAL STEEL BERHAD **(Company No: 9118-M)**
Lot 11A, Jalan Utas 15/7
40000 Shah Alam
Selangor Darul Ehsan

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