



MWE HOLDINGS BERHAD
(5713-D)





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Form of Proxy

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of the Company will be held at the Company's Registered Office at No. 1818-A, Jalan Alma, Alma, 14000 Bukit Mertajam, Penang on Friday, 16 June 2006 at 10.00 a.m. for the following purposes:-

AGENDA

1. To receive and consider the Audited Financial Statements for the year ended 31 December 2005 and the Reports of the Directors and Auditors thereon. *(Resolution 1)*
2. To declare a final dividend of 1% tax exempt for the year ended 31 December 2005. *(Resolution 2)*
3. (i) To re-elect Dato' Shahbudin Bin Imam Mohamad, the Director retiring in accordance with the Company's Articles of Association and being eligible, offers himself for re-election. *(Resolution 3)*

(ii) To re-elect Mr Lim Kong Yow, the Director retiring in accordance with the Company's Articles of Association and being eligible, offers himself for re-election. *(Resolution 4)*
4. To re-appoint Dato' Ahmad Hasmuni Bin Hj Hussein as a Director of the Company and to hold office until the conclusion of the next Annual General Meeting of the Company pursuant to Section 129(6) of the Companies Act, 1965. *(Resolution 5)*
5. To approve the payment of Directors' fees of RM90,000 in respect of the year ended 31 December 2005 (2004 : RM90,000). *(Resolution 6)*
6. To re-appoint Messrs Moores Rowland as the Company's Auditors and to authorise the Directors to fix their remuneration. *(Resolution 7)*
7. As Special Business:
To consider and, if thought fit, pass the following Ordinary Resolutions:

(A) AUTHORITY TO GRANT OPTIONS AND TO ALLOT AND ISSUE SHARES PURSUANT TO THE EMPLOYEES' SHARE OPTION SCHEME

"That pursuant to Section 132D of the Companies Act, 1965, approval be and is hereby given to the Directors to offer and grant options to eligible employees and eligible Directors of the Company and its subsidiary companies ("the MWE Group") pursuant to the MWE Holdings Berhad Employees' Share Option Scheme ("ESOS") which was approved at the Extraordinary General Meeting of the Company held on 20 June 2001, and to allot and issue such new ordinary shares in the Company from time to time during the duration of the ESOS to the eligible employees and eligible Directors of the MWE Group pursuant to their exercise of the options under the ESOS."

(Resolution 8)

(B) AUTHORITY TO ALLOT AND 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 empowered to issue new ordinary shares in the Company, from time to time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued and paid-up share capital of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional new ordinary shares so issued on the Bursa Malaysia Securities Berhad ("Bursa Securities") AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

(Resolution 9)

(C) PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

"That, subject to compliance with Section 67A of the Companies Act, 1965 and the Listing Requirements of Bursa Securities, the Company be and is hereby authorised to utilise not exceeding the total retained profits and/or share premium account of the Company based on the audited financial statements for the financial year ended 31 December 2005 of RM30,228,521 and



Notice of Annual General Meeting

RM23,586,099 respectively, to purchase on Bursa Securities up to 23,155,901 ordinary shares of RM1.00 each of the Company which together with the 355,000 ordinary shares of RM1.00 each already purchased earlier and retained as treasury shares, represent 10% of the total issued and paid-up share capital of 231,559,015 ordinary shares of RM1.00 each AND THAT upon completion of the purchase by the Company of its own shares, the Directors of the Company be and are hereby authorised to :

- (i) cancel the shares purchased; or
- (ii) retain the shares purchased as treasury shares for distribution as dividends to the shareholders of the Company and/or resell on the Bursa Securities; or
- (iii) retain part of the shares purchased as treasury shares and cancel the remainder.

Whereby an announcement regarding the intention of the Directors of the Company in relation to the proposed treatment of the shares purchased and rationale thereof has been made to Bursa Securities AND THAT such authority from the shareholders would be effective immediately upon passing of this Ordinary Resolution and the aforesaid authority from shareholders will expire at the conclusion of the next Annual General Meeting (“AGM”) unless the authority is renewed by ordinary resolution passed at the said AGM (either unconditionally or subject to condition), or upon the expiration of the period within which the next AGM is required by law to be held or if earlier revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting whichever occurs first, but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the guidelines issued by Bursa Securities or any other relevant authority AND THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary including the opening and maintaining of a central depositories account(s) under the Securities Industry (Central Depositories) Act, 1991, and entering into all other agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time and to do all such acts and things as the said Directors may deem fit and expedient in the best interest of the Company.”

(Resolution 10)

(D) PROPOSED RENEWAL OF SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

“That pursuant to Paragraph 10.08 of the Listing Requirements of Bursa Securities, the Company and its subsidiaries be and are hereby authorised to enter into the recurrent related party transactions as set out in the Circular to Shareholders dated 25 May 2006, which are necessary for MWE Group’s day-to-day operations in the ordinary course of business on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders,

AND THAT such approval shall continue to be in force until :

- (i) the conclusion of the next Annual General Meeting (“AGM”) of the Company;
- (ii) the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (“Act”) (but shall not extend to such extensions as may be allowed pursuant to Section 143(2) of the Act); or
- (iii) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is the earlier;

AND THAT the breakdown of the aggregate value of the recurrent related party transactions based on the type of recurrent transaction made and the names of the related parties involved in each type of the recurrent related party transaction made and their relationship with MWE Group, shall be disclosed in the Annual Report of the Company as may be required by the governing authority,

AND FURTHER THAT the Directors be and are hereby authorised to do all such acts and things (including executing any relevant documents) in the interest of the Company, as they may consider expedient or necessary to complete and give effect to the aforesaid mandate.”

(Resolution 11)

8. To transact any other ordinary business of which due notice shall have been given.

Notice of Annual General Meeting

NOTICE OF BOOKS CLOSURE

NOTICE IS ALSO HEREBY GIVEN THAT the final dividend of 1% tax exempt in respect of the financial year ended 31 December 2005, if approved by shareholders, will be paid on 1 August 2006 to depositors registered in the Record of Depositors at the close of business on 12 July 2006.

A Depositor shall qualify for entitlement only in respect of:

- (a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 12 July 2006 in respect of ordinary transfers; and
- (b) shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

LIM KONG YOW (MIA 4979)

Company Secretary

25 May 2006

Penang

Notes:

1. *A member of the Company entitled to attend and vote at the Meeting, is entitled to appoint a proxy or two proxies to attend and vote instead of him. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy. A proxy need not be a member of the Company.*
2. *The form of proxy in the case of an individual shall be signed by the appointor or his attorney and in the case of a corporation, must be executed under seal or under the hand of an officer or attorney duly authorised.*
3. *The instrument appointing a proxy must be deposited at the Company's Registered Office at No. 1818-A, Jalan Alma, Alma, 14000 Bukit Mertajam, Penang not less than 48 hours before the time appointed for holding the Meeting.*

EXPLANATORY NOTES ON SPECIAL BUSINESS

The Proposed Resolution 8, if passed, will empower the Directors to offer and grant options and issue shares in the Company pursuant to the ESOS which was approved at the Extraordinary General Meeting of the Company held on 20 June 2001.

The Proposed Resolution 9, if passed, will renew the powers given to the Directors at the last Annual General Meeting authority to issue up to ten percentum (10%) of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interests of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

The Proposed Resolution 10, if passed, will empower the Directors of the Company to buy back and/or hold from time to time shares of the Company not exceeding ten (10) per cent of the issued and paid-up share capital of the Company from time to time being quoted on the Bursa Malaysia Securities Berhad as may be determined by the Directors of the Company from time to time through the Bursa Malaysia Securities Berhad upon such terms and conditions as the Directors may deem fit and expedient in the interests of the Company.

The Proposed Resolution 11, if passed, will enable the Company and its subsidiaries to enter into the recurrent related party transactions, which are necessary for MWE Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not detrimental to the minority shareholders of the Company.

Further information on the Proposed Ordinary Resolutions 10 and 11 are set out in the Statement and Circular to Shareholders dated 25 May 2006 respectively.



Statement Accompanying Notice of Annual General Meeting

(Pursuant to Paragraph 8.28(2) of the Listing Requirements of the Bursa Malaysia Securities Berhad)

1. Directors who are standing for re-election at the Annual General Meeting of the Company

Pursuant to Article 109 of the Company's Articles of Association

- (i) Dato' Shahbudin Bin Imam Mohamad
- (ii) Lim Kong Yow

Pursuant to Section 129(6) of the Companies Act, 1965

- (i) Dato' Ahmad Hasmuni Bin Hj Hussein

2. Details of attendance of Directors at Board Meetings

There were six (6) Board meetings held during the financial year ended 31 December 2005. Details of attendance of the Directors are set out in the Statement on Corporate Governance appearing on page 15 of the Annual Report.

3. Place, Date and Time of Annual General Meeting

The Annual General Meeting of the Company shall be held at No. 1818-A, Jalan Alma, Alma, 14000 Bukit Mertajam, Penang on Friday, 16 June 2006 at 10.00 a.m.

4. Further details of Directors who are standing for re-election

Details of Directors who are standing for re-election are set out in the Directors' Profile appearing on pages 10 to 11 of the Annual Report.

