GEFUNG HOLDINGS BHD (654188-H)

ANNUAL REPORT
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CONTENTS

OUR MISSION

To continuously enhance our product quality and operational efficiency.

To strengthen our market position through the widening of our business network globally.

To keep pace with the ever-evolving global dynamics.

OUR VISION

To be a leading manufacturer and distributor of premium quality marble and granite products.

CORPORATE INFORMATION

COMPANY DIRECTORS

DATUK AZIZAN BIN ABD RAHMAN
Chairman / Independent Non-Executive Director

SEO AIK LEONG
Managing Director

SIW SENG CHIW @ SEO SENG CHEW
Executive Director

ANDY KWANG JAW TJOAN
Executive Director

LOI HENG SEWN
Independent Non-Executive Director

CHEONG MARN SENG
Independent Non-Executive Director

LEE CHONG HOE
Independent Non-Executive Director

CHAN YING WEI
Alternate Director to Andy Kwang Jaw Tjoan

AUDIT COMMITTEE

DATUK AZIZAN BIN ABD RAHMAN
Chairman

SEO AIK LEONG
Member

LOI HENG SEWN
Member

CHEONG MARN SENG
Member

NOMINATION COMMITTEE

DATUK AZIZAN BIN ABD RAHMAN
Chairman

CHEONG MARN SENG
Member

LEE CHONG HOE
Member

REMUNERATION COMMITTEE

DATUK AZIZAN BIN ABD RAHMAN
Chairman

SEO AIK LEONG
Member

LEE CHONG HOE
Member

COMPANY SECRETARIES

YEOH CHONG KEAT
(MIA 2736)

LIM FEI CHIA
(MAICSA 7036158)

CORPORATE OFFICE

Suite E-10-06, Level 10
Block E, Plaza Mont Kiara
No. 2 Jalan Kiara
Mont Kiara
50480 Kuala Lumpur
Tel : 03-6201 7786
Fax : 03-6201 7286
Website : www.gefung.com.my

REGISTERED OFFICE

Suite 11.1A, Level 11
Menara Weld
76 Jalan Raja Chulan
50200 Kuala Lumpur
Tel : 03-2031 1988
Fax : 03-2031 9788

SHARE REGISTRAR

PFA Registration Services Sdn Bhd
Level 13, Uptown 1
No.1 Jalan SS21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7725 4888
Fax : 03-7722 2311

AUDITOR

Ernst & Young

PRINCIPAL BANKERS

OCBC Bank (Malaysia) Bhd
Bangkok Bank Bhd
Hong Leong Bank Bhd

STOCK EXCHANGE

Second Board of Bursa Malaysia Securities Berhad

Stock Name : GEFUNG
Stock Number : 7086

CORPORATE STRUCTURE

GEFUNG HOLDINGS BHD (654188-H)

Syarikat Bukit Granite Sdn. Bhd. (Malaysia)
100%

Shanghai Ge Fung Marble & Granite Co. Ltd. (China)
100%

DIRECTORS' PROFILE

YBHG DATUK AZIZAN BIN ABD RAHMAN

57 years of age - Malaysian
Chairman / Independent Non-Executive Director

YBhg Datuk Azizan bin Abd Rahman, DMSM, was appointed as Independent Non-Executive Director on 28 September 2006 and subsequently appointed as Chairman of Gefung Holdings Bhd on 1 December 2006. He is also the Chairman for the Audit, Nomination and Remuneration Committee.

He started his career as a Shipping Executive in Harper Gilfillan (M) Sdn Bhd after graduating from University of Malaya in 1973 with a degree in Bachelor of Arts. In 1975, he joined Pernas MISC Shipping Agencies Sdn Bhd as its first Branch Manager in the new Johor Port. He later became Penang Branch Manager and MISC Marketing Manager based in Kuala Lumpur. In 1981, he was attached to Panocean Limited in London in their Chartering Department. He left MISC to join JF Apex Securities Berhad in 1982 as a Director and launched his career in stockbroking and finance. As a stockbroker, he was an active member of the stockbrokers fraternity and had held the post of President of the Association of Stockbroking Companies of Malaysia from 1994 to 1995 when he left the industry. Datuk Azizan brought with him vast experience in stockbroking and corporate finance having helped Tongkah Holdings Berhad and also the Kedah State owned Bina Darulaman Berhad in their debt restructuring plans. He joined the MBf Group in 2000 to help in the restructuring of the MBf Group and was subsequently appointed the Managing Director of MBf Capital Berhad in 2001. Upon completion of the exercise, Datuk Azizan stepped down as Managing Director and was appointed as the Non-Executive Chairman of MBf Corporation Berhad.

He is currently the Chairman of Eastern & Oriental Berhad, Executive Chairman of Isyoda Corporation Berhad, Director of MBf Holdings Berhad, Apex Equity Holdings Berhad, TH Plantations Berhad and Commerce Asset Ventures Sdn Bhd, and a member of the Investment Panel of Lembaga Tabung Haji.

Datuk Azizan has no family relationship with any Director and/or major shareholders of the Company. He has no conflict of interest with the Company and had no conviction for offences within the past 10 years.

SEO AIK LEONG

48 years of age - Malaysian
Managing Director

Mr Seo was appointed as Managing Director of Gefung Holdings Bhd on 10 October 2006. He is also a member of the Audit and Remuneration Committee of Gefung as well. He also currently sits on the Board of Syarikat Bukit Granite Sdn Bhd (SBG) and Shanghai Ge Fung Marble & Granite Co. Ltd (SGMG).

He was graduated with a Bachelor of Science (Naval Architecture Engineering) from National Taiwan University, Taipei, Taiwan. He started his career in Taiwan in various industries. He gathered his stone industry knowledge from his Taiwan stint. Upon his return from Taiwan, he started the stone business for the Group in Malaysia in 1994 and subsequently in China in 1999. His foresight and impeccable entrepreneurial quality played the important role in the successful growth of the Gefung Group from its small existence to a leading player in the stone industry within the China and Malaysia market. His vast experience, strong personal interest and hands on experience in daily operational work has transformed the Group to be a leading company in the industry.

He is not a director of any other public companies. He is the son of Siw Seng Chiw @ Seo Seng Chew, a director of the Company and has no family relationship with any other directors and/or shareholders of the Company. He has no conflict of interest with the Company and had no conviction for offences within the past 10 years.

DIRECTORS' PROFILE (cont'd)

SIW SENG CHIW @ SEO SENG CHEW

73 years of age - Malaysian
Executive Director

Mr Siw was appointed as Executive Director of Gefung Holdings Bhd on 10 October 2006. He also currently sits on the Board of Syarikat Bukit Granite Sdn Bhd. Prior to joining SBG in 1994, Mr Siw was involved in the trading and wholesaling business of fruits for more than 40 years.

He is not a director of any other public companies. He is the father of Mr Seo Aik Leong, the Managing Director and major shareholder of the Company and he has no family relationship with any of the other Directors of the Company. He has no conflict of interest with the Company and had no conviction for offences within the past 10 years.

ANDY KWANG JAW TJOAN

43 years of age – Indonesian
Executive Director

Mr Kwang was appointed as Executive Director of Gefung Holdings Bhd on 11 October 2006. He also currently sits on the Board of Shanghai Ge Fung Marble & Granite Co. Ltd. He is responsible for the entire management and operations in SGMG.

He was graduated with a Bachelor of Science in Civil Engineering from the National Taiwan University, Taipei, Taiwan. He also obtained Masters in Business Administration from University of Kansas Graduate School of Business, Lawrence, Kansas USA.

He started his career in Taiwan and Indonesia in Marketing Division in various companies. He joined SGMG as General Manager in 1999.

He is not a director of any other public companies and has no family relationship with any Director and/or major shareholders of the Company. He has no conflict of interest with the Company and had no conviction for offences within the past 10 years.

DIRECTORS' PROFILE (cont'd)

LOI HENG SEWN

47 years of age - Malaysian
Independent Non-Executive Director

Mr Loi was appointed as Independent Non-Executive Director of Gefung Holdings Bhd on 28 September 2006. He is also a Member of the Audit Committee.

He graduated with a Bachelor of Business Administration (Management) from Lakehead University, Thunder Bay, Ontario Canada.

Beginning his career in 1983 as Branch Manager of MBF Group of Companies, he has also been posted to Indonesia, Thailand and USA as Country Manager for various divisions of the MBF Group of Companies. He has also been a member of the Board of Directors in several of the MBF Group of companies.

Mr Loi started his own business in 1999 before his appointment as Director of Gefung Holdings Bhd.

He is not a director of any other public companies and has no family relationships with any Directors and/or major shareholders of the Company. He has no conflict of interest with the Company and had no conviction for offences within the past 10 years.

LEE CHONG HOE

43 years of age - Malaysian
Independent Non-Executive Director

Mr Lee was appointed as Independent Non-Executive Director of Gefung Holdings Bhd on 10 October 2006. He is also a member of the Nomination and Remuneration Committee.

He graduated with Bachelor of Economics/LLB from Monash University, Melbourne Australia. He started working as tax consultant in KPMG Tax Services Sdn. Bhd. in 1990. He then went into legal practice in 1992 and has since participated in some Initial Public Offerings in Malaysia. He is a partner in a Kuala Lumpur law firm.

He is not a director of any other public companies and has no family relationship with any Director and/or major shareholders of the Company. He has no conflict of interest with the Company and had no conviction for offences within the past 10 years.

DIRECTORS' PROFILE (cont'd)

CHEONG MARN SENG

42 years of age - Malaysian
Independent Non-Executive Director

Mr Cheong was appointed as Independent Non-Executive Director of the Company on 28 September 2006. He is also a member of the Audit and Nomination Committee.

He holds a Bachelor of Commerce in Economic and Finance from the University of Melbourne, Australia and is presently a member of the Malaysian Institute of Accountants. He has 8 years of experience in investment banking, having served in senior position in the corporate finance division of a local merchant bank from which he gained extensive exposure to corporate finance techniques such as corporate restructuring, equity and debt issue, business valuation and acquisition. Prior to his stint with the investment banking industry, he worked for two international accounting firms for over 4 years during which he was involved in several aspects of auditing, financial management and consultancy.

He is also an Executive Director of Lien Hoe Corporation Berhad, a company listed on the Main Board of Bursa Malaysia and has business in property investment, land development, building and civil contracting works and hotel operation.

He is not a director of any other public companies and has no family relationship with any Director and/or major shareholders of the Company. He has no conflict of interest with the Company and had no conviction for offences within the past 10 years.

CHAN YING WEI

36 years of age - Malaysian
Alternate Director to Andy Kwang Jaw Tjoan

Mr Chan was appointed as Alternate Director to Andy Kwang Jaw Tjoan on 11 October 2006.

He graduated with a Bachelor of Business (Accountancy) from RMIT University, Melbourne Australia. He started his career in Arthur Andersen/ Ernst & Young for 10 years during which he was involved in external auditing, financial management, receivership, Initial Public Offerings and restructuring projects. He is a member of CPA Australia and Malaysian Institute of Accountants. Before joining Gefung, he was a Financial Controller in a Retail Property Management Company managing three shopping malls.

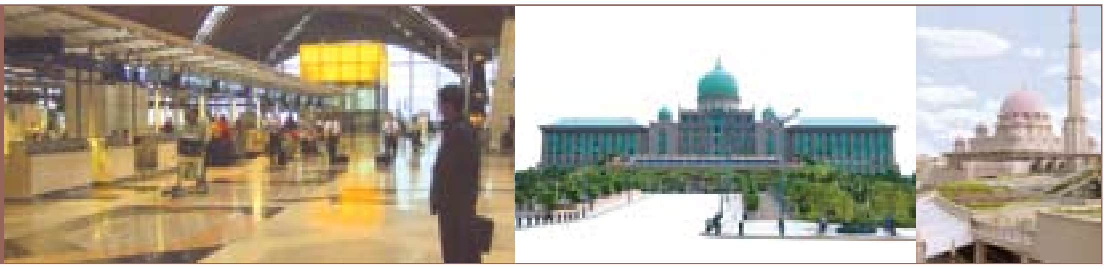
He is not a director of any other public companies and has no family relationship with any Director and/or major shareholders of the Company. He has no conflict of interest with the Company and had no conviction for offences within the past 10 years.

DATUK AZIZAN BIN ABDUL RAHMAN
Chairman

Dear valued shareholders,

On behalf of the Board of Directors, it is my pleasure to present you the Annual Report and Audited Financial Statements of Gefung Holdings Berhad for the financial year ended 31 December 2006.

CHAIRMAN'S STATEMENT (cont'd)



Gefung prides itself as one of the top 10 marble and granite importers in China. We are involved in the manufacture of premium marble and granite products for over 12 years, targeting mainly at 'five-star' commercial projects, government projects and retail sales.

On March 13 2007, Gefung entered into a Sale & Purchase Agreement to acquire the entire issued and paid-up capital of MONTANA MADENCİLİK INŞAAT SANAYİ VE TİCARET LİMİTED ŞİRKETİ ("MTN") of Turkey for a purchase consideration of US$4.5 million, or approximately RM15.75 million. Gefung will embark onto upstream operations via MTN since this company has been granted an extraction rights to a quarry in Isparta, Turkey for a period of 30 years until October 2036. In addition, MTN also possesses an exclusive right to purchase marble blocks from another quarry in Burdur.

We are very excited of this acquisition as it will enable us to have full control on the pricing, quality and supply of raw material which in turn to earnings enhancement for Gefung in the longer term.

2007 will continue to be an exciting year for us as we undertake aggressive expansion plans to lead the company in the next level of promising growth.

On behalf of the Board, I would like to express my deepest appreciation to the management and employees for their commitment and great efforts in achieving better results this year. Of course, I also wish to thank our shareholders, bankers, financiers, advisors, governmental and regulatory authorities for their support on the listing of Gefung Holdings Berhad in year 2006.

