

annual report 2006



I-Berhad (7029-H)

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 40th Annual General Meeting of I-Berhad will be held at 8, Jalan Changkat Kia Peng, 50450 Kuala Lumpur on Tuesday, 24 April 2007 at 10.00 a.m. for the following purposes:-

AGENDA

AS ORDINARY BUSINESS

1. To receive and adopt the audited Financial Statements for the year ended 31 December 2006 together with the Directors' and Auditors' Reports thereon. (Resolution 1)
2. To approve a final tax-exempt dividend of 2% for the year ended 31 December 2006. (Resolution 2)
3. To approve the payment of Directors' fees of RM65,000 for the year ended 31 December 2006. (Resolution 3)
4. To re-elect the following Director retiring by rotation pursuant to Article 109 of the Company's Articles of Association:
(i) Y. Bhg Datuk Pengiran Mohd Hussein bin Datuk Pengiran Haji Mohd Tahir (Resolution 4)
5. To consider and if thought fit, to pass the following resolution as Ordinary Resolution of the Company:-
"That the office vacated by Tuan Haji Mat Hassan bin Esa retiring pursuant to Article 109 of the Company's Articles of Association and not seeking re-election, be left vacant." (Resolution 5)
6. To re-appoint Messrs. BDO Binder, as Auditors of the Company and to authorise the Board of Directors to fix their remuneration. (Resolution 6)

AS SPECIAL BUSINESS

7. To consider, and if thought fit, to pass the following resolution with or without modifications as Ordinary Resolution of the Company:-

AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

"That pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes and to such person or persons 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 issued share capital of the Company for the time being, subject always to the approvals of all the relevant regulatory authorities being obtained for such issue and allotment."

(Resolution 7)

AS SPECIAL RESOLUTION

8. To consider and if thought fit, to pass the following Special Resolution:-

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

"That the deletions, alterations, modifications, variation and additions to the Articles of Association of the Company as set out in Part A of the Circular to Shareholders dated 2 April 2007 be and are hereby approved."

(Resolution 8)

9. To transact any other business of which due notice shall have been received.

By Order of the Board

TOO YET LAN (MAICSA 0817992)
Company Secretary

Kuala Lumpur
2 April 2007

Notes:

1. A member entitled to attend and vote at the general meeting is entitled to appoint a proxy to attend and vote in his stead.
2. A member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting provided that where a member of the company is an authorised nominee as defined under Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities accounts.
3. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. A proxy need not be a member of the Company, but such appointment must comply with Article 88(a) of the Company's Articles of Association which states that a member shall not be entitled to appoint a person who is not a member of the Company as his proxy, unless that person is a qualified legal practitioner, an approved company auditor or a person approved by the Companies Commission of Malaysia in a particular case.
5. The Form of Proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation, under its common seal or the hand of its attorney.
6. All proxy forms duly executed should be deposited at the Company's Registered Office at No. 8, Jalan Changkat Kia Peng, 50450 Kuala Lumpur not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

EXPLANATORY NOTES ON SPECIAL BUSINESS

RESOLUTION 7

The resolution 7 proposed under Agenda 7, if passed, will give the Directors of the Company flexibility to issue and allot shares for such purposes as the Directors in their absolute discretion consider to be in the interest of the Company, without having to convene a general meeting. This authority will expire at the next Annual General Meeting of the Company.

RESOLUTION 8

The resolution 8 proposed under Agenda 8, if passed, will allow the Company to incorporate the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad in line with the enhancements to the Listing Requirements as well as for housekeeping purposes. The details of this proposal are set out in Part A of the Circular to Shareholders dated 2 April 2007.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. FURTHER DETAILS OF DIRECTOR WHO IS STANDING FOR RE-ELECTION

Further details of the Director, Y. Bhg. Datuk Pengiran Mohd Hussein bin Datuk Pengiran Haji Mohd Tahir who is standing for re-election are set out in the Profile of Directors section appearing on page 5 of the Annual Report. Y. Bhg. Datuk Pengiran Mohd Hussein has no interest in the securities of the Company and its subsidiaries as at 5 March 2007.

2. DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

There were five (5) Board meetings held during the financial year ended 31 December 2006. Details of attendance of Directors at the said Board meetings are as follows:-

Name of Director	No. of Meetings Attended
Y. Bhg. Datuk Lim Kim Hong	5/5
Mr. Eu Hong Chew	5/5
Encik Johari Low bin Abdullah @ Low Han Hing (resigned on 8 January 2007)	5/5
Y. Bhg. Datuk Pengiran Mohd Hussein bin Datuk Pengiran Haji Mohd Tahir	4/5
Tuan Haji Mat Hassan bin Esa	5/5
Y. Bhg. Datin Tey Siew Thuan	4/5
Madam Ong Poh Ling	5/5

CORPORATE INFORMATION

BOARD OF DIRECTORS

Y. Bhg. Datuk Lim Kim Hong (Chairman)
Mr. Eu Hong Chew (Chief Executive Officer)
Y. Bhg. Datuk Pengiran Mohd Hussein bin Datuk Pengiran Haji Mohd Tahir
Tuan Haji Mat Hassan bin Esa
Y. Bhg. Datin Tey Siew Thuan
Madam Ong Poh Ling

COMPANY SECRETARY

Madam Too Yet Lan

REGISTERED OFFICE

8, Jalan Changkat Kia Peng
50450 Kuala Lumpur
Tel : 603-2144 6666
Fax: 603-2142 4024
Web: i-digital.com.my
E-mail: cs@i-bhd.com

REGISTRAR

Tenaga Koperat Sdn Bhd
20th Floor, Plaza Permata
Jalan Kampar
Off Jalan Tun Razak
50400 Kuala Lumpur
Tel: 603-4041 6522
Fax: 603-4042 6352

AUDITORS

BDO Binder
12th Floor, Menara Uni. Asia
1008, Jalan Sultan Ismail
50250 Kuala Lumpur

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
Malayan Banking Berhad
Bumiputra-Commerce Bank Berhad

STOCK EXCHANGE LISTING

Listed on the Main Board of Bursa Malaysia Securities Berhad on 29 September 1969

PROFILE OF DIRECTORS

Y. BHG. DATUK LIM KIM HONG, (Executive Chairman) aged 56, Malaysian, was appointed to the Board on 15 July 1999. Currently the Chairman of the Company, he is responsible for setting the policies and direction of the Group. He has vast experience in business, marketing and corporate matters together with a keen sense of business acumen.



Datuk Lim was responsible for the successful listing of Sumurwang's manufacturing arm, Dreamland Holdings Berhad on the Main Board of the KLSE (now known as Bursa Malaysia Securities Berhad) in 1987 whilst he was the Chief Executive Officer of the Company. In 1991, he diversified Dreamland Holdings Berhad into the steel industry and subsequently changed its name to Kanzen Berhad ("Kanzen"). In late 1993, he divested Sumurwang's interest in Kanzen to reorganise Sumurwang's corporate structure to focus on three business areas – manufacturing, property development and financial services. In 2006, Lim steered the I-Berhad Group into property development and property management through "I-City", an ICT-based commercial hub with MSC Cybercentre status.

MR. EU HONG CHEW, (Executive Director) aged 54, Malaysian, was appointed to the Board on 15 July 1999. Currently the Chief Executive Officer in charge of the day to day operations of the Group. Educated at the Royal Military College and possess a first class honours degree in Mechanical Engineering from the University of Glasgow, United Kingdom. He holds a Masters in Business Administration from the University of Bradford, United Kingdom.

He has been associated with the Sumurwang Group as its Chief Executive with many years of experience including charting the path for Sumurwang's manufacturing arm, firstly under Dreamland Holdings Berhad and its subsequent venture into the steel business and the acquisition of I-Berhad. Prior to joining Sumurwang Group, he was with PA Management Consulting as a consultant for 10 years where he was also appointed Director of Studies for the Cranfield PA MBA Programme in Malaysia.



Y. BHG. DATUK PENGIRAN MOHD HUSSEIN BIN DATUK PENGIRAN HAJI MOHD TAHIR, (Non-Executive Director) aged 60, Malaysian, was appointed to the Board on 1 June 2004 and is a member of both the Remuneration and Nomination Committees. He holds a Master of Arts (Hons) from the University of Canterbury, New Zealand.



Datuk Pengiran Mohd Hussein has been with the Sabah Economic Development Corporation (SEDCO) since 1973 until his official retirement in March 2003. He was previously a Director of Gold Coin (Malaysia) Bhd as well as Mega First Corporation Berhad. Currently, he is the Chairman of Sebor (Sabah) Sdn Bhd and several other private companies.

TUAN HAJI MAT HASSAN BIN ESA, (Independent Non-Executive Director) aged 54, Malaysian, was appointed to the Board as Independent Director on 1 June 2004 and is the Chairman of both the Remuneration and Nomination Committees and a member of the Audit Committee.



Tuan Haji Mat Hassan bin Esa graduated with a Bachelor of Statistics from University of Malaya in 1977 and later obtained his Masters in Business Administration from New Hampshire College, USA in 1985. He has 20 years of experience in asset management both public and private equity investment with Permodalan Nasional Berhad (PNB) starting from the position of analyst rising to the position as Chief Executive Officer of Perbadanan Usahawan Nasional Berhad (PUNB). He was also the CEO/Executive Director of Perbadanan Nasional Berhad (PNS) for 3 years.

Tuan Haji Mat Hassan started his career in the private sector and in entrepreneurship in 2000 as the Executive Deputy Chairman of Meda Inc Berhad. He is presently the Chairman of MP Technology Resources Berhad. In total, he has about 25 years of working experience in marketing, corporate services, corporate planning, investment, property development, shipping, information technology, entrepreneur development and manufacturing.

Y. BHG. DATIN TEY SIEW THUAN, (Executive Director) aged 53, Malaysian, was appointed to the Board on 15 July 1999 and is a member of the Audit Committee. Currently in charge of the financial aspects of the Group and was formerly the Executive Director of Kanzen Berhad. She also sits on the Board of several private companies.

Whilst with Kanzen, she was responsible for the Company's reverse investments into China. These investments cover the bedding, steel and air-conditioner industries. She was also responsible for the development of Kanzen's steel exports business.



MADAM ONG POH LING, (Executive Director) aged 43, Malaysian, was appointed to the Board on 15 July 1999. Currently in charge of all the marketing functions of the Group, she has been responsible for the development and positioning of the "i" brand. A graduate of University of Wolverhampton, United Kingdom with an honours in law. She joined Dreamland Holdings Berhad in 1987 and later moved to the Sumurwang Group as its Senior Manager, Corporate Affairs and was responsible for the setting up and heading their respective corporate communications departments.

She was responsible for staging the RM10 million Sumurcity Aerospace Adventure which was the largest aerospace exhibition underwritten by the Sumurwang Group in 1995.

NONE OF THE DIRECTORS HAS:

- Any family relationship with other Directors or substantial shareholders of the Company save for the following:
 - (i) Y. Bhg. Datuk Lim Kim Hong is the spouse of Y. Bhg. Datin Tey Siew Thuan. Datuk Lim is a major shareholder of the Company.
- Any conflict of interest with the Company.
- Any conviction for offences within the past 10 years other than traffic offences, if any.

CHAIRMAN'S STATEMENT

INDUSTRY OVERVIEW

Over the past few years, the appliance and digital products industry faced significant challenges brought about by the advent of China into the industry as well as the convergence of the computers, consumer electronics and communication technologies.

Not only were there more affordable products with better features, but the mushrooming of more stores offering digital lifestyle products were compounding the razor thin margins experienced in this industry. The emergence of Chinese brands penetrating the already crowded Malaysian market certainly did not make things easier.

The impact was that whilst there was a greater adoption of the digital lifestyle amongst Malaysians, there were many more players in a largely fragmented market. Innovation and brand presence were critical in competing in this environment.

TRANSFORMATION OF THE BUSINESS

For I-Berhad, given these challenges the Group took decisive and very focused steps to re-invent itself. Strategically in 2006, at an inflexion point in the Group's growth phase, a joint venture with Sumurwang was entered into to develop i-City, an ICT-based commercial town centre on a 72 acres site in Shah Alam. This venture would enable the Group to build on its network in the digital technology industry as well as introduce best of breed digital technology innovation to the property development industry.

i-City would not only provide the Group with an alternative source of income through property development and property management, but it would enable I-Berhad to extend its digital business by providing the various services and applications in the development.

We believe more and more cities around the world are adopting digital technology both to provide better community services as well as to re-vitalise their economy. It represents a growing market that the Group is well poised to capitalise and meet these needs. In this regard, we have engaged world renowned masterplanner Jon A. Jerde and for our technology partners we have engaged world class companies like Cisco and Intel.

In line with the foregoing, the Group in 2006 directed its focus and resources on the i-City project. Consequently, the Group in 2006 did not pursue the exports and dealer sales of the digital products. Rather the digital products were sold mainly through its own retail outlets and/or through direct institutional sales.

Towards the end of 2006, the Group also set up a business unit in Shanghai to market its digital products in China. This unit is intended to serve as a beachhead for the Group's entry into that country.

The reorganisation and consolidation that has occurred throughout the Group over the past year has reshaped the Group and has positioned it in a manner that we believe will best enable the Board and management to take full advantage of the many business and development opportunities that currently exist and that will be presented to the Group going forward.

DIVIDEND

The Board has recommended, pending shareholders approval, a final tax-exempt dividend of 2% in respect of the financial year ended 31 December 2006.

2006 PERFORMANCE

In 2006, the Group achieved a sales turnover of RM18 million compared to RM63 million in the previous year. Profit before tax in 2006 was RM2.8 million compared to RM7 million in 2005.

The sales turnover in 2006 was all

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contributed by the digital convergent product business. The decline in sales turnover reflects the Group's strategic move away from the digital convergent product business and the repositioning of the Group's focus on the i-City project.

OUTLOOK FOR 2007

The inaugural phase of the property to be developed in i-City is the 44 units of 3 to 5 stories landed shop offices. Piling work for these 44 units was completed in February 2007 and the construction is expected to be completed in the first quarter of 2008. These 44 units will come with MSC Malaysia cybercentre status. The Group is also expected to launch the same number of stratified shop office units in mid 2007.

In 2007, sales from i-City landed and stratified units are expected to contribute significantly to the Group's turnover and profits. By now, it should come as no surprise to shareholders that the Group is firmly on a course to change from the largely digital convergent product business of the past to a company that is primarily engaged in property development and management. This transformation will unfold over a number of years, but it is the right path for the Group and we do have the right ingredients to start this exciting journey now. Personally, I am totally committed to making this vision a reality.

NOTE OF APPRECIATION

On behalf of the Board, I would like to express our heart felt appreciation to En Johari Low bin Abdullah @ Low Han Hing who left the Board in January 2007. En Johari, as Senior Independent Director, was instrumental in ensuring that the terms of the Joint Venture Agreement for the development of i-City were to I-Berhad's best interest.

We firmly believe that I-Berhad has enormous potential and that we remain intensely committed to developing the assets of I-Berhad to their fullest value and to taking advantage of future opportunities as they arise.

We would also like to express our thanks to the management and staff in helping us seamlessly complete our strategic transformation from a digital convergent products company to one that delivers solutions to the digital community. Many thanks are also due to all our customers, shareholders and business associates for their continued support.



Datuk Lim Kim Hong
Executive Chairman

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of the Company is fully committed in adhering to the principles and best practices in corporate governance. The Board is pleased to report to the shareholders on the manner in which the Group has applied the principles, and the extent of compliance with the best practices in corporate governance as set out in Part 1 and Part 2 respectively of the Malaysian Code on Corporate Governance.

A. BOARD OF DIRECTORS

(I) ROLE AND RESPONSIBILITIES OF THE BOARD

- (a) An effective Board leads and controls the Group whereby all Directors participate fully in decisions on keys issues facing the Group. The Executive Directors are responsible for implementing the policies and decisions of the Board, overseeing the operations as well as coordinating the development and implementation of business and corporate strategies while the Independent Non-Executive Directors play a key role in providing unbiased and independent views, advice and contributing their knowledge and experience towards the formulation of policies and in the decision making process.
- (b) The Board composition is listed in the Corporate Information section and the profiles of the members of the Board are provided in the Profile of Directors section of this Annual Report. The Board's composition represents a mix of knowledge, skills and expertise from varied business backgrounds vital to the effective stewardship of the Group.
- (c) The roles of the Chairman and the Chief Executive Officer are clearly separated. The Chairman heads the Board and leads the discussion at Board level while the Chief Executive Officer is responsible for the day-to-day management of the Group. He is accountable for leading the management team, implementing the Group's policies, business plans and executive decision making.