Corporate Information

DIRECTORS

Tang King Hua
Managing Director

Lim Kong Yow
Executive Director

Dato' Surin Upatkoon
D.S.P.N.
Non-Independent Non-Executive Director

Lawrence Lim Swee Lin
Independent Non-Executive Director

Dato' Ahmad Hasmuni bin Hj Hussein
D.S.S.A.
Independent Non-Executive Director

Dato' Shahbudin bin Imam Mohamad
D.S.A.P., D.I.M.P., S.A.P., J.S.N., P.J.K.
Independent Non-Executive Director

Tan Chor Teck
Independent Non-Executive Director

AUDIT COMMITTEE

Dato' Ahmad Hasmuni bin Hj Hussein
Committee Chairman / Independent Non-Executive Director

Dato' Shahbudin bin Imam Mohamad
Independent Non-Executive Director

Tan Chor Teck
Independent Non-Executive Director

Lim Kong Yow
Executive Director

NOMINATION COMMITTEE

Dato' Ahmad Hasmuni bin Hj Hussein
Committee Chairman / Independent Non-Executive Director

Dato' Shahbudin bin Imam Mohamad
Independent Non-Executive Director

Tan Chor Teck
Independent Non-Executive Director

REMUNERATION COMMITTEE

Tan Chor Teck
Committee Chairman / Independent Non-Executive Director

Dato' Ahmad Hasmuni bin Hj Hussein
Independent Non-Executive Director

Lim Kong Yow
Executive Director

SECRETARY

Lim Kong Yow
MIA 4979

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

No. 1818 - A, Jalan Alma, Alma
14000 Bukit Mertajam, Penang

Tel : 04-555 6188 Fax : 04-555 6073

REGISTRARS

Metra Management Sdn Bhd (62169-A)
30.02, 30th Floor, Menara Multi-Purpose
Capital Square

No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur

Tel : 03-2698 3232 Fax : 03-2698 0313

AUDITORS

Moores Rowland (AF 0539)
Chartered Accountants
7th Floor, South Block
Wisma Selangor Dredging
142-A, Jalan Ampang
50450 Kuala Lumpur

DOMICILE

Malaysia

LEGAL FORM AND PLACE OF INCORPORATION

A public listed company incorporated in Malaysia under the Companies Act, 1965 and limited by shares

PRINCIPAL BANKERS

Malayan Banking Berhad
Bumiputra-Commerce Bank Berhad
Southern Bank Berhad
RHB Sakura Merchant Bankers Berhad

SOLICITORS

Ghazi & Lim

STOCK EXCHANGE LISTING

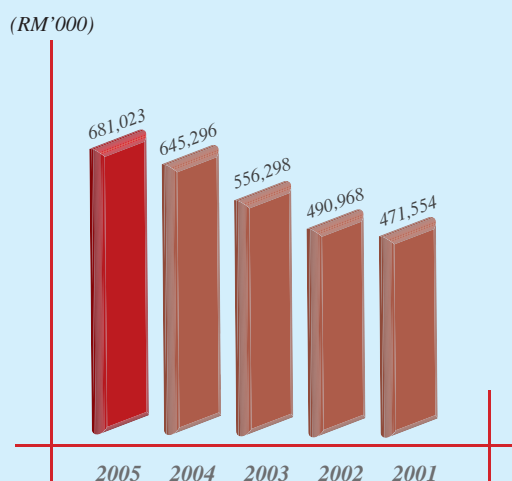
Bursa Malaysia Securities Berhad
Main Board



5 Years' Group Financial Highlights

	2005 (RM'000)	2004 (RM'000)	2003 (RM'000)	2002 (RM'000)	2001 (RM'000)
Gross Revenue	681,023	645,296	556,298	490,968	471,554
Profit/(Loss) Before Tax	20,494	41,038	30,304	(2,250)	(21,449)
Paid-up Capital	231,324	231,559	209,951	209,794	209,794
Shareholders' Funds	280,223	281,118	239,986	232,040	256,934
Gross Earnings / (Loss) per share (sen)	9	18	14	(1)	(10)
Total Assets	620,859	623,519	620,613	540,196	567,069
Gross Dividend (sen)	5	4	2	1	1