Looking ahead, I am confident that Gefung will strive toward another successful year in 2007, which in turn will further enhance shareholders' values.

DATUK AZIZAN BIN ABDUL RAHMAN
Chairman

REVIEW OF OPERATIONS

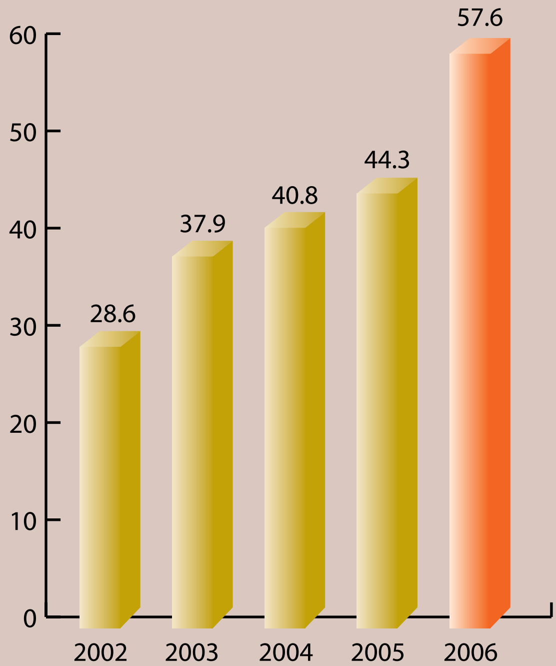
Seo Aik Leong
Managing Director

" ...pro-forma results for the 12 months period from 1 January to 31 December 2006, Gefung registered a revenue of RM57.6 million, a growth of 30% from RM44.3 million over the previous year. Net profit after tax rose by a significant 55% to RM15.3 million in 2006... "

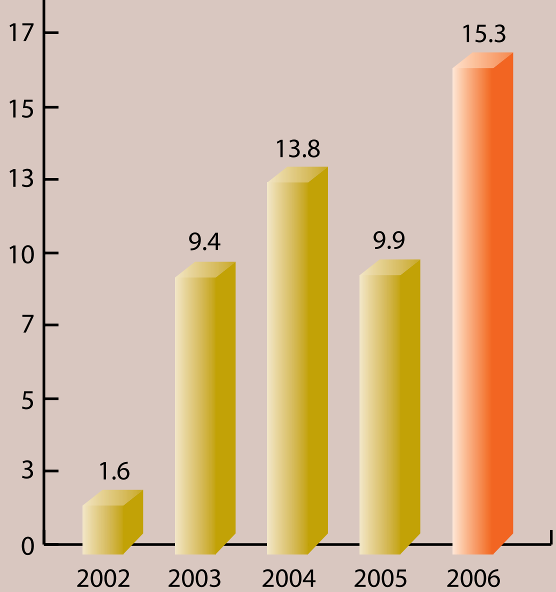
REVIEW OF FINANCIAL PERFORMANCE

For the financial year under review, the group chalked up a revenue of RM20.4 million but recorded a net loss of RM19.9 million. The loss was due to a one-off non-cash adjustment of RM23.8 million arising from the reverse takeover exercise.

Nevertheless, I am pleased to inform you that the new assets injected into Gefung has in fact reported a net profit after tax of RM5.6 million on the back of RM20.4 million in revenue during the 3 ½ months period from 19 September to 31 December 2006 which is effective from the completion date of the acquisition of Syarikat Bukit Granite Sdn Bhd and Shanghai Ge Fung Marble and Granite Co. Ltd.



12-MTH PRO-FORMA REVENEUE



12-MTH PRO-FORMA NET PROFITS

REVIEW OF OPERATIONS (cont'd)

Based on the new assets' pro-forma results for the 12 months period from 1 January to 31 December 2006, Gefung registered a revenue of RM57.6 million, a growth of 30% from RM44.3 million over the previous year. Net profit after tax rose by a significant 55% to RM15.3 million in 2006, underpinned by its stronger EBITDA growth of 46% to RM21.2 million.

During the year 2006, the marketing team has extended the business network aggressively which helped to secure more high-margin commercial projects, particular in China and Malaysia. In additions, we have diversified into wholesale and retail markets which are used to enjoy more efficient asset turnover. The remarkable performance of the newly acquired assets, and the aggressive management and sales teams will set the basis for its future growth potential going forward.

REVIEW OF OPERATIONS

Gefung prides itself as one of the top marble and granite importers in China. We are involved in the manufacture of premium marble and granite products for over 12 years, targeting mainly at commercial projects and retail sales. Gefung's principal operations are located in Shanghai, China as well as a smaller outfit in Malaysia. Our combined production capacity is 580,000 square metre per annum. We have been enjoying almost full utilization rate to meet the increasing demand. For financial year 2006, the China operations contributed 80% to group revenue and net profits, with the rest derived from Malaysia.

Gefung's premium marble blocks are sourced from Turkey, Iran, Italy, Greece and Indonesia, while granite is mostly imported from India.

CORPORATE DEVELOPMENT

On March 13 2007, Gefung entered into a Sale & Purchase Agreement to acquire the entire issued and paid-up capital of MONTANA MADENCİLİK INŞAAT SANAYİ VE TİCARET LİMİTED ŞİRKETİ ("MTN") of Turkey for a purchase consideration of US$4.5 million, or approximately RM15.75 million.

Gefung will embark onto upstream operations via MTN since this company has been granted an extraction rights to a quarry in Isparta, Turkey for a period of 30 years until October 2036. In addition, MTN also possesses an exclusive right to purchase marble blocks from another quarry in Burdur, Turkey. We will invest an additional RM4.3million as working capital to enhance the quarry operations to increase the extraction output.

We are very excited of this acquisition as it will enable us to have full control on the pricing, quality and supply of raw material which in turn to earnings enhancement for Gefung in the longer term.

LOOKING AHEAD A GOOD YEAR IN 2007

On the prospects of Gefung, we are targeting to increase the production capacity of our China operations. We strongly believe this expansion is timely as we foresee continuous strong demand for our premium marble and granite products, augur well by the rapid urbanisation process and rising disposable income in China.

We are also aggressively exploring overseas to widen our sales growth instead of only focusing ourselves in the Asia region. We are looking into penetrating the booming Middle East and European markets. These regions poise good potential for us due to the huge demand flooding around the markets in tandem with the continuous commercial development.

Pertaining to the acquisition of Turkish quarries, Gefung will expedite the extraction operations to supply to our manufacturing operations. We will also sell the excess extraction output to other customers. The enormous supply of premium marbles from our Turkish quarries can now widen our retail and wholesale trading operations in China.

SEO AIK LEONG
Managing Director

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors (Board) is committed to ensuring the highest standards of good corporate governance are practiced as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the performance of the Group. Thus, the Board fully supports the prescriptions and recommendations of the principles and best practices set out in the Malaysian Code on Corporate Governance (Code).

In this Statement, the Board has considered the manner in which the principles of the Code have been applied, the extent of compliance with the Best Practices and the alternatives for departure from such best practices.

A. BOARD OF DIRECTORS

The Group is controlled and led by a dynamic and experienced Board, with high personal integrity, business acumen and management skills, which is primarily entrusted with the responsibility of charting the direction of the Group.

In addition, the Board oversees the conduct of the Group businesses and established and maintained an adequate system of internal controls. Due to limitations inherent to any system of internal controls, the Board focused primarily on the mitigation of any foreseeable or potential risks facing the Group.

1. Composition and Balance

The Board comprises one (1) Managing Director, three (3) Executive Directors (includes an Alternate Director) and four (4) Independent Non-Executive Directors. The profiles of the Directors are set out on pages 4 to 7 of this Annual Report.

The composition of the Board not only reflects the broad range of experience, skills and knowledge required to successfully direct and supervise the Group business activities, but also the importance of independence in decision-making at the Board level.

There is balance in the Board because of the presence of Independent Non-Executive Directors who have the caliber, skills and experience necessary to carry sufficient weight in Board decision. The roles of these Independent Non-Executive Directors will ensure that any strategies and business plans proposed by the Executive Directors and executive management are fully discussed and examined in the long-term interest of the shareholders, as well as the employees, customers, suppliers and many communities in which the Group conducts its businesses.

2. Board Responsibilities

The Board primarily assumes the following responsibilities:

- Reviewing and adopting a strategic plan for the Group;
- Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Succession planning, including appointing, training and monitoring management;
- Developing and implementing a public communications program for the Group; and
- Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems

The Board meets regularly to review the Group's corporate strategies, business operations and financial performance.

3. Meetings

The Board meets regularly on a quarterly basis and as and when required. As the Company was listed on the Second Board of Bursa Malaysia Securities Berhad on 22 November 2006, no Board of Directors meeting was held for the financial year 2006. There were four (4) board meetings held after the financial year ended 31 December 2006 and up to the date of this Annual Report and the attendance record is as follows:

Name	Meetings Attended
Datuk Azizan bin Abd Rahman	4 out of 4
Seo Aik Leong	4 out of 4
Siw Seng Chiw @ Seo Seng Chew	4 out of 4
Andy Kwang Jaw Tjoan	4 out of 4
Loi Heng Sewn	3 out of 4
Cheong Marn Seng	4 out of 4
Lee Chong Hoe	4 out of 4
Chan Ying Wei (Alternate to Andy Kwang Jaw Tjoan)	4 out of 4

4. Appointment and Re-election of Directors

The proposed appointment of new Board members, resignation of existing members, as well as the proposed re-election of the Directors are approved by the Board upon the recommendation of the Nomination Committee.

In accordance with the Listing Requirements of Bursa Securities and the Company's Articles of Association, all Directors who are appointed by the Board are subject to election by the shareholders at the Annual General Meeting subsequent to their appointment. The Articles of Association also provide that one third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest to one third are subject to re-election by rotation at each Annual General Meeting provided always that all Directors including the Managing Director shall retire from office once in every three years but shall be eligible for re-election.

With the process on re-election of Directors, shareholders are ensured of a regular opportunity to reassess the composition of the Board.

For the forthcoming AGM, the following Directors will retire in accordance with Article 83 of the Company's Article of Association, and being eligible, have offered themselves for re-election:

- Datuk Azizan bin Abd Rahman
- Seo Aik Leong
- Loi Heng Sewn
- Cheong Marn Seng
- Andy Kwang Jaw Tjoan
- Lee Chong Hoe

Siw Seng Chiw @ Seo Seng Chew will retire in accordance with Section 129(2) of the Companies Act, 1965, and being eligible, have offered himself for re-appointment.

5. Supply of Information

Each Board Member receives regular reports, including a comprehensive review and analysis of the Group's performance. Prior to each Board meeting, the directors are sent an agenda and a full set of Board papers for each agenda item to be discussed at the meeting. This is issued with sufficient time to enable the directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting.

The directors have direct access to the advice and the services of the Group's Company Secretary who is responsible for ensuring that the Board procedures are followed. Directors are also empowered to seek the external independent professional advice as they may require, at the expense of the Group, to enable them to make well-informed decisions.

6. Directors' Remuneration

Directors' remuneration is decided in line with the objective recommended by the Code to determine the remuneration for Directors so as to attract and retain Directors of the caliber needed to run the Company successfully. In general, the component parts of remuneration are structured so as to link rewards to performance, in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the experience and responsibilities undertaken by the particular non-executive concerned. Directors do not participate in decisions regarding their own remuneration packages and Directors fees must be approved by shareholders at the AGM.

The details of directors' remuneration for the financial year ended 31 December 2006 are as follows:

	Group	
Remuneration Component	Executive Directors RM	Non-Executive Directors RM
Director fees	-	9,000
Salaries	185,377	-
EPF and Socso	14,381	-
Other emoluments	17,815	-

The numbers of Directors whose remuneration fall within the respective bands for the financial year ended 31 December 2006 are as follows:

	Group	
Range of Remuneration	Executive Directors	Non-Executive Directors
RM50,000 and below	3	3
RM150,001 to RM200,000	1	-

7. Board Committee

In order to ensure the effective discharge of its fiduciary duties, the Board has established Board Committees to assist the Board in the running of the Group. This is to allow the members of the Board Committees to deliberate and examine issues within their terms of reference in greater detail and subsequently recommend and report to the Board. The functions and terms of reference of the committees, as well as the authority delegated by the Board to these committees, have been clearly defined and approved by the Board. All Board Committees do not have executive powers but only the power to make recommendations to the Board.

The Board sub-committees for the financial period under review are as follows:

Committee	Key Functions
Audit Committee	As set out on page 17 to 19
Nomination Committee	As set out on page 20 to 21
Remuneration Committee	As set out on page 22 to 23

8. Training

All the Directors have attended and successfully completed the Mandatory Accreditation Programme as required by Bursa Malaysia Securities Berhad. The Directors will continue to attend all the appropriate Continuing Education Programme to ensure compliance with requirements of Bursa Securities.

In addition, the Directors will be encouraged to attend other relevant training programmes, courses and seminars relevant in enhancing the Directors in discharging their duties.

B. SHAREHOLDERS

1. Relations with Shareholders and Investors

The Board recognizes the importance of being accountable to its shareholders and investors through maintenance of an open communication policy with investors and shareholders alike. In ensuring effective communication, the Board communicates with its shareholders and investors through various means and forums such as press releases, public announcements on quarterly basis, annual report, disclosures to the Bursa Securities and other Group activities. Meetings with institutional investors, fund managers and analysts from time to time provide an additional avenue for the Board and management to convey information about Group performance, strategy and other

At each Annual General Meeting and Extraordinary General Meeting, Executive Directors and, where appropriate, the Chairman are available to respond to shareholders' questions during the meetings.