(II) BOARD BALANCE

The Board currently has 6 members, comprising 4 Executive Directors and 2 Non-Executive Directors, thus fulfilling the one third independence requirement.

(III) BOARD COMMITTEES

The Board is assisted by several Board Committees which operate within clearly defined terms of reference namely:

- **Audit Committee**
The Audit Committee assists the Board in meeting its responsibilities regarding financial reporting and strengthens the independence of external Auditors through the ability to communicate with Non-Executive Directors. It also monitors the work of the internal audit function. The report of the Audit Committee is set out on pages 14 to 16 of this Annual Report.
- **Remuneration Committee**
The Committee recommends to the Board the remuneration packages of the Chief Executive Officer and Executive Directors in all its forms. The Board as a whole determines the remuneration packages of Non-Executive Directors.
- **Nomination Committee**
Apart from identifying and selecting candidates for new appointment, the Nomination Committee is also responsible for assessing the effectiveness of individual Directors, the Board as a whole and the various committees of the Board.

(IV) BOARD MEETINGS AND SUPPLY OF INFORMATION TO THE BOARD

The Board met a total of 5 times during the year ended 31 December 2006. The Board will hold additional meetings as and when necessary to consider business issues that require the urgent decision of the Board.

Board meetings are structured with a pre-set Agenda. For all major financial, operational and corporate matters which require the Board's decision, all Directors are provided with sufficient and timely reports and supporting documents which are circulated in advance of each meeting to ensure sufficient time is given to understand the key issues and contents. The Executive Chairman chairs the Board meetings whilst the Chief Executive Officer leads the presentation and provides explanations on the Board reports.

Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board meeting procedures are followed and that applicable rules and regulations are complied with.

Besides, external independent professional advisers are also made available to render their independent views and advice to the Board, whenever deemed necessary and in appropriate circumstances, at the Company's expenses.

For the year under review, all the Directors of the Company complied with the attendance requirement as stipulated by Bursa Malaysia Securities Berhad.

(V) APPOINTMENT OF BOARD MEMBERS

The Nomination Committee which was set-up on 13 May 2002 is entrusted with the task of reviewing and recommending the appropriate mix of expertise and experience and the appropriate balance of executive and non-executive Directors (including Independent Non-Executives).

The Committee is responsible for:-

- (a) Recommending to the Board, candidates for directorships to be filled by the shareholders or the Board;
- (b) Considering candidates for directorships proposed by the Chief Executive Officer and/or by any other senior executive or any Director or shareholder;
- (c) Recommending to the Board, Directors to seat on Board Committees;
- (d) Assessing the effectiveness of the Board and Board Committees (including size and composition) and contributions of each individual Director; and
- (e) Reviewing and recommending to the Board the required mix of skills and experience and other qualities, including core competencies which non-executive Directors should bring to the Board.

New Directors were given a thorough briefing on the Company's Business Plan and operations upon their appointment to the Board. The Directors will continue to undergo the relevant training programmes to keep abreast with developments in the business environment and with new statutory and regulatory requirements. During the year, members of the Board attended a training programme on the new financial reporting standards entitled "Directors' Briefing on Financial Reporting Standards".

There were no new appointments to the Board during the financial year.

(VI) RE-ELECTION OF DIRECTORS

In accordance with the Company's Articles of Association, Directors who are appointed by the Board are subject to re-election by the shareholders at the next Annual General Meeting held following their appointments. The Articles also provides that one-third (1/3) of the Directors shall retire from office at each Annual General Meeting provided always that all the Directors including the Chairman shall retire from office at least once every three years but shall be eligible for re-election.

B. DIRECTORS' REMUNERATION

(I) THE LEVEL AND MAKE-UP OF REMUNERATION

The primary objective of the Remuneration Committee is to act as a Committee of the full Board to assist in assessing the remuneration of the Executive Directors to reflect the responsibility and commitment of Board membership so that the Company attracts and retains the Directors needed to run the Group successfully. The component parts of their remuneration are structured so as to link rewards to corporate and individual performance in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the individual Non-Executive Director concerned.

(II) PROCEDURE

The Remuneration Committee formed on 23 July 2001 is responsible for:-

- (a) Determining and developing the remuneration policy for the Executive Directors;
- (b) Recommending to the Board, the remuneration of the Executive Directors in all its forms, drawing from outside advice where necessary;
- (c) Assisting the Board in ensuring that the remuneration of the Director reflects the responsibility and commitment of the Directors concerned; determining the policy for and scope of service agreements for the Executive Directors, termination payments and compensation commitments; and
- (d) Recommending to the Board, the appointment of the services of such advisers or consultants as it deems necessary to fulfill its responsibilities.

During the financial year, the Committee did not have any meeting as the remuneration packages of the Executive Directors remained unchanged for the year. The remuneration of the Non-Executive Directors will be decided by the Board as a whole. Directors do not participate in decisions on their own remuneration packages.

(III) DISCLOSURE

The details of the aggregate remuneration of Directors of the Company on Group basis for the financial year ended 31 December 2006 are as follows:-

Directors' Remuneration	Executive RM	Non-Executive RM	Total RM
Salaries and other emolument	881,452	-	881,452
Fees	-	65,000	65,000*

* Subject to shareholders' approval at the forthcoming 40th Annual General Meeting

The number of Directors whose remuneration falls within the following successive bands of RM50,000 is as follows:-

Directors' Remuneration	Number of Directors		Total
	Executive	Non-Executive	
Less than RM50,000	-	3	3
RM 50,001 - RM100,000	-	-	-
RM101,000 - RM150,000	1	-	1
RM151,000 - RM200,000	-	-	-
RM201,000 - RM250,000	1	-	1
RM251,000 - RM300,000	2	-	2

Details of the remuneration of each of the Directors of the Company are set out in Note 25 of the Financial Statements contained in this Annual Report.

C. SHAREHOLDERS

(I) SHAREHOLDERS AND INVESTOR RELATIONS

The Company recognises the importance of communication with its shareholders through its distribution of the Annual Report. The Company has also established its website (i-digital.com.my) in which shareholders can access for further information on the Group. In addition to the various announcements on the corporate developments made during the year, the Group's timely release of financial results on a quarterly basis provides shareholders with an overview of the Group's performance and operations.

The Board values dialogue with investors. The Company aims to communicate fully with fund managers, institutional investors and analyst upon request. The Company's Chief Executive Officer, Mr. Eu Hong Chew and the Corporate Affairs Department have been designated for investors' relations and attending to communication and meeting with investors and analysts. Information is also disseminated in strict adherence to the disclosure requirements of Bursa Malaysia Securities Berhad.

(II) THE ANNUAL GENERAL MEETING

Shareholders are encouraged to attend the Company's general meetings and to participate in its proceedings through the 'questions and answers' session where shareholders are accorded both the opportunity and the time to raise questions on the agenda items of the general meetings. The Directors and Senior Management present are available to provide explanations to all shareholders queries. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf.

Shareholders' proposals and comments are reviewed and considered for implementation wherever possible. Shareholders and the public can convey their concerns and queries to the Company's Chief Executive Officer, Mr Eu Hong Chew.

D. ACCOUNTABILITY AND AUDIT

(I) FINANCIAL REPORTING AND DISCLOSURE

The Board aims to present a balanced, clear and meaningful assessment of the Company and Group's financial performance and prospects via the Company's Annual Report and quarterly announcements of results and the press releases.

The Statement of Directors' Responsibility in relation to the preparation of the annual financial statements is set out on Page 20 of this Annual Report.

(II) INTERNAL CONTROL

Information on the Group's internal control is set out in the Statement on Internal Control contained in this Annual Report.

(III) RELATIONSHIP WITH EXTERNAL AUDITORS

The Board has established a formal and transparent relationship with the external Auditors. The external Auditors attend the Audit Committee meetings where the Group's annual financial statements are considered as well as meetings to review and discuss the Group's accounting policies, audit findings and improvements to be made on existing internal control measures and accounting policies and procedures.

This statement is made in accordance with the resolution of the Board of Directors dated 12 March 2007.

ADDITIONAL COMPLIANCE INFORMATION

1. STATUS OF UTILISATION OF PROCEEDS RAISED FROM RIGHTS ISSUE

The details of the utilisation of the rights issue proceeds are as follows:-

Utilisation As Approved	Revised Amount As Approved by the SC on 18/11/02 RM'000	Utilisation As At 1/03/07 RM'000	Balance Unutilised RM'000
Working Capital	37,431	37,430	1
Replacement, upgrading and expansion of existing manufacturing facilities	27,000	-	27,000
Investment in research and development centre	25,000	-	25,000
Advertising and promotions	20,000	6,064	13,936
Expansion and improvement in the marketing network, setting up of new sales and service outlet and showroom in Malaysia	7,000	674	6,326
Investment in Group's computerisation	2,000	307	1,693
Fund raising expenses	725	725	-
Total	<u>119,156</u>	<u>45,200</u>	<u>73,956</u>

2. SHARE BUYBACKS

During the financial year ended 31 December 2006, the Company bought back a total of 1,687,900 of its own shares for a total consideration of RM1,898,441.41 in the open market. Details of the shares bought back are as follows:

Monthly Breakdown 2006	No. of I-Berhad Shares Bought Back	Highest Purchase Price Per Share (RM)	Lowest Purchase Price Per Share (RM)	Average Purchase Price Per Share (RM)	Total Consideration (RM)
January	43,000	1.10	1.10	1.11	47,658.83
February	107,800	1.10	1.10	1.11	119,430.10
March	187,500	1.12	1.12	1.13	211,252.48
April	158,200	1.12	1.12	1.13	178,347.90
May	67,000	1.12	1.12	1.13	75,609.83
June	272,900	1.12	1.11	1.12	307,166.18
July	528,400	1.13	1.09	1.13	595,572.51
August	249,300	1.16	1.12	1.14	283,782.17
September	52,000	1.10	1.03	1.09	56,537.55
October	21,800	1.05	1.05	1.06	23,083.86
November	-	-	-	-	-
December	-	-	-	-	-

All the above shares bought back were held as treasury shares and none of the shares bought back were resold or cancelled during the financial year.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

On 2 May 2002, the Company issued RM40.392 million nominal value of Irredeemable Convertible Unsecured Loan Stocks 2002/2007 ("ICULS"). A total of RM66,000 nominal value of ICULS were exercised during the financial year ended 31 December 2006. The Company's Executive Share Option Scheme ("ESOS") expired on 18 February 2006 and as such, the ESOS options had therefore lapsed.

The Company did not issue any options, warrants or convertible securities during the financial year ended 31 December 2006.

4. AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR")

The Company has not sponsored any ADR or GDR programme in the financial year ended 31 December 2006.

5. SANCTIONS AND/OR PENALTIES

The Company and its subsidiaries, Directors and management have not been imposed any sanctions and/or penalties by the relevant regulatory bodies.

6. NON-AUDIT FEES PAID/PAYABLE

The amount of non-audit fees paid/payable to the external auditors, Messrs BDO Binder in respect of the financial year ended 31 December 2006 amounted to RM3,000.

7. VARIATION IN RESULTS

There is no significant variance between the audited results for the financial year ended 31 December 2006 and the unaudited results announced on 27 February 2007.

8. PROFIT GUARANTEES

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

9. MATERIAL CONTRACTS

Save for the Joint-Venture Agreement entered into between the substantial shareholder, Sumurwang Sdn Bhd and the Company on 28 February 2006 in relation to the development of Phase 1 of the i-City project in Shah Alam, the Company and its subsidiaries do not have any material contracts involving Directors and substantial shareholders either still subsisting at the end of the financial year ended 31 December 2006 or entered into since the end of the previous financial year.

10. REVALUATION POLICY

Save as disclosed in Note 4 (Significant Accounting Policies) of the Notes to the Financial Statements, the Company does not have a revaluation policy on landed properties.

AUDIT COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

During the financial year, members of the Audit Committee of the Board consist of:-

- Chairman** : Encik Johari Low bin Abdullah @ Low Han Hing
(Independent Non-Executive Director)
- Members** : Tuan Haji Mat Hassan bin Esa
(Independent Non-Executive Director)
Y. Bhg. Datin Tey Siew Thuan
(Executive Director)

COMPOSITION TERMS OF REFERENCE

- (a) The Committee shall be appointed by the Board of Directors from amongst the Directors of the Company and shall comprise not less than three members, of whom a majority shall be Independent Directors.
- (b) At least one of the 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 1 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
 - fulfills such other requirements as prescribed by Bursa Malaysia Securities Berhad.
- (c) No alternate Director shall be appointed as a member of the Committee.
- (d) The members of the Committee shall elect a Chairman from among their number who shall be an Independent Director.
- (e) The Board of Directors must review the term of office and performance of the Committee and each of its members at least once every three years.
- (f) If a member of the Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced to below three, 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.

COMPOSITION COMPLIANCE

No alternate Director has been appointed as a member of the Audit Committee. En. Johari Low bin Abdullah @ Low Han Hing who is a member of MIA and an Independent Non-Executive Director chairs the Audit Committee meetings during the financial year.

AUTHORITY

The Committee shall, wherever necessary and reasonable for its performance and in accordance with a procedure to be determined by the Board of Directors and at the Company's cost:-

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

DUTIES AND RESPONSIBILITIES

1. To review the following and report the same to the Board of Directors of the Company:-
 - (a) with the external Auditor, the audit plan;
 - (b) with the external Auditor, his evaluation of the system of internal controls;
 - (c) with the external Auditor, his audit report;
 - (d) the assistance given by the employees of the Company to the external Auditor;
 - (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;
 - (f) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - (g) any appraisal or assessment of the performance of members of the internal audit function;
 - (h) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
 - (i) changes in accounting policies and practices;
 - (ii) significant adjustments arising from the audit;
 - (iii) significant and unusual events;
 - (iv) the going concern assumption; and
 - (v) compliance with accounting standards and other legal requirements;
 - (i) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
2. To discuss problems and reservations arising from the interim and final audits, and any matter the Auditor may wish to discuss (in the absence of management where necessary);
3. To consider the major findings of internal investigations and management's response;
4. To recommend and consider the nomination and appointment of a person or persons as external Auditors, the audit fees and any question of resignation or dismissal; and
5. To consider any other functions or duties as maybe agreed to by the Committee and the Board.

MEETING PROCEDURES

A quorum shall be two members, both being Independent Directors. The Finance Director, the Head of Internal Audit and a representative of the external auditors (if required) shall normally attend meetings. The senior management team may attend meetings upon the invitation of the Audit Committee to provide the Committee with detailed explanations and clarification on matters that have been tabled. The Company Secretary shall be the Secretary of the Committee.

Meetings shall be held not less than four times in a financial year. Additional meetings may be called at the discretion of the Chairman of the Committee. The external Auditors may request a meeting if they consider that one is necessary. The minutes of the Audit Committee meetings and the Risk Management Reports are formally tabled to the Board for noting and also to provide the opportunity to other non-audit Committee members to seek clarification, raise queries or provide their views on the matters discussed by the said Committee, where necessary. The Chairman of the Audit Committee would report to the Directors at Board meetings, the Committee's recommendations and actions taken on salient issues which have been raised at the Audit Committee Meetings.

ATTENDANCE AT MEETINGS

During the financial year ended 31 December 2006, the Audit Committee held a total of four (4) meetings and details of attendance of each member at the said Committee meetings are as follows:-

Audit Committee Member	Number of Meetings Attended
Encik Johari Low bin Abdullah @ Low Han Hing (resigned on 8 January 2007)	4/4
Tuan Haji Mat Hassan bin Esa	4/4
Y. Bhg. Datin Tey Siew Thuan	3/4

... cont'd

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE YEAR

- Reviewed and approved the Internal Audit Plan for the year 2006.
- Reviewed with the external Auditors, the Audit Memorandum and Management Letter for the year ended 31 December 2005.
- Reviewed, approved and recommended for Board approval the Quarterly Reports prepared by the management for submission to the authorities.
- Discussed and reviewed the Risk Management Reports of the Group periodically and recommended improvements to internal controls, procedures and risk management.
- Reviewed the Company's Statement on Internal Control and the external Auditors' report on the said Statement.
- Reviewed the Internal Audit Reports on the Retail and Property Divisions.
- Discussed the appointment of IA Essential Sdn Bhd (formerly known as IA Capital Sdn Bhd) as Internal Auditors of the Company.