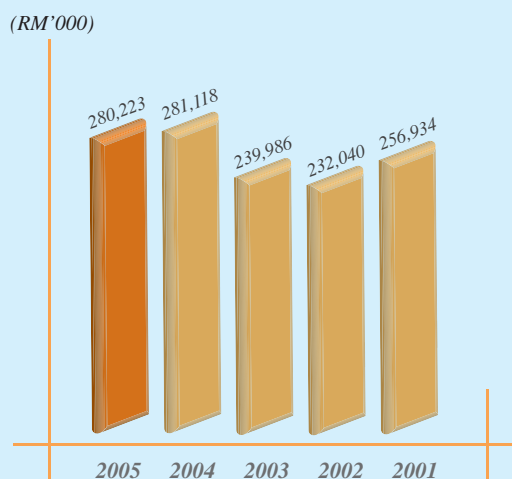
Gross Revenue



Profit/(Loss) Before Tax

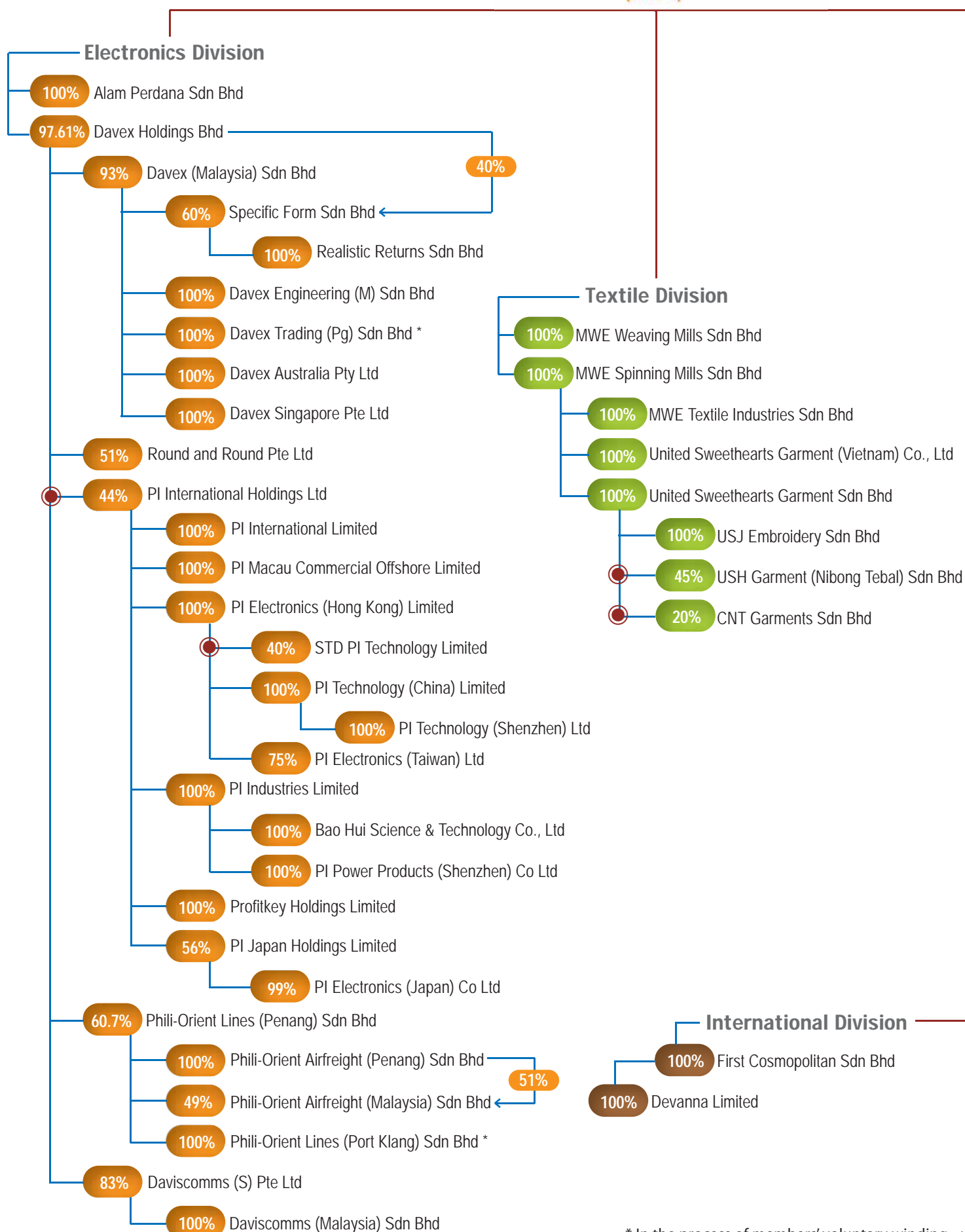


Shareholders' Funds

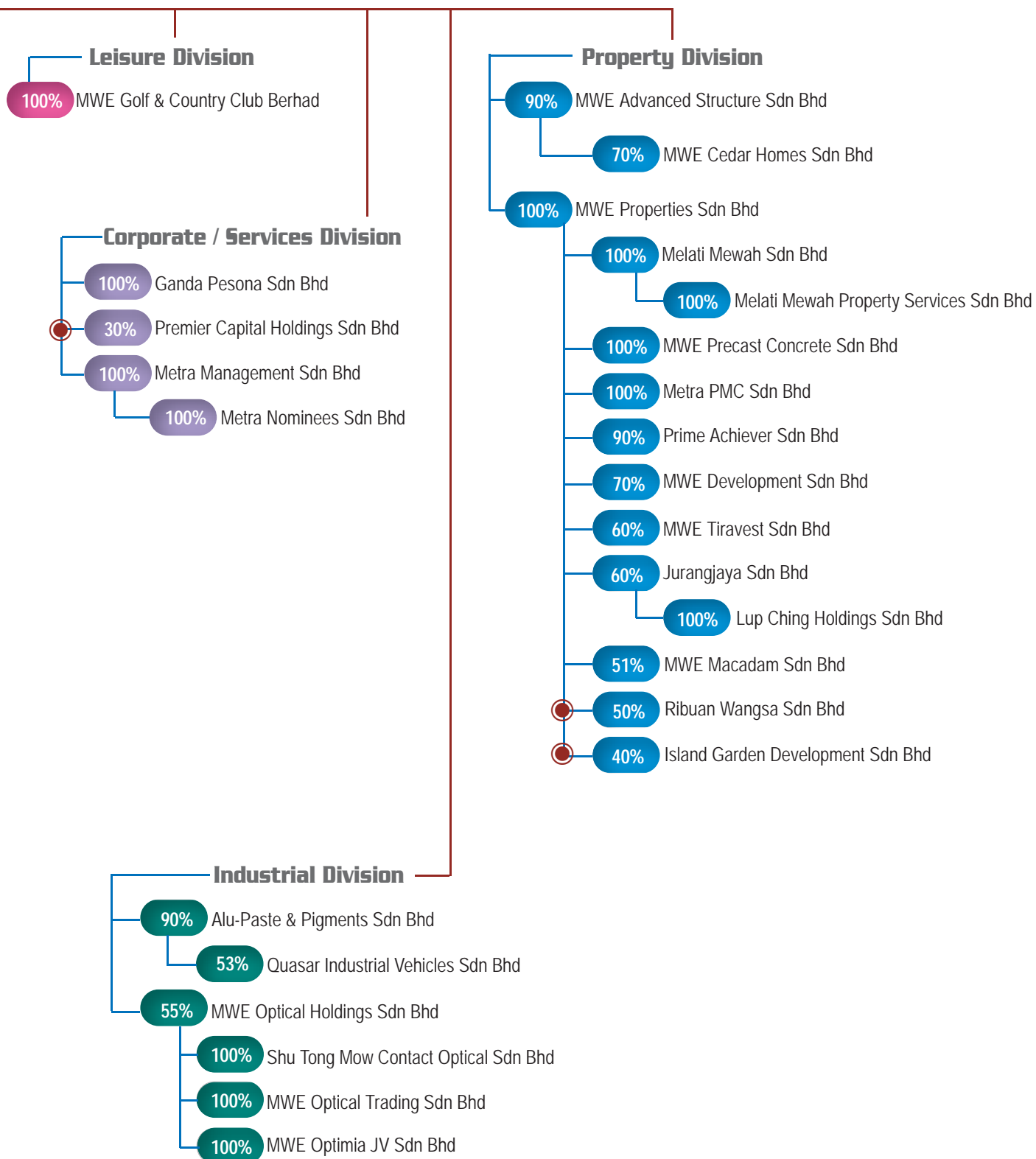


Total Assets





* In the process of members' voluntary winding - up



Directors' Profile

TANG KING HUA *(Managing Director)*

Malaysian, aged 48, was appointed as an Executive Director of MWE Holdings Berhad on 2 February 2000 and subsequently as a Managing Director on 28 August 2002. Mr Tang graduated with a Bachelor degree in Industrial Engineering from Canada Technical University of Nova Scotia in 1982. He started his career in 1983 by working in a multi-national electronics company overseeing quality control, production and engineering functions.

His vast experience in the field of electronics had enabled him to spearhead the pioneer team in setting-up a company called Eastrade Electronics (M) Sdn Bhd. Currently, Mr Tang is the Managing Director of Davex Group of Companies and he oversees the overall profitability and viability of the Group. He is responsible for the identification and penetration of any new and potential markets for the Group both locally and overseas.

LIM KONG YOW *(Executive Director)*

Malaysian, aged 51, was appointed to the Board of MWE Holdings Berhad on 11 December 2001. Mr Lim obtained his professional qualifications from Chartered Institute of Management Accountants (United Kingdom) in 1982 and is a member of Malaysian Institute of Accountants. He has more than 20 years of working experience in the field of audit, accounting, management, tax and secretarial services.

Mr Lim started his career by working in Multi-Purpose Holdings Berhad attached to Internal Audit Department for 2 years before moving to Hong Leong Group of Companies. In December 1989, he joined MWE Group of Companies as a Group Chief Accountant and was later promoted to Group Financial Controller. He is principally involved in the accounting, administration, financial functions and management of the MWE Group. He sits on the Boards of several private limited companies.

DATO' SURIN UPATKOON *(Non-Independent Non-Executive Director)*

Thai, aged 57, was appointed to the Board of MWE Holdings Berhad on 29 July 1976.

Currently, Dato' Surin is also the Managing Director and Chairman of Multi-Purpose Holdings Berhad and Magnum 4D Berhad respectively, public companies listed on the Main Board of the Bursa Malaysia Securities Berhad. He is also a Senior Executive Director of Magnum Corporation Berhad

Dato' Surin has vast working experience particularly in the textile manufacturing business and played a key role in the expansion and development of MWE Group of Companies. He was first appointed the Managing Director of MWE Spinning Mills Sdn Bhd on 30 November 1974, taking charge of its day-to-day operations. Subsequently, he was appointed the Managing Director of MWE Weaving Mills Sdn Bhd.

Dato' Surin is actively involved in community services for the benefit of education and charity. He is a Director of Han Chiang College in Penang and Vice President of Penang Table Tennis Association. He also sits on the Boards of several public and private limited companies.

LAWRENCE LIM SWEE LIN *(Independent Non-Executive Director)*

Malaysian, aged 49, was appointed to the Board of MWE Holdings Berhad on 1 August 1989. Mr Lim holds a Bachelor of Arts degree in Economics (Honours) from the University of Sheffield and a Masters degree in Business Administration from University of Manchester, United Kingdom.

He is also an Executive Director of Magnum 4D Berhad and also of its holding company, Magnum Corporation Berhad. Prior to this, Mr Lim was with a leading merchant bank in Malaysia where he was principally involved in syndications, debt securitization and project financing. In addition, he sits on the Boards of a number of private and public limited companies both in Malaysia and overseas.



Directors' Profile

DATO' AHMAD HASMUNI BIN HJ HUSSEIN *(Independent Non-Executive Director)*

Malaysian, aged 71, was appointed to the Board of MWE Holdings Berhad on 26 January 2000. Dato' Ahmad Hasmuni holds a Bachelor of Arts degree from University of Malaya (1965). He has served in the Ministry of Education since 1965 and later, became the Secretary to the Senate Parliament of Malaysia in 1970 prior to his retirement from the government service in 1986.

Dato' Ahmad Hasmuni has gained vast experiences in construction, property development and transportation and was appointed to the Boards of several private limited companies. Currently, he is also a Director of Metech Group Berhad (formerly known as Sin Kean Boon Group Berhad), a public listed company on the Bursa Malaysia Securities Berhad.

DATO' SHAHBUDIN BIN IMAM MOHAMAD *(Independent Non-Executive Director)*

Malaysian, aged 64, was appointed to the Board of MWE Holdings Berhad on 14 September 2000. Dato' Shahbudin graduated with a Bachelor of Arts degree from University of Malaya in 1966.

He spent over 31 years of his career with the Malaysian Government holding various positions such as Assistant Secretary of Malaysian Home & Foreign Service in the Ministry of Labour, Assistant Secretary of Establishment Division in the Public Service Department, Principal Assistant Secretary in the Ministry of Defence, Deputy Secretary-General in the Ministry of Energy, Telecom & Post, Deputy Director Budget in the Treasury, The Honourable State Secretary in Pahang and lastly as a Deputy Secretary General - Operation in the Ministry of Finance before he retired in 1997.

Dato' Shahbudin also sits on the Board of Bonia Corporation Berhad. He also sits on the Boards of several private limited companies.

TAN CHOR TECK *(Independent Non-Executive Director)*

Malaysian, aged 44, was appointed to the Board of MWE Holdings Berhad on 14 September 2000. Mr Tan graduated with a degree in Law & Arts from the Melbourne University in 1984. He started his career by working on various projects in Sydney before returning to Malaysia in 1996 where he had been involved in residential property development and management.

Currently, Mr Tan sits on the Boards of several private limited companies that are involved in property development and property management.

Particulars Of Directors

Name	Nationality	Details of membership in Board Committees	Family relationship with any director and/ or major shareholder of MWE	Conflict of interest with MWE	Convictions for offences within the past 10 years other than traffic offences
Tang King Hua (Appointed on 2 February 2000)	Malaysian/ Chinese	ESOS	NIL	NIL	NIL
Lim Kong Yow (Appointed on 11 December 2001)	Malaysian/ Chinese	ESOS, AC & RC	NIL	NIL	NIL
Dato' Surin Upatkoon (Appointed on 29 July 1976)	Thai/ Chinese	ESOS	NIL	NIL	NIL
Lawrence Lim Swee Lin (Appointed on 1 August 1989)	Malaysian/ Chinese	-	NIL	NIL	NIL
Dato' Ahmad Hasmuni bin Hj Hussein (Appointed on 26 February 2000)	Malaysian/ Malay	AC, NC & RC	NIL	NIL	NIL
Dato' Shahbudin bin Imam Mohamad (Appointed on 14 September 2000)	Malaysian/ Malay	AC & NC	NIL	NIL	NIL
Tan Chor Teck (Appointed on 14 September 2000)	Malaysian/ Chinese	AC, NC & RC	NIL	NIL	NIL

AC - Audit Committee

RC - Remuneration Committee

NC - Nomination Committee

ESOS - Employees' Share Options Scheme Committee



Managing Director's Statement

On behalf of the Board of Directors, I am pleased to present to the Shareholders the Annual Report and Accounts of MWE Holdings Berhad and the Group for the financial year ended 31st December 2005.

FINANCIAL PERFORMANCE

During the year under review, the Group reported total revenue of RM662.9 million, an increase of 7% as compared to RM620.9 million in the previous year. However, profit before taxation declined from RM41.0 million to RM20.5 million during the year under review while profit after taxation and minority interest also dropped from RM18.3 million to RM17.2 million.

The performance of the Group was largely affected by the mixed fortunes of the Electronics Division which saw the lightings and pagers segment performing well but was overshadowed by the disappointing results of the power conversion products segment. The Group's results were also supported by the recovery of debts written off in previous years as well as lower financing costs and writeback of impairment losses.

At the company level, profit before and after taxation was higher at RM15.9 million and RM13.7 million as compared to RM13.1 million and RM12.9 million respectively as reported in the previous year. The improvement in results was due to higher dividend income from subsidiaries and recovery of bad debts, as well as reduction in financing costs.

DIVIDEND

The Directors recommend a final dividend of 1.0% tax exempt (2004: 2% tax exempt) amounting to RM2.3 million for the financial year ended 31st December 2005. The final dividend, if approved by the Shareholders at the forthcoming Annual General Meeting, will be paid on 1st August 2006 to shareholders registered on the Register of Members on 12th July 2006.

Together with the interim 4% tax exempt dividend paid on 22nd February 2006, (2004 : 2% less tax) the total dividend payout by the Company will be RM11.56 million for the financial year ended 31 December 2005 (2004: RM7.96 million).

REPURCHASE OF SHARES

At the Extraordinary General Meeting held on 6 June 2005, the Shareholders of the Company approved the repurchase the Company's shares. The Company has consequent to the authorisation repurchased 355,000 of its own ordinary shares from the market at a total consideration of RM234,841. The repurchased shares are being held as treasury shares.

REVIEW OF OPERATIONS

TEXTILE DIVISION

Despite an increase in revenue of 10% to RM107.3 million, the results of the Textile Division for the year 2005 did not improve in tandem. Profit before taxation for the Division declined by 48% to RM3.1 million was mainly affected by the abolition of the Multi Fibre Agreement that came into effect on 1 January 2005. The abolition of the agreement lifted trade quotas and raised fierce competition in global markets, forcing garment producers to lower prices further. To counter these challenges, our garments segment will focus on expanding its operational capacities, upgrading manufacturing processes and improve on the quality and delivery of our finished products.