2. Annual General Meeting

Notice of the Annual General Meeting and Annual Reports are sent out to shareholders at least 21 days before the date of the meeting. Besides the normal agenda for Annual General Meeting, the Board also provides opportunities for shareholders to raise questions pertaining to the business activities of the Group. All Directors are available to provide responses to shareholders' questions during these meetings.

C. ACCOUNTABILITY AND AUDIT

1. Financial Reporting

The Board aims to present a balanced, insightful and timely assessment of the Group's financial position and prospects by ensuring quality financial reporting through the annual audited financial statements and quarterly financial results to its stakeholders, in particular, shareholders, investors and the regulatory authorities.

The Audit Committee assists the Board in scrutinising information for disclosure to ensure the quality of financial reporting and adequacy of such information, prior to submission to the Board for its approval.

As required by the Companies Act, 1965, the Directors are responsible for the preparation of financial statements in accordance with applicable approved accounting standards and to give a true and fair view of the state of affairs of the Group and Company at the end of each financial year and of the results and cash flows of the Group and Company for the financial year.

In preparing the financial statements, the Directors have:

- adopted appropriate accounting policies and applied them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured that applicable accounting standards have been followed; and
- prepared the financial statements on a going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors have responsibility for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Group and Company and to enable them to ensure that the financial statements comply with the Act and applicable approved accounting standards.

In addition, the Directors are also responsible for taking reasonable steps to safeguard the assets for the Group and Company and to prevent and detect fraud as well as other irregularities.

2. **Internal Control**

   The Board acknowledges its overall responsibility for maintaining a sound system of internal controls that provides reasonable assessment of effective and efficient operations, internal financial controls and compliance with laws and regulations as well as with internal procedures and guidelines. The effectiveness of the systems of internal controls of the Group is reviewed periodically by the Audit Committee.

   Further details of the Group's system of internal controls are set out in the Statement on Internal Control section of this Annual Report.

3. **Relationship with the Auditors**

   The Board maintains a transparent and professional relationship with the external auditors. The Audit Committee meets with the external auditors at least once a year to discuss their audit plan, audit findings and the financial statements. The Audit Committee also meets the external auditors without the presence of the Executive Directors and the management whenever deemed necessary. From time to time, the auditors highlight to the Audit Committee and the Board on matters that require the Board's attention.

   The role of the Audit Committee in relation to both the internal and external auditors is described in the Audit Committee Report of this Annual Report.

STATEMENT ON THE EXTENT OF COMPLIANCE WITH THE BEST PRACTICES IN CORPORATE GOVERNANCE

In the opinion of the Board, the Company is in compliance with the Best Practices in Corporate Governance set out in the Malaysian Code on Corporate Governance. The Board will continue to promote and improve excellence in corporate conduct within the Company and the Group.

AUDIT COMMITTEE REPORT

The Audit Committee of Gefung Holdings Berhad is pleased to present the following report for the financial year ended 31 December 2006.

COMPOSITION OF AUDIT COMMITTEE

The Audit Committee comprises four (4) members, the majority of whom are Independent Non-Executive Directors. The Chairman of Audit Committee is an Independent Non-Executive Director.

The Audit Committee met twice on 27 February 2007 and 25 April 2007 after the close of the financial year ended 31 December 2006. All members of the Audit Committee were present at these meetings.

The members of the Audit Committee consists of:

Director	Position
Datuk Azizan bin Abd Rahman	Chairman of Audit Committee & Independent Non-Executive Director
Seo Aik Leong	Managing Director
Cheong Marn Seng	Independent Non-Executive Director
Loi Heng Sewn	Independent Non-Executive Director

TERMS OF REFERENCE

Constitution

The Board of Directors has established a Committee of the Board to be known as the Audit Committee (hereinafter referred to as "Committee"). The Committee is to assist the Board in fulfilling its fiduciary responsibilities relating to corporate accounting, financial reporting practices, system of internal control, the audit process and the process of monitoring compliance with laws and regulations.

Membership

1. The Committee shall be appointed by the Board of Directors from amongst the directors of the Company and shall comprise of at least three (3) members, majority of whom must be independent.
2. At least one member of the Committee:

   (i) must be a member of the Malaysian Institute of Accountants; or

   (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:

   - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
   - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or

   (iii) fulfils such other requirements as prescribed by Bursa Securities.

3. No alternate director shall be appointed as a member of the Committee.
4. The members of the Committee shall elect a Chairman from among their number who shall be an Independent Non-Executive Director.
5. The Company Secretary or such other persons authorised by the Board of Directors shall act as the Secretary to the Committee.
6. If a member of the Committee resigns or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board of Directors shall, within three (3) months from the date of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.
7. The term of office and performance of the members of the Committee shall be reviewed by the Board of Directors at least once every three (3) years to determine whether the members have carried out their duties in accordance with their terms of reference.

Meetings and Minutes

8. The Committee shall meet at least four (4) times in a financial year, although additional meetings may be called at any time at the Committee Chairman's discretion.
9. The quorum for a meeting of the Committee shall consist of not less than two (2) members, majority of whom must be independent Directors.
10. Other than in circumstances which the Chairman of the Committee considers inappropriate, the Chief Financial Officer, the outsourced Internal Auditor and representatives of the external auditors will normally attend any meeting of the Committee to make known their views on any matter under consideration by the Committee or which in their opinion, should be brought to the attention of the Committee. Other Board members, employees and external professional advisers shall attend any particular meetings upon invitation by the Committee.
11. At least once in a financial year, the Committee shall meet with the external auditors without the Executive Directors being present.
12. The Committee shall report to the Board and its minutes tabled and noted by the Board of Directors. The books containing the minutes of proceedings of any meeting of the Committee shall be kept by the Company at the registered office or the principal office of the Company, and shall be open for inspection of any member of the Committee and the Board of Directors.

Authority

13. The Committee is authorised by the Board to investigate any matter within the Committee's terms of reference. It shall have full and unrestricted access to any information pertaining to the Group and shall have the resources it requires to perform its duties. All employees of the Group are required to comply with the requests made by the Committee.
14. The Committee is authorised by the Board to obtain outside legal or external independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary, the expenses of which will be borne by the Company.
15. The Committee shall have direct communication channels and be able to convene meetings with the external auditors without the presence of the executive members of the Committee, whenever deemed necessary.
16. The outsourced Internal Auditor reports directly to the Committee and shall have direct access to the Chairman of the Committee on all matters of control and audit. All proposals by management regarding the appointment, transfer and removal of senior staff members of the Internal Audit of the Group shall require prior approval of the Committee. The Committee is also authorised by the Board to obtain information on any resignation of internal audit staff members and provide the staff member an opportunity to submit his reasons for resigning.

Functions and Duties

17. The Committee shall, amongst others, discharge the following functions:
    - 17.1 Review the following and report the same to the Board of Directors of the Company:
        - (a) with the external auditors, the audit plan, the nature and scope of work and ascertain that it will meet the needs of the Board, the shareholders and regulatory authorities;
        - (b) with the external auditors, their evaluation of the quality and effectiveness of entire accounting system, the adequacy and integrity of the internal control system and the efficiency of the Group's operations;
        - (c) with the external auditors, their audit report;
        - (d) the assistance given by employees of the Group to the external and internal auditors;
        - (e) the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work including inter-alia the appointment of internal auditors;
        - (f) the internal audit programme, processes and results of the internal audit programme, processes, major findings of internal investigation and management's response and whether or not appropriate action is taken on the recommendations of the internal audit function;
        - (g) review any appraisal or assessment of the performance of members of the internal audit function;
        - (h) the quarterly results and annual financial statements prior to the approval by the Board of Directors, focusing particularly on:
            - (i) changes in or implementation of major accounting policies and practices;

(ii) significant and unusual events;

(iii) significant adjustments arising from the audit;

(iv) compliance with accounting standards, other statutory and legal requirements and the going concern assumption;

(v) the accuracy and adequacy of the disclosure of information essential to a fair and full presentation of the financial affairs of the Group;

(i) any related party transactions and conflict of interest situations that may arise within the Company or Group and any related parties outside the Group including any transaction, procedure or course of conduct that raises questions of management integrity;

(j) any letter of resignation from the external auditors of the Company;

(k) whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment; and

(l) any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the external and internal auditors, particularly any comments and responses in management letters as well as the assistance given by the employees of the Group in order to be satisfied that appropriate action is being taken.

17.2 Recommend the nomination of a person or persons as external auditors and the external audit fee.

17.3 Promptly report to the Bursa Malaysia Securities Berhad on any matter reported by it to the Board of the Company which has not been satisfactorily resolved resulting in a breach of the Bursa Malaysia Securities Berhad Listing Requirements.

17.4 Carry out any other functions that may be mutually agreed upon by the Committee and the Board of Directors which would be beneficial to the Company and ensure the effective discharge of the Committee's duties and responsibilities.

SUMMARY OF ACTIVITIES

During and after the financial year ended 31 December 2006, the Audit Committee in the discharge of its duties and functions carried out the following activities:

(a) Reviewed the applicable approved accounting standards approved by the Malaysia Accounting Standards Board, the adoption of new or revised financial reporting standards as well as other relevant legal and statutory requirements;

(b) Reviewed the unaudited quarterly financial results and annual financial statements for submission to the Board of Directors for approval;

(c) Reviewed and discussed with external auditors on their audit plan, the nature and scope of work and the audit report for financial year ended 31 December 2006;

(d) Reviewed the terms of appointment of internal auditors and recommended to the Board for approval;

(e) Considered and reviewed the re-appointment of external auditors;

(f) Reviewed the assistance provided by Management to the external auditors;

(g) Reviewed the draft Statement on Internal Controls for inclusion in the 2006 Annual Report;

(h) Reviewed the scope of work of the internal auditors

INTERNAL AUDIT FUNCTION

The Company has outsourced the Internal Audit Function to an independent professional firm. The Internal Auditors are to provide independent and objective reports to AC, which assists the AC in discharging its duties and responsibilities.

Overall, the Internal Auditors' role is to assist the Board in accomplishing the Group's business objective by establishing and maintaining a systematic and disciplined approach to evaluate and improve the effectiveness of risk management framework and internal control system and procedures.

In line with the Terms of Reference of the Audit Committee, the Internal Auditors report directly to the Audit Committee and shall have direct access to the Chairman of the Audit Committee on all matters of control and audit.

The Internal Auditors were appointed on 19.3.2007. Therefore, no activities of the Internal Audit Functions were carried out during the financial year ended 31.12.2006.

NOMINATION COMMITTEE REPORT

The Nomination Committee of Gefung Holdings Berhad is pleased to present the following report for the financial year ended 31 December 2006.

COMPOSITION OF NOMINATION COMMITTEE

The Nomination Committee was established on 26 February 2007 and consists of three (3) members, all of whom are Independent Non-Executive Directors.

The Committee met on 25 April 2007 after the close of the financial year ended 31 December 2006. All members of the Committee were present at this meeting.

The members of the Nomination Committee comprises:

Director	Position
Datuk Azizan bin Abd Rahman	Chairman of Nomination Committee & Independent Non-Executive Director
Cheong Marn Seng	Independent Non-Executive Director
Lee Chong Hoe	Independent Non-Executive Director

TERMS OF REFERENCE OF NOMINATING COMMITTEE

Constitution

The Board has established a Committee of the Board to be known as the Nominating Committee.

Membership

- The Committee shall be appointed by the Board from amongst the directors of the Company and shall comprise exclusively of non-executive directors, majority of whom are independent. A quorum shall be two (2) members.

- The members of the Committee shall elect a Chairman from among their members.

- If a member of the Committee resigns or for any other reason ceases to be a member with the result that the number of members is reduced below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new member(s) as may be required to make up the minimum number of three (3) members.

Functions

The functions of the Committee shall be:-

1. Proposing new nominees for appointment to the board of directors.

2. Assessing directors on an on-going basis, the effectiveness of the board and the contribution of each individual director.

3. Recommend to the board, directors to fill the seats on other board committees.

3. Review annually the mix of skills and experience and other qualities of the board members.

4. Orientating and educating new directors as to the nature of the business, current issues within the company and the corporate strategies, the expectations of the company concerning input from the directors and the general responsibilities of directors.

5. Review and recommend to the board the proposed appointment of senior management staff to the company.

Re-election of Directors & Retirement of Directors by Rotation

In accordance with the Company's Articles of Association, all directors who are appointed by the board are subject to re-election by shareholders at the first opportunity after their appointment. The Articles also provide that at least one third of the remaining directors be subject to re-election by rotation at each Annual General Meeting.

It is proposed that the above should also come under the purview of the Nominating Committee.

Reporting Procedures

- The actual decision as to who shall be appointed to the Board and Senior Management should be the responsibility of the full board after considering the recommendations of the committee.

- Reporting to the full board from time to time its recommendations for consideration and implementation.

ACTIVITIES OF THE NOMINATION COMMITTEE

The Committee met on 25 April 2007 after the close of the financial year ended 31 December 2006 to assess the effectiveness and performance of the Board as a whole.

During the meeting, the Committee determined which directors would stand for re-election at the Company's forthcoming Annual General Meeting.

REMUNERATION COMMITTEE REPORT

The remuneration Committee of Gefung Holdings Berhad is pleased to present the following report for the financial year ended 31 December 2006.

COMPOSITION OF REMUNERATION COMMITTEE

The Remuneration Committee was established on 26 February 2007 and consists of three (3) members, mainly non-executive Directors.

The Committee met on 25 April 2007 after the close of the financial year ended 31 December 2006. All members of the Committee were present at this meeting.

The members of the Remuneration Committee comprises:

Director	Position
Datuk Azizan bin Abd Rahman	Chairman of Remuneration Committee & Independent Non-Executive Director
Seo Aik Leong	Managing Director
Lee Chong Hoe	Independent Non-Executive Director

TERMS OF REFERENCE OF REMUNERATION COMMITTEE

Constitution

The Board has established a Committee of the Board to be known as the Remuneration Committee.