INTERNAL AUDIT FUNCTION

The role of the internal audit function is to assist the Audit Committee and the Board of Directors in monitoring and managing risks and internal controls of the Group. A systematic and disciplined approach is used to evaluate and improve the effectiveness of risk management, operational and internal controls, and compliance with laws and regulations.

The internal audit function adopts a risk based approach to monitor and implement an effective internal control system for the Group. The monitoring process forms the basis for continuous improvement to the risk management process of the Group in meeting its overall objectives.

Currently, the Group outsourced its internal audit function.

STATEMENT ON INTERNAL CONTROL

RESPONSIBILITY

The Board has overall responsibility for the Group's system of internal control and for reviewing its adequacy and integrity whilst the role of management is to implement the Board's policies on risk and control.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives. In pursuing these objectives, internal control can only provide reasonable safeguards against material misstatement or loss.

RISK MANAGEMENT FRAMEWORK

The Board recognises that an important element for a sound system of internal control is to have in place a risk management framework in order to identify principal risks and implement appropriate controls to manage such risk. The present process of identifying and addressing risks is handled at the senior management level. As the property operations expand, a more broad based approach by which key business processes are identified, assessed, controlled and reviewed with the involvement of the Audit Committee and the Board will be adopted.

KEY PROCESSES

The key processes that the Directors have established in reviewing the adequacy and integrity of the system of internal control are as follows:

- There is a system of financial reporting to the Board based on quarterly results;
- The Group's outsourced internal audit function assists the Audit Committee in discharging its duties in respect of the internal controls within the Group;
- The Audit Committee, on behalf of the Board, regularly reviews and holds discussions with management on the action taken on internal control issues identified in reports prepared by the Internal Auditor, the external Auditors and the management;
- The Group's management with the assistance of centralised human resource functions sets the policies for recruitment, training and appraisal of the employees within the Group;
- Key responsibilities are properly segregated in order that no employee has total control of a transaction;
- The Group's management sets clearly defined authorisation procedures and exercise strict control on compliances therewith by all levels of employees;
- Operating procedures are regularly reviewed;
- Close involvement in daily operations of the Group by the Chief Executive Officer and the Executive Directors.

There were no significant internal control weaknesses identified during the year under review. None of the said weaknesses had resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report.

This Statement is made in accordance with the resolution of the Board of Directors dated 12 March 2007.

I-CITY...MSC JOURNEY

SELANGOR STATE GOVERNMENT APPROVES THE PROPOSED I-CITY PLAN TO BE A MSC CYBERCENTRE

- i-City MSC Application submitted for Dec 06 MDeC's MSC Implementation Council Meeting
- Prime Minister on Dec 8, 06 announced 'Klang Valley to turn MSC'



IN TANDEM, I-BERHAD FORMS STRATEGIC PARTNERSHIP WITH

- Intel to deliver the digital city vision, an event represented by Mr Philip Cronin, Director of SEA, Australia and New Zealand, Intel Corp
- UniSel on the incubator programme, witnessed by YB Dato' Mustapa bin Mohamed, Minister for Higher Education
- Telekom Malaysia (TM) on Metro-E (high speed broadband), witnessed by YB Dato' Seri Dr Lim Keng Yaik, Minister of Water, Energy and Communications
- Cisco to develop a world class network infrastructure, witnessed by YAB Dato' Seri Dr Mohamad Khir bin Toyo, Menteri Besar of Selangor





Phase 1 covers 20 acres on the eastern side comprising shop offices, corporate offices, retail suites and Citywalk

DEVELOPING THE MSC CYBERCENTRE PARCELS

- Building plans for 44 units landed shop offices targeted to SMEs was approved in Jan 07.
- Development Order for strata suites and corporate offices targeted to mid-sized MNCs was approved in March 07
- i-City is a RM1.5 billion commercial development, on a 72-acre freehold site in Section 7, Shah Alam. It is designed as a digital city with MSC Cybercentre status



Retail Suites with strata titles and CityWalk forms the retail component in Phase 1.

COMING MILESTONES

- Submission of Development Order for Retail Mall in April 07
- Completion of 44 units landed shops in early 08



Shop offices with landed titles and corporate offices are MSC-designated zones.

The 1st MSC Cybercentre in Selangor

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of their results and cash flows for the financial year then ended.

In preparing the financial statements, the Directors have:

- complied with the applicable approved accounting standards
- adopted and consistently applied appropriate accounting policies
- made judgments and estimates that are prudent and reasonable

The Directors have the responsibility for ensuring that the Group and the Company maintain accounting records which disclose with reasonable accuracy the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965 and the Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors have general responsibility for taking such steps that are reasonably available to them to safeguard the assets of the Group and the Company, and to prevent and detect fraud and other irregularities.

financial statements

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DIRECTORS' REPORT

The directors have pleasure in submitting 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 Company is principally engaged in the trading of household electrical appliances and investment holdings. The principal activities of the subsidiary companies are described in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year other than those disclosed in Note 6 to the financial statements.

RESULTS

	Group RM	Company RM
Net profit for the financial year	<u>2,546,403</u>	<u>2,255,508</u>

DIVIDENDS

Dividends paid since the end of the previous financial year were as follows:

	RM
In respect of the financial year ended 31 December 2005: A final dividend of 3 sen per share, tax exempt, was paid on 23 August 2006	<u>2,253,849</u>

At the forthcoming Annual General Meeting, a final dividend in respect of year ended 31 December 2006, of 2 sen per share, tax exempt on 74,852,100 ordinary shares, amounting to a total dividend of RM1,497,042 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2007.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid-up share capital from RM80,784,000 to RM80,850,000 by way of conversion of RM66,000 Irredeemable Convertible Unsecured Loan Stocks into 66,000 new ordinary shares of RM1 each.

The new shares rank pari-passu in all respect with the then existing ordinary shares of the Company.

The Company has not issued any debentures during the financial year.

EXECUTIVE SHARE OPTION SCHEME

The I-Berhad Executive Share Option Scheme ("ESOS") was approved by the shareholders of the Company at the Extraordinary General Meeting held on 13 November 2000 and became effective on 19 February 2001.

The main features of the ESOS are as follows:

- (a) The total number of share options to be offered under the ESOS shall not exceed in aggregate 10% of the issued share capital of the Company at any point of time during the duration of the ESOS, which shall be in force for a period of five (5) years from 19 February 2001.

... cont'd

- (b) Eligibility to participate are the executives who fulfill the following conditions:
- An executive must be at least 18 years of age;
 - An executive must fall under one of the categories of employees listed in the Bye-Laws;
 - An executive must have been employed for a continuous period of at least 1 year in the Group and his employment must have been confirmed;
 - In the case of a subsidiary of the Company, the minimum of one year's continuous service shall be computed from the date of the commencement of service or the date such company became a subsidiary of the Company, whichever is the later;
 - In the case of an executive whose contract of service is for a specified term, then in addition to the above, the specified term of service shall be for a period of at least 3 years.
- (c) The number of share options to be offered to an Eligible Executive under the ESOS shall be determined at the absolute discretion of the ESOS Committee but shall in no event exceed the maximum allowable allotment.

Staff Grade	Maximum Allowable Allotment: Maximum number of share options
D1	500,000
D2, M1	300,000
M2	200,000
M3	120,000
M4	75,000

- (d) Exercise of Options shall not exceed the number represented by the percentage of the maximum allowable allotment applicable to such executive specified under each year in the table below:

	Year 1	Year 2	Year 3	Year 4	Year 5
Cumulative percentage of maximum allowable allotment	20%	40%	60%	80%	100%

A foreign executive employee may exercise a maximum of 20% in each year of the Option period but all outstanding Options may be exercised on the last day of his employment contract (if any) or the Option period, whichever is the earlier.

- (e) The price at which the Option holders shall be entitled to subscribe for each new share shall be the average of the weighted average market price of the shares of the Company, as shown in the Daily Official List issued by Bursa Malaysia Securities Berhad for the five (5) market days preceding the Date of Offer or the par value of the shares, whichever is the higher provided that the ESOS Committee shall be entitled at its absolute discretion to fix the price at a discount of not more than 10% of such average.
- (f) The shares to be allotted upon an exercise of the option shall upon allotment and issue thereof ranked pari passu in all respects with the then existing issued and paid up ordinary shares in the Company except that the new ordinary shares issued shall not be entitled to any dividends, rights, bonus issues and any other distributions declared, made or paid to shareholders of the Company before the date of exercise of the Options.

As at 31 December 2006, the number of share options vested is Nil (2005: 2,345,585) and the details are as follows:

Grant date	Expiry date	Exercise price RM/share	----- Number of options over ordinary shares of RM1.00 each -----			
			1.1.2006	Granted	Lapsed [#]	31.12.2006
12.3.2002	18.2.2006	2.02 [^]	605,585 [^]	-	(605,585)	-
31.3.2003	18.2.2006	1.00	580,000	-	(580,000)	-
28.6.2003	18.2.2006	1.08	580,000	-	(580,000)	-
5.7.2004	18.2.2006	1.00	580,000	-	(580,000)	-
			2,345,585	-	(2,345,585)	-

No share options was exercised during the financial year.

[^] Adjustment for rights issue of shares

[#] The ESOS had expired on 18 February 2006 and accordingly, all options offered had lapsed and all rights and entitlements granted thereon had become null and void.

DIRECTORS' REPORT

REPURCHASE OF SHARES

The Company hold a total of 5,997,900 shares (2005: 4,143,800 shares) in the Company as treasury shares at a total cost of RM5,717,918 (2005: RM3,635,456) as at 31 December 2006.

At the Annual General Meeting held on 24 May 2006, the shareholders of the Company by an ordinary resolution renewed the authority given to the directors to repurchase the Company's own shares based on the following terms:

- (i) The number of shares to be purchased and/or held shall not exceed 10% of its existing issued and paid up share capital of the Company;
- (ii) The amount to be utilised for the repurchase of shares by the Company shall not exceed the total retained profits and share premium of the Company; and
- (iii) The directors may retain the shares so purchased as treasury shares and may resell such treasury shares in a manner they deem fit in accordance with the Companies Act, 1965, and the applicable guidelines of Bursa Malaysia Securities Berhad.

The details of shares purchased in the open market by the Company during the financial year and retained as treasury shares are as follows:

	Number of Shares Purchased	Average Purchase Price RM	Total Consideration RM
Balance brought forward	4,143,800		3,635,456
January 2006	197,200	1.10	218,380
February 2006	78,800	1.10	87,293
March 2006	189,500	1.11	212,794
April 2006	177,200	1.12	199,676
May 2006	79,000	1.12	89,150
June 2006	271,900	1.12	306,032
July 2006	474,400	1.13	534,419
August 2006	304,600	1.14	346,361
September 2006	52,700	1.10	57,867
October 2006	26,800	1.05	28,373
November 2006	2,000	1.05	2,117
December 2006	-	-	-
	5,997,900		5,717,918

DIRECTORS

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

Y. Bhg. Datuk Lim Kim Hong
 Eu Hong Chew
 Y. Bhg. Datin Tey Siew Thuan
 Ong Poh Ling
 Y. Bhg. Datuk Pengiran Mohd Hussein
 Bin Datuk Pengiran Haji Mohd Tahir
 Mat Hassan Bin Esa
 Johari Low bin Abdullah @ Low Han Hing (Resigned on 8 January 2007)

In accordance with Article 109 of the Company's Articles of Association, Y. Bhg. Datuk Pengiran Mohd Hussein Bin Datuk Pengiran Haji Mohd Tahir retires from the Board by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Article 109 of the Company's Articles of Association, Mat Hassan Bin Esa retires from the Board at the forthcoming Annual General Meeting and does not offers himself for re-election.

DIRECTORS' INTERESTS

The directors holding office at the end of the financial year and their beneficial interests in the ordinary shares, share options and loan stocks in the Company and its related corporations during the financial year ended 31 December 2006 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 were as follows:

	----- Number of Ordinary Shares of RM1.00 each -----			
	Balance as at 1.1.2006	Bought	Sold	Balance as at 31.12.2006
Shares in the Company				
<u>Direct interests</u>				
Y. Bhg. Datuk Lim Kim Hong	271,000	-	-	271,000
Y. Bhg. Datin Tey Siew Thuan	194,000	-	-	194,000
Ong Poh Ling	9,000	-	-	9,000
<u>Indirect interests *</u>				
Y. Bhg. Datuk Lim Kim Hong	38,582,828	30,900	-	38,613,728

	-----Number of 5% Irredeemable Convertible Unsecured Loan Stocks 2002/2007----- ("Loan Stocks") of RM1.00 Nominal Value Each			
	Balance as at 1.1.2006	Bought	Sold	Balance as at 31.12.2006
Loan Stocks in the Company				
<u>Direct interests</u>				
Y. Bhg. Datuk Lim Kim Hong	156,000	-	-	156,000
Y. Bhg. Datin Tey Siew Thuan	116,000	-	-	116,000
Ong Poh Ling	5,333	-	-	5,333
<u>Indirect interests*</u>				
Y. Bhg. Datuk Lim Kim Hong	20,711,318	821,900	-	21,533,218

* By virtue of his interest in Sumur Ventures Sdn. Bhd., a company incorporated in Malaysia, Y. Bhg. Datuk Lim Kim Hong is deemed interested in shares and loan stocks in the Company and all its subsidiary companies to the extent Sumur Ventures Sdn. Bhd. has an interest.

The interest of the Directors holding office at the end of the financial year in the share options of the Company are as follows:

	----- Number of Shares Options of RM1.00 each -----			
	Balance as at 1.1.2006	Granted	Lapsed [#]	Balance as at 31.12.2006
Shares options in the Company				
Y. Bhg. Datuk Lim Kim Hong	404,411	-	(404,411)	-
Eu Hong Chew	404,411	-	(404,411)	-
Y. Bhg. Datin Tey Siew Thuan	404,411	-	(404,411)	-
Ong Poh Ling	404,411	-	(404,411)	-

The share options had lapsed upon the expiry of the ESOS of the Company on 18 February 2006.

None of the other directors in office at the end of the financial year held any interest in shares, share options and loan stocks in the Company and its related corporations.

DIRECTORS' REPORT

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors have received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 25 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the directors is a member, or with a company in which he has a substantial financial interest other than remuneration received by certain directors of the Company as directors of the related companies.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

OTHER STATUTORY INFORMATION:

(I) AS AT THE END OF THE FINANCIAL YEAR

- (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 have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

- (c) The directors are not aware of any circumstances:
 - (i) which would render the amount of bad debts written off or the amount of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent; or
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) In the opinion of the directors:
 - (i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and
 - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements of the Group or of the Company misleading.

SIGNIFICANT EVENT

1. On 28 February 2006, the Company entered into a Joint Venture Agreement ("JV") with Sumurwang to develop Phase 1 of the I-City Project, that involves the development of Sumurwang's 72-acre freehold site along Federal Highway Route II - fronting Sungai Rasau toll plaza in Shah Alam city, Selangor into an Information Communication Technology based urban center comprising corporate, commercial and retail elements, hotel and serviced apartment, a convention centre, intelligent school and innovation centre ("the I-City Project"). The Company has also been given the first option to develop subsequent phases of the I-City Project. The salient terms of the JV are as follows:
 - (i) Sumurwang will only be paid for the value of the land ("VL"), which will be made from the proceeds from the sales of the commercial units and/or the rental income from the leasing of investment properties. All or any profits from the development of the I-City Project will accrue to the Company.
 - (ii) The Company shall compensate Sumurwang for the deferred payment of the VL in the form of interest based on the BLR of Malayan Banking Berhad and payable only in the event the Return on Investment exceeds 8% on a compounded basis on the date of issuance of the Temporary Certificate of Fitness for Occupation.
 - (iii) The Company and Sumurwang have unequivocally agreed that the VL for Phase 1 development shall be fixed at RM60.00 per square foot. This value is arrived at on a negotiated basis based on a valuation report dated 18 October 2006 by an independent valuer, Messrs Jones Lang Wootton and represents a discount of approximately 25% to the value of a plot of land, which forms part of Lot 4598 as the land for Phase 1, can only be determined upon finalisation of the architectural design.

In addition, the Company proposed a revision in utilisation of proceeds from the rights issue of 60,588,000 new ordinary shares of RM1.00 each at an issue price of RM1.30 per ordinary share on the basis of three (3) new ordinary shares for every one (1) existing share held and RM40,392,000 nominal value of irredeemable convertible unsecured loan stocks ("ICULS") at 100% of its nominal value of ICULS of RM1.00 per ICULS on the basis of RM2.00 nominal value of ICULS for every one (1) existing ordinary share held which was completed on 10 May 2002, to finance the development of Phase I of the I-City Project. The proposal was not approved by the Securities Commission on 17 October 2006. However, the Board of Directors of the Company is of the opinion that there is no adverse impact on the progress of the development of I-City Project as the Company has sufficient internally generated funds.