During the year, the yarn spinning operations under MWE Spinning Mills Sdn Bhd ("MSM") were discontinued after taking into consideration the continual losses incurred due to unfavourable raw material prices and stiff competition from imported yarns. A voluntary separation scheme was offered to the employees of MSM and the plant and machinery were disposed.

ELECTRONICS DIVISION

During the year under review, the Electronics Division reported RM425 million in turnover, which is consistent with the RM424 million reported for the year 2004. However, profit before tax fell to RM15.1 million and this represented a decrease of 64% from RM41.7 million in the previous year.

The power conversion products segment performed below expectation during the year by returning a loss before tax of RM7.3 million. The losses arose from, among others, labour related issues such as shortage of skilled workers and the imposition of minimum wage requirements in China, where our production factories are located. The rapid industrialisation of China has posed a challenge to the segment whereby our profit margins are being eroded by rising overheads, material and labour costs.

The lighting section performed well by chalking up sales of RM98.8 million, an increase of 4% over the RM95.0 million recorded in the previous year. On the back of the increase in sales, profit before taxation rose from RM11.6 million to RM12.6 million in the year under review. The section has completed several local projects to outfit the lightings for several institutions of higher learning and is looking to further establish its entry into international markets.

Managing Director's Statement

The pager business undertaken through Daviscomms also performed well by reporting sales of RM60.4 million compared to RM51.4 million in year 2004. Profit before taxation jumped from RM4.1 million to RM9.3 million as a result of orders for newly designed products that were approved during the year. Profitability also improved due to better coordination and control over procedures for sourcing of materials as well as production scheduling.

PROPERTY DIVISION

Despite the increase in supply of office space in Penang, the MWE Plaza managed to increase its occupancy rate to 90% during the year under review with the signing of several new tenancies.

Our associated company, Ribuan Wangsa Sdn Bhd, completed its project to build two highrise blocks with a total of 862 units of low medium-cost apartments in Penang.

The Group's construction arm, MWE Advanced Structure Sdn Bhd has completed 80% of its housing development project at Tanjung Tokong, Penang which comprises 97 units of 3 storey terrace houses. Meanwhile, another project in Dengkil comprising 66 units of double storey terrace houses has commenced piling and earthworks during the year.

LEISURE DIVISION

Monterez Golf & Country Club ("MGCC") has shown growth in memberships with its expansion programmes and initiatives. Improvements were made to the golf course drainage systems and new buggy tracks were laid during the year. The creation of new bunkers has made the course more challenging and the golf club also hosted several tournaments during the year namely the MWE Challenge Trophy, Carlsberg Golf Classic and the Thommo Medinova Masters.

MGCC has also continued with its upgrade of recreational facilities and wellness centre to offer its members a wider range of activities in the club.

PROSPECTS

Technology is constantly being updated to meet the consumers' changing demands to achieve higher levels of sophistication and functionality. As producers, our products are geared towards meeting that demand in a timely fashion, with the most efficient use of resources. To this end, our Group must identify changing trends in the global markets, design and develop products that would not only meet consumers' demands but also to create sustainable markets.

Going forward into the year 2006 and beyond, the Group is looking into expanding core businesses in the garment, lighting and consumer electronics sectors; businesses where we have been successful in the past. New technology not only bring forth new demands, but also newer methods of production to enhance our productivity and efficiency in utilising resources, while maintaining our social responsibility to the environment and the community. Our business activities are already established in the global arena, where opportunities are abound with the rapid development of new ideas and new technologies, and where we will endeavour to identify and develop new growth areas within our core businesses in our efforts to meet, and create, new consumer demand.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to express our gratitude to our valued customers, government authorities, business associates, bankers as well as shareholders for their continuing support and confidence in the Group.

I would also like to express my appreciation to my fellow Directors, and commend the employees of MWE Group for their untiring dedication, contribution and commitment and look forward to working together to bring the Group to greater heights.

TANG KING HUA
Managing Director
25 April 2006



Statement on Corporate Governance

The Board of Directors of MWE Holdings Berhad recognises the importance of maintaining good standard of corporate governance. The application of the principles and the extent of compliance with the best practices set out in the Malaysian Code on Corporate Governance (“the Code”) by the Company are as follows:-

1. THE BOARD OF DIRECTORS

The Board & Board Balance

The composition of the Board reflects a balance with a mix of technical, administrative and business experiences that has been vital to the direction of the Group.

Currently, the Board has seven (7) members, comprising two (2) non-independent & non-executive directors, three (3) independent & non-executive directors, the managing director and the executive director. The number of independent & non-executive directors make up more than one third (1/3) of the membership of the Board and their presence provided fair and independent view to the Board. The Board also delegates specific responsibilities to various committees such as Audit Committee, ESOS Committee, Remuneration Committee and Nomination Committee to assist in discharging their duties. The brief profiles of all directors are given in pages 10 to 11.

The respective roles of the Chairman and the Managing Director are clearly defined, so as to ensure that there is a balance of power and authority. The Chairman is responsible for ensuring Board effectiveness and conduct, whilst the Managing Director has overall responsibility for the operating units, organisational effectiveness and implementation of Board policies and decisions. The presence of Independent Non-Executive Directors fulfill a pivotal role in the corporate accountability. Although all the Directors have an equal responsibility for the Group’s operations, the role of these Independent Non-Executive Directors is particularly important as they provide unbiased and independent view, advice and judgement.

Board Meetings

The Board met six (6) times during the year 2005, whereat it reviewed and approved various issues including the Group’s quarterly financial results, the performance of the subsidiaries, the business plan and strategy of the Group and corporate proposals. The Board also reviewed the adequacy of the Group’s internal control system, identified addressed principal risks in the Group’s through the powers delegated to the Audit Committee.

The details of attendance of each Director at the Board of Directors’ Meetings held during the financial year ended 31 December 2005 are set out as follows:-

Directors	Attendance
Tang King Hua	6/6
Lim Kong Yow	6/6
Dato’ Surin Upatkoorn	5/6
Lawrence Lim Swee Lin	6/6
Dato’ Ahmad Hasmuni bin Hj Hussein	3/6
Dato’ Shahbudin bin Imam Mohamad	6/6
Tan Chor Teck	5/6

The agenda for Board meetings, together with the detailed reports and proposition papers to be tabled at the Board meetings, are circulated to all the Directors for their perusal and consideration prior to each Board meeting.

All matters arising, deliberation and conclusions of the Board meetings are clearly and accurately recorded in the minutes of meetings by the Company Secretary, confirmed by the Board and signed as a correct record by the Chairman of meeting.

Senior Management staff as well as advisers and professionals appointed to advise on corporate proposals, were invited to attend Board meetings to provide the Board with their views and explanations on certain agenda items tabled to the Board, and to furnish clarification on issues that may be raised by the Directors.

Statement on Corporate Governance

Supply of Information

All Directors are supplied with necessary information on a timely basis to carry out their duties. Information given is inclusive of but not limited to financial figures, yearly budgets, business plans, list of directors' dealings, legal issues, project papers, draft circular etc. for discussion in Board Meetings as well as other occasions.

The Directors have full access to the senior management and the advice and services of the Company Secretary. In addition, the Directors may also seek independent professional advice, at the Company's expense, if any.

Appointment to the Board

Nomination Committee was set up on 28 August 2002 to ensure the process of nominating and appointing new members to the Board is fair and transparent. Currently, the Committee comprises the following members:-

1. Dato' Ahmad Hasmuni bin Hj Hussein (*Independent Non-Executive Director*)
2. Dato' Shahbudin bin Imam Mohamad (*Independent Non-Executive Director*)
3. Tan Chor Teck (*Independent Non-Executive Director*)

The Board, through the Nomination Committee, reviews annually its required mix of skills and experience and other qualities, including core competencies of all Directors to ensure the effectiveness of the Board as a whole and the committees of the Board.

Re-election of Directors

In accordance with the Company's Articles of Association, all Directors are subject to election at the first Annual General Meeting after their appointment.

The Articles also provide that at least one third (1/3) of the Directors are subject to re-election by rotation at each Annual General Meeting. Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

Directors' Training

All directors have completed the Mandatory Accreditation Programme and during the year of 2005, directors have attended various training programmes under the Continuing Education Programmes ("CEP") pursuant to the requirements of the Bursa Malaysia Securities Berhad, which inclusive of the following areas :-

- Organising and influencing at Board Level
- Risk Management

Directors' Remuneration

The Remuneration Committee currently comprises the following members:-

1. Dato' Ahmad Hasmuni bin Hj Hussein (*Independent Non-Executive Director*)
2. Tan Chor Teck (*Independent Non-Executive Director*)
3. Lim Kong Yow (*Executive Director*)

The Committee is entrusted with the responsibility of developing the policy on Executive Directors' remuneration package and recommending to the Board the remuneration and compensation of Managing Director and Executive Directors.

The determination of the remuneration package of the Non-Executive Directors shall be a matter for the Board as a whole, with the Director concerned abstaining from deliberation and voting on decisions in respect of his remuneration.

Directors' fees are approved by the shareholders together with the Audited Financial Statements of the Company at the Annual General Meeting.



Statement on Corporate Governance

The aggregate remuneration of the Directors paid or payable by the Company for the financial year ended 31 December 2005 are as follows:-

The aggregate remuneration of Directors paid or payable to all Directors of the Company by the Company and the Group categorised into appropriate components for the financial year are as follows:-

	Company		Group		
	Fees RM	Meeting Allowances RM	Salary/Fee RM	Bonus RM	Total RM
Executive Directors	30,000	8,500	1,017,330	146,816	1,164,146
Non-Executive Directors	60,000	18,000	302,400	-	302,400
Total	90,000	26,500	1,319,730	146,816	1,466,546

The number of Directors of the Company who served during the financial year and whose total remuneration from the Group falling within the respective bands are as follows:-

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
Up to 50,000	-	4
100,001-200,000	-	1
300,001-400,000	1	-
700,000-800,000	1	-

2. RELATIONS WITH SHAREHOLDERS AND INVESTORS

The Company recognises the importance of regular and timely dissemination of information to shareholders and investors of the Company via annual report and financial statements, circulars to shareholders, quarterly financial reports and the various announcements made during the year. These will enable the shareholders, investors and members of the public to have an overview of the Group's performance and operations.