Membership

- The Committee shall be appointed by the Board from amongst the directors of the Company and shall consist mainly of non-executive directors. A quorum shall be two (2) members.
- The members of the Committee shall elect a Chairman from among their members.
- If a member of the Committee resigns or for any other reason ceases to be a member with the result that the number of members is reduced below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

Objective

Remuneration of directors and senior management should be determined so as to ensure that the Company attracts and retains the directors and senior management needed to run the Group successfully. The component parts of remuneration should be structured so as to link rewards to corporate and individual performance, in the case of executive directors and senior management staff.

Functions

The functions of the Committee shall be:-

1. Recommend to the board the framework of executive remuneration and its cost, and the remuneration package for each executive director and senior management staff, taking into account the performance of the individual, the inflation price index and information from independent sources on the rates of salary for similar jobs in a selected group of comparable companies.

2. To reimburse reasonable expenses incurred by the directors and senior management staff in the course of their duties.

3. To review and determine the bonus scheme for the executive directors and senior management depending on various performance measurements of the Group.

4. To review and determine the other benefits in kind for the executive directors and senior management.

5. To review annually the executive directors' service contracts.

Reporting Procedures

- The remuneration of directors and senior management shall be ultimate responsibility of the full board after considering the recommendations of the committee.

- Directors do not participate in decisions on their own remuneration packages.

ACTIVITIES OF THE REMUNERATION COMMITTEE

The Committee met on 25 April 2007 after the close of the financial year ended 31 December 2006 to review the remuneration packages of Executive Directors of the Company as well as directors' fees for financial year 2007.

STATEMENT OF INTERNAL CONTROL

DIRECTORS' RESPONSIBILITIES

The Board of Directors is ultimately responsible for the Group's system of internal control and for reviewing the effectiveness of the internal control system during the year pursuant to paragraph 15.27 (b) of the Bursa Securities Listing Requirements. Internal control system is primarily designed to cater for the business needs and manage the potential business risks of the Group.

The Board has overall responsibility for the Group's system of internal control, which aims to:

- safeguard shareholders' investments and the Group's assets;
- ensure that proper accounting records are maintained; and
- ensure that the financial information provided within the business and for publication is reliable.

In view of the limitations that are inherent in any systems of internal control, such systems are designed to mitigate rather than eliminate the likelihood of fraud and error. Accordingly, these systems can provide only reasonable and not absolute assurance against material misstatement or loss. The concept of reasonable assurance also recognizes that the cost of control procedures should not exceed the expected benefits.

In seeking to achieve the objectives of the internal control systems, the following key elements have been considered:-

(a) Internal Control Environment

Within the Group, there are organisational structures in place for each operating unit with clearly defined levels of authority. Management of each operating unit has clear responsibility for identifying risk affecting their unit and the overall Group's business as a whole. They are also charged with instituting adequate procedures and internal controls to mitigate and monitor such risks on an ongoing basis.

(b) Audit Committee

An Audit Committee, comprising a majority of independent non-executive directors was maintained throughout the financial period. The composition of the Audit Committee brings a wide range of deep experience, knowledge and expertise. They continue to meet, have full and unimpeded access to both the internal and external auditors during the financial period.

(c) Risk Management

The Board together with the assistance of a professional firm will undertake to review the existing risk management process in place within the various business operations, with the aim of formalizing the risk management functions across the Group.

As an ongoing process, significant business risks faced by the Group are identified and evaluated and consideration is given on the potential impact of achieving the business objectives. This includes examining principal business risks in critical areas, assessing the likelihood of material exposures and identifying the measures taken to mitigate, avoid or eliminate these risks.

(d) Strategic Business Planning, Budgeting and Reporting

The integrated business plans and budgeting processes driven by commercial objectives are vetted and approved by the Senior Management and cascaded throughout the organisation to ensure effective execution and implementation. Periodic reviews are performed on achievement of business objectives/ targets and financial performance.

Structured review of all material capital and investment acquisitions are performed by Management prior to approval by the Board.

(e) Core Value and Code of Business Ethics

The Group's culture is set around core values of uncompromising integrity, respect and care with focus on providing total commitment to customers.

All employees are required to practice a proper of code of business ethics which outlines the minimum standard of behaviour and ethical conduct expected of employees in business matters.

REVIEW OF THE STATEMENT BY THE BOARD OF DIRECTORS

Although there were no internal audit visits being carried out during the period, significant risks faced by the Group throughout the financial period were identified, evaluated and managed systematically through close monitoring by senior management where regular discussions are held.

The Board considers the system of internal control described in this Statement on Internal Control to be adequate and the risks are considered to be at an acceptable level within the context of the Group's business environment.

The Board and Management will continue to take proactive measures to strengthen the control environment and the internal control system of the Group.

ADDITIONAL COMPLIANCE INFORMATION

NON-AUDIT FEES

The amount of non-audit fees paid to the External Auditors by the Group for the financial period ended 31 December 2006 was RM168,000, which was professional fees rendered in respect of the listing exercise of the Company in Bursa Malaysia as a result of the restructuring exercise of Jin Lin Wood Industries Berhad.

UTILISATION OF LISTING PLACEMENT PROCEEDS

The status of the utilisation of the proceeds raised from the Placement Issue of RM5 million as at 31 December 2006 is as follows:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000
Listing expenses	2,000	1,800	200
Working capital	3,000	2,200	800
	5,000	4,000	1,000

ISSUANCE, CANCELLATIONS, REPURCHASES, RESALE AND REPAYMENTS OF DEBTS AND EQUITY SECURITIES

On 19 September 2006, the Company issued 6,750,000 new ordinary shares of RM1.00 each at an issue price of RM1.00 per share and 6,750,000 Irredeemable Convertible Preference Shares of RM0.10 each ("ICPS") at an issue price of RM1.00 per ICPS in settlement of the purchase consideration for the acquisition of the entire equity interest in Syarikat Bukit Granite Sdn Bhd("SBG"), a company incorporated in Malaysia.

On the same day, the Company issued 56,250,000 new ordinary shares of RM1.00 each at an issue price of RM1.00 per share and 56,250,000 ICPS at an issue price of RM1.00 per ICPS in settlement of the purchase consideration for the acquisition of the entire interest in the registered capital of Shanghai Ge Fung Marble & Granite Co. Ltd("SGMG"), a company incorporated in People's Republic of China.

On 22 December 2006, all issued ICPS has been converted to issued and paid up ordinary shares of the Company.

The details of equity securities that were issued during the quarter for the completion of Jin Lin Wood Industries Bhd's ("Jin Lin") Debt and Corporate Restructuring Scheme ("Scheme")which resulted in the transfer of listing status from Jin Lin to the Company on 22 November 2006 were as follow:

a) Issuance of 8,800,000 new ordinary shares of RM1.00 each at RM1.00 per share in exchange for 100% equity interest in Jin Lin;

b) Issuance of 15,000,000 new ordinary shares of RM1.00 each at RM0.60 per share in the Company as settlement of debts owing by Jin Lin to its Scheme creditors by strategic investors; and

c) Placement Issuance of 5,000,000 new ordinary shares of RM1.00 each at RM1.00 per share to identified investors.

Jin Lin Group was subsequently disposed for a cash consideration of RM2 to Hillitake Timber Sdn Bhd ("Hillitake").

Other than the above, there were no other issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the period under review.

SHARE BUY-BACKS

The Company does not have a share buy-backs programme in place.

ADDITIONAL COMPLIANCE INFORMATION (cont'd)

SANCTIONS AND / OR PENALTIES

There were no sanctions and/or penalties imposed on the Company and/or its subsidiaries, directors or management by the relevant regulatory bodies as at the end of financial year.

VARIATION OF RESULTS

There were no profit estimates, forecasts or projections or unaudited financial results released which differ by 10% or more from the audited results.

PROFIT GUARANTEE

The Company had entered into a profit guarantee agreement with the vendors of SBG and SGMG whereby the vendors had guaranteed that the amalgamated Pre tax Profit for SBG and SGMG shall not be less than the following amount for each financial year below:

Financial Year Ending	Profit Guarantee (RM'000)	Actual (unaudited) (RM'000)	(Variance) (RM'000)
2006	21,643	20,310	1,333
2007	28,084	N/A	N/A
2008	28,330	N/A	N/A

The shortfall of profits guaranteed had been recorded as a refund in the cost of investment of the Company. The goodwill of the Group had decreased accordingly due to the decrease in cost of investment.

REVALUATION POLICY

The Company and/or its subsidiaries did not revalue any of its property, plant and equipment during the financial period.

MATERIAL CONTRACT

There were no material contracts entered into by the Company and/or its subsidiaries involving Directors' and major shareholders' interests during the financial year ended 31 December 2006 other than those agreements entered into in relation to the Jin Lin Restructuring Scheme as disclosed in note 28 and note 30 of the Financial Statements.

RECURRENT RELATED PARTY TRANSACTIONS ("RRPT") OF A TRADING OR REVENUE NATURE

The Group did not have material RRPT of a trading or revenue nature during the financial year ended 31 December 2006.

BOARD OF DIRECTORS' RESPONSIBILITY FOR PREPARING THE ANNUAL AUDITED FINANCIAL STATEMENTS

The directors are responsible for preparing the annual audited financial statements which give a true and fair view of the state of affairs of the Company and the Group and have ensure that the financial statements and other financial reports of Company and the Group are prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors have to ensure that the financial statements give a true and fair view of the state of affairs of the Group and of the Company.

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

i. adopt appropriate accounting policies and apply them consistently;

ii. make judgments and estimates that are reasonable and prudent; and

iii. state whether applicable approved accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the applicable MASB approved accounting standards in Malaysia for entities other than private entities, the provisions of the Companies Act, 1995 and the Bursa Securities Listing Requirements. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group, to detect and prevent fraud and other irregularities.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are described in Note 14 to the financial statements.

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

LISTING STATUS

On 22 November 2006, the Company was listed and quoted on the Second Board of Bursa Malaysia Securities Berhad after the completion of the Jin Lin Wood Industries Berhad ("Jin Lin") Restructuring Scheme as disclosed in Note 28 to the financial statements, wherein the listing status was transferred to the Company.

RESULTS

	Group RM'000	Company RM'000
Loss for the year	(19,949)	(25,542)

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than the loss of RM23,800,000 arising from the implementation of the Jin Lin Restructuring Scheme as disclosed in Note 28 to the financial statements.

DIRECTORS

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

Datuk Azizan Bin Abd Rahman	(appointed on 28.09.2006)
Seo Aik Leong	(appointed on 10.10.2006)
Siw Seng Chiw @ Seo Seng Chew	(appointed on 10.10.2006)
Andy Kwang Jaw Tjoan	(appointed on 11.10.2006)
Loi Heng Sewn	(appointed on 28.09.2006)
Cheong Marn Seng	(appointed on 28.09.2006)
Lee Chong Hoe	(appointed on 10.10.2006)
Chan Ying Wei	(alternate director to Andy Kwang Jaw Tjoan; appointed on 11.10.2006)
Mohd Najib Bin Abd Rahman	(appointed on 22.05.2006; resigned on 11.10.2006)
Yeoh Chong Keat	(appointed on 22.05.2006; resigned on 11.10.2006)
Ding Ging Sung	(resigned on 22.05.2006)
Lee Ann Ann	(resigned on 22.05.2006)

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 8 of the financial statements or the fixed salary of a full time employee) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

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

	At 1.1.2006 '000	Consideration from disposal of SBG & SGMG * '000	Acquired '000	Sold '000	At 31.12.2006 '000
The Company					
Direct Interest					
Datuk Azizan bin Abd Rahman	-	-	3,000	-	3,000
Seo Aik Leong	-	125,358	321	(15,000)	110,679
Siw Seng Chiw @ Seo Seng Chew	-	642	-	(321)	321
Loi Heng Sewn	-	-	7,080	-	7,080
Cheong Marn Seng	-	-	9	-	9

* Included herein are Irredeemable Convertible Preference Shares ("ICPS") that have been converted into shares during the financial year.

Seo Aik Leong by virtue of his interest in shares in the Company is also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

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

ISSUE OF SHARES

During the financial year, the Company increased its:

(a) authorised share capital from RM100,000 to RM500,000,000 through the creation of 489,900,000 ordinary shares of RM1 each and 100,000,000 Irredeemable Convertible Preference Shares ("ICPS") of RM0.10 each; and

(b) issued and paid-up ordinary share capital from RM2 to RM154,800,002 via:

    (i) the issuance of 6,750,000 ordinary shares of RM1 each at an issue price of RM1.00 per ordinary share and 6,750,000 ICPS of RM0.10 each at an issue price of RM1.00 per ICPS as purchase consideration for the acquisition of the entire issued and paid-up share capital of Syarikat Bukit Granite Sdn. Bhd. ("SBG"), a company incorporated in Malaysia;

ISSUE OF SHARES (cont'd)

(ii) the issuance of 56,250,000 ordinary shares of RM1 each at an issue price of RM1.00 per ordinary share and 56,250,000 ICPS of RM0.10 each at an issue price of RM1.00 per ICPS as purchase consideration for the acquisition of the entire interest in the registered capital of Shanghai Ge Fung Marble & Granite Co. Ltd. ("SGMG"), a company incorporated in the People's Republic of China;

(iii) the issuance of 23,800,000 ordinary shares of RM1 each pursuant to the implementation of Jin Lin Wood Industries Berhad's Restructuring Scheme;

(iv) the issuance of 5,000,000 ordinary shares of RM1 each through a private placement at an issue price of RM1.00 per ordinary share for cash, for working capital purposes; and

(v) the issuance of 63,000,000 ordinary shares of RM1 each at an issue price of RM1.00 per ordinary share pursuant to the conversion of 63,000,000 ICPS by way of surrendering 63,000,000 ICPS of RM0.10 each and the remaining RM0.90 capitalised from the share premium account.