2. On 29 August 2006, the Company acquired 100% equity interest in I-Digital (Shanghai) Trading Co., Ltd for a cash consideration of RM909,108.

DIRECTORS' REPORT

AUDITORS

The auditors, BDO Binder, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors.



Eu Hong Chew
Director



Datin Tey Siew Thuan
Director

Kuala Lumpur
8 March 2007

STATEMENT BY DIRECTORS

In the opinion of the directors, the financial statements set out on pages 31 to 68 have been drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia so as to give a true and fair view of:

- (i) the state of affairs of the Group and of the Company as at 31 December 2006 and of their results for the financial year then ended; and
- (ii) the cash flows of the Group and of the Company for the financial year ended 31 December 2006.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors.



Eu Hong Chew
Director



Datin Tey Siew Thuan
Director

Kuala Lumpur
8 March 2007

STATUTORY DECLARATION

I, Phan Yew Keon, being the Officer primarily responsible for the financial management of I-Berhad, do solemnly and sincerely declare that the financial statements set out on pages 31 to 68, are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly
declared by the abovenamed at
Kuala Lumpur this
8 March 2007

)
)
)
)



Phan Yew Keon

Before me:



Mohd Radzi Bin Yasin (No. W327)
Commissioner for Oaths
Kuala Lumpur

AUDITORS' REPORT

REPORT OF THE AUDITORS TO THE MEMBERS OF I-BERHAD

We have audited the financial statements set out on pages 31 to 68.

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 towards any other person for the content of this report.

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

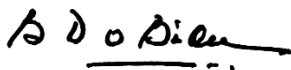
In our opinion:

- (a) the financial statements have been properly drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of:
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
 - (ii) the state of affairs of the Group and of the Company as at 31 December 2006 and of their results and cash flows for the financial year then ended;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We have considered the financial statements and the auditors' report of a subsidiary company of which we have not acted as auditor, as indicated in Note 6 to the financial statements, being financial statements that have been included in the consolidated financial statements.



BDO Binder
AF : 0206
Chartered Accountants



Datuk Tan Kim Leong, JP
235/06/07 (J/PH)
Partner

Kuala Lumpur
8 March 2007

BALANCE SHEETS

BALANCE SHEETS AS AT 31 DECEMBER 2006

	NOTE	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
ASSETS EMPLOYED					
PROPERTY, PLANT AND EQUIPMENT	5	10,417,064	13,636,526	5,424,895	5,639,572
INVESTMENTS IN SUBSIDIARY COMPANIES	6	-	-	1,896,380	1,896,380
DEVELOPMENT PROPERTIES	7	7,439,199	1,442,638	-	-
		17,856,263	15,079,164	7,321,275	7,535,952
CURRENT ASSETS					
Inventories	8	3,150,541	7,646,016	-	374,339
Marketable securities	9	225,420	247,860	225,420	27,540
Investment	10	5,795,740	240,000	5,795,740	240,000
Trade receivables	11	926,153	5,134,221	-	-
Other receivables, deposits and prepayments	12	1,382,502	1,905,750	608,725	1,123,000
Tax recoverable		100,729	196,056	-	-
Amounts owing by subsidiary companies	13	-	-	62,037,870	88,906,097
Fixed deposits	14	110,261,548	115,600,544	98,681,158	83,411,990
Cash and bank balances		1,404,966	691,765	54,205	42,526
		123,247,599	131,662,212	167,403,118	174,125,492
CURRENT LIABILITIES					
Trade payables	15	81,109	570,583	-	-
Other payables, deposits and accruals	16	1,975,337	3,035,648	797,257	612,227
Provision for warranty	17	148,647	468,612	-	-
Amounts owing to subsidiary companies	13	-	-	15,082,226	18,144,242
Tax liabilities		454,000	408,691	434,035	408,691
		2,659,093	4,483,534	16,313,518	19,165,160
NET CURRENT ASSETS					
		120,588,506	127,178,678	151,089,600	154,960,332
		138,444,769	142,257,842	158,410,875	162,496,284
FINANCED BY					
SHARE CAPITAL	18	80,850,000	80,784,000	80,850,000	80,784,000
RESERVES	19	22,340,720	24,041,225	42,306,826	44,279,667
TREASURY SHARES, AT COST		(5,717,918)	(3,635,456)	(5,717,918)	(3,635,456)
IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS	20	40,326,000	40,392,000	40,326,000	40,392,000
SHAREHOLDERS' EQUITY		137,798,802	141,581,769	157,764,908	161,820,211
DEFERRED LIABILITY					
Deferred tax liabilities	21	645,967	676,073	645,967	676,073
		138,444,769	142,257,842	158,410,875	162,496,284

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

INCOME STATEMENTS

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

	NOTE	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
Revenue	22	18,140,144	63,502,185	402,348	850,032
Other operating income	23	5,894,576	7,154,999	3,372,983	5,167,206
Changes in inventories of finished goods and work-in-progress		(4,514,084)	(1,493,948)	(308,216)	(672,674)
Raw materials and consumables used		(69,432)	(65,737)	(66,123)	(65,737)
Finished goods purchased		(8,350,238)	(48,720,422)	-	(56,064)
Transportation cost		(5,464)	(422,036)	-	(2,095)
Assembly labour cost		18,797	(195,800)	-	-
Staff costs	24	(3,271,712)	(6,100,062)	-	-
Depreciation of property, plant and equipment	5	(797,630)	(731,641)	(214,677)	(215,694)
Other operating expenses	26	(4,214,143)	(5,887,803)	(706,415)	(564,158)
Profit before tax		2,830,784	7,039,735	2,479,900	4,440,816
Tax expense	27	(284,381)	(249,640)	(224,392)	(231,740)
Net profit for the financial year		2,546,403	6,790,095	2,255,508	4,209,076
Basic earnings per ordinary share (sen)	28	0.70	6.08		
Gross dividend per share (sen)	29	2.00	3.00		

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

STATEMENTS OF CHANGES IN EQUITY

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

Group	Share capital RM	Treasury shares RM	ICULS RM	<----- Non - Distributable ----->			<-Distributable->		Total RM
				Share premium RM	Revaluation reserve RM	Foreign Currency translation reserve RM	(Accumulated losses) RM		
Balance as at 31 December 2004	80,784,000	(493,366)	40,392,000	38,622,537	1,935,736	-	(20,728,636)	140,512,271	
Repurchase of shares	-	(3,142,090)	-	-	-	-	-	(3,142,090)	
Dividend	-	-	-	-	-	-	(558,907)	(558,907)	
Interest on ICULS	-	-	-	-	-	-	(2,019,600)	(2,019,600)	
Realisation of revaluation reserve	-	-	-	-	(197,261)	-	197,261	-	
Net losses not recognised in the income statements	-	-	-	-	(197,261)	-	(1,822,339)	(2,019,600)	
Net profit for the financial year	-	-	-	-	-	-	6,790,095	6,790,095	
Balance as at 31 December 2005	80,784,000	(3,635,456)	40,392,000	38,622,537	1,738,475	-	(16,319,787)	141,581,769	
Conversion of ICULS into share capital	66,000	-	(66,000)	-	-	-	-	-	
Share premium on conversion of ICULS into share capital	-	-	-	42,900	-	-	-	42,900	
Repurchase of shares	-	(2,082,462)	-	-	-	-	-	(2,082,462)	
Dividend (Note 29)	-	-	-	-	-	-	(2,253,849)	(2,253,849)	
Interest on ICULS	-	-	-	-	-	-	(2,017,400)	(2,017,400)	
Realisation of revaluation reserve	-	-	-	-	(75,816)	-	75,816	-	
Net losses not recognised in the income statements	-	-	-	-	(75,816)	-	(1,941,584)	(2,017,400)	
Foreign currency translation	-	-	-	-	-	(18,559)	-	(18,559)	
Net profit for the financial year	-	-	-	-	-	-	2,546,403	2,546,403	
Balance as at 31 December 2006	80,850,000	(5,717,918)	40,326,000	38,665,437	1,662,659	(18,559)	(17,968,817)	137,798,802	

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

STATEMENTS OF CHANGES IN EQUITY

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (continued)

Company	Share capital RM	Treasury shares RM	ICULS RM	<-Non - Distributable->		<-Distributable->	Total RM
				Share premium RM	Revaluation reserve RM	Retained profits RM	
Balance as at 31 December 2004	80,784,000	(493,366)	40,392,000	38,622,537	1,935,736	2,090,825	163,331,732
Repurchase of shares	-	(3,142,090)	-	-	-	-	(3,142,090)
Dividend	-	-	-	-	-	(558,907)	(558,907)
Interest on ICULS	-	-	-	-	-	(2,019,600)	(2,019,600)
Realisation of revaluation reserve	-	-	-	-	(197,261)	197,261	-
Net losses not recognised in the income statements	-	-	-	-	(197,261)	(1,822,339)	(2,019,600)
Net profit for the financial year	-	-	-	-	-	4,209,076	4,209,076
Balance as at 31 December 2005	80,784,000	(3,635,456)	40,392,000	38,622,537	1,738,475	3,918,655	161,820,211
Conversion of ICULS into share capital	66,000	-	(66,000)	-	-	-	-
Share premium on conversion of ICULS into share capital	-	-	-	42,900	-	-	42,900
Repurchase of shares	-	(2,082,462)	-	-	-	-	(2,082,462)
Dividend (Note 29)	-	-	-	-	-	(2,253,849)	(2,253,849)
Interest on ICULS	-	-	-	-	-	(2,017,400)	(2,017,400)
Realisation of revaluation reserve	-	-	-	-	(75,816)	75,816	-
Net losses not recognised in the income statements	-	-	-	-	(75,816)	(1,941,584)	(2,017,400)
Net profit for the financial year	-	-	-	-	-	2,255,508	2,255,508
Balance as at 31 December 2006	80,850,000	(5,717,918)	40,326,000	38,665,437	1,662,659	1,978,730	157,764,908

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

CASH FLOW STATEMENTS

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	2,830,784	7,039,735	2,479,900	4,440,816
Adjustments for:				
Allowance for diminution in value of marketable securities	-	247,860	-	27,540
Allowance for doubtful debts	38,136	-	-	-
Allowance for doubtful debts no longer required	(9,768)	(194,261)	-	-
Bad debts written off	2,117	3,235	-	-
Depreciation of property, plant and equipment	797,630	731,641	214,677	215,694
Dividend income	(27,647)	(45,900)	(3,167)	(5,100)
Loss on disposal of marketable securities	22,440	-	-	-
Gain on disposal of investment	(8,728)	-	(8,728)	-
Gain on disposal of property, plant and equipment	(1,204,250)	(1,323,473)	(12,550)	(1,003,473)
Interest income	(3,950,856)	(3,897,709)	(3,272,377)	(2,885,227)
Inventories written down	44,000	66,316	-	-
Inventories written off	-	63,359	-	-
Property, plant and equipment written off	-	865	-	-
Provision for warranty	138,661	180,513	-	-
Reversal of inventories written down	(107,807)	-	-	-
	(1,435,288)	2,872,181	(602,245)	790,250
Increase in development properties	(5,996,561)	(1,442,638)	-	-
Decrease in inventories	4,559,282	1,447,542	374,339	738,411
Decrease in receivables	5,273,181	4,688,899	1,086,625	367,919
(Decrease) / Increase in payables	(1,538,185)	(2,099,804)	185,030	(457,949)
Net changes in inter-companies balances	-	-	23,806,211	802,399
Cash generated from operations	862,429	5,466,180	24,849,960	2,241,030
Tax refunded	135,831	-	-	-
Taxes paid	(301,939)	(155,093)	(228,269)	(91,716)
Warranty paid	(458,626)	(389,939)	-	-
Net cash from operating activities	237,695	4,921,148	24,621,691	2,149,314

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

CASH FLOW STATEMENTS

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (continued)

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividend received	19,904	33,049	2,282	3,672
Interest received	3,378,506	2,876,270	2,700,027	2,116,231
Purchase of property, plant and equipment	(314,980)	(120,315)	-	-
Proceeds from disposal of property, plant and equipment	3,929,462	1,606,694	12,550	1,286,694
Purchase of marketable securities	(197,880)	-	(197,880)	-
Proceeds from disposal of investments	1,401,388	-	1,401,388	-
Proceeds from disposal of marketable securities	197,880	-	-	-
Purchase of investments	(6,948,400)	(240,000)	(6,948,400)	(240,000)
Net cash from / (used in) investing activities	1,465,880	4,155,698	(3,030,033)	3,166,597
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	(2,253,849)	(558,907)	(2,253,849)	(558,907)
Interest on ICULS	(2,017,400)	(2,019,600)	(2,017,400)	(2,019,600)
Repayment from subsidiary companies	-	-	-	14,608,239
Purchase of Company's own shares	(2,082,462)	(3,142,090)	(2,082,462)	(3,142,090)
Conversion of ICULS into share capital	42,900	-	42,900	-
Net cash (used in) / from financing activities	(6,310,811)	(5,720,597)	(6,310,811)	8,887,642
Effect of foreign exchange rate changes	(18,559)	-	-	-
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(4,625,795)	3,356,249	15,280,847	14,203,553
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	116,292,309	112,936,060	83,454,516	69,250,963
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (NOTE 30)	111,666,514	116,292,309	98,735,363	83,454,516

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

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

1. GENERAL INFORMATION

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

The registered office of the Company is located at No. 8, Jalan Changkat Kia Peng, 50450 Kuala Lumpur.

The principal place of business of the Company is located at No. 54, Lebuhr Keluli, Kawasan Perindustrian Bukit Raja, 41050 Shah Alam, Selangor Darul Ehsan.

The financial statements are presented in Ringgit Malaysia.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the trading of household electrical appliances and investment holdings. The principal activities of the subsidiary companies are described in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year other than those disclosed in Note 6 to the financial statements.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention (as modified by the revaluation of certain long term leasehold land and buildings) unless otherwise indicated in the significant accounting policies.

The preparation of financial statements in conformity with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

4.2 Changes in accounting policies

During the financial year, the Company adopted the following new and revised Financial Reporting Standards ("FRS") issued by MASB that are relevant to the operations and effective for the financial periods beginning on or after 1 January 2006.

FRS 1	First - time Adoption of Financial Reporting Standards
FRS 2	Share-based Payment
FRS 3	Business Combination
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instruments: Disclosure and Presentation

NOTES TO THE FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Changes in accounting policies (continued)

FRS 133	Earnings Per Share
FRS 136	Impairment of Assets

FRS 2 Share-based Payment

This FRS requires an entity to recognised share-based payment transactions in its financial statements.

On 19 February 2001, the Company implemented an Executive Share Option Scheme ("ESOS") under which options to subscribe for unissued new ordinary shares of RM1 each were granted to eligible executives of the Company and its subsidiary companies. The ESOS expired on 18 February 2006 and accordingly, all options offered had lapsed and all rights and entitlements granted thereon had been cancelled and become null and void.

Prior to the adoption of FRS 2, the Group did not recognised these share options granted in its financial statements until the options were exercised, in which case the Group recognised the increase in share capital and share premium, if any. With the adoption of FRS 2, the compensation expense relating to share options is required to be recognised in income statement over the vesting period of the grants with a corresponding increase in equity. Under the transitional provisions of FRS 2, this FRS shall be applied retrospectively to share options that were granted after 31 December 2004 and had not been vested on 1 January 2006.

The Company did not grant any options after 31 December 2004 thus, accordingly, no adjustments are required to be made to the opening balance of retained earnings as of 1 January 2006.

The adoption of the above FRSs does not have any significant financial impact on the Company.

The Group has not early adopted FRS 117 Leases which is effective for accounting periods beginning on or after 1 October 2006. Upon adoption of this Standard, the Company which previously classified leasehold land as finance lease and had recognised the amount of prepaid lease payments as property within its property, plant and equipment, shall treat such a lease as an operating lease within the unamortised carrying amount classified as prepaid lease payments. Such prepaid lease payments shall then be amortised over the remaining lease term on a straight line basis.

In addition, the Group has not early adopted FRS 124 Related Party Disclosures which is effective for accounting periods beginning on or after 1 October 2006. This standard will affect the identification of related parties and some other related party disclosures.