Care has been taken to ensure that no market sensitive information, such as corporate proposals, financial results or other material information is disseminated to any party without first making an official announcement to the Bursa Malaysia Securities Berhad.

Shareholders and members of the public can obtain the Company's latest announcements via the Bursa Malaysia Securities Berhad website at www.bursamalaysia.com.

3. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board holds responsible to provide and present to its shareholders, a balanced and understandable assessment of the Group's financial performance and prospects at the end of each financial year, through its annual financial statements, quarterly and half-yearly announcement of results to shareholders as well as the Chairman's Statement and review of operations in the annual report.

The Directors consider that in preparing the financial statements, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. All accounting standards which the Board considers to be applicable have been followed, subject to any explanations and material departures disclosed in the notes to the financial statements.

Audit Committee

The composition, terms of reference and activities of the Audit Committee are set out in the Audit Committee Report.

In addition to the duties and responsibilities set out under its terms of reference, the Audit Committee acts as a forum for discussion of internal control issues and contributes to the Board's review of the effectiveness of the Company's internal control and risk management systems.

Statement on Corporate Governance

Internal Controls

The Board acknowledges that it is responsible for maintaining a sound system of internal controls, which provides reasonable assessment of effective operations, internal financial controls and compliance with laws and regulations as well as with internal procedures and guidelines. A Statement on Internal Control of the Group is set out on Page 25 of the Annual Report.

Relationship with the Auditors

Through the Audit Committee, the Group has established a close and transparent relationship with the Company's external auditors. The external auditors report to the Audit Committee and the Management on any weaknesses in the internal control systems and any non-compliance of accounting standards that come to their attention in the course of their audit.



Directors' Responsibility Statement

The Board is responsible for ensuring that the financial statements of the Group to give a true and fair view of the state of affairs of the group and of the Company at the end of the accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been applied and complied with subjects to any explanations and material departures disclosed in the notes to the financial statements.

The Directors hereby confirm that appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgements and estimates in the preparation of the financial statements. All accounting standards which the Board considers to be applicable have been complied with and sufficient internal controls has been taken to safeguard the assets of the Group and the Company and detect any fraud or other irregularities which described more fully in the Statement on Corporate Governance.

Continuing Corporate Disclosure

Share Buybacks

During the financial year, the Company bought back a total of 355,000 of its ordinary shares of RM1.00 each. The details on the purchase of the Company's own shares are as follows:-

Month of purchase	No. of shares purchased	Price (RM)		Average cost per MWE shares (RM)	Total cost (RM)
		Highest	Lowest		
July 2005	355,000	0.665	0.649	0.662	234,841.00
Total	355,000	0.665	0.649	0.662	234,841.00

Options

No options was exercised during the financial year.

Imposition of Sanctions/Penalties

There were no material sanctions and/or penalties imposed on the Company and its subsidiary companies, directors or management by the relevant regulatory bodies.

Non-audit Fees

There were no non-audit fees paid to the external auditors for the financial year ended 31 December 2005.

Profit Estimate, Forecast or Projection

There were no variances of 10% or more between the results for the financial year and the unaudited results and the profit forecast previously made or released by the Company.

Profit Guarantee

During the financial year, there were no profit guarantees given by the Company.

Material Contracts involving Directors/Substantial Shareholders' interests

During the year, there were no material contracts on the Company and its subsidiaries involving directors or substantial shareholders' interest.

Contracts Relating to Loans

There were no contracts relating to loans by the Company in respect of the material contracts involving directors' and major shareholders' interests.

Revaluation of Landed Properties

The Company does not have a revaluation policy on landed properties.



Continuing Corporate Disclosure

Recurrent Related Party Transactions of a Revenue or Trading Nature (RRPT)

The RRPT entered into by the Company and its subsidiaries during the financial year ended 31 December 2005 pursuant to the Shareholders' Mandate granted at the Extraordinary General Meeting held on 6 June 2005 were as follows :-

Name of company within MWE Group	Related Party	Nature of Transactions	Interested Directors/Major Shareholders and/ or person connected to them	Actual Amount (RM)
Metra Management Sdn Bhd ("Metra")	MPHB	Rental of office space.	Dato' Surin Dato' Tham	240,045
		Provision of share registration/ secretarial services to MPHB.		261,005
Metra	MCB	Provision of share registration and secretarial services.	Dato' Surin Dato' Tham	313,763
Metra	M4D	Provision of share registration and secretarial services.	Dato' Surin Dato' Tham	57,590
Metra	E&O	Provision of share registration services.	Dato' Surin Dato' Tham	47,935
Metra	EOPD	Provision of share registration services.	Dato' Tham	118,886
Ganda Pesona Sdn Bhd	Multi-Purpose Insurans Berhad ("MPI")	Receipts of agent's commission in relation to the receipt of insurance agency services from MPI.	Dato' Surin Dato' Tham	136,092
MWE's subsidiaries	MPI	Payment of insurance premium in relation to the provision of insurance coverage to MWE's subsidiaries.	Dato' Surin Dato' Tham	1,079,882

Dato' Surin Upatkoon ("Dato' Surin") is a director and major shareholder of MWE Holdings Berhad ("MWE") (holding direct interest of 0.34% and indirect interest of 23.70%) and also deemed as major shareholder of Multi-Purpose Holdings Berhad ("MPHB") (holding indirect interest of 32.52%), Magnum Corporation Berhad ("MCB") (holding indirect interest of 37.5%), Magnum 4D Berhad ("M4D") (holding indirect interest of 76.11%) and Eastern & Oriental Berhad ("E&O") (holding indirect interest of 14.49%).

Dato' Tham Ka Hon ("Dato' Tham") ceased to be a major shareholder of MWE with effect from 5.12.2005. Pursuant to Para 10.02(f) of Listing Requirements of the Bursa Malaysia Securities Berhad, Dato' Tham was a major shareholder within the preceding twelve (12) months, therefore, Dato' Tham is still considered a major shareholder of MWE. Dato' Tham is a director of MPHB and deemed to be a major shareholder of MPHB (holding indirect interest of 31.85%), MCB (holding indirect interest of 37.5%), M4D (holding indirect interest of 76.11%) and E&O (holding direct interest of 2.1% and indirect interest of 21.03%) and E&O Property Development Berhad ("EOPD") (holding indirect interest of 79.05%).

American Depositary Receipt (ADR) or Global Depositary Receipt (GDR) Programme

During the financial year, the Company did not sponsor any ADR or GDR programme.

Audit Committee

Dato' Ahmad Hasmuni bin Hj Hussein

Chairman – Independent Non-Executive Director

Tan Chor Teck

Independent Non-Executive Director

Dato' Shahbudin bin Imam Mohamad

Independent Non-Executive Director

Lim Kong Yow

Executive Director

TERMS OF REFERENCE

The terms of reference of the Audit Committee have been amended and revised in consistent with the current Listing Requirements of the Bursa Malaysia Securities Berhad.

OBJECTIVES :-

- i. assist in the fiduciary duties of the Board in matters pertaining to business ethics, policies, financial management, internal control, accounting policies and financial reporting of the Company and its subsidiaries.
- ii. maintain and enhance a line of communication and independence between the Group and the external auditors.
- iii. ensure a system of internal control which will mitigate the likelihood of fraud or error.

COMPOSITION OF AUDIT COMMITTEE

The members of the Audit Committee shall be appointed by the Board from amongst its members which shall fulfill the following requirements:-

- i. the Audit Committee shall be composed of no fewer than three (3) members;
- ii. the majority of the Audit Committee shall be independent directors; and
- iii. at least one member of the Audit Committee:-
 - a) must be a member of the Malaysian Institute of Accountants; or
 - b) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:-
 - must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - must be a member of one of the Associations of Accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

The Board must ensure that no alternate director is appointed as a member of the Audit Committee.

The members of the Audit Committee shall elect a Chairman from amongst their members who shall be an independent director.

In the event of any vacancy in the Audit Committee resulting in the non-compliance of the above requirements, the Board must fill the vacancy within three (3) months.

AUTHORITY

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the committee.

The Audit Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.



Audit Committee

The Audit Committee is authorised to convene meetings with the external auditors, excluding the attendance of the executive members of the Committee, whenever deemed necessary.

FUNCTIONS AND RESPONSIBILITIES

The functions and responsibilities of the Audit Committee shall include the following:-

1. review the following and report the same to the Board of Directors of the Company:-
 - a) the audit plan with the external auditors;
 - b) evaluation of the system of internal controls with the external auditors;
 - c) audit report with the external auditors;
 - d) the assistance given by the employees of the Company to the external auditors;
 - e) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
 - changes in or implementation of major accounting policy changes;
 - significant and unusual events; and
 - compliance with accounting standards and other legal requirements;
 - f) the engagement of Internal Audit Services Provider;
 - g) any related party transactions and conflict of interest situations that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - h) any letter of resignation from the external auditors of the Company; and
 - i) whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment;
2. recommend the nomination of a person or persons as external auditors;
3. promptly report to the Bursa Malaysia Securities Berhad on a matter reported by it to the Board which has not been satisfactorily resolved resulting in a breach of the Listing Requirements of the Bursa Malaysia Securities Berhad; and
4. perform any other function that may be agreed upon by the Committee and the Board.

MEETINGS AND REPORTING PROCEDURES

Meeting shall be held at least four times a year. The external auditors may request a meeting if they consider this necessary.

The quorum shall consist of a majority of Committee members who must be independent directors.

In the absence of the Chairman of the Committee, the members of the Committee present shall elect one of the independent directors to chair the meeting. A resolution put to vote shall be decided by a majority of votes of the members present, each member having one vote.

Other directors and employees may attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.

The Secretary shall be responsible in conjunction with the Chairman, for drawing up the agenda and circulating it to the committee members prior to each meeting. The Secretary will also be responsible for keeping the minutes of meetings for the Committee, and circulating them to the Committee members and to other members of the Board as the Committee deems necessary.

The Company Secretary will act as the Secretary of the Committee.