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

IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES

On 19 September 2006, the Company issued 63,000,000 ICPS of RM0.10 each as part purchase consideration for the acquisitions of SBG and SGMG, which was subsequently converted to 63,000,000 ordinary shares by way of surrending 63,000,000 ICPS of RM0.10 each and the remaining RM0.90 capitalised from the share premium account during the financial year on 22 December 2006.

SUBSEQUENT EVENT

Details of the subsequent event are disclosed in Note 29 to the financial statements.

OTHER STATUTORY INFORMATION

(a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

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

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) it necessary to write off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

OTHER STATUTORY INFORMATION (cont'd)

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the year of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

AUDITORS

The auditors, Ernst & Young, retire and have indicated their intention not to seek re-appointment at the forthcoming Annual General Meeting.

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 April 2007.

DATUK AZIZAN BIN ABD RAHMAN **SEO AIK LEONG**

STATEMENT BY DIRECTORS

pursuant to section 169(15) of the companies act, 1965

We, Datuk Azizan bin Abd Rahman and Seo Aik Leong, being two of the directors of Gefung Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 36 to 67 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 April 2007.

DATUK AZIZAN BIN ABD RAHMAN **SEO AIK LEONG**

STATUTORY DECLARATION

pursuant to section 169(16) of the companies act, 1965

I, Chan Ying Wei, being the director primarily responsible for the financial management of Gefung Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 36 to 67 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, l960.

Subscribed and solemnly declared by the	)	
abovenamed Chan Ying Wei at Kuala Lumpur	)	
in the Federal Territory on 25 April 2007	)	**CHAN YING WEI**

Before me,

SOH AH KAU
No. W315

Commissioner for Oaths
Kuala Lumpur, Malaysia

REPORT OF THE AUDITORS

to the members of Gefung Holdings Berhad

We have audited the accompanying financial statements set out on pages 36 to 67. These financial statements are the responsibility of the Company's directors.

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

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

In our opinion:

(a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of:

   (i) the financial position of the Group and of the Company as at 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year then ended; and

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

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

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 14 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

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

ERNST & YOUNG
No. AF 0039
Chartered Accountants

GEORGE KOSHY
No. 1846/07/07(J)
Partner

Kuala Lumpur, Malaysia
25 April 2007

INCOME STATEMENTS

for the year ended 31 December 2006

	Note	Group 2006 RM'000	Company 2006 RM'000	Company 2005 RM'000
Revenue	3	20,415	-	-
Cost of sales	4	(12,031)	-	-
Gross profit		8,384	-	-
Other income		2,252	-	-
Administrative expenses		(3,568)	(1,742)	(408)
Selling and marketing expenses		(836)	-	-
Other expenses		(23,800)	(23,800)	-
Operating loss		(17,568)	(25,542)	(408)
Finance costs	5	(369)	-	-
Loss before tax	6	(17,937)	(25,542)	(408)
Income tax expense	9	(2,012)	-	-
Loss for the year		(19,949)	(25,542)	(408)
Loss per share (sen)	10	(87.12)		

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

BALANCE SHEETS

as at 31 December 2006

	Note	Group 2006 RM'000	Company 2006 RM'000	Company 2005 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	11	11,222	233	-
Prepaid land lease payments	12	3,241	-	-
Intangible assets	13	68,018	-	-
Investments in subsidiaries	14	-	124,667	-
		82,481	124,900	-
Current assets				
Inventories	15	53,260	-	-
Trade and other receivables	16	30,425	4,211	-
Cash and cash equivalents	18	4,563	17	*
		88,248	4,228	-
TOTAL ASSETS		170,729	129,128	-
EQUITY AND LIABILITIES				
Share capital	19	154,800	154,800	*
Other reserves	20	(1,587)	-	-
Accumulated losses		(22,909)	(27,006)	(1,464)
Total equity		130,304	127,794	(1,464)
Non-current liabilities				
Deferred tax liabilities	21	220	-	-
Current liabilities				
Borrowings	22	17,356	-	-
Trade and other payables	23	19,799	1,334	1,464
Income tax payable		3,050	-	-
		40,205	1,334	1,464
Total liabilities		40,425	1,334	1,464
TOTAL EQUITY AND LIABILITIES		170,729	129,128	-

* Represents 2 ordinary shares of RM1 each

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

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2006

Group	Share Capital RM'000 (Note 19)	Irredeemable Convertible Preference Share RM'000 (Note 19)	*Non-distributable* Share Premium RM'000	Other Reserves RM'000 (Note 20)	Accumulated Losses RM'000	Total Equity RM'000
At 1 January 2006	-	-	-	-	(1,464)	(1,464)
Foreign currency translation	-	-	-	(3,083)	-	(3,083)
Transfer to reserve fund	-	-	-	1,496	(1,496)	-
Loss for the year	-	-	-	-	(19,949)	(19,949)
Total recognised income and expense for the year	-	-	-	(1,587)	(22,909)	(24,496)
Issue of ordinary shares	154,800	-	-	-	-	154,800
Issue of ICPS	-	6,300	56,700	-	-	63,000
Conversion of ICPS	-	(6,300)	(56,700)	-	-	(63,000)
At 31 December 2006	154,800	-	-	(1,587)	(22,909)	130,304

Company	Share Capital RM'000 (Note 19)	Irredeemable Convertible Preference Share RM'000 (Note 19)	*Non-distributable* Share Premium RM'000	Accumulated Losses RM'000	Total Equity RM'000
At 1 January 2005	-	-	-	(1,056)	(1,056)
Loss for the year	-	-	-	(408)	(408)
At 31 December 2005	-	-	-	(1,464)	(1,464)
Loss for the year	-	-	-	(25,542)	(25,542)
Total recognised income and expense for the year	-	-	-	(27,006)	(27,006)
Issue of ordinary shares	154,800	-	-	-	154,800
Issue of ICPS	-	6,300	56,700	-	63,000
Conversion of ICPS	-	(6,300)	(56,700)	-	(63,000)
At 31 December 2006	154,800	-	-	(27,006)	127,794

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

CASH FLOW STATEMENTS

for the year ended 31 December 2006

	Note	Group 2006 RM'000	Company 2006 RM'000	Company 2005 RM'000
Cash Flows From Operating Activities				
Loss before tax		(17,937)	(25,542)	(408)
Adjustments for:				
Interest expense		369	-	-
Interest income		(35)	-	-
Amortisation of prepaid land lease payments		23	-	-
Depreciation of property, plant and equipment		386	6	-
Loss arising from implementation of Jin Lin Restructuring Scheme		23,800	23,800	-
Provision for doubtful debts		55	-	-
Net unrealised foreign exchange losses		73	-	-
Operating profit/(loss) before working capital changes		6,734	(1,736)	(408)
Increase in inventories		(2,639)	-	-
Decrease/(increase) in trade and other receivables		4,947	(2,878)	-
(Decrease)/increase in trade and other payables		(9,040)	(130)	408
Cash generated from/(used in) operations		2	(4,744)	-
Interest paid		(369)	-	-
Taxes paid		(66)	-	-
Net cash used in operating activities		(433)	(4,744)	-
Cash Flows From Investing Activities				
Purchase of property, plant and equipment		(261)	(239)	-
Acquisition of subsidiaries	14	1,718	-	-
Interest received		35	-	-
Net cash generated from/(used in) investing activities		1,492	(239)	-
Cash Flows From Financing Activities				
Proceeds from issuance of ordinary shares		5,000	5,000	-
Repayment of bank borrowings		(537)	-	-
Net cash generated from financing activities		4,463	5,000	-
Net increase in cash and cash equivalents		5,522	17	-
Effects of foreign exchange rate changes		(959)	-	-
Cash and cash equivalents at beginning of year		*	*	*
Cash and cash equivalents at end of year	18	4,563	17	*

* Represents cash in hand of RM2

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Second Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Suite 11.1A, Level 11, Menara Weld, 76 Jalan Raja Chulan, 50200 Kuala Lumpur. The principal place of business is located at Suite E-10-6, Level 10, Block E, Plaza Mont' Kiara, No. 2, Jalan Kiara, Mont' Kiara, 50480 Kuala Lumpur.

The principal activity of the Company is invesment holding. The principal activities of the subsidiaries are described in Note 14. There have been no signifcant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 April 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities. At the beginning of the current financial year, the Group and the Company had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2006 as described fully in Note 2.3.

The financial statements of the Group and of the Company have also been prepared on a historical basis.

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

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

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

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

(ii) Basis of consolidation

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of Significant Accounting Policies (cont'd)

(b) Intangible Assets

Goodwill

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

(c) Property, Plant and Equipment and Depreciation

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

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

Depreciation of property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Buildings	2% - 4.5%
Plant and machinery	9% - 10%
Motor vehicles	10% - 18%
Office and other equipment	10% - 18%

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

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

(d) Contract Work-in-Progress

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of Significant Accounting Policies (cont'd)

(e) Impairment of Non-Financial Assets

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

For goodwill, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

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

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

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

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

(f) Inventories

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

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

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

(g) Financial Instruments

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of Significant Accounting Policies (cont'd)

(g) Financial Instruments (cont'd)

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

(i) Cash and Cash Equivalents

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

(ii) Receivables

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

(iii) Payables

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

(iv) Interest Bearing Loans and Borrowings

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

(v) Equity Instruments

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

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

(h) Leases

(i) Classification

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

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

2. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

2.2 Summary of Significant Accounting Policies (cont'd)

(h) Leases (cont'd)

(ii) Finance Leases - the Group as Lessee

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

(iii) Operating Leases - the Group as Lessee

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

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

Leasehold land is amortised over the period of the lease of between 35 to 98 years respectively.

(i) Borrowing Costs

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

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

(j) Income Tax

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

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

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

2. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

2.2 Summary of Significant Accounting Policies (cont'd)

(k) Provision for Liabilities

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

(l) Employee Benefits

(i) Short Term Benefits

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

(ii) Defined Contribution Plans

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

(m) Foreign Currencies

(i) Functional and Presentation Currency

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

(ii) Foreign Currency Transactions

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of Significant Accounting Policies (cont'd)

(m) Foreign Currencies (cont'd)

(ii) Foreign Currency Transactions (cont'd)

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

(iii) Foreign Operations

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

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;

- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

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

(n) Revenue Recognition

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

(i) Contract work-in-progress

Revenue from contract work-in-progress is accounted for by the stage of completion method as described in Note 2.2(d).

(ii) Sale of Goods

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

(iii) Interest Income

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

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

In addition to the Group and the Company having adopted all new and revised FRSs mandatory for its operations, for financial periods beginning on or after 1 January 2006, the Group has early adopted the new and revised FRS117: Leases.

The adoption of revised FRSs did not result in significant changes in accounting policies of the Group as this is the first set of consolidation results presented.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Changes in Accounting Policies, Effects and Changes in Comparatives Arising from Adoption of New and Revised FRSs (cont'd)

At the date of authorisation of these financial statements, the following FRSs, amendments to FRS and Interpretations were not early adopted by the Group and the Company. However, they were in issue but are not yet effective:

	FRS, Amendments to FRS and Interpretations	Effective for financial periods beginning on or after
i)	FRS 124 - Related Party Transactions	1 October 2006
ii)	FRS 139 - Financial Instruments: Recognition and Measurement	Deferred
iii)	Amendment to FRS 119 $_{2004}$ - Employees Benefits - Acturial Gains and Losses, Group Plans and Disclosures	1 January 2007
iv)	FRS 6 - Exploration for and Evaluation of Mineral Resources	1 January 2007
v)	Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
vi)	IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
vii)	IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
viii)	IC Interpretation 5: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
ix)	IC Interpretation 6: Liabilities Arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment	1 July 2007
x)	IC Interpretation 7: Applying the Restatement Approach under FRS129 $_{2004}$ - Financial Reporting in Hyperinflationary Economics	1 July 2007
xi)	IC Interpretation 8: Scope of FRS 2	1 July 2007

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

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 124 and FRS 139.

2.4 Significant Accounting Estimates and Judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and the Company's accounting policies and reported amounts of assets, liabilities, income, expenses and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Significant Accounting Estimates and Judgements (cont'd)

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

(i) Impairment of goodwill

The Group determines whether the goodwill are impaired at least on an annual basis. This requires the estimation of the value in use of the cash-generating units to which the goodwill are allocated. Estimating the value in use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying value of the goodwill as at 31 December 2006 was RM68,018,000. Further details are disclosed in Note 13.

3. REVENUE

	Group 2006 RM'000
Sales of marble slabs and blocks	16,931
Contract work in progress	3,484
	20,415

4. COST OF SALES

	Group 2006 RM'000
Cost of marble slabs and blocks	9,900
Contract costs	2,131
	12,031

5. FINANCE COSTS

	Group 2006 RM'000
Interest expense on:	
Bankers acceptance and trust receipts	250
Term loan	119
	369

6. LOSS BEFORE TAXATION

The following amounts have been included at arriving at loss before taxation:

	Group 2006 RM'000	Company 2006 RM'000	Company 2005 RM'000
Employee benefits expenses (Note 7)	1,744	130	-
Directors fees (Note 8)	9	9	-
Auditors' remuneration	170	140	1
Amortisation of prepaid land lease payments (Note 12)	23	-	-
Depreciation of property, plant and equipment (Note 11)	386	6	-
Interest income	(35)	-	-
Provision for doubtful debts	55	-	-
Rental of factory land	19	-	-
Rental of office premises	31	31	-
Net foreign exchange losses	232	-	-
Loss arising from implementation of Jin Lin Restructuring Scheme (Note 28)	23,800	23,800	-

7. EMPLOYEE BENEFITS EXPENSES

	Group 2006 RM'000	Company 2006 RM'000	Company 2005 RM'000
Wages and salaries	1,494	101	-
Social security contributions	3	-	-
Contributions to EPF	30	11	-
Other benefits	217	18	-
	1,744	130	-

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM238,000 (2005: Nil) and RM130,000 (2005: Nil) respectively as further disclosed in Note 8.