The MASB has issued FRS 139 Financial Instruments: Recognition and Measurement but for which the MASB has yet to announce the effective date. The Company has not adopted FRS 139 and by virtue of the exemption in paragraph 103 AB of FRS 139, the impact of applying FRS 139 on its financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108 is not disclosed.

4.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies made up to the end of the financial year using the purchase method of accounting.

The Group has taken advantage of the exemption provided by FRS 3 to apply these Standards prospectively. Accordingly, business combination entered into prior to the respective effective dates have not been restated to comply with these Standards.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the aggregate of fair values of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination.

Identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Basis of consolidation (continued)

over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. If the cost of acquisition is less than the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, the Group will:

- (a) Reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and
- (b) Recognise immediately in profit or loss any excess remaining after that reassessment.

Where more than one exchange transaction is involved, any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group is accounted for as a revaluation.

Intragroup transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

4.4 Property, plant and equipment and depreciation

The gross carrying amounts of property, plant and equipment are initially measured at cost. Certain long term leasehold land and buildings which have been subsequently revalued, are stated at valuation less accumulated depreciation and impairment losses, if any. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Long term leasehold land and buildings of the Company have not been revalued since they were first revalued in 1982. The Company does not adopt a policy of regular valuations. These revalued assets have been retained on the basis of their previous valuation in accordance with the transitional provisions of International Accounting Standards ("IAS") No 16 (Revised) – Property, Plant and Equipment applied by the Company when the IAS was first adopted by the Malaysian Accounting Standards Board ("MASB") in 1998. The above transitional provisions are available only on the first application of the MASB approved accounting standards IAS 16 which is effective for periods ending on or after 1 September 1998. The transitional provisions will remain in force until and unless the Company adopts a revaluation policy in place of a cost policy where FRS 116 would require revaluations to be carried out at regular intervals.

Upon disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the net carrying amounts is charged or credited to income statement and the attributable portion of the revaluation surplus is taken directly to retained earnings.

Long term leasehold land is depreciated over the period of the respective leases which will expire between the year 2068 and 2080. Depreciation on other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Buildings	Over 45 - 50 years
Plant, machinery and factory equipment	6% to 18%
Office equipment, furniture, fittings and fixtures and renovation	10% to 18%
Motor vehicles	18% to 20%

4.5 Development properties

Development properties comprise property development cost that are directly attributable to the development activities or that can be allocated on a reasonable basis to such activities. They comprise the costs of construction and other related development costs including administrative overheads and borrowing costs.

Development properties on which development activities have commenced or where it can be demonstrated that the development activities can be completed within the normal operating cycle are classified as current assets.

When the outcome of a development activity can be estimated reliably, property development revenue and expenses are recognised in the income statement by reference to the stage of completion of development activity at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Development properties (continued)

When the outcome of a development activity cannot be reliably estimated, the property development revenue shall be recognised only to the extent of property development costs incurred that is probable to be recoverable and property development costs on the development units sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development activity is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset measured at the lower of cost and net realisable value.

When revenue recognised in the income statement exceeds progress billings to purchasers, the balance is shown as accrued billings under current assets. When progress billings exceed revenue recognised in the income statement, the balance is shown as progress billings under current liabilities.

4.6 Investments in subsidiary companies

A subsidiary company is a company in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from its activities.

Investments in subsidiary companies which are eliminated on consolidation are stated at cost less impairment losses, if any.

On disposal of such investments, the difference between net disposal proceeds and their carrying amount is charged or credited to income statement.

4.7 Inventories

Inventories are stated at the lower of cost (determined on a weighted average basis) and net realisable value. Cost of raw materials and consumables and finished goods comprises original cost of purchase plus the incidental costs of bringing the inventories to their present condition and location. Net realisable value represented the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Allowances for inventories obsolescence are made on specific identification basis.

4.8 Receivables

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

4.9 Impairment of assets

The carrying amount of the Group's and the Company's assets, other than inventories, deferred tax assets, assets arising from employee benefits and financial assets (other than investments in subsidiary companies), 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 and an impairment loss is recognised whenever the recoverable amount is less than the carrying amount of the asset. The impairment loss is recognised in income statement immediately except for the impairment on a revalued asset where the impairment loss is recognised directly against the revaluation surplus account to the extent of the surplus credited from the previous revaluation for the same asset with the excess of the impairment loss charged to the income statement. All reversal of an impairment loss are recognised as income immediately in income statement except for the reversal of an impairment loss on a revalued asset where the reversal of the impairment loss is treated as a revaluation increase and credited to the revaluation surplus account of the same asset.

The impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and subsequent external events have occurred that reverse the effect of the specific event. In respect of other assets, an impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 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.

4.11 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

4.12 Employee benefits

4.12.1 Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non monetary benefits are recognised as an expense in the financial year when employees have rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as expense when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when reliable estimate can be made of the amount of the obligation.

4.12.2 Defined contribution plans

The Company and subsidiary companies incorporated in Malaysia make contributions to a statutory provident fund and recognise the contribution payable:-

- (i) after deducting contributions already paid as a liability; and
- (ii) as an expense in the financial year in which the employees render their services.

4.13 Income tax

Income tax in the financial statements for the financial year comprises current tax expense and deferred tax, if any.

4.13.1 Current tax expense

Current tax expense includes all domestic and foreign taxes which are based on taxable profits. Current tax expense also includes other taxes, such as real property gain taxes payable on disposal of properties.

4.13.2 Deferred tax

Deferred tax liabilities and assets are provided for under the liability method at the current tax rate in respect of all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base including unused tax losses and capital allowances.

A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at each balance sheet date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax assets and deferred tax liabilities relate to the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Foreign currency transactions and translations

4.14.1 Transactions and balances in foreign currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at the rates of exchange ruling on transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at the approximate rates of exchange at the balance sheet date except where there are related or matching forward contracts in respect of trading transactions, in which case, the rates of exchange specified in those contracts are used.

All gains or losses arising from the settlement of foreign currency transactions and from translating foreign monetary assets and liabilities are taken up in the income statement.

4.14.2 Foreign subsidiary company

For consolidation purposes, the assets and liabilities of foreign entities are translated into Ringgit Malaysia at the rates ruling at the balance sheet date. Income statement items are translated at exchange rates at the dates of transactions. The translation differences arising therefrom are taken up and reflected in the exchange translation reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign subsidiary company 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 subsidiary company 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.

4.14.3 Principal closing rate

The principal closing rates used in the translation of foreign currency amounts at balance sheet date are as follow:-

	2006	2005
	RM	RM
1 Brunei Dollar (BND)	2.30	2.30
1 United States Dollar (USD)	3.53	3.80
1 China Yuan Renminbi (CNY)	0.45	-

4.15 Revenue recognition

Revenue from sale of goods is recognised in income statement, net of sales taxes and discounts upon the transfer of risks and rewards.

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

4.16 Cash and cash equivalents

Cash and cash equivalents include cash and bank balances, deposits and other short-term, highly liquid investments which are readily convertible to cash and which are subject to insignificant risk of changes in value.

4.17 Financial instruments

Financial instruments are recognised in the balance sheet when the Company becomes a party to the contractual provision of the instrument.

Financial instrument 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 Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liabilities simultaneously.

4.17.1 Irredeemable convertible unsecured loan stocks ("ICULS")

Irredeemable convertible unsecured loan stocks with fixed coupon rates are regarded as compound instruments, consisting of a predominant equity component and a liability component.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 Financial instruments (continued)

4.17.1 Irredeemable convertible unsecured loan stocks ("ICULS") (continued)

As permitted under the transitional provision of MASB 24 Financial Instruments: Disclosure and Presentation, the ICULS's component parts are not classified separately. The ICULS have accordingly been classified as equity.

4.17.2 Marketable securities

Marketable securities are carried at the lower of the cost and market value, determined on an aggregate portfolio basis by category of investment. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increase or decrease in the carrying amount of marketable securities are credited or charged to income statement. On disposal of marketable securities, the differences between net disposal proceeds and the carrying amount is charged or credited to income statement.

4.17.3 Investments

Investments comprise unit trust and Bank Negara Bill ("BNB"). Investment in unit trust is stated at the lower of cost and market value while investment in BNB is stated at cost adjusted for amortisation of premium or accretion of discount to maturity date.

On disposal of an investment, the difference between net disposal proceed and its carrying amount is recognised in the income statement.

4.17.4 Equity instruments

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of share issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. The transaction costs of an equity transaction, other than in the context of a business combination, are accounted for as a deduction from share premium. Otherwise they are charged to income statement, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided. Cost of issuing equity securities in connection with a business combination are included in the cost of acquisition.

Dividend on ordinary shares are recognised in equity in the period in which they are declared.

Where the Company purchases its equity shares and the equity shares so purchased are retained as treasury shares, the consideration paid, including any attributable transaction costs, is deducted from total shareholders' equity until they are cancelled. While the shares are held as treasury shares, the rights attached to them as to voting, dividends and participation in other distribution and otherwise are suspended. Where the treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is shown as a movement in equity.

4.17.5 Disclosures of fair values

The carrying values of the financial assets and liabilities maturing within 12 months are stated at approximately their fair values as at the balance sheet date.

The fair values of quoted investments are their quoted market prices at the balance sheet date.

The fair values of investments for which there are no quoted market prices, a reasonable estimate of fair value could not be made without incurring excessive costs. Therefore, such investments are valued at cost subject to review for impairment.

4.18 The sources of estimation uncertainty

The key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet date that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is depreciation of plant and equipment. The cost of plant and equipment is depreciated on straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be within 6 to 10 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised.

NOTES TO THE FINANCIAL STATEMENTS

5. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1 January RM	Additions RM	Disposals RM	Returned to Supplier RM	Balance as at 31 December RM
2006					
Cost unless otherwise stated					
Long term leasehold land					
- at cost	222,620	-	-	-	222,620
- at valuation	3,284,845	-	-	-	3,284,845
Freehold land - at cost	797,197	-	(797,197)	-	-
Buildings					
- at cost	3,799,576	-	(2,184,860)	-	1,614,716
- at valuation	10,480,015	-	-	-	10,480,015
* Others	2,523,077	314,980	(904,169)	(11,600)	1,922,288
	21,107,330	314,980	(3,886,226)	(11,600)	17,524,484

Group	Balance as at 1 January RM	Charge for the financial year RM	Disposals RM	Returned to Supplier RM	Balance as at 31 December RM
2006					
Accumulated depreciation					
Long term leasehold land					
- at cost	23,434	2,929	-	-	26,363
- at valuation	462,084	41,959	-	-	504,043
Freehold land - at cost	-	-	-	-	-
Buildings					
- at cost	950,485	57,374	(287,909)	-	719,950
- at valuation	4,036,909	225,243	-	-	4,262,152
* Others	1,997,892	470,125	(873,105)	-	1,594,912
	7,470,804	797,630	(1,161,014)	-	7,107,420

Group	Balance as at 1 January RM	Additions RM	Disposals RM	Written off RM	Balance as at 31 December RM
2005					
Cost unless otherwise stated					
Long term leasehold land					
- at cost	222,620	-	-	-	222,620
- at valuation	3,660,985	-	(376,140)	-	3,284,845
Freehold land - at cost	797,197	-	-	-	797,197
Buildings					
- at cost	3,799,576	-	-	-	3,799,576
- at valuation	10,480,015	-	-	-	10,480,015
* Others	2,406,654	120,315	-	(3,892)	2,523,077
	21,367,047	120,315	(376,140)	(3,892)	21,107,330

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Balance as at 1 January RM	Charge for the financial year RM	Disposals RM	Written off RM	Balance as at 31 December RM
2005					
Accumulated depreciation					
Long term leasehold land					
- at cost	20,505	2,929	-	-	23,434
- at valuation	512,027	42,976	(92,919)	-	462,084
Freehold land - at cost	-	-	-	-	-
Buildings					
- at cost	871,265	79,220	-	-	950,485
- at valuation	3,811,665	225,244	-	-	4,036,909
* Others	1,619,647	381,272	-	(3,027)	1,997,892
	6,835,109	731,641	(92,919)	(3,027)	7,470,804

Company	Balance as at 1 January RM	Additions RM	Disposals RM	Balance as at 31 December RM
2006				
Cost unless otherwise stated				
Long term leasehold land				
- at valuation	637,860	-	-	637,860
Buildings				
- at cost	1,614,716	-	-	1,614,716
- at valuation	7,822,000	-	-	7,822,000
	10,074,576	-	-	10,074,576

Company	Balance as at 1 January RM	Charge for the financial year RM	Disposals RM	Balance as at 31 December RM
2006				
Accumulated depreciation				
Long term leasehold land				
- at valuation	165,529	7,070	-	172,599
Buildings				
- at cost	340,259	35,524	-	375,783
- at valuation	3,929,216	172,083	-	4,101,299
	4,435,004	214,677	-	4,649,681

NOTES TO THE FINANCIAL STATEMENTS

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Balance as at 1 January RM	Additions RM	Disposals RM	Balance as at 31 December RM
2005				
Cost unless otherwise stated				
Long term leasehold land				
- at valuation	1,014,000	-	(376,140)	637,860
Buildings				
- at cost	1,614,716	-	-	1,614,716
- at valuation	7,822,000	-	-	7,822,000
	10,450,716	-	(376,140)	10,074,576

Company	Balance as at 1 January RM	Charge for the financial year RM	Disposals RM	Balance as at 31 December RM
2005				
Accumulated depreciation				
Long term leasehold land				
- at valuation	250,361	8,087	(92,919)	165,529
Buildings				
- at cost	304,736	35,523	-	340,259
- at valuation	3,757,132	172,084	-	3,929,216
	4,312,229	215,694	(92,919)	4,435,004

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Net book value				
Long term leasehold land				
- at cost	196,257	199,186	-	-
- at valuation	2,780,802	2,822,761	465,261	472,331
Freehold land - at cost	-	797,197	-	-
Buildings				
- at cost	894,766	2,849,091	1,238,933	1,274,457
- at valuation	6,217,863	6,443,106	3,720,701	3,892,784
* Others	327,376	525,185	-	-
	10,417,064	13,636,526	5,424,895	5,639,572

* Others consist of office equipment, furniture, fittings and fixtures, renovation and motor vehicles.

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- (a) Included in property, plant and equipment of the Group are fully depreciated assets which are still in use costing RM925,045 (2005: RM1,290,433).
- (b) Details of independent professional valuations of long term leasehold land and buildings owned by the Company and a subsidiary company as at 31 December 2006 are as follows:

Year of valuation	Description of property	Valuation amount RM	Basis of Valuation
Company 1982	Long term leasehold land	637,860	#
	Buildings	7,822,000	
		<u>8,459,860</u>	
Subsidiary company 1997	Long term leasehold land	2,646,985	Open market basis
	Buildings	2,658,015	
		<u>5,305,000</u>	

This information is not available due to the absence of relevant historical records.

Had the revalued assets been carried at cost less accumulated depreciation, the carrying amounts would have been as follows:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Long term leasehold land	1,821,930	1,851,482	60,135	61,111
Buildings	2,236,903	2,356,569	545,295	623,193
	<u>4,058,833</u>	<u>4,208,051</u>	<u>605,430</u>	<u>684,304</u>

6. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2006 RM	2005 RM
Unquoted shares, at cost	5,350,658	5,350,658
Less: Impairments losses	(3,454,278)	(3,454,278)
	<u>1,896,380</u>	<u>1,896,380</u>

NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENTS IN SUBSIDIARY COMPANIES (continued)

The following are the details of the subsidiary companies of which all are incorporated in Malaysia, except for I-Digital (Shanghai) Trading Co., Ltd. which is incorporated in People's Republic of China:-

Name of subsidiary companies	Paid-up capital RM	Effective interest		Principal activities
		2006 %	2005 %	
I-Home Appliances Sdn. Bhd.	1,000,000	100	100	Trading of household electrical appliances.
I-City (Selangor) Sdn. Bhd. (Formerly known as I-Industries Sdn. Bhd.)	250,000	100	100	Ceased the fabricating of steel wire products and metal stamping parts for electrical appliances in 2005 and has remained inactive during the financial year.
I-R&D Sdn. Bhd.	10,000	100	100	Investment and property holding.
I-Marcom Sdn. Bhd.	50,000	100	100	Sales and marketing of household electrical appliances and investment holdings.
I-Think Sdn. Bhd. (held by I-Marcom Sdn. Bhd.)	100,000	100	100	Act as an advertising agent, advertiser and advertising contractor.
I-Silicon Sdn. Bhd.	1,000,000	100	100	Sales and marketing, promotion and provision of after sales services of digital products, household electrical appliances and investment holdings.
I-Home Sdn. Bhd. (held by I-Silicon Sdn. Bhd.)	100,000	100	100	Retail sales and promotion of digital products and household electrical appliances.
I-City Properties Sdn. Bhd. (Formerly known as I-Portal Sdn. Bhd.) (held by I-Silicon Sdn. Bhd.)	2	100	100	Property developers, contractors for construction work, land and property owners, property and complex managers.
I-Digital (Shanghai) Trading Co., Ltd. * (held by I-Silicon Sdn Bhd)	909,108	100	-	Sales and marketing promotion, agent (except auction) and provision of digital products and household electrical appliances.