Audit Committee

The Committee convened five (5) meetings during the financial year ended 31 December 2005 and the attendance record is as follows:-

	25/2/2005	26/4/2005	26/5/2005	25/8/2005	24/11/2005
Dato' Ahmad Hasmuni bin Hj Hussein	X	✓	X	X	✓
Dato' Shahbudin bin Imam Mohamad	✓	✓	✓	✓	✓
Mr Tan Chor Teck	✓	X	✓	✓	✓
Mr Lim Kong Yow	✓	✓	✓	✓	✓

ACTIVITIES

During the year under review, the Audit Committee undertook the following activities:-

- Reviewed and approved the annual internal audit plan for year 2005.
- Reviewed the quarterly unaudited financial results announcements before recommending them for the Board's approval. The review and discussions were conducted with the Group Financial Controller of the Company.
- Reviewed the audited financial statements for the financial year ended 31 December 2005 with the external auditors prior to submission to the Board for their consideration and approval.
- Reviewed the internal audit reports of the Company's subsidiaries, highlighting the audit issues, recommendations and management's response.
- Reviewed significant related party transactions entered into by the Group.
- Reviewed the revised Audit Committee Chapter in compliance with the Listing Requirements of the Bursa Malaysia Securities Berhad.

INTERNAL AUDIT FUNCTION

The group outsourced its internal audit function to a reputable professional services firm with international affiliation which is independent from the activities of the Company and reports directly to the Committee, who in turn decides on the remit of the internal audit function.

Its principal responsibility is to provide independent assessments of the Group's internal control systems to ensure adequate, efficient and effective compliance with systems and standard operating procedures in each of the operations in the Group and the scope encompasses the audits of all the companies within the Group over a period of three (3) years per cycle. The Audit Committee have received several reports from the Internal Auditors on the audit work, recommendations and management's responses prior to the Committee meetings. During the year, it had carried out the audits according to the audit plan, which had been approved by the Audit Committee.

The final internal audit reports undertaken during the year were forwarded to the Management for necessary corrective and preventive actions as recommended. The Management is responsible for ensuring that the actions are implemented within the required time frame.



Statement On Internal Control

The Board is pleased to make the following disclosures pursuant to Paragraph 15.27 (b) of the Bursa Malaysia Securities Berhad Listing Requirements, which requires the Board of Directors of public listed companies to include in its annual report “a statement about the state of internal control of the listed issuer as a group”.

Board Responsibility

The Board recognizes its overall responsibility in promoting good corporate governance and maintaining a sound system of internal control and the need to regularly review the system’s adequacy and integrity. Such system covers not only financial controls but also operational and compliance controls. It should be noted that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives. The system by its nature can provide only reasonable but not absolute assurance against material misstatement or loss.

Risk Management Framework

Risk management is seen as an integral part of the Group’s business operations by the Board. The Group has in place an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, throughout the financial year under review. Senior management will assess and appraise the cost and benefits, impact on the Group, review the financial implications before any investment or significant expenditure is made.

This ongoing process is undertaken for all the major subsidiaries of the Group, as well as collectively on a Group basis, and the processes, findings, and actions taken by the Management subsequently are all reviewed regularly by the Board.

Assurance on Internal Control to the Board

The responsibility for reviewing the adequacy and integrity of the internal control systems has been delegated by the Board to the Audit Committee. In turn, the Audit Committee assesses the adequacy and integrity of the internal control systems through independent reviews conducted on reports it received from the external auditors, internal auditors and management.

The Group outsourced its internal audit function to a professional services firm to provide the Audit Committee and the Board with the assurance they require pertaining to the adequacy and effectiveness of internal control and governance systems. During the financial year, the internal audit function reviewed internal controls in key activities of the Group according to the annual internal audit plan approved by the Audit Committee. The internal audit adopted a risk-based approach and the audit plan is prepared based on the risk profiles of the Group’s major businesses. Opportunities for improving the system of internal control were identified and presented to the Audit Committee via internal audit reports, whilst Management formulated the relevant action plans to implement them.

In addition, the internal audit function also carried out follow up visits to ensure that recommendations for improvement to the internal control systems are satisfactorily implemented. Although a number of internal control weaknesses were identified, none of the weaknesses have resulted in any material losses or contingencies that would require separate disclosure in this annual report.

The Board currently does not regularly review the internal control systems of its associate companies, as the Board does not have any direct control over their operations. Notwithstanding this, the Group’s interest is served through representation on the Board of the associate companies. This representation also provides the Board with information for timely decision making on the continuity of the Group’s investments based on the performances of the associated companies.

Statement On Internal Control

Key Elements of Internal Control

The key processes that the Board has established in reviewing the adequacy and integrity of the Group's systems of internal control include the following:-

1. A well defined organisational structure with clear lines of accountability and which has a documented delegation of authority that sets out the decisions that need to be taken and the appropriate authority levels of management including matters that required Board approval.
2. The Audit Committee reviews the quarterly financial reports, annual financial statements, the internal audit report on a periodic basis. Discussion with Management were held to deliberate on the actions that are required to be taken to address internal control matters identified by the outsourced internal audit function.
3. Regular internal audit visits to assess the effectiveness of internal controls, to monitor compliance with procedures, to review and assess the efficiency and effectiveness of the Group's operations and to assess the integrity and reliability of financial information.
4. A comprehensive business planning and budgeting process which establishes plans and targets against which performances are monitored on an on-going basis. The business planning process of the Group determines business objectives, examines strengths, weaknesses, opportunities, threats and key business risks, from which action plans are formulated thereon.

Conclusion

The Board is of the view that the systems of internal control are satisfactory in meeting existing business requirements. Notwithstanding this, the Board will continue to take active measures to strengthen the existing internal control systems and control environment so that it can continue to adapt to the changes in the business environment the Group operates in.



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Directors' Report

for the year ended 31 December 2005

The directors have pleasure in submitting their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiary companies are indicated in Note 5 to the financial statements.

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

RESULTS

	Group RM	Company RM
Profit after tax	16,081,460	13,678,005
Minority interests	1,107,321	-
Net profit for the year	17,188,781	13,678,005

DIVIDENDS

Dividend paid or declared by the Company since the end of the previous financial year were as follows:

In respect of the financial year ended 31 December 2004 as disclosed in the directors' report of that financial year-

RM

Final dividend of 2% tax exempt paid on 1 August 2005

4,631,180

In respect of the financial year ended 31 December 2005-

Interim dividend of 4% tax exempt paid on 22 February 2006

9,248,161

The directors now recommend the payment of a final dividend of 1% tax exempt amounting to RM2,312,040 for the year ended 31 December 2005, subject to approval of the shareholders at the forthcoming annual general meeting.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year except as disclosed in the consolidated statement of changes in equity.

ISSUE OF SHARES AND DEBENTURES

The Company did not issue any shares or debentures during the financial year.



Directors' Report for the year ended 31 December 2005

REPURCHASE OF SHARES

At the extraordinary general meeting of the Company held on 6 June 2005, the shareholders passed an ordinary resolution to authorise the board of directors to repurchase the Company's shares not exceeding 10% of the issued and paid-up share capital.

During the financial year, the Company repurchased 355,000 ordinary shares at a total consideration of RM234,841 from the open market at prices ranging from RM0.65 to RM0.67 per share.

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

At 31 December 2005, the total number of treasury shares held by the Company is 355,000 ordinary shares.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

In 2001, the Company granted share options to eligible full-time salaried employees including full-time executive directors of the Company and its subsidiary companies to subscribe for ordinary shares of RM1 each under the ESOS approved by the shareholders and the relevant authorities. The Option may be exercised between 27 November 2001 and 20 September 2006 at RM1.00 per share. The shares issued from the exercise of the Option under the ESOS rank pari passu in all respects with the existing issued and paid-up ordinary shares of the Company. The Option granted does not confer any rights to participate in any share issue of any other companies of the Group.

The movements in the share options are as follows:

	Number of options over ordinary shares
At 1 January 2005	15,795,000
Forfeiture due to resignations	(2,464,000)
	<hr/>
At 31 December 2005	13,331,000
	<hr/>

DIRECTORS

The directors in office since the date of the last report are:

Mr Tang King Hua
Mr Lim Kong Yow
Dato' Surin Upatkoon
Mr Lawrence Lim Swee Lin
Dato' Hj Ahmad Hasmuni bin Hj Hussein
Dato' Shahbudin bin Imam Mohamad
Mr Tan Chor Teck

In accordance with the Company's Articles of Association, Dato' Shahbudin bin Imam Mohamad and Mr Lim Kong Yow retire from the board at the forthcoming annual general meeting. Both the retiring directors, being eligible, offer themselves for re-election.

Dato' Hj Ahmad Hasmuni bin Hj Hussein retires at the annual general meeting in accordance with Section 129 of the Companies Act, 1965. The board recommends that he be re-appointed as director of the Company and to hold office until the next annual general meeting.

Directors' Report

for the year ended 31 December 2005

DIRECTORS' INTERESTS IN SHARES

According to the register of directors' shareholdings required to be kept under Section 134 of the Companies Act, 1965, the directors' interests in shares and share options in the Company were as follows:

	--- Number of ordinary shares of RM1 each ---			
	At 1-1-2005	Bought	Sold	At 31-12-2005
The Company				
Mr Tang King Hua				
- direct interest	9,075,400	384,700	-	9,460,100
- deemed interest	639,400	542,300	-	1,181,700
Mr Lim Kong Yow				
- direct interest	7,000	20,000	-	27,000
- deemed interest	4,000	-	-	4,000
Dato' Surin Upatkoorn				
- direct interest	786,630	-	-	786,630
- deemed interest	48,373,922	6,503,600	-	54,877,522
Mr Lawrence Lim Swee Lin				
- direct interest	105,000	215,000	-	320,000
Mr Tan Chor Teck				
- direct interest	350,000	-	-	350,000
- deemed interest	9,704,680	15,000	-	9,719,680

Share options granted under the ESOS of the Company

	----- Number of options over ordinary shares of RM1 each -----				
	At 1-1-2005	Granted	Exercised	Relinquished	At 31-12-2005
Mr Tang King Hua	600,000	-	-	-	600,000
Mr Lim Kong Yow	450,000	-	-	-	450,000

None of the other directors held any shares or had any interests in shares in the Company and its related corporations during the financial year except for the interest in shares held by Mr Tang King Hua in the following subsidiary companies:

	--- Number of ordinary shares of RM1 each ---			
	At 1-1-2005	Bought	Sold	At 31-12-2005
Davex Holdings Berhad				
- direct interest	349,275	-	-	349,275
- deemed interest	162,490	-	-	162,490
Davex (Malaysia) Sdn Bhd				
- direct interest	127,000	-	-	127,000
Daviscomms (S) Pte Ltd				
- direct interest	30,000	-	-	30,000



Directors' Report for the year ended 31 December 2005

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than as disclosed in Notes 30, 34 and 40 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Company and of the Group were made out, the directors took reasonable steps:
 - (i) to ascertain the action taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise in the ordinary course of business their value as shown in the accounting records of the Company and of the Group had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances:
 - (i) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Company and of the Group inadequate to any substantial extent, or
 - (ii) which would render the values attributed to the current assets in the financial statements of the Company and of the Group misleading, or
 - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company and of the Group misleading or inappropriate.
- (c) At the date of this report, there does not exist:
 - (i) any charge on the assets of the Company or its subsidiary companies which has arisen since the end of the financial year which secures the liabilities of any other person, or
 - (ii) any contingent liability of the Company or its subsidiary companies which has arisen since the end of the financial year.
- (d) No contingent or other liability of the Company or its subsidiary companies has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Company or its subsidiary companies to meet their obligations as and when they fall due.
- (e) At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Company and of the Group which would render any amount stated in the respective financial statements misleading.
- (f) In the opinion of the directors:
 - (i) the results of the operations of the Company and of the Group for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
 - (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company and of the Group for the financial year in which this report is made.