8. DIRECTORS' REMUNERATION

	Group 2006 RM'000	Company 2006 RM'000	Company 2005 RM'000
Executive directors' remuneration (Note 7):			
Company's Executive directors' remuneration			
Wages and salaries	200	112	-
Benefits in kind	18	18	-
Subsidiary's Executive director's remuneration			
Wages and salaries	20	-	-
	238	130	-
Non-executive directors' remuneration (Note 6):			
Fees	9	9	-
Total directors' remuneration	247	139	-

8. DIRECTORS' REMUNERATION (cont'd)

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

	Group 2006 RM'000	Company 2006 RM'000	Company 2005 RM'000
Executive:			
Salaries and other emoluments	186	101	-
Fees	9	9	-
Contributions to EPF	14	11	-
Benefits in kind	18	18	-
	227	139	-

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

	Number of Directors 2006	Number of Directors 2005
Executive directors:		
RM50,000 and below	3	-
RM150,001 - RM200,000	1	-
Non-Executive directors:		
RM50,000 and below	3	-

9. INCOME TAX EXPENSE

	Group 2006 RM'000	Company 2006 RM'000	Company 2005 RM'000
Current income tax:			
Malaysian income tax	329	-	-
Foreign tax	1,697	-	-
	2,026	-	-
Deferred tax (Note 21):			
Relating to origination and reversal of temporary differences	(14)	-	-
Total income tax expense	2,012	-	-

Domestic current income tax is calculated at the statutory tax rate of 28% (2005: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 27% from the current year's rate of 28%, effective year of assessment 2007 and to 26% effective year of assessment 2008.

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

9. INCOME TAX EXPENSE (cont'd)

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

	2006 RM'000
Group	
Loss before taxation	(17,937)
Taxation at Malaysian statutory tax rate of 28%	(5,022)
Different tax rates in other countries	(153)
Expenses not deductible for tax purposes	7,187
Income tax expense for the year	2,012

	2006 RM'000	2005 RM'000
Company		
Loss before taxation	(25,542)	(408)
Taxation at Malaysian statutory tax rate of 28% (2005: 28%)	(7,152)	(114)
Expenses not deductible for tax purposes	7,152	114
Income tax expense for the year	-	-

10. LOSS PER SHARE

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

	Group 2006
Group's loss attributable to ordinary equity holders of the Company (RM'000)	(19,949)
Weighted average number of ordinary shares in issue ('000)	22,897
Basic loss per share (sen)	(87.12)

There are no shares in issuance which have a dilutive effect to the earnings per share of the Company.

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings RM'000	Plant and machinery RM'000	Motor Vehicles RM'000	Office and other equipment RM'000	Total RM'000
Group					
At 31 December 2006					
At cost					
Acquisition of subsidiaries (Note 14)	8,212	13,899	2,313	1,154	25,578
Additions	-	-	-	261	261
Exchange differences	(124)	(171)	(28)	(18)	(341)
At 31 December 2006	8,088	13,728	2,285	1,397	25,498
Accumulated depreciation					
Acquisition of subsidiaries (Note 14)	1,558	10,158	1,561	749	14,026
Depreciation charge for the year (Note 6)	71	204	69	42	386
Exchange differences	(25)	(80)	(21)	(10)	(136)
At 31 December 2006	1,604	10,282	1,609	781	14,276
Net carrying amount					
At 31 December 2006	6,484	3,446	676	616	11,222

	Office and other equipment RM'000
Company	
At 31 December 2006	
Cost	
At 1 January 2006	-
Additions	239
At 31 December 2006	239
Accumulated depreciation	
At 1 January 2006	-
Depreciation charge for the year (Note 6)	6
At 31 December 2006	6
Net carrying amount	
At 31 December 2006	233

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

(a) A building with net carrying amount of RM376,000 has been constructed on leasehold land belonging to a third party.

(b) The net carrying amounts of property, plant and equipment pledged as securities for borrowings (Note 22) are as follows:

	Group 2006 RM'000
Buildings	6,484
Plant and machinery	154
Motor vehicles	398
Office and other equipment	120
	7,156

12. PREPAID LAND LEASE PAYMENTS

	Group 2006 RM'000
At 1 January	-
Acquisition of the subsidiaries (Note 14)	3,318
Amortisation for the year (Note 6)	(23)
Exchange differences	(54)
At 31 December	3,241

The above leasehold land has been pledged as securities for borrowings (Note 22).

13. INTANGIBLE ASSETS

	Group 2006 RM'000
At 1 January 2006	-
Goodwill arising from acquisition of subsidiaries (Note 14)	71,216
Exchange differences	(1,865)
Refund by vendors on profit guarantee (Note 30)	(1,333)
At 31 December 2006	68,018

Allocation of goodwill

Goodwill has been allocated to the Group's CGUs identified according to country of operation as follows:

	Group 2006 RM'000
Malaysia	2,111
People's Republic of China ('PRC')	65,907
	68,018

13. INTANGIBLE ASSETS (cont'd)

Key assumptions used in value-in-use calculations

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the growth rates stated below. The key assumptions used for value-in-use calculations are:

	Gross Margin 2006	Growth Rate 2006	Discount Rate 2006
Malaysia	26%	10% - 12%	8%
PRC	40%	22%	7%

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(i) Budgeted gross margin

The basis used to determine the values assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year increased for expected efficiency improvements as well as cost savings from reduced material prices which are expected to arise as a result of efficiencies within the Group.

(ii) Growth rate

The growth rates used for the Malaysian subsidiary is consistent with the current year's growth rates which are expected to be maintained due to the current developments made in the construction and property development industry in Malaysia. The growth rates used for the subsidiary in the PRC is expected to be in line with the PRC construction industry's growth rate.

(iii) Discount rate

The discount rate is pre-tax and reflects the specific risks in the relevant countries.

With regard to the assessment of value-in-use of the 2 CGUs, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the CGUs to materially exceed their recoverable amounts.

14. INVESTMENTS IN SUBSIDIARIES

	Company 2006 RM'000	2005 RM'000
Unquoted shares at cost:		
In Malaysia	13,500	-
Outside Malaysia	112,500	-
	126,000	-
Less: Refund by vendors on profit guarantee (Note 30)	(1,333)	-
	124,667	-

14. INVESTMENTS IN SUBSIDIARIES (cont'd)

Details of subsidiares are as follows:

Name of Subsidiaries	Country of Incorporation	Proportion of Ownership Interest and Voting Power 2006 %	Paid-up Share Capital	Principal Activities
Syarikat Bukit Granite Sdn. Bhd. ("SBG")*	Malaysia	100	RM3,155,000	Processing, trading, exporting and contract workmanship of high quality marble and granite slabs.
Shanghai Ge Fung Marble & Granite Co Ltd ("SGMG")*	PRC	100	USD7,700,000	Processing, trading and exporting of and granite slabs.

* Audited by firms other than Ernst & Young

On 19 September 2006, the Company issued 6,750,000 new ordinary shares of RM1.00 each at an issue price of RM1.00 per share and 6,750,000 ICPS of RM0.10 each at an issue price of RM1.00 per ICPS in settlement of the purchase consideration for the acquisition of the entire equity interest in SBG, a company incorporated in Malaysia.

On the same day, the Company issued 56,250,000 new ordinary shares of RM1.00 each at an issue price of RM1.00 per share and 56,250,000 ICPS of RM0.10 each at an issue price of RM1.00 per ICPS in settlement of the purchase consideration for the acquisition of the entire interest in the registered capital of SGMG, a company incorporated in the PRC.

The cost of acquisition comprised the following:

	2006 RM'000
Issuance of ordinary shares	63,000
ICPS at fair value	63,000
Total cost of acquisition	126,000

The acquired subsidiaries have contributed the following results to the Group:

	2006 RM'000
Revenue	20,415
Profit for the year	5,593

If the acquisition had occurred on 1 January 2006, the Group's revenue and profit for the year (excluding the adjustment of RM23.8 million loss arising from the implementation of Jin Lin Restructuring Scheme) would have been RM57,576,000 and RM15,320,000 respectively.

14. INVESTMENTS IN SUBSIDIARIES (cont'd)

The fair value of the assets acquired and liabilities assumed from the acquisition of the subsidiaries are as follows:

	Fair value recognised on acquisition RM'000
Property, plant and equipment	11,552
Prepaid lease land payments	3,318
Inventories	50,621
Trade and other receivables	34,167
Cash and cash equivalents	1,718
	101,376
Trade and other payables	(27,375)
Tax payables	(1,090)
Borrowings	(17,893)
Deferred tax liabilities	(234)
	(46,592)
Fair value of assets	54,784
Goodwill on acquisition (Note 13)	71,216
Total cost of acquisition	126,000

There was no cash outflow for these acquisitions as the purchase consideration was satisfied other than cash. Instead, there was cash inflow to the Group amounting to the cash and cash equivalent of subsidiaries acquired.

15. INVENTORIES

	Group 2006 RM'000
Cost	
Raw materials	18,975
Work-in-progress	4,901
Finished goods	29,068
Consumables	316
	53,260

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2006

16. TRADE AND OTHER RECEIVABLES

	Group 2006 RM'000	Company 2006 RM'000	Company 2005 RM'000
Trade receivables			
Third parties	23,580	-	-
Due from customers (Note 17)	387	-	-
	23,967	-	-
Less: Provision for doubtful debts	(55)	-	-
Trade receivables, net	23,912	-	-
Other receivables			
Amount due from a subsidiary	-	2,750	-
Deposits	537	-	-
Prepayments	696	-	-
Sundry receivables	3,947	128	-
Due from vendors for profit guarantee provided	1,333	1,333	-
Other receivables	6,513	4,211	-
Total	30,425	4,211	-

Amount due from a subsidiary is unsecured, interest free and has no fixed terms of repayment.

Other information on financial risks of other receivables are disclosed in Note 26.

17. DUE FROM/(TO) CUSTOMERS ON CONTRACTS

	Group 2006 RM'000
Contract costs incurred to date	1,072
Attributable profits	145
	1,217
Less: Progress billings	(1,002)
	215
Due from customers on contracts (Note 16)	387
Due to customers on contracts (Note 23)	(172)
	215

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2006

18. CASH AND CASH EQUIVALENTS

	Group 2006 RM'000	Company 2006 RM'000	Company 2005 RM'000
Cash on hand and at banks	1,469	17	*
Deposits with licensed banks	3,094	-	-
Cash and bank balances	4,563	17	*

* Represents RM2 cash in hand

Deposits with licensed banks of the Group amounting to RM1,894,000 have been pledged as securities for borrowings. (Note 22).

Other information on financial risks of cash and cash equivalents are disclosed in Note 26.

19. SHARE CAPITAL & IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES

Authorised share capital

(i) Ordinary shares

	Group/Company Number of ordinary shares of RM1 each 2006 '000	Amount 2006 RM'000	Amount 2005 RM'000
At 1 January	100	100	100
Created during the year	489,900	489,900	-
At 31 December	490,000	490,000	100

(ii) ICPS

	Group/Company Number of ICPS of RM0.10 each 2006 '000	Amount 2006 RM'000	Amount 2005 RM'000
At 1 January	-	-	-
Created during the year	100,000	10,000	-
At 31 December	100,000	10,000	-
Total		500,000	100

19. SHARE CAPITAL & IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES (cont'd)

Issued and paid-up share capital

(i) Ordinary shares

		Group/Company		
		Number of ordinary shares of RM1 each	Amount	
		2006	2006	2005
	Note	'000	RM'000	RM'000
At 1 January		*	*	*
Issued for:				
- Acquisition of subsidiaries (Note 14)	a	63,000	63,000	-
- Pursuant to the implementation of Jin Lin Wood Industries Berhad Restructuring Scheme	b	23,800	23,800	-
- Cash	c	5,000	5,000	-
- Conversion of ICPS	d	63,000	63,000	-
At 31 December		154,800	154,800	*

* Represents 2 ordinary shares of RM1 each

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

(a) Ordinary shares issued for acquisition of subsidiary (Note 14)

On 19 September 2006, the Company issued the new shares for acquisition of subsidiaries as follows:

(i) The issuance of 6,750,000 new ordinary shares of RM1 each at an issue price of RM1.00 per ordinary share and 6,750,000 new ICPS of RM0.10 each at an issue price of RM1.00 per ICPS as purchase consideration for the acquisition of entire issued and paid-up capital of SBG; and

(ii) The issuance of 56,250,000 new ordinary shares of RM1 each at an issue price of RM1.00 per ordinary share and 56,250,000 new ICPS of RM0.10 each at an issue price of RM1.00 per ICPS as purchase consideration for the acquisition of entire interest in the registered capital of SGMG.

(b) Ordinary shares issued for Jin Lin's Restructuring Scheme

On 16 November 2006, the Company issued 23,800,000 new ordinary shares of RM1 each pursuant to the implementation of Jin Lin's Restructuring Scheme.

(c) Ordinary shares issued for cash

On 16 November 2006, the Company issued 5,000,000 new ordinary shares of RM1 each through a private placement at an issue price of RM1.00 per ordinary share for cash, for working capital purposes.

(d) ICPS Converted

On 22 December 2006, the Company issued 63,000,000 new ordinary shares of RM1 each at an issue price of RM1.00 per ordinary share pursuant to the conversion of 63,000,000 ICPS by way of surrendering 63,000,000 ICPS of RM0.10 each and the remaining RM0.90 capitalised from the share premium account.

All the new ordinary shares issued rank pari passu in all respect with the existing ordinary shares of the Company.