* The subsidiary company is not audited by BDO Binder or member firms of BDO International.

7. DEVELOPMENT PROPERTIES

	Group	
	2006 RM	2005 RM
Development expenditure		
Balance as at 1 January	1,442,638	-
Additions during the financial year	5,996,561	1,442,638
Balance as at 31 December	7,439,199	1,442,638

Development properties represent development expenditure incurred for joint venture with Sumurwang Sdn Bhd to develop Phase 1 of the I-City Project, which is disclosed in Note 36. Included in development properties is directors' remuneration amounting to RM656,962 (2005: Nil) during the financial year.

8. INVENTORIES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Raw materials and consumables	165,847	446,276	-	66,123
Finished goods	2,984,694	7,199,740	-	308,216
	3,150,541	7,646,016	-	374,339

The cost of inventories recognised as an expense during the financial year amounted to RM12,933,754 (2005: RM50,280,107). There was a reversal of write-down of inventories amounting to RM107,807 (2005: Nil) during the financial year. The reversal arose mainly from increase in selling price of inventories carried at net realisable value.

9. MARKETABLE SECURITIES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Quoted shares in Malaysia, at cost	252,960	495,720	252,960	55,080
Less: Allowance for diminution in value	(27,540)	(247,860)	(27,540)	(27,540)
	225,420	247,860	225,420	27,540
Market value	224,910	247,860	224,910	27,540

NOTES TO THE FINANCIAL STATEMENTS

10. INVESTMENT

	Group and Company	
	2006 RM	2005 RM
Bank Negara Bill, at cost	-	240,000
Unit trust, at cost	5,795,740	-
	<hr/> 5,795,740	<hr/> 240,000
Market value		
- Bank Negara Bill	-	240,000
- Unit Trust	5,901,949	-
	<hr/> 5,901,949	<hr/> -

11. TRADE RECEIVABLES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Trade receivables	1,238,899	5,418,599	-	-
Less: Allowance for doubtful debts	(312,746)	(284,378)	-	-
	<hr/> 926,153	<hr/> 5,134,221	<hr/> -	<hr/> -

The allowance for doubtful debts is net of bad debts written off as follows:

	Group	
	2006 RM	2005 RM
Bad debts written off	-	1,936,272
	<hr/> -	<hr/> 1,936,272

The Group's and the Company's normal trade credit term ranges from cash terms to 60 days from date of invoice. Other credit terms are assessed and approved on a case-by-case basis.

The foreign currency exposure of trade receivables of the Group and of the Company is as follows:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Brunei Dollar	403	403	-	-
United States Dollar	194,057	78,622	-	-
	<hr/> 194,460	<hr/> 79,025	<hr/> -	<hr/> -

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Other receivables	1,252,593	1,642,995	615,350	1,124,492
Less: Allowance for doubtful debts	(43,000)	(43,000)	(43,000)	(43,000)
	1,209,593	1,599,995	572,350	1,081,492
Deposits	117,098	243,791	33,308	41,508
Prepayments	55,811	61,964	3,067	-
	1,382,502	1,905,750	608,725	1,123,000

The allowance for doubtful debts is net of bad debts written off as follows:

	Group	
	2006 RM	2005 RM
Bad debts written off	-	133,325

13. AMOUNTS OWING BY/TO SUBSIDIARY COMPANIES

The amounts owing by/to subsidiary companies represent trade transactions, advances and payments made on behalf which are unsecured, interest-free and have no fixed terms of repayment.

14. FIXED DEPOSITS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Placed with:				
- licensed banks	103,404,363	106,834,851	97,681,158	79,373,802
- licensed finance companies	6,857,185	8,765,693	1,000,000	4,038,188
	110,261,548	115,600,544	98,681,158	83,411,990

The range of interest rates earned during the financial year and the maturity of deposits as at 31 December 2006 are as follows:

	Range of Interest Rate % per annum	Range of Maturity Days
Licensed banks	3.00 - 3.70	62 - 365
Licensed finance companies	3.33 - 3.70	30 - 365

NOTES TO THE FINANCIAL STATEMENTS

15. TRADE PAYABLES

The normal trade credit term granted to the Group and the Company ranges from cash terms to 90 days from date of invoice.

The foreign currency exposure of trade payables of the Group and of the Company is as follows:-

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
United States Dollar	27,692	322,982	-	-

16. OTHER PAYABLES, DEPOSITS AND ACCRUALS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Other payables	236,410	363,153	195,968	-
Deposit received	393,078	57,780	22,020	22,020
Accruals	1,345,849	2,614,715	579,269	590,207
	1,975,337	3,035,648	797,257	612,227

17. PROVISION FOR WARRANTY

	Group	
	2006 RM	2005 RM
Balance as at 1 January	468,612	678,038
Provision made during the financial year	138,661	180,513
Amount paid during the financial year	(458,626)	(389,939)
Balance as at 31 December	148,647	468,612

18. SHARE CAPITAL

	Group and Company			
	2006		2005	
	Number of shares	RM	Number of shares	RM
Ordinary shares of RM1.00 each: Authorised	200,000,000	200,000,000	200,000,000	200,000,000
Balance as at 1 January	80,784,000	80,784,000	80,784,000	80,784,000
Issued during the financial year	66,000	66,000	-	-
Balance as at 31 December	80,850,000	80,850,000	80,784,000	80,784,000

During the financial year, the Company increased its issue and paid-up share capital from RM80,784,000 to RM80,850,000 by way of conversion of RM66,000 Irredeemable Convertible Unsecured Loan Stocks into 66,000 new ordinary shares of RM1 each.

During the financial year, the Company purchased 1,854,100 of its ordinary shares from the open market at a total cost of RM2,082,462. As at 31 December 2006, a total of 5,997,900 (2005: RM4,143,800) shares at cost of RM5,717,918 (2005: RM3,635,456) are held as Treasury Shares by the Company.

The number of outstanding ordinary shares in issue after deducting the Treasury Shares is 74,852,100 (2005: RM76,640,200) ordinary shares of RM1 each as at 31 December 2006.

The new shares rank pari-passu in all respect with the then existing ordinary shares of the Company.

The I-Berhad Executive Share Option Scheme ("ESOS") was approved by shareholders of the Company at the Extraordinary General Meeting held on 13 November 2000 and became effective on 19 February 2001.

The main features of the ESOS are as follows:

- (a) The total number of share options to be offered under the ESOS shall not exceed in aggregate 10% of the issued share capital of the Company at any point of time during the duration of the ESOS, which shall be in force for a period of five (5) years from 19 February 2001.
- (b) Eligibility to participate are the executives who fulfill the following conditions:
 - An executive must be at least 18 years of age;
 - An executive must fall under one of the categories of employees listed in the Bye-Laws;
 - An executive must have been employed for a continuous period of at least 1 year in the Group and his employment must have been confirmed;
 - In the case of a subsidiary of the Company, the minimum of one year's continuous service shall be computed from the date of the commencement of service or the date such company became a subsidiary of the Company, whichever is the later;
 - In the case of an executive whose contract of service is for a specified term, then in addition to the above, the specified term of service shall be for a period of at least 3 years.
- (c) The number of share options to be offered to an Eligible Executive under the ESOS shall be determined at the absolute discretion of the ESOS Committee but shall in no event exceed the maximum allowable allotment.

Staff Grade	Maximum Allowable Allotment: Maximum number of share options
D1	500,000
D2, M1	300,000
M2	200,000
M3	120,000
M4	75,000

NOTES TO THE FINANCIAL STATEMENTS

18. SHARE CAPITAL (continued)

(d) Exercise of Options shall not exceed the number represented by the percentage of the maximum allowable allotment applicable to such executive specified under each year in the table below:

	Year 1	Year 2	Year 3	Year 4	Year 5
Cumulative percentage of maximum allowable allotment	20%	40%	60%	80%	100%

A foreign executive employee may exercise a maximum of 20% in each year of the Option period but all outstanding Options may be exercised on the last day of his employment contract (if any) or the Option period, whichever is the earlier.

(e) The price at which the Option holders shall be entitled to subscribe for each new share shall be the average of the weighted average market price of the shares of the Company, as shown in the Daily Official List issued by the Bursa Malaysia Securities Berhad for the five (5) market days preceding the Date of Offer or the par value of the shares, whichever is the higher provided that the ESOS Committee shall be entitled at its absolute discretion to fix the price at a discount of not more than 10% of such average.

(f) The shares to be allotted upon an exercise of the option shall upon allotment and issue thereof ranked pari passu in all respects with the then existing issued and paid up ordinary shares in the Company except that the new ordinary shares issued shall not be entitled to any dividends, rights, bonus issues and any other distributions declared, made or paid to shareholders of the Company before the date of exercise of the Options.

As at 31 December 2006, the number of share options vested is Nil (2005: 2,345,585) and the details are as follows:

Grant date	Expiry date	Exercise price RM/share	----- Number of options over ordinary ----- shares of RM1.00 each			
			1.1.2006	Granted	Lapsed [#]	31.12.2006
12.3.2002	18.2.2006	2.02 [^]	605,585 [^]	-	(605,585)	-
31.3.2003	18.2.2006	1.00	580,000	-	(580,000)	-
28.6.2003	18.2.2006	1.08	580,000	-	(580,000)	-
5.7.2004	18.2.2006	1.00	580,000	-	(580,000)	-
			2,345,585	-	(2,345,585)	-

No share options was exercised during the financial year.

[^] Adjustment for rights issue of shares

[#] The ESOS had expired on 18 February 2006 and accordingly, all options offered had lapsed and all rights and entitlements granted thereon had become null and void.

19. RESERVES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Non-distributable:				
Share premium	38,665,437	38,622,537	38,665,437	38,622,537
Revaluation reserve	1,662,659	1,738,475	1,662,659	1,738,475
Foreign currency translation reserve	(18,559)	-	-	-
	40,309,537	40,361,012	40,328,096	40,361,012
Distributable:				
(Accumulated losses)/Retained profits	(17,968,817)	(16,319,787)	1,978,730	3,918,655
	22,340,720	24,041,225	42,306,826	44,279,667

19. RESERVES (continued)

As at 31 December 2006, the Company has tax exempt profits available for distribution under the Promotion of Investment Act, 1986 and Income Tax Act, 1967 amounting to approximately RM881,000 (2005: RM881,000) and RM4,175,000 (2005: RM5,838,000) respectively, subject to the agreement of the Inland Revenue Board.

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and the balance in the tax exempt income account to frank the payment of dividends out of its entire retained profits as at 31 December 2006.

20. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

On 2 May 2002, the Company issued 40,392,000 of 5-year 5% Irredeemable Convertible Unsecured Loan Stocks 2002/2007 ("ICULS") at a nominal value of RM1.00 each to raise funds for capital expenditure and additional working capital purposes. The terms of the ICULS are as follows:

(a) Conversion rate

The conversion price has been fixed at RM1.65 per new ordinary share. The conversion is by tendering RM1.00 nominal value of ICULS plus the balance of the conversion price in cash for each new ordinary share.

(b) Conversion rights

The registered holders of the ICULS will have the option at any time during the conversion period to convert their ICULS at the conversion rate into new ordinary shares of RM1.00 each in the Company.

(c) Conversion period

Conversion into fully paid ordinary shares of RM1.00 each in I-Berhad will be allowed at any time during the period from the issue date thereof up till the maturity date.

(d) All outstanding ICULS will be mandatorily converted by the Company into new ordinary shares of RM1.00 each in I-Berhad at the conversion price after the maturity date.

(e) The ICULS bear interest at 5% per annum payable semi-annually in arrears.

(f) The new ordinary shares shall, upon allotment and issue, rank pari-passu in all respects with the existing ordinary shares of the Company except that the new ordinary shares shall not rank for any dividends, rights, allotments or other distributions if the new ordinary shares are issued and allotted after the entitlement date for such dividends, rights, allotments or other distributions.

The ICULS is constituted by a trust deed executed by I-Berhad and a duly authorised trustee, who is acting for the benefit of the holders of the ICULS.

21. DEFERRED TAX LIABILITIES

	Group and Company	
	2006 RM	2005 RM
Balance as at 1 January	676,073	752,785
- transfer to income statement (Note 27)	(30,106)	(76,712)
Balance as at 31 December	645,967	676,073

The deferred tax liabilities are in respect of surplus arising from revaluation of leasehold land and buildings.

NOTES TO THE FINANCIAL STATEMENTS

21. DEFERRED TAX LIABILITIES (continued)

The amount of temporary differences for which no deferred tax assets have been recognised in the balance sheet are as follows:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Excess of capital allowances over corresponding depreciation	(1,306,416)	(1,363,604)	(1,228,383)	(1,347,120)
Unabsorbed tax losses	28,733,625	27,729,244	6,897,200	6,897,200
Unutilised capital allowances	1,560,945	1,549,518	-	-
Unabsorbed industrial building allowances	191,610	179,910	-	-
Provisions	414,206	479,488	-	-
Impairment losses on investment in subsidiary companies	-	-	3,454,278	3,454,278
Accruals	89,355	452,884	-	-
	29,683,325	29,026,440	9,123,095	9,004,358

The effects of deferred tax assets, which is subject to the agreement by the Inland Revenue Board are not included in the financial statements as it is not probable that future taxable income would be available against which the deductible temporary differences can be utilised.

22. REVENUE

Revenue of the Group and of the Company consists of the following:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Sales of household electrical appliances	7,816,439	43,964,364	402,348	850,032
Sales of digital products	10,323,675	19,537,821	-	-
	18,140,114	63,502,185	402,348	850,032

23. OTHER OPERATING INCOME

Included in other operating income are the following:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Allowance for doubtful debts no longer required	9,768	194,261	-	-
Dividend income	27,647	45,900	3,167	5,100
Gain on disposal of property, plant and equipment	1,204,250	1,323,473	12,550	1,003,473
Gain on disposal of investments	8,728	-	8,728	-
Interest income	3,950,856	3,897,709	3,272,377	2,885,227
Realised gain from foreign currency transactions	123,462	4,943	-	-
Rental income	249,680	96,720	72,720	6,000

24. NUMBER OF EMPLOYEES AND STAFF COSTS

The total expenses recognised in income statements are as follows:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Salaries, overtime and incentives	2,987,249	5,437,487	-	-
Defined contribution plan	292,108	570,772	-	-
Bonus	(7,645)	91,803	-	-
	3,271,712	6,100,062	-	-

Included in staff costs of the Group are executive directors' remuneration amounting to RM224,490 (2005: RM969,513) as disclosed in Note 25.

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Number of employees, including executive directors, at the end of the financial year	50	145	-	-

25. DIRECTORS' REMUNERATION

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Executive:				
Salaries and other emoluments	881,452	909,513	-	-
Fees	-	60,000	-	60,000
	881,452	969,513	-	60,000
Non-Executive:				
Fees - current year *	65,000	65,000	65,000	65,000
- prior year	-	52,500	-	52,500
	65,000	117,500	65,000	117,500
Total	946,452	1,087,013	65,000	177,500

* To be approved by shareholders at the forthcoming Annual General Meeting.