Directors' Report for the year ended 31 December 2005

AUDITORS

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

Signed on behalf of the directors in accordance
with a resolution of the directors

DATO' SURIN UPATKOON
Director

TANG KING HUA
Director

Dated 25 April 2006



Report Of The Auditors

We have audited the financial statements of the Company set out on pages 34 to 91. These financial statements are the responsibility of the Company's directors.

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

We conducted our audit in accordance with approved auditing standards issued by the Malaysian Institute of Accountants. 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 an assessment of the accounting principles used and significant estimates made by the directors as well as an evaluation of the overall presentation of the financial statements. We believe our audit has provided us with a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the state of affairs of the Company and of the Group at 31 December 2005 and of their results and cash flows for the year ended on that date; and
 - (ii) the matters required by section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company and of the Group; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiaries of which we acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.

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

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification, and in respect of subsidiaries incorporated in Malaysia, did not include any comment made under section 174 (3) of the Act.

MOORES ROWLAND

No. AF: 0539

Chartered Accountants

GAN MORN GHUAT

No. 1499/5/07 (J)

Partner

25 April 2006

Balance Sheets

31 December 2005

	Note	2005 RM	Group 2004 RM	2005 RM	Company 2004 RM
PROPERTY, PLANT AND EQUIPMENT	2	114,759,809	112,786,164	-	-
INVESTMENT PROPERTIES	3	68,610,210	77,778,513	-	-
LAND HELD FOR PROPERTY DEVELOPMENT	4	25,185,548	23,532,883	-	-
SUBSIDIARY COMPANIES	5	-	-	150,651,928	150,651,928
AMOUNT OWING BY SUBSIDIARY COMPANIES	6	-	-	202,828,294	219,405,600
ASSOCIATED COMPANIES	7	1,520,403	3,221,961	1	1
OTHER INVESTMENTS	8	43,910,129	28,136,587	11,902,637	5,108,278
INTANGIBLE ASSETS	9	320,533	442,820	-	-
GOODWILL ON ACQUISITION	10	19,528,909	21,823,593	-	-
DEFERRED TAX ASSETS	11	1,892,398	1,289,074	-	-
CURRENT ASSETS					
Inventories	12	89,213,632	101,360,903	-	-
Property development costs	13	7,097,385	10,685,186	-	-
Gross amount due from customers	14	7,769,402	5,779,162	-	-
Trade and other receivables	15	176,483,767	153,668,093	5,952	5,426
Amount owing by associated companies	16	561,168	3,961,168	-	-
Tax recoverable		6,970,255	7,475,708	5,111,320	5,239,692
Fixed and time deposits	17	27,124,645	15,016,533	2,800,000	3,000,000
Cash and bank balances	18	29,911,261	56,560,182	317,459	161,412
		345,131,515	354,506,935	8,234,731	8,406,530
Less:					
CURRENT LIABILITIES					
Gross amount due to customers	14	646,763	462,367	-	-
Trade and other payables	19	147,917,487	120,386,381	7,476,865	8,285,635
Amount owing to associated companies	16	-	44,080	-	-
Hire purchase and finance lease liabilities	20	851,684	651,427	-	-
Bank borrowings	21	61,061,989	67,928,950	16,758,131	27,996,273
Tax payable		5,031,401	7,263,955	-	-
		215,509,324	196,737,160	24,234,996	36,281,908
NET CURRENT ASSETS/(LIABILITIES)		129,622,191	157,769,775	(16,000,265)	(27,875,378)
		405,350,130	426,781,370	349,382,595	347,290,429



Balance Sheets

31 December 2005

	Note	2005 RM	Group 2004 RM	2005 RM	Company 2004 RM
Financed by:					
SHARE CAPITAL	22	231,559,015	231,559,015	231,559,015	231,559,015
RESERVES	23	48,898,992	49,558,694	53,814,620	44,767,795
TREASURY SHARES	24	(234,841)	-	(234,841)	-
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SHAREHOLDERS' EQUITY		280,223,166	281,117,709	285,138,794	276,326,810
MINORITY INTERESTS		67,777,334	74,277,420	-	-
LONG TERM LIABILITIES	25	29,438,221	43,790,655	64,243,801	70,963,619
DEFERRED TAX LIABILITIES	26	8,852,531	9,124,276	-	-
DEFERRED INCOME	27	19,058,878	18,471,310	-	-
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		405,350,130	426,781,370	349,382,595	347,290,429
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Income Statements

for the year ended 31 December 2005

	Note	2005 RM	Group 2004 RM	2005 RM	Company 2004 RM
Continuing operations					
Gross revenue	28	662,958,817	620,914,426	17,301,411	15,087,569
Cost of sales	29	(563,928,969)	(490,338,594)	-	-
Gross profit		99,029,848	130,575,832	17,301,411	15,087,569
Other operating income		23,734,517	12,234,081	5,557,617	4,505,901
Selling and distribution costs		(16,550,268)	(19,080,985)	-	-
Administrative and general expenses		(77,392,431)	(76,651,387)	(1,826,322)	(556,585)
Other operating expenses		(435,688)	(1,286,822)	-	-
Profit from operations	30	28,385,978	45,790,719	21,032,706	19,036,885
Finance costs	31	(5,690,769)	(7,425,459)	(3,046,517)	(5,970,141)
Net gain on disposal of investments	32	2,959,035	4,068,329	311,062	-
Net impairment loss on value of other investments	33	(727,129)	(3,226,200)	(2,379,246)	-
Share of results in associated companies		1,457,118	2,821,011	-	-
Profit before tax from continuing operations		26,384,233	42,028,400	15,918,005	13,066,744
Loss before tax from discontinuing operations	34	(5,890,071)	(990,548)	-	-
Profit before tax		20,494,162	41,037,852	15,918,005	13,066,744
Tax expense					
- Company and its subsidiaries	35	(3,849,478)	(6,933,014)	(2,240,000)	(197,000)
- Share of tax expense in associated companies		(563,224)	(765,625)	-	-
Profit after tax		16,081,460	33,339,213	13,678,005	12,869,744
Minority interests		1,107,321	(15,033,221)	-	-
Net profit for the year		17,188,781	18,305,992	13,678,005	12,869,744
Net dividend per share (sen)		5.00	3.44	5.00	3.44
Earnings per share	36				
Basic (sen)		7.43	8.51		
Diluted (sen)		-	-		



Consolidated Statement Of Changes In Equity

for the year ended 31 December 2005

	Share capital RM	Share premium RM	Exchange translation reserve RM	Capital reserve RM	(Accumulated loss)/ Unappropriated profit RM	Treasury shares RM	Total RM
At 1 January 2004	209,951,369	23,586,099	3,504,104	24,029,316	(21,085,252)	-	239,985,636
Issue of share capital on							
- conversion of ICULS	21,600,246	-	-	-	-	-	21,600,246
- exercise of warrants	7,400	-	-	-	-	-	7,400
Transfer to capital reserve	-	-	-	63,874	(63,874)	-	-
Net gain not recognised in income statement							
- exchange translation differences	-	-	10,086,316	-	-	-	10,086,316
Exchange translation reserve realised on disposal of an associated company	-	-	(2,832,960)	-	-	-	(2,832,960)
Reserve arising from dilution of minority interests in a subsidiary company	-	-	-	324,636	-	-	324,636
Net profit for the year	-	-	-	-	18,305,992	-	18,305,992
Dividends paid (Note 37)	-	-	-	-	(6,359,557)	-	(6,359,557)
At 31 December 2004	231,559,015	23,586,099	10,757,460	24,417,826	(9,202,691)	-	281,117,709
Effect of change in accounting policy							
- fair value adjustment on investment properties on adoption of FRS 140	-	-	-	-	(11,495,873)	-	(11,495,873)
Transfer from capital reserve	231,559,015	23,586,099	10,757,460	24,417,826	(20,698,564)	-	269,621,836
Net loss not recognised in income statement	-	-	-	(23,480,548)	23,480,548	-	-
- exchange translation differences	-	-	(1,721,430)	-	-	-	(1,721,430)
Net profit for the year	-	-	-	-	17,188,781	-	17,188,781
Dividend paid (Note 37)	-	-	-	-	(4,631,180)	-	(4,631,180)
Shares purchased held as treasury shares	-	-	-	-	-	(234,841)	(234,841)
At 31 December 2005	231,559,015	23,586,099	9,036,030	937,278	15,339,585	(234,841)	280,223,166

Statement Of Changes In Equity

for the year ended 31 December 2005

	Share capital RM	Share premium RM	Capital reserve RM	Unappropriated profit RM	Treasury shares RM	Total RM
At 1 January 2004	209,951,369	23,586,099	13,761,928	909,581	-	248,208,977
Issue of share capital on						
- conversion of ICULS	21,600,246	-	-	-	-	21,600,246
- exercise of warrants	7,400	-	-	-	-	7,400
Net profit for the year	-	-	-	12,869,744	-	12,869,744
Dividends paid (Note 37)	-	-	-	(6,359,557)	-	(6,359,557)
At 31 December 2004	231,559,015	23,586,099	13,761,928	7,419,768	-	276,326,810
Transfer from capital reserve	-	-	(13,761,928)	13,761,928	-	-
Net profit for the year	-	-	-	13,678,005	-	13,678,005
Dividend paid (Note 37)	-	-	-	(4,631,180)	-	(4,631,180)
Shares purchased held as treasury shares	-	-	-	-	(234,841)	(234,841)
At 31 December 2005	231,559,015	23,586,099	-	30,228,521	(234,841)	285,138,794