19. SHARE CAPITAL & IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES (cont'd)

(ii) ICPS

	Group/Company		
	Number of ICPS of RM0.10 each	Amount	
	2006	2006	2005
	'000	RM'000	RM'000
At 1 January	-	-	-
Issued during the year	63,000	6,300	-
ICPS converted	(63,000)	(6,300)	-
At 31 December	-	-	-

The salient terms of the ICPS are as follows:

(i) The issue price of the ICPS is RM1.00 which represents a premium of RM0.90 above the par value of RM0.10.

(ii) The maturity date of the ICPS is the third anniversary date of the issue date of the ICPS.

(iii) The ICPS ranks behind all secured and unsecured obligations of the Company but will rank in priority to ordinary shares in respect of return of capital upon liquidation or otherwise for the par value of the ICPS.

(iv) The ICPS shall bear a fixed gross dividend of 2% per annum on the par value of the ICPS. No dividends shall be paid on ordinary shares unless the dividends of the ICPS have been fully paid up.

(v) The registered holders of the ICPS shall not have any right to vote at any general meeting of the Company, unless the meeting was convened for the purpose of reducing the capital, or winding-up or where the proposition to be submitted to the meeting directly affects their rights and privileges.

(vi) Each ICPS shall entitle its holder the right to convert such ICPS held into the Company's shares at the 1 ordinary share payable in full by way of surrendering 1 ICPS of RM0.10 each for cancellation by the Company and the remaining RM0.90 capitalised from the Company's share premium account.

The ICPS can be converted during any period commencing on the first market day after the listing of the Company on Bursa Securities until the date immediately preceding the 3rd anniversary date of the issue of the ICPS.

Any ICPS not converted into the Company's shares on the maturity date shall be automatically converted at the abovementioned rate.

(vii) The ICPS shall not be redeemable for cash.

On 22 December 2006, the entire issued ICPS has been converted to 63,000,000 ordinary shares by way of surrendering 63,000,000 ICPS of RM0.10 each and the remaining RM0.90 capitalised from the share premium account during the financial year.

20. OTHER RESERVES

	Reserve fund RM'000	Foreign currency translation reserve RM'000	Total RM'000
Group			
At 1 January 2006	-	-	-
Foreign currency translation	-	(3,083)	(3,083)
Reserve fund for the year	1,496	-	1,496
At 31 December 2006	1,496	(3,083)	(1,587)

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

(a) Reserve fund

In accordance with the regulations applicable to foreign investment enterprises in PRC, SGMG is required to appropriate 10% of its profit to a reserve fund before any dividend declaration. Reserve fund can be used to offset accumulated losses and to increase capital upon approval of the relevant government authority.

(b) Foreign currency translation reserve

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

21. DEFERRED TAX LIABILITIES

	Group 2006 RM'000
At 1 January	-
Acquisition of subsidiaries	234
Recognised in income statement (Note 9)	(14)
At 31 December	220

Deferred tax liabilities arose from capital allowances claimed in excess of depreciation charges.

22. BORROWINGS

	Group 2006 RM'000
Short term borrowings	
Secured:	
Trust receipts	5,845
Bankers acceptances	4,290
Term loan	7,221
	17,356

22. BORROWINGS (cont'd)

The trust receipts and bankers acceptances are secured by the following:

(i) Legal charge over a building belonging to a subsidiary and a director of the Company as disclosed in Note 11;

(ii) Debentures creating fixed and floating charges over all the assets of a subsidiary;

(iii) Lien over deposit with licensed banks as disclosed in Note 18; and

(iv) Joint and several guarantee of certain directors of a subsidiary.

The term loan is secured by the legal charge over the leasehold land and building of a subsidiary as disclosed in Note 11 and Note 12.

Other information on financial risks of borrowings are disclosed in Note 26.

23. TRADE AND OTHER PAYABLES

	Group	Company	
	2006 RM'000	2006 RM'000	2005 RM'000
Current			
Trade payables			
Third parties	4,454	-	-
Due to customers (Note 17)	172	-	-
	4,626	-	-
Other payables			
Amount due to director	4,271	-	-
Accruals	503	169	2
Provision	2,393	-	-
Sundry payables	8,006	1,165	1,462
	15,173	1,334	1,464
Total	19,799	1,334	1,464

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 days.

(b) Amount due to a director

Amount due to a director, Seo Aik Leong, is unsecured, interest free and has no fixed terms of repayment.

(c) Provision

This provision is an amount provided for staff welfare in accordance with the regulations applicable to foreign investment enterprises in PRC.

Other information on financial risks of other payables are disclosed in Note 26.

24. CAPITAL COMMITMENTS

	Group 2006 RM'000	Company 2006 RM'000	2005 RM'000
Capital expenditure			
Approved and contracted for:			
Property, plant and equipment	1,527	875	-

25. COMPARATIVE FIGURES

As these are the Group's first set consolidation financial statements, no comparative figures are available.

26. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

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

(b) Interest Rate Risk

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

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

The following tables set out the carrying amounts, the weighted average effective interest rates (WAEIR) as at the balance sheet date and the remaining maturities of the Group's financial instruments that are exposed to interest rate risk:

At 31 December 2006 Group	WAEIR %	Within 1 Year RM'000
Fixed rate		
Term loan	6.98	7,221
Floating rate		
Deposits with licensed bank	2.26	3,094
Trust receipts	8.77	5,845
Bankers' acceptances	5.21	4,290

Interest on financial instruments subject to floating interest rates is contractually repriced at intervals of less than 6 months. Interest on financial instruments at fixed rates are fixed until the maturity of the instrument.

26. FINANCIAL INSTRUMENTS (cont'd)

(c) Foreign Currency Risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollars (USD) and Euro Dollars. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

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

Functional Currency of Group Companies	United States Dollar RM'000	EURO RM'000	Total RM'000
As at 31 December 2006			
Ringgit Malaysia	7,922	1,616	9,538
Renminbi	(7,328)	(1,120)	(8,448)

(d) Liquidity Risk

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

(e) Credit Risk

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of senior management. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

(f) Fair Values

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximate their fair values.

27. SEGMENT INFORMATION

(a) Reporting Format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(b) Business segments

The Group comprises the following main business segments:

(i) Manufacturing - processing, trading, exporting and contract workmanship of high quality marble and granite slabs.

(ii) Investment holding

27. SEGMENT INFORMATION (cont'd)

(c) Geographical segments

The Group's geographical segments are based on the location of the Group's assets. The Group's two business segments operate in two geographical areas:

(i) Malaysia - the operations in this area are principally processing, trading, exporting and contract workmanship of high quality marble and granite slabs and investment holding.

(ii) PRC - the operations in this area are principally processing, trading and exporting of high quality marble and granite slabs.

(d) Allocation basis and transfer pricing

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

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

Business Segments

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment:

	Manufacturing RM'000	Investment holding RM'000	Eliminations RM'000	Total RM'000
At 31 December 2006				
REVENUE				
Sales to external customers	20,415	-	-	20,415
Inter-segment sales	5,385	-	(5,385)	-
Total revenue	25,800	-	(5,385)	20,415
RESULTS				
Segment results	7,974	(25,542)	-	(17,568)
Finance costs				(369)
Loss before taxation				(17,937)
Income tax expense				(2,012)
Net loss for the year				(19,949)
ASSETS				
Segment assets	169,018	4,461	(2,750)	170,729
Total assets				170,729
LIABILITIES				
Segment liabilities	21,215	1,334	(2,750)	19,799
Unallocated liabilities				20,626
Total liabilities				40,425
OTHER SEGMENT INFORMATION				
Capital expenditure	22	239	-	261
Depreciation	380	6	-	386
Amortisation	23	-	-	23

27. SEGMENT INFORMATION (cont'd)

Geographical Segments

The following table provides an analysis of the Group's revenue by geographical segment:

	2006 RM'000
Malaysia	7,543
PRC	12,872
	20,415

The following is an analysis of the carrying amount of segment assets and capital expenditure, analysed by geographical segments:

	Segment Assets RM'000	Capital Expenditure RM'000
31 December 2006		
Malaysia	23,744	253
PRC	146,985	8
	170,729	261

28. OTHER SIGNIFICANT EVENTS

On 22 November 2006, the Company was listed and quoted on the Second Board of Bursa Malaysia Securities Berhad after completion of the Jin Lin Restructuring Scheme:

(a) Acquisition of entire interest in the registered capital of SGMG by the Company from Seo Aik Leong for a purchase consideration of RM112,500,000 has been acquired on 19 September 2006 by issuance of 56,250,000 new shares of RM1 each at an issue price of RM1.00 per ordinary share and 56,250,000 new ICPS of RM0.10 each at an issue price of RM1.00 per ICPS of the Company.

(b) Acquisition of entire issued and paid-up capital of SBG by the Company from Seo Aik Leong and Siw Seng Chiw @ Seo Seng Chew for a purchase consideration of RM13,500,000 has been acquired on 19 September 2006 by issuance of 6,750,000 new shares of RM1 each at an issue price of RM1.00 per ordinary share and 6,750,000 new ICPS of RM0.10 each at an issue price of RM1.00 per ICPS of the Company.

(c) Scheme of arrangement with Jin Lin shareholders in exchange for 8,800,000 shares in Jin Lin via the issuance of 8,800,000 new ordinary shares of RM1 each of the Company.

(d) Scheme of arrangement with creditors to settle debts owing to creditors of Jin Lin of RM62,335,149 via the issuance of 15,000,000 new ordinary shares of RM1 each of the Company.

(e) Placement of 5,000,000 new shares of the Company to identified investors has been issued through a private placement at an issue price of RM1.00 per ordinary share for cash, for working capital purposes on 16 November 2006.

(f) Disposal of Jin Lin by the Company to Hillitake Timber Sdn Bhd for a cash consideration of RM2.

Upon completion of the issuance of the new shares, Jin Lin was delisted from the Second Board of Bursa Malaysia Securities Berhad and the Company was admitted in place of Jin Lin.

As a result of the completion of the Jin Lin Restructuring Scheme, the Group and the Company recognised a loss of RM23,800,000 arising from arrangements with the Jin Lin shareholders and Jin Lin creditors as stated above.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2006

29. SUBSEQUENT EVENT

On 13 March 2007, the Company announced that its wholly owned subsidiary, SBG had entered into a Sales & Purchase Agreement to acquire the entire issued and paid-up capital of Montana Madencilik Insaat Sanayi Ve Ticaret Limited Sirketi ("Montana") comprising to 25,000 ordinary shares of Turkish Lira 1 each.

Montana is incorporated in Turkey and is principally involved in the extraction and trading of marble blocks from Turkey. The acquisition from Murat Van and Lin Hong-Wei, the vendors of Montana for a purchase consideration of USD4,500,000 is to be satisfied in cash.

The purchase is pending completion.

30. PROFIT GUARANTEE

On 27 July 2006, the Company entered into a Profit Guarantee Agreement ("PGA") with Seo Aik Leong and Siw Seng Chiw @ Seo Seng Chew (collectively the "Guarantors") in which the Guarantors have severally but not jointly guaranteed the following profit before taxation ("PBT"):

(i) the audited PBT of the amalgamated audited PBT of SBG and SGMG. ("collectively known as the SBG Group") for the financial year ended 31 December 2006 shall not be less than RM21,643,000;

(ii) the audited PBT of the amalgamated audited PBT of the SBG Group for the financial year ended 31 December 2007 shall not be less than RM28,084,000; and

(iii) the audited PBT of the amalgamated audited PBT of the SBG Group for the financial year ended 31 December 2008 shall not be less than RM28,330,000.

As at 31 December 2006, an amount for RM1.333 million shortfall of profits guaranteed has been recorded as a refund in the cost of investment of the Company. The goodwill of the Group has been adjusted accordingly.

LIST OF PROPERTIES

as at 31 December 2006

Location	Description and existing usage	Tenure	Approximate area (square metre)	Approximate age of building (years)	Year of acquisition	Net book value as at 31.12.2006 RM'000
No. 25, Jalan 2/33B, MWE Kepong Commercial Park, Kepong, 52100 Kuala Lumpur, held under Master Titles H.S. (D) 67297 and H.S. (D) 74283 for Lot Nos. 9498 and 10908 respectively, Mukim Batu, Daerah Wilayah Persekutuan.	A four storey shop office	99 years leasehold, expiring in year 2023	$149m^2$ (Land)/ $576m^2$ (Built-up)	11	1995	722
No. Lot 3708, Jalan Perusahaan 3, Kamunting Industrial Estate, 34600 Kamunting, Perak, held under title number Pajakan Negeri 108706, Lot No. 16672, Mukim Asam Kumbang, Daerah Larut & Matang, Perak.	A single storey factory	99 years leasehold, expiring in year 2088	$8,094m^2$ (Land)/ $2,736m^2$ (Built-up)	13	1994	2,306
Industrial land held under HSD LM 7636, PT No. 5268, Mukin Asam Kumbang, Daerah Larut & Matang, Perak.	An extended single storey factory from Lot 3708	99 years leasehold, expiring in year 2095	$8,093m^2$ (Land)/ $2,107m^2$ (Built-up)	9	1997	1,210
No. 5679, Bei Qing Road, Chong Gu Town, Qing Pu Country, Shanghai, China 201706.	A single storey factory and a four storey office	35 years leasehold, expiring in year 2034	$34,759m^2$ (Land)/ $8,906m^2$ (Built-up)	7	1999	5,487

ANALYSIS OF SHAREHOLDINGS

as at 30 April 2007

ORDINARY SHARE CAPITAL

Authorised Capital	: RM500,000,000
Issued and Paid Up Capital	: RM154,800,002
Class of Shares	: Ordinary Shares of RM1.00 each : Irredeemable Convertible Preference Shares of RM0.10 each
Voting Rights	: 1 vote per ordinary share

DISTRIBUTION OF SHREHOLDINGS

Size of Shareholdings	No. of Holders	%	No. of Shares	%
Less than 100 shares	47	1.26	1,513	0.00
100 to 1,000 shares	3,111	83.23	1,036,814	0.67
1,001 to 10,000 shares	497	13.30	1,509,480	0.98
10,001 to 100,000 shares	59	1.57	1,740,740	1.12
100,001 to less than 5% of issued shares	20	0.53	18,921,766	12.22
5% and above of issued shares	4	0.11	131,589,689	85.01
TOTAL	3,738	100.00	154,800,002	100.00

LIST OF SUBSTANTIAL SHAREHOLDERS (per Register of Substantial Shareholders)

	No. of shares held			
Name	**Direct**	**%**	**Indirect**	**%**
Seo Aik Leong	108,839,689 [a]	70.31	-	-
Koperasi Permodalan Felda Berhad	15,000,000	9.69	-	-
Perbadanan Nasional Berhad	7,750,000	5.01	-	-

Note: [a] Held through nominee companies.