NOTES TO THE FINANCIAL STATEMENTS

25. DIRECTORS' REMUNERATION (continued)

The remuneration of each individual executive director of the Company is as follows:

	Group	
	2006 RM	2005 RM
Y. Bhg. Datuk Lim Kim Hong	230,956	273,468
Eu Hong Chew	258,048	273,048
Y. Bhg. Datin Tey Siew Thuan	258,048	273,048
Ong Poh Ling	134,400	149,949
	881,452	969,513

The total directors' remuneration have been taken up in the financial statements of the Group as follows:-

	Group	
	2006 RM	2005 RM
Charged to income statement	224,490	969,513
Capitalised in development properties	656,962	-
	881,452	969,513

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

	Number of Directors	
	2006	2005
Executive directors:		
Below RM50,000	-	-
RM50,001 - RM100,000	-	-
RM101,000 - RM150,000	1	1
RM151,000 - RM200,000	-	-
RM201,000 - RM250,000	1	-
RM251,000 - RM300,000	2	3
Non-Executive directors:		
Below RM50,000	3	3

... cont'd

26. OTHER OPERATING EXPENSES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Included in other operating expenses are the following:				
Allowance for diminution in value of marketable securities	-	247,860	-	27,540
Allowance for doubtful debts	38,136	-	-	-
Auditors' remuneration:				
- statutory				
- current year	68,600	70,700	25,000	25,000
- under provision in prior years	472	-	-	-
- non-statutory	12,650	13,500	12,650	13,500
Bad debts written off	2,117	3,235	-	-
Inventories written down	44,000	66,316	-	-
Inventories written off	-	63,359	-	-
Non-Executive directors' Fees:				
- current year	65,000	65,000	65,000	65,000
- prior year	-	52,500	-	52,500
Property, plant and equipment written off	-	865	-	-
Provision for warranty	138,661	180,513	-	-
Rental expenses	735,851	527,820	-	-

27. TAX EXPENSE

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Tax expense for the financial year	308,410	281,350	267,396	263,450
Transfer from deferred tax liabilities (Note 21)	(30,106)	(76,712)	(30,106)	(76,712)
Real property gain tax	25,766	45,002	-	45,002
	304,070	249,640	237,290	231,740
Over provision of taxation in prior year	(19,689)	-	(12,898)	-
	284,381	249,640	224,392	231,740

NOTES TO THE FINANCIAL STATEMENTS

27. TAX EXPENSE (continued)

The numerical reconciliation between tax expense at the applicable tax rate and the effective tax rate are as follows:

Group	2006 RM	2005 RM
Profit before tax	2,830,784	7,039,735
Tax expense at applicable tax rate of 28% (2005: 28%)	792,620	1,971,126
Tax effect on ICULS interest	(527,221)	(547,523)
Deferred tax assets not recognised	283,166	187,124
Depreciation on non-qualifying property, plant and equipment	87,413	65,494
Expenses not deductible for tax purposes	106,768	70,798
Income not subject to tax	(338,089)	(386,490)
Real property gain tax	25,766	45,002
Reduction in statutory tax rate on chargeable income of up to RM500,000	(15,734)	(7,136)
Utilisation of provision	(30,077)	-
Utilisation of previously unrecognised capital allowances, unabsorbed tax losses and industrial building allowance	(80,542)	(637,240)
Utilisation of deferred tax assets not recognised	-	(511,515)
Over provision of taxation in prior year	304,070 (19,689)	249,640 -
Tax expense at effective tax rate	284,381	249,640
Company	2006 RM	2005 RM
Profit before tax	2,479,900	4,440,816
Tax expense at applicable tax rate of 28% (2005: 28%)	694,373	1,243,428
Tax effect on ICULS interest	(527,221)	(547,523)
Depreciation on non-qualifying property, plant and equipment	26,863	27,150
Expenses not deductible for tax purposes	46,790	10,210
Income not subject to tax	(3,514)	(280,972)
Real property gain tax	-	45,002
Utilisation of previously unrecognised capital allowances and unabsorbed tax losses	-	(265,555)
Over provision of taxation in prior year	237,290 (12,898)	231,740 -
Tax expense at effective tax rate	224,392	231,740

27. TAX EXPENSE (continued)

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Tax savings during the financial year arising from:				
Utilisation of tax losses brought forward	-	264,755	-	141,363
Utilisation of unabsorbed capital allowance brought forward	54,404	318,800	-	33,921
Utilisation of industrial building allowance brought forward	26,138	-	-	-
	80,542	583,555	-	175,284

Subject to the agreement by the Inland Revenue Board, unabsorbed tax losses, unutilised capital allowances, unutilised reinvestment allowances and unutilised industrial building allowance of the Group and of the Company which are available to set off against future taxable income are as follows:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Unabsorbed tax losses	28,733,700	27,729,000	6,897,200	6,897,200
Unutilised capital allowances	1,561,000	1,550,000	-	-
Unutilised reinvestment allowances	4,174,963	5,837,644	4,174,963	5,837,644
Unutilised industrial building allowance	191,600	-	-	-

28. EARNINGS PER ORDINARY SHARE

(a) Basic earnings per ordinary share:

The basic earnings per ordinary share for the financial year has been calculated based on the consolidated net profit for the financial year divided by the weighted average number of ordinary shares in issue during the financial year, net of treasury shares as follows:-

	Group	
	2006 RM	2005 RM
Net profit for the year (RM)	2,546,403	6,790,095
Adjustment for interest on ICULS (RM)	(2,017,400)	(2,019,600)
Adjusted net profit for the year (RM)	529,003	4,770,495
Weighted average number of ordinary shares in issue, net of treasury shares	75,619,429	78,403,164
Basic earnings per share (sen)	0.70	6.08

NOTES TO THE FINANCIAL STATEMENTS

28. EARNINGS PER ORDINARY SHARE (continued)

(b) Diluted earnings per ordinary share:

For the purpose of the calculation of diluted earnings per share in 2006 and 2005, the net profit for the year and the weighted average number of ordinary shares in issue during the financial year has been adjusted for the effects of dilutive potential ordinary shares from conversion of ICULS. As the effect from the conversion of ICULS is anti-dilutive, the diluted earnings per share is not disclosed. Furthermore, in 2005, there were no potential ordinary shares deemed to be issued as the exercise price of the share options exceeds the average market price of the ordinary shares then and as such are not dilutive.

29. DIVIDEND

	2006		2005	
	Tax exempt Dividend Per Share Sen	Amount of Dividend RM	Tax exempt Dividend Per Share Sen	Amount of Dividend RM
First and final dividend proposed	2.00	1,497,042	3.00	2,299,206

As proposed in the previous financial year, a final dividend of 3% , tax exempt on 76,640,200 ordinary share in respect of financial year ended 31 December 2005 was approved by the shareholders at the Annual General Meeting held on 24 May 2006 and an amount of RM2,253,849 (2005: RM558,907) was paid on 23 August 2006 as against the proposed amount of RM2,299,206 (2005: RM577,447). The reduction in the final dividend paid of RM45,357 (2005: RM18,540) was due to the share buy back of 1,511,900 (2005: 2,575,100) ordinary shares of RM1 each which, as at the entitlement date, were retained as Treasury Shares by the Company in accordance with Section 67A (3A) (b) of the Companies Act, 1965 and were therefore, not entitled to the final dividend.

At the forthcoming Annual General Meeting, a final dividend in respect of financial year ended 31 December 2006, of 2 sen per share, tax exempt on 74,852,100 ordinary shares, amounting to a total dividend of RM1,497,042 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2007.

30. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Fixed deposits	110,261,548	115,600,544	98,681,158	83,411,990
Cash and bank balances	1,404,966	691,765	54,205	42,526
	111,666,514	116,292,309	98,735,363	83,454,516

31. SEGMENT REPORTING

The Group comprises the following main business segments based on their operating division:-

- (i) Trading - sales of household electrical appliances through the dealer network.
- (ii) Marketing and retail - retail sales and promotion of digital products and household electrical appliances.
- (iii) Import and export - trading of digital products and household electrical appliances.

Other business segments include property development, advertising agent, advertiser and advertising contractor, none of which are of sufficient size to be reported separately.

The directors are of the opinion that all inter-segment transfers have been entered into in the normal course of business and have been established on terms and conditions that are based on negotiated terms. These inter-segment transfers are eliminated on consolidation.

The primary reporting segment information is in respect of business segments as the Group's risks and returns are affected predominantly by differences in the products it produces. An analysis by geographical segments has not been presented as the Group's activities are predominantly in Malaysia.

Analysis by business segments:

2006	Trading RM	Marketing and retail RM	Import and export RM	Others RM	Total RM	Elimination RM	Consolidated RM
REVENUE AND EXPENSES							
Revenue							
External sales	4,795,038	12,947,874	397,202	-	18,140,114	-	18,140,114
Inter-segment sales	-	-	12,902,239	405,683	13,307,922	(13,307,922)	-
Total revenue	<u>4,795,038</u>	<u>12,947,874</u>	<u>13,299,441</u>	<u>405,683</u>	<u>31,448,036</u>	<u>(13,307,922)</u>	<u>18,140,114</u>
Results							
Segment results	(116,616)	(803,170)	(167,088)	(738,636)	(1,825,510)	183,065	(1,642,445)
Unallocated corporate expenses							(578,800)
Interest income							3,950,856
Gain on disposal of land							1,101,173
Tax expense							<u>(284,381)</u>
Net profit for the financial year							<u>2,546,403</u>

NOTES TO THE FINANCIAL STATEMENTS

31. SEGMENT REPORTING (continued)

2006	Trading RM	Marketing and retail RM	Import and export RM	Others RM	Total RM	Elimination RM	Consolidated RM
ASSETS AND LIABILITIES							
Segment assets	1,075,089	1,842,427	8,961,629	129,123,988	141,003,133	-	141,003,133
Unallocated corporate assets							<u>100,729</u>
							<u>141,103,862</u>
Segment liabilities	182,252	285,660	450,854	1,286,327	2,205,093	-	2,205,093
Unallocated corporate liabilities							<u>1,099,967</u>
							<u>3,305,060</u>
OTHER SEGMENT INFORMATION							
Capital expenditure	-	134,094	8,386	172,500	314,980	-	314,980
Depreciation	41,614	253,794	188,328	313,894	797,630	-	797,630
Non-cash expenses, other than depreciation	-	40,253	138,661	-	-	-	<u>178,914</u>
2005							
	Trading RM	Marketing and retail RM	Import and export RM	Others RM	Total RM	Elimination RM	Consolidated RM
REVENUE AND EXPENSES							
Revenue							
External sales	19,345,862	19,314,944	24,841,379	-	63,502,185	-	63,502,185
Inter-segment sales	-	-	31,110,162	800,494	31,910,656	(31,910,656)	-
Total revenue	<u>19,345,862</u>	<u>19,314,944</u>	<u>55,951,541</u>	<u>800,494</u>	<u>95,412,841</u>	<u>(31,910,656)</u>	<u>63,502,185</u>
Results							
Segment results	1,691,339	558,957	1,139,049	76,571	3,465,916	(99,165)	3,366,751
Unallocated corporate expenses							(224,725)
Interest income							3,897,709
Tax expense							<u>(249,640)</u>
Net profit for the financial year							<u>6,790,095</u>

31. SEGMENT REPORTING (continued)

2005	Trading RM	Marketing and retail RM	Import and export RM	Others RM	Total RM	Elimination RM	Consolidated RM
ASSETS AND LIABILITIES							
Segment assets	6,354,331	3,892,242	10,460,256	126,034,547	146,741,376	-	<u>146,741,376</u>
Segment liabilities	758,569	335,741	2,225,293	755,240	4,074,843	-	4,074,843
Unallocated corporate liabilities							<u>1,084,764</u>
							<u>5,159,607</u>
OTHER INFORMATION							
Capital expenditure	3,073	35,009	82,233	-	120,315	-	120,315
Depreciation	135,889	71,500	217,580	306,672	731,641	-	731,641
Non-cash expenses, other than depreciation	30,775	27,540	366,133	137,700	562,148	-	<u>562,148</u>

32. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Company	
	2006 RM	2005 RM
Purchases from subsidiary companies	-	56,064
Sales to subsidiary companies	442,583	780,424
Agency commission paid to a subsidiary company	1,769	797

The directors are of the opinion that all transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

33. CAPITAL COMMITMENTS

	Group	
	2006 RM	2005 RM
Capital expenditure in respect of purchase of property and equipment:-		
Contracted but not provided for	-	116,000

NOTES TO THE FINANCIAL STATEMENTS

34. CONTINGENT LIABILITIES - UNSECURED

(a) Guarantees:

	Company	
	2006 RM	2005 RM
Bank guarantees given to third parties in respect of commercial development project granted to a subsidiary company	237,756	-
Bank guarantees given to third parties in respect of services rendered to a subsidiary company	60,000	210,000
Guarantees given to a financial institution in respect of credit facilities granted to a subsidiary company	-	20,500,000

(b) Material litigation

A suit has been initiated by BBDO (M) Sdn. Bhd. against the Company and its subsidiary company for advertising services rendered by BBDO (M) Sdn. Bhd. amounting to RM1,130,341 plus interest and costs. Both the Company and its subsidiary company have filed an amended defense and its subsidiary company has also filed a counterclaim for RM897,016. The case has been fixed for trial from 7 May 2007 to 10 May 2007.

The directors, on the advice of the Company's solicitors, are of the opinion that the Company and its subsidiary company have a strong defense against BBDO (M) Sdn. Bhd.'s claim. Consequently, no provision for contingency claim has been made in the financial statements.

35. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group's and the Company's financial risk management policy seek to ensure that adequate financial resources are available for the development of the Group's and the Company's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group and the Company operate within clearly defined guidelines that are approved by the Board and the Group's and the Company's policies are not to engage in speculative transactions.

(b) Interest rate risk

The Group and the Company are not exposed to any significant interest rate risk, other than changes in interest rates related to investment portfolio in fixed deposits with financial institutions. It is the Group's and the Company's policy to monitor the financial standing of the financial institutions on an ongoing basis to ensure that the Group and the Company are exposed to minimal risk.

There is no significant interest bearing liabilities except for ICULS issued by the Company. The ICULS issued by the Company has a fixed coupon rate that is not subject to changes in market interest rate.

The information on maturity date and effective interest rates of financial assets and liabilities are disclosed in their respective note.

(c) Foreign exchange risk

The Group and the Company are not exposed to any significant foreign currency risk, other than foreign currency exchange rate fluctuations relating to sales and purchases denominated in foreign currencies, arising from normal course of business.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

35. FINANCIAL INSTRUMENTS (continued)**(d) Liquidity risk**

The Group adopts a prudent liquidity risk management policy that focuses on maintaining sufficient cash and cash equivalents to meet its short to medium term obligations.

(e) Credit risk

Credit risks or the risk of counterparties defaulting is controlled by the application of credit approvals, credit limits and monitoring procedures. Credit risks are minimised and monitored by strictly limiting the Group's and the Company's association to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis by the Group's and the Company's management reporting procedures.

As at 31 December 2006, the Group has trade receivables of Nil (2005: RM256,066) which have been outstanding for more than 60 days. Other than as mentioned, the Group does not have any significant exposure to any individual customer or counterparty nor does it has any major concentration of credit risk related to any financial instruments.

The Company has significant concentration of credit risk that arise from exposure in respect of its receivables from the subsidiary companies where the maximum exposure is represented by the amounts owing by subsidiary companies as disclosed in the balance sheet.

(f) Fair values

The carrying amounts of the financial assets and liabilities of the Group and of the Company as at balance sheet date approximate their fair values except as set out below:

	Group		Company	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
31 December 2006				
Investments in subsidiary companies	-	-	1,896,380	#
Amounts owing by subsidiary companies	-	-	62,037,870	*
Amounts owing to subsidiary companies	-	-	15,082,226	*
31 December 2005				
Investments in subsidiary companies	-	-	1,896,380	#
Amounts owing by subsidiary companies	-	-	88,906,097	*
Amounts owing to subsidiary companies	-	-	18,144,242	*

It is not practical to estimate the fair values of the unquoted investments in subsidiary companies because of the lack of quoted market prices and the inability to estimate fair values without incurring excessive costs. The directors believe that the carrying amount represents the recoverable value.

* It is not practical to estimate the fair values of amounts owing by/to subsidiary companies due principally to a lack of fixed repayment terms entered by the parties involved. However, the directors do not anticipate that the carrying amounts will be materially different from the values that would eventually be received or settled.

NOTES TO THE FINANCIAL STATEMENTS

36. SIGNIFICANT EVENT

1. On 28 February 2006, the Company entered into a Joint Venture Agreement (“JV”) with Sumurwang Sdn Bhd (“Sumurwang”) to develop Phase 1 of the I-City Project, that involves in the development of Sumurwang’s 72-acre freehold site along Federal Highway Route II - fronting Sungai Rasau toll plaza in Shah Alam city, Selangor into an Information Communication Technology based urban center comprising corporate, commercial and retail elements, hotel and serviced apartment, a convention centre, intelligent school and innovation centre (“the I-City Project”). The Company has also been given the first option to develop subsequent phases of the I-City Project. The salient terms of the JV are as follows:
 - (i) Sumurwang will only be paid for the value of the land (“VL”), which will be made from the proceeds from the sales of the commercial units and/or the rental income from the leasing of investment properties. All or any profits from the development of the I-City Project will accrue to the Company.
 - (ii) The Company shall compensate Sumurwang for the deferred payment of the VL in the form of interest based on the Base Lending Rate of Malayan Banking Berhad and payable only in the event the Return on Investment exceeds 8% on a compounded basis on the date of issuance of the Temporary Certificate of Fitness for Occupation.
 - (iii) The Company and Sumurwang have unequivocally agreed that the VL for Phase 1 development shall be fixed at RM60.00 per square foot. This value is arrived at on a negotiated basis based on a valuation report dated 18 October 2005 by an independent valuer, Messrs. Jones Lang Wootton and represents a discount of approximately 25% to the value of a plot of land, which forms part of Lot 4598 as the land for Phase 1, can only be determined upon finalisation of the architectural design.

In addition, the Company proposed a revision in utilisation of proceeds from the rights issue of 60,588,000 new ordinary shares of RM1.00 each at an issue price of RM1.30 per ordinary share on the basis of three (3) new ordinary shares for every one (1) existing share held and RM40,392,000 nominal value of irredeemable convertible unsecured loan stocks (“ICULS”) at 100% of its nominal value of ICULS of RM1.00 per ICULS on the basis of RM2.00 nominal value of ICULS for every one (1) existing ordinary share held which was completed on 10 May 2002, to finance the development of Phase I of the I-City Project. The proposal was not approved by the Securities Commission on 17 October 2006. However, the Board of Directors of the Company is of the opinion that there is no adverse impact on the progress of the development of I-City Project as the Company has sufficient internally generated funds.

2. On 29 August 2006, the Company acquired 100% equity interest in I-Digital (Shanghai) Trading Co., Ltd for a cash consideration of RM909,108.

37. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Board of Directors on 8 March 2007.

ANALYSIS OF SHAREHOLDINGS AS AT 5 MARCH 2007

AUTHORISED SHARE CAPITAL	:	RM200,000,000
PAID-UP SHARE CAPITAL	:	RM80,850,000
CLASS OF SHARE	:	Ordinary share of RM1.00 each
VOTING RIGHTS	:	1 vote per shareholder on a show of hands 1 vote per ordinary share on a poll

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares held #	% of Issued Shares #
Less than 100	248	9.45	4,508	0.01
100 to 1,000	566	21.57	487,152	0.65
1,001 to 10,000	1,408	53.66	6,269,048	8.39
10,001 to 100,000	379	14.44	9,627,564	12.88
100,001 to less than 5% of issued shares #	20	0.76	5,942,400	7.95
5% and above of issued shares	3	0.12	52,405,128	70.12
Total	2,624	100.00	74,735,800	100.00

Note:-

#Excluding a total of 6,114,200 I-Berhad shares bought-back by the Company and retained as treasury shares as at 5 March 2007

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	No. of Ordinary Shares of RM1.00 each held			
	Direct	% of Issued Shares #	Indirect	% of Issued Shares #
1. Sumurwang Sdn Bhd	37,344,328	49.97	1,845,500*	2.47
2. Permodalan Nasional Berhad ("PNB")	11,303,100	15.12	-	-
3. Amanah Raya Nominees (Tempatan) Sdn Bhd - Skim Amanah Saham Bumiputera	3,767,700	5.04	-	-
4. Sumur Ventures Sdn Bhd	-	-	39,189,828**	52.44
5. Datuk Lim Kim Hong	271,000	0.36	39,189,828***	52.44
6. Yayasan Pelaburan Bumiputra	-	-	11,303,100****	15.12

Notes:-

* Deemed interest through its shareholding in Sumurwang Capital Sdn Bhd by virtue of Section 6A(4) of the Companies Act, 1965

** Deemed interest through its shareholding in Sumurwang Sdn Bhd by virtue of Section 6A(4) of the Companies Act, 1965

*** Deemed interest through his shareholding in Sumur Ventures Sdn Bhd by virtue of Section 6A(4) of the Companies Act, 1965

**** Deemed interest through its shareholding of 100% less one share of PNB by virtue of Section 6A(4) of the Companies Act, 1965

Excluding a total of 6,114,200 I-Berhad shares bought-back by the Company and retained as treasury shares as at 5 March 2007.

THIRTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares held #	% of Issued Shares #
1.	Sumurwang Sdn Bhd	37,344,328	49.97
2.	Permodalan Nasional Berhad	11,303,100	15.12
3.	Amanah Raya Nominees (Tempatan) Sdn Bhd Skim Amanah Saham Bumiputera	3,767,700	5.04
4.	Sumurwang Capital Sdn Bhd	1,845,500	2.47
5.	Lim Shiu Ho	877,500	1.17
6.	Liang Kee Oil Palm Estate Sdn Bhd	370,000	0.49
7.	Lim Kim Hong	271,000	0.36
8.	HDM Nominees (Asing) Sdn Bhd – Phillip Securities Pte Ltd For Eu Kam Wan	263,500	0.35
9.	Cheow Chew Khoon @ Teoh Chew Khoon	258,600	0.35
10.	Teoh Hunt Thuim	200,000	0.27
11.	Mayban Securities Nominees (Asing) Sdn Bhd – UOB-Kay Hian Pte Ltd For Tan Hwee Kian @ Tan Hwee Kiam	199,700	0.27
12.	Tan Chen Neo @ Tang Chen Neo	195,000	0.26
13.	Tey Siew Thuan	194,000	0.26
14.	HLB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Loye Tuan Bee	191,800	0.26
15.	Public Nominees (Tempatan) Sdn Bhd – Pledged Securities Account For Hii Lay Yieng (E-CST)	160,000	0.21
16.	Mayban Nominees (Tempatan) Sdn Bhd – Pledged Securities Account For Mah Yoke Keong (12530AF6232)	159,200	0.21
17.	Soon Kok Chor	117,600	0.16
18.	Go Moo Tong	114,000	0.15
19.	TA Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Wong Jing Woon	111,000	0.15
20.	Ong Chu Meng	105,000	0.14
21.	Citicorp Nominees (Tempatan) Sdn Bhd – Pledged Securities Account For Tan King Tai @ Tan Khoon Hai (471821)	105,000	0.14
22.	Chin Piang Seong	102,000	0.14
23.	Khaw Siok Bee	102,000	0.14
24.	Barbara Yvonne Mathias	100,000	0.13
25.	Onn Ping Lan	93,500	0.12
26.	United Overseas Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Chau Sam Tai @ Chow Sam Tai (MKU)	91,000	0.12
27.	Lee Chee Beng	87,000	0.12
28.	Cheah Mooi	86,000	0.12
29.	Siew Tong Chee	80,000	0.11
30.	Kwong Hup Cheong (Kampar) Foundry Sdn Bhd	76,772	0.10
Total		58,971,800	78.90

Note:-

Excluding a total of 6,114,200 I-Berhad shares bought-back by the Company and retained as treasury shares as at 5 March 2007.

* The total issued and paid-up capital of the Company inclusive of treasury shares as at 5 March 2007 is RM80,850,000.

ANALYSIS OF ICULS HOLDINGS AS AT 5 MARCH 2007

CLASS OF SECURITIES	:	5% Irredeemable Convertible Unsecured Loan Stocks 2002/2007 ("ICULS")
NO. OF ICULS IN ISSUE	:	40,326,000
CONVERSION PRICE OF THE ICULS	:	RM1.65
CONVERSION RIGHTS	:	Each ICULS entitles the holder to convert into one new ordinary share of RM1.00 each at the conversion price
VOTING RIGHTS AT MEETING OF ICULS HOLDERS	:	1 vote per ICULS holder on a show of hands 1 vote per RM1.00 nominal value of ICULS held on a poll

ANALYSIS OF ICULS HOLDINGS

Size of ICULS holdings	No. of ICULS holders	% of ICULS holders	No. of ICULS held	% of Issued ICULS
Less than 100	85	6.79	3,648	0.01
100 to 1,000	174	13.90	103,702	0.25
1,001 to 10,000	809	64.62	2,935,058	7.28
10,001 to 100,000	166	13.25	4,409,798	10.94
100,001 to less than 5% of issued ICULS	15	1.20	3,766,176	9.34
5% and above of issued ICULS	3	0.24	29,107,618	72.18
Total	1,252	100.00	40,326,000	100.00

THIRTY LARGEST ICULS HOLDERS

No.	Name of ICULS holders	No. of ICULS held	% of Issued ICULS
1.	Sumurwang Sdn Bhd	18,902,618	46.87
2.	Permodalan Nasional Berhad	7,535,400	18.69
3.	Sumurwang Capital Sdn Bhd	2,669,600	6.62
4.	Onn Kok Puay (Weng Guopei)	1,426,100	3.54
5.	Chung Kok Soo	362,000	0.90
6.	Soon Kok Chor	316,343	0.78
7.	Kooi Soo La	255,900	0.63
8.	Liang Kee Oil Palm Estate Sdn Bhd	180,000	0.45
9.	Lim Kim Hong	156,000	0.39
10.	Onn Ping Lan	144,200	0.36
11.	Cheow Chew Khoon @ Teoh Chew Khoon	133,333	0.33
12.	Moo Sing Hoe	124,000	0.31
13.	Cheah Wei Jeng	121,000	0.30
14.	Tey Siew Thuan	116,000	0.29
15.	Teoh Hunt Thuim	112,000	0.28
16.	Sumurwang Sdn Bhd	110,000	0.27
17.	Siu Yoke Loon	107,000	0.26
18.	Tan Hua Teck @ Tang Wah Teck	102,300	0.25
19.	Tan Chen Neo @ Tang Chen Neo	100,000	0.25
20.	Tee May Buan	86,666	0.21
21.	Public Nominees (Tempatan) Sdn Bhd – Pledged Securities Account For Hii Lay Yieng (E-CST)	80,000	0.20
22.	TA Nominees (Tempatan) Sdn Bhd – Pledged Securities Account For Chua Eng Ho Waa @ Chua Eng Wah	77,000	0.19
23.	Ong Chu Meng	70,000	0.17
24.	Tan You Tiong	67,664	0.17
25.	Ong Kim Eang	58,982	0.15
26.	Khaw Siok Bee	58,000	0.14
27.	Tang Wing Kean	57,000	0.14
28.	Lim Hoay Seh	56,100	0.14
29.	Hacong (Hardware & Electrical) Sdn Bhd	54,255	0.13
30.	Tan Cheng Meng	54,000	0.13
Total		58,971,800	83.55

STATEMENT OF DIRECTORS' INTEREST IN THE COMPANY AND ITS RELATED CORPORATIONS AS AT 5 MARCH 2007

Other than as disclosed below, none of the other Directors of the Company has any interest in the shares and convertible securities of the Company or its related corporations as at 5 March 2007:-

Name	No. of Shares held			
	Direct	% of Issued Shares #	Indirect	% of Issued Shares #
Datuk Lim Kim Hong	271,000	0.36	39,189,828*	52.44
Datin Tey Siew Thuan	194,000	0.26	-	-
Madam Ong Poh Ling	9,000	0.01	-	-

Name	No. of ICULS held			
	Direct	% of Issued ICULS	Indirect	% of Issued ICULS
Datuk Lim Kim Hong	156,000	0.39	21,682,218*	53.77
Datin Tey Siew Thuan	116,000	0.29	-	-
Madam Ong Poh Ling	5,333	0.01	-	-

Notes:

* Deemed interest through Sumur Ventures Sdn Bhd

Excluding a total of 6,114,200 I-Berhad shares bought-back by the Company and retained as treasury shares as at 5 March 2007

By virtue of his interest in Sumur Ventures Sdn Bhd, Y. Bhg. Datuk Lim Kim Hong is deemed interested in the shares of the Company and all its subsidiaries to the extent Sumur Ventures Sdn Bhd has an interest.

LIST OF PROPERTIES HELD AS AT 31 DECEMBER 2006

Location	Description	Tenure	Size	Approximate Age of the Buildings	Net Book Value as at 31-Dec-06
I-BERHAD					
Lot 4799 Q.T. (R) L & M 2/69, Mukim of Asam Kumbang, Kamunting Industrial Estate, Taiping, Perak Darul Ridzuan	Office factory & warehouse	Leasehold for a term of 99 years expiring on 11 July 2068 - Unexpired term is 62 years	4.08 acres	Between 37 to 38 years	RM2,625,717*
Lot 5813 Q.T. (R) L & M 3/69, Mukim of Asam Kumbang, Kamunting Industrial Estate, Taiping, Perak Darul Ridzuan	Factory & warehouse	Leasehold for a term of 99 years expiring on 11 July 2068 - Unexpired term is 62 years	2.00 acres	31 years	RM1,413,530*
Lot 6675 H.S. (D) L & M 2/77, Mukim of Asam Kumbang, Kamunting Industrial Estate, Taiping, Perak Darul Ridzuan	Factory & warehouse	Leasehold for a term of 99 years expiring on 10 January 2076 - Unexpired term is 70 years	2.76 acres	Between 28 to 30 years	RM1,305,143*
Lot 779 H.S. (D) L & M 15/81, Mukim of Asam Kumbang, Kamunting Industrial Estate, Taiping, Perak Darul Ridzuan	Vacant factory	Leasehold for a term landof 99 years expiring on 23 February 2080 - Unexpired term is 74 years	1.79 acres	N/A	RM80,505*
I-R&D SDN BHD					
Lot 5658, P.N. 119473 Mukim of Asam Kumbang, Kamunting Industrial Estate, Taiping, Perak Darul Ridzuan	Office, factory & warehouse	Leasehold for a term of 99 years expiring on 29 January 2072 - Unexpired term is 66 years	3.98 acres	33 years	RM3,445,054**
Lot 6704, P.N. 104498 Mukim of Asam Kumbang, Kamunting Industrial Estate, Taiping, Perak Darul Ridzuan	vacant factory land	Leasehold for a term of 99 years expiring on 4 September 2074 - Unexpired term is 68 years	3.75 acres	N/A	RM1,219,739**

* Last revaluation was performed in 1982

** Last revaluation was performed in 1997

*** Acquired on 2 Nov 1999

Number of shares held	CDS Account No.

FORM OF PROXY

I/We

I.C. No./Passport No./Company No of

being a member of I-BERHAD hereby appoint

I.C. No./Passport No. of

or failing him

I.C. No./Passport No. of

as my/our proxy to vote for me/us on my/our behalf at the 40th Annual General Meeting of the Company to be held at 8, Jalan Changkat Kia Peng, 50450 Kuala Lumpur on Tuesday, 24 April 2007 at 10.00 a.m. or at any adjournment thereof in the manner indicated below:-

No. Resolutions	For	Against
1. Adoption of audited Financial Statements for the year ended 31 December 2006 and the Directors' and Auditors' Reports thereon.
2. Approval of final tax-exempt dividend of 2% for the year ended 31 December 2006.
3. Approval of Directors' fees of RM65,000 for the year ended 31 December 2006.
4. Re-election of Director, Y. Bhg. Datuk Pengiran Mohd Hussein bin Datuk Pengiran Mohd Tahir pursuant to Article 109 of the Company's Articles of Association.
5. Vacation of office pursuant to the retirement of Tuan Haji Mat Hassan bin Esa
6. To re-appoint Messrs. BDO Binder as Auditors of the Company, and to authorise the Board of Directors to fix their remuneration.
7. Authority for the Directors to issue shares pursuant to Section 132D of the Companies Act, 1965.
8. Proposed amendments to the Articles of Association of the Company.

Please indicate with a cross ("X") in the spaces provided how you wish your vote to be cast. In the absence of specific directions, your proxy may vote or abstain from voting at his discretion.

Where a member appoints 2 proxies, please specify the proportions of the member's holdings to be represented by each proxy:-

Dated thisday of2007

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

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

.....
Signature/Common Seal of Shareholder

Notes:-

1. A member entitled to attend and vote at the general meeting is entitled to appoint a proxy to attend and vote in his stead.
2. A member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting provided that where a member of the company is an authorised nominee as defined under Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities accounts.
3. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. A proxy need not be a member of the Company, but such appointment must comply with Article 88(a) of the Company's Articles of Association which states that a member shall not be entitled to appoint a person who is not a member of the Company as his proxy, unless that person is a qualified legal practitioner, an approved company auditor or a person approved by the Companies Commission of Malaysia in a particular case.
5. The Form of Proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation, under its common seal or the hand of its attorney.
6. All proxy forms duly executed should be deposited at the Company's Registered Office at No. 8, Jalan Changkat Kia Peng, 50450 Kuala Lumpur not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

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Stamp

The Company Secretary

I-BERHAD

No. 8, Jalan Changkat Kia Peng

50450 Kuala Lumpur

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