DIRECTORS' SHAREHOLDINGS (per Register of Directors' Shareholdings)

	No. of shares held			
Name	**Direct**	**%**	**Indirect**	**%**
Datuk Azizan bin Abd Rahman	2,000,000 [a]	1.29	-	-
Seo Aik Leong	108,839,689 [a]	70.31	-	-
Siw Seng Chiw @ Seo Seng Chew	160,313 [a]	0.10	-	-
Loi Heng Sewn	79,980 [a]	0.05	-	-
Cheong Marn Seng	9,000	0.01	-	-

Note: [a] Held through nominee companies.

ANALYSIS OF SHAREHOLDING (cont'd)

as at 30 April 2007

LIST OF TOP THIRTY (30) LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of shares held	%
1	OSK Nominees (Tempatan) Sdn Berhad OSK Capital Sdn Bhd for Seo Aik Leong	73,000,001	47.16
2	OSK Nominees (Tempatan) Sdn Berhad OSK Trustees Berhad for Seo Aik Leong	35,839,688	23.15
3	Koperasi Permodalan Felda Berhad	15,000,000	9.69
4	Perbadanan Nasional Berhad	7,750,000	5.01
5	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund RNQU for Dubai Investment Group Limited	7,387,000	4.77
6	AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Azizan bin Abd Rahman (100726)	2,000,000	1.29
7	CitiGroup Nominees (Asing) Sdn Bhd Merrill Lynch International	2,000,000	1.29
8	Cheang Phoy Ken	1,000,000	0.65
9	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Khoo Boo Teik (DLR 011-Margin)	1,000,000	0.65
10	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mohd Haniff bin Abd Aziz	1,000,000	0.65
11	OSK Nominees (Tempatan) Sdn Berhad Pledged Securities Account for Chua Eng Lim	650,000	0.42
12	Ding Pei Chai	500,000	0.32
13	Malaysia Nominees (Tempatan) Sendirian Berhad Malaysia Trustees Berhad for Alliance Vision Fund (00-10033-000)	500,000	0.32
14	OSK Nominees (Tempatan) Sdn Berhad Pledged Securities Account for Ng Kok Kee	434,598	0.28
15	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Ting Heng Peng (SFC)	422,000	0.27
16	Universal Trustee (Malaysia) Berhad Alliance Dana Adib	404,200	0.26
17	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lo Ga Lung (M05)	352,100	0.23
18	Hasmi bin Hasnan	350,000	0.23
19	Foo Wan Kong	220,000	0.14
20	OSK Nominees (Tempatan) Sdn Bhd OSK Trustees Bhd for Siw Seng Chiw @ Seo Seng Chew	160,313	0.10
21	Jarenang Sendirian Berhad	159,255	0.10
22	AllianceGroup Nominees (Tempatan) Sdn Bhd Alliance Capital Asset Management Sdn Bhd for Kumpulan Wang Simpanan Guru-Guru	138,000	0.09
23	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Hwang Ai Mor (M05)	124,300	0.08
24	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tay Ah Kam	120,000	0.08
25	AllianceGroup Nominees (Tempatan) Sdn Bhd Alliance Capital Asset Management Sdn Bhd for International Islamic University Retirement Benefit Fund (1)	93,000	0.06
26	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lo Ga Lung (Securitized)	86,300	0.06
27	OSK Nominees (Tempatan) Sdn Berhad Pledged Securities Account for Loi Heng Sewn	79,980	0.05
28	Universal Trustee (Malaysia) Berhad KL City Smallcap Fund	70,900	0.05
29	Chong Weng Meng	63,000	0.04
30	AllianceGroup Nominees (Tempatan) Sdn Bhd Alliance Capital Asset Management Sdn Bhd for Perbadanan Kemajuan Negeri Selangor	59,000	0.04

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Third Annual General Meeting of the Company will be held at Banquet Hall, Kuala Lumpur Golf & Country Club, No. 10, Jalan 1/70B, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Thursday, 28 June 2007 at 3.00 p.m. to transact the following business:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2006 and the Reports of the Directors and Auditors thereon. **(Resolution 1)**

2. To approve the payment of Directors' fees in respect of the financial year ended 31 December 2006. **(Resolution 2)**

3. To re-elect the following Directors who retire pursuant to Article 83 of the Company's Articles of Association:

   3.1 Datuk Azizan bin Abd Rahman **(Resolution 3)**
   3.2 Seo Aik Leong **(Resolution 4)**
   3.3 Lee Chong Hoe **(Resolution 5)**
   3.4 Cheong Marn Seng **(Resolution 6)**
   3.5 Loi Heng Sewn **(Resolution 7)**
   3.6 Andy Kwang Jaw Tjoan **(Resolution 8)**

4. To consider and if thought fit, to pass the following resolution:

   "THAT Siw Seng Chiw @ Seo Seng Chew, who retires pursuant to Section 129(2) of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting." **(Resolution 9)**

5. To appoint auditors and to authorise the Directors to fix their remuneration. **(Resolution 10)**

   Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965 (set up in Appendix 1 attached to the 2006 Annual Report), has been received by the Company for the nomination of Messrs Horwath who have given their consent to act, for appointment as auditors and of the intention to propose the following ordinary resolution:-

   "THAT Messrs Horwath be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs Ernst & Young, and to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors."

SPECIAL BUSINESS

6. To consider and if thought fit, to pass the following resolutions, with or without modifications, as Ordinary Resolutions:-

   AUTHORITY TO DIRECTORS TO ISSUE SHARES **(Resolution 11)**

   "THAT subject always to the Companies Act, 1965, the provisions of the Memorandum and Articles of Association and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue new shares in the Company at any time 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 issued pursuant to this resolution does not exceed 10% of the total issued share capital of the Company at the time of issue AND THAT the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

7. **PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED RRPT MANDATE")** **(Resolution 12)**

"THAT subject always to the provisions of the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company's and its subsidiaries to enter into Recurrent Related Party Transactions of a revenue or trading nature as stated in Section 2.3 of the Circular to Shareholders dated 6 June 2007 with the specified classes of related parties mentioned therein which are necessary for the Group's day-to-day operations and are carried out in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company.

THAT the approval shall continue to be in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company at which it will lapse, unless by a resolution passed at the AGM, the authority is renewed;

(ii) 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 Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(iii) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the Proposed RRPT Mandate described in the Circular."

8. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

By Order of the Board

YEOH CHONG KEAT (MIA 2736)
LIM FEI CHIA (MAICSA 7036158)
Company Secretaries

Kuala Lumpur
6 June 2007

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Notes:

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

2. Where a member appoints two (2) or more proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.

3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.

4. The instrument appointing a proxy and the power of attorney (if any) under which it is signed or a certified copy thereof shall be deposited at the Registered Office of the Company at Suite 11.1A, Level 11, Menara Weld, 76 Jalan Raja Chulan, 50200 Kuala Lumpur not less than forty-eight (48) hours before the time set for holding this meeting or at any adjournment thereof.

Explanatory Notes on Special Business:

1. **Resolution 11**

   This proposed resolution, if passed, will allow the Directors of the Company to issue and allot shares 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 issued pursuant to this resolution does not exceed 10% of the total issued share capital of the Company at the time of issue. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

2. **Resolution 12**

   This Resolution, if passed, will authorise the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature, particulars of which are as set out in the Circular to Shareholders of the Company dated 6 June 2007 despatched together with the Annual Report. This authority, unless revoked or varied by the Company in a general meeting, will expire at the next Annual General Meeting of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. DIRECTORS STANDING FOR RE-ELECTION OR RE-APPOINTMENT AT THE THIRD ANNUAL GENERAL MEETING OF THE COMPANY

The Directors retiring pursuant to Article 83 of the Company's Articles of Association and seeking re-election are as follows:

(i) Datuk Azizan bin Abd Rahman

(ii) Seo Aik Leong

(iii) Lee Chong Hoe

(iv) Cheong Marn Seng

(v) Loi Heng Sewn

(vi) Andy Kwang Jaw Tjoan

The Director retiring in accordance with Section 129(2) of the Companies Act, 1965 and seeking re-appointment:

- Siw Seng Chiw @ Seo Seng Chew

The details of the abovenamed Directors standing for re-election or re-appointment are set out on page 4 to 7 of this Annual Report while their securities holdings in the Company are set out on page 69 of this Annual Report.

2. DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD OF DIRECTORS' MEETINGS

As the Company was listed on the Second Board of Bursa Malaysia Securities Berhad on 22 November 2006, there was no Board of Directors' meetings held during the financial year ended 31 December 2006. Details of the attendance of Directors at Board of Directors' meetings after the financial year ended 31 December 2006 is disclosed in page 13 of this Annual Report.

3. DATE, TIME AND PLACE OF THE THIRD ANNUAL GENERAL MEETING

The Third Annual General Meeting of the Company is scheduled to be held at Banquet Hall, Kuala Lumpur Golf & Country Club, No. 10, Jalan 1/70B, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Thursday, 28 June 2007 at 3.00 p.m.

APPENDIX I

Seo Aik Leong
41 Jalan Kamunting
Green Valley
34600 Taiping
Perak

Date: 4 May 2007

The Board of Directors
Gefung Holdings Bhd
Suite E-10-6, Block E
Plaza Mont Kiara
2 Jalan Kiara
50480 Kuala Lumpur

Dear Sirs

Notice of Nomination of Messrs Horwath as Auditors

I hereby give notice, pursuant to Section 172(11) of the Companies Act, 1965 of my nomination of Messrs Horwath as Auditors of the Company in place of the retiring auditors and of my intention to propose the following resolution as an ordinary resolution at the next Annual General Meeting of the Company:-

Ordinary Resolution

"That Messrs Horwath be and are hereby appointed auditors of the Company in place of the retiring auditors Messrs Ernst & Young to hold office until the conclusion of the next Annual General Meeting and that the directors be authorized to determine their remuneration."

Yours sincerely

(signed)

Seo Aik Leong

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FORM OF PROXY

GEFUNG HOLDINGS BHD 654188-H
(Incorporated in Malaysia)

Number of ordinary shares held	

I/We____

of ____

being a member of GEFUNG HOLDINGS BERHAD, hereby appoint ______________________

____

of ____

or failing him/her ____

of ____

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Third Annual General Meeting of the Company to be held at Banquet Hall, Kuala Lumpur Golf & Country Club, No. 10, Jalan 1/70B, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Thursday, 28 June 2007 at 3.00 p.m. and at any adjournment thereof.

My/Our Proxy(ies) is/are to vote as indicated below:-

NO.	RESOLUTIONS	FOR	AGAINST
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2006 and the Reports of the Directors and Auditors' thereon.		
2.	To approve the payment of Directors' fees in respect of the financial year ended 31 December 2006.		
3.	To re-elect Datuk Azizan bin Abd Rahman who retires pursuant to Article 83 of the Company's Articles of Association.		
4.	To re-elect Mr Seo Aik Leong who retires pursuant to Article 83 of the Company's Articles of Association.		
5.	To re-elect Mr Lee Chong Hoe who retires pursuant to Article 83 of the Company's Articles of Association.		
6.	To re-elect Mr Cheong Marn Seng who retires pursuant to Article 83 of the Company's Articles of Association.		
7.	To re-elect Mr Loi Heng Sewn who retires pursuant to Article 83 of the Company's Articles of Association.		
8.	To re-elect Mr Andy Kwang Jaw Tjoan who retires pursuant to Article 83 of the Company's Articles of Association.		
9.	To re-elect Mr Siw Seng Chiw @ Seo Seng Chew who retires pursuant to Section 129(2) of the Companies Act, 1965.		
10.	To appoint Messrs Horwath as auditors of the Company in place of the retiring auditors, Messrs Ernst & Young and to authorise the Directors to fix their remuneration.		
	SPECIAL BUSINESS		
11.	To authorise Directors to issue shares pursuant to Section 132D of the Companies Act, 1965.		
12.	Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading nature.		

(Please indicate with a "/" in the space provided on 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/her discretion.)

Dated this ______________ day of ______________ , 2007

____
Signature/Common Seal of Member

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. The provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member appoints two (2) or more proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a certified or office copy of such power of attorney shall be deposited at the Registered Office of the Company at Suite 11.1A, Level 11, Menara Weld, 76 Jalan Raja Chulan, 50200 Kuala Lumpur not less than forty-eight (48) hours before the time set for holding this meeting or at any adjournment thereof.

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STAMP

Company Secretary
GEFUNG HOLDINGS BERHAD
(654188-H)
Suite 11.1A, Level 11
Menara Weld
76 Jalan Raja Chulan
50200 Kuala Lumpur

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GEFUNG HOLDINGS BHD (654188-H)
Suite E-10-06, Level 10, Block E, Plaza Mont' Kiara
No. 2, Jalan Kiara, Mont' Kiara, 50480 Kuala Lumpur, Malaysia
Tel : 603 6201 7786
Fax : 603 6201 7286
Website : www.gefung.com.my