Cash Flow Statements for the year ended 31 December 2005

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax from continuing operations	26,384,233	42,028,400	15,918,005	13,066,744
Adjustments for:				
Amortisation of goodwill on acquisition	2,294,684	2,195,803	-	-
Amortisation of discount on ICULS	-	324,004	-	324,004
Amortisation of intangible assets	167,094	105,923	-	-
Depreciation	13,508,128	14,416,126	-	-
Property, plant and equipment written off	85,588	138,854	-	-
Gain on disposal of property, plant and equipment	(312,148)	(381,837)	-	-
Net gain on disposal of investments	(2,959,035)	(4,068,329)	(311,062)	-
Loss on disposal of property, plant and equipment	28,452	27,434	-	-
Net impairment loss on value of other investments	727,129	3,226,200	2,379,246	-
Share of results in associated companies	(1,457,118)	(2,821,011)	-	-
Inventories written down	70,998	15,080	-	-
Allowance for doubtful debts	543,153	5,966,972	-	-
Allowance for doubtful debts written back	(7,260,122)	(623,962)	-	-
Bad debts written off	-	22,452	629,695	-
Unrealised loss/(gain) on foreign exchange	1,969,416	(2,282,214)	-	-
Dividend income	(223,857)	(145,666)	(17,301,411)	(15,087,569)
Interest income	(4,365,490)	(1,609,152)	(2,316,335)	(3,505,901)
Interest expenses	5,785,288	7,296,076	3,046,517	5,646,137
Hire purchase and finance lease term charges	188,197	170,475	-	-
Operating profit before working capital charges	35,174,590	64,001,628	2,044,655	443,415
Changes in inventories	3,357,073	3,810,779	-	-
Changes in property development costs	1,935,136	1,345,257	-	-
Changes in receivables	(19,390,318)	(6,957,107)	(526)	(285)
Changes in payables	31,262,613	(16,252,049)	(808,770)	(1,489,605)
Changes in trade line borrowings	3,385,508	1,078,929	-	-
Cash generated from/(utilised in) operations	55,724,602	47,027,437	1,235,359	(1,046,475)
Interest received	4,365,490	1,609,152	2,316,335	3,505,901
Interest paid	(5,502,572)	(6,930,980)	(3,046,517)	(5,646,137)
Interest paid classified under cost of sales	(282,716)	(56,934)	-	-
Interest paid capitalised under land held for property development and property development costs	-	(308,162)	-	-
Tax (paid)/refunded	(5,957,324)	(4,616,932)	388,789	-
Net cash from/(used in) operating activities				
- Continuing operations	48,347,480	36,723,581	893,966	(3,186,711)
- Discontinuing operations (Note 34)	(1,987,354)	(245,580)	-	-
	46,360,126	36,478,001	893,966	(3,186,711)

Cash Flow Statements for the year ended 31 December 2005

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(15,178,793)	(10,929,239)	-	-
Purchase of new subsidiary companies, net of cash (Note 38)	-	(125,699)	-	-
Purchase of additional shares in subsidiary companies	(193,722)	(3,364,498)	-	(8,607,268)
Purchase of investment properties	(2,327,570)	-	-	-
Purchase of other investments	(21,378,604)	(10,519,492)	(10,509,838)	(5,100,170)
Proceeds from disposal of property, plant and equipment	1,005,355	1,317,066	-	-
Proceeds from disposal of other investments	3,793,929	33,912,995	1,647,295	-
Disposal of subsidiary companies, net of cash (Note 38)	-	(4,942)	-	-
Redemption of preference shares in an investee company	800,000	1,000,000	-	-
Repayment from subsidiary companies	-	-	15,947,611	27,665,549
Placement/(Withdrawal) of fixed deposits pledged	627,342	(1,554,492)	-	-
Dividends received from subsidiary companies	-	-	14,740,870	14,281,305
Dividends received from an associated company	2,595,452	-	-	-
Dividends received from other investments	223,857	145,666	60,124	1,264
Expenditure on intangible assets capitalised	(50,789)	(374,074)	-	-
Net cash (used in)/from investing activities				
- Continuing operations	(30,083,543)	9,503,291	21,886,062	28,240,680
- Discontinuing operations (Note 34)	1,916,896	-	-	-
	(28,166,647)	9,503,291	21,886,062	28,240,680
CASH FLOWS FROM FINANCING ACTIVITIES				
Bank borrowings raised	4,773,000	5,603,690	-	-
Repayment of bank borrowings	(28,317,740)	(20,656,805)	(27,750,000)	(14,500,000)
Advances from/(Repayment to) subsidiary companies	-	-	10,030,182	(851,326)
Payment of hire purchase and finance lease instalments	(1,000,889)	(1,480,093)	-	-
Hire purchase and finance lease term charges paid	(188,197)	(170,475)	-	-
Repurchase of shares	(234,841)	-	(234,841)	-
Proceeds from exercise of warrants	-	7,400	-	7,400
Capital injection by minority shareholders	959,831	4,280,690	-	-
Dividends paid to shareholders	(4,631,180)	(6,359,557)	(4,631,180)	(6,359,557)
Dividend paid to minority interests	(5,530,111)	(8,873,944)	-	-
Net cash used in financing activities	(34,170,127)	(27,649,094)	(22,585,839)	(21,703,483)
NET CHANGES IN CASH AND CASH EQUIVALENTS	(15,976,648)	18,332,198	194,189	3,350,486
EFFECTS OF CHANGES IN EXCHANGE RATES	350,558	655,384	-	-
	(15,626,090)	18,987,582	194,189	3,350,486
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	63,097,009	43,938,364	2,915,139	(435,347)
EFFECTS OF CHANGES IN EXCHANGE RATES	(769,755)	171,063	-	-
	62,327,254	44,109,427	2,915,139	(435,347)
CASH AND CASH EQUIVALENTS CARRIED FORWARD	46,701,164	63,097,009	3,109,328	2,915,139



Cash Flow Statements for the year ended 31 December 2005

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Represented by:				
FIXED AND TIME DEPOSITS	22,510,615	9,775,161	2,800,000	3,000,000
CASH AND BANK BALANCES	29,911,261	56,560,182	317,459	161,412
BANK OVERDRAFTS	(5,720,712)	(3,238,334)	(8,131)	(246,273)
	46,701,164	63,097,009	3,109,328	2,915,139

During the financial year, the Group acquired property, plant and equipment amounting to RM17,763,413 (2004 : RM11,605,148) of which RM1,785,828 (2004 : RM675,909) was financed under hire purchase and finance lease and the balance of RM15,977,585 (2004 : RM10,929,239) was paid by cash.

Notes To And Forming Part Of The Financial Statements for the year ended 31 December 2005

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements comply with applicable approved accounting standards issued or adopted by the Malaysian Accounting Standards Board and the provisions of the Companies Act, 1965.

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

Change in accounting policy

The Group has adopted the Financial Reporting Standard (“FRS”) 140 : Investment Property at the current financial year end and changed its accounting policy for the measurement of investment properties. This represents an early application of FRS 140 before the effective date of 1 January 2006.

Prior to 1 January 2005, the investment properties of the Group were stated at cost less accumulated impairment loss. As a result of the change in accounting policy, the investment properties of the Group have been re-measured and restated at 1 January 2005 at fair value and a loss of RM11,495,873 has been adjusted against the opening unappropriated profit at that date. In accordance with the transitional provisions of FRS 140, this change in accounting policy is applied prospectively and the comparatives at 31 December 2004 are not restated.

(b) Subsidiary companies

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

The Company’s interests in subsidiary companies are stated at cost less accumulated impairment loss. The investments are written down when there is an impairment loss on the value of such investments. The impairment loss is charged to the income statement.

(c) Basis of consolidation

The consolidated financial statements include the audited financial statements of the Company and all its subsidiary companies made up to the end of the financial year. All material inter-company transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised gains on transactions are eliminated in full and unrealised losses are also eliminated in full unless cost cannot be recovered. The financial statements of all subsidiary companies are consolidated on the acquisition method of accounting and the results of the subsidiary companies acquired or disposed of are included in the consolidated financial statements from the date of acquisition or up to the date of disposal.

At the date of acquisition, the fair values of the subsidiary companies’ net assets are determined and these values are reflected in the consolidated financial statements.

(d) Associated companies

Associated companies are defined as those companies in which the Group holds a long term equity interest, has representation on the board of directors and is in a position to exercise significant influence in their management, but not control, over the financial and operating policies.

Investments in associated companies are stated at cost less accumulated impairment loss. The investments are written down when there is an impairment loss on the value of such investments. The impairment loss is charged to the income statement.

The Group’s share of results and reserves of the associated companies is accounted for in the income statement using the equity method of accounting in place of dividends received. On the consolidated balance sheet, the Group’s share of post-acquisition results and reserves of the associated companies is added to the cost of investments which reflects the Group’s share of net assets of the associated companies.

Equity accounting is discontinued when the carrying amount of the investment in an associated company diminishes by virtue of losses to zero, unless the Group has incurred or guaranteed obligations in respect of the associated company.



Notes To And Forming Part Of The Financial Statements for the year ended 31 December 2005

The post-acquisition results and reserves of the associated companies accounted for are based on the latest audited or management financial statements of the companies concerned made up to the end of the financial year.

(e) Goodwill or discount on acquisition

The difference, between the acquisition cost and the fair values of attributable net assets acquired is reflected in the financial statements as either goodwill or discount on acquisition. Discount on acquisition, if any, is retained in the consolidated balance sheet and will be credited to income statement over a suitable period decided in relation to the particular circumstances which give rise to it. Where goodwill is considered to be capable of generating future economic benefits, it is capitalised in the financial statements and amortised on the straight line basis over a period of 20 years, otherwise, it is written off in the income statement in the year of acquisition. The carrying amount and amortisation period are reviewed annually and goodwill is written down when its value has deteriorated or when it ceases to have a useful life. The policy for the recognition and measurement of impairment loss is in accordance with Note 1(p).

(f) Property, plant and equipment

(i) Measurement basis

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

(ii) Depreciation

Freehold land and capital work-in-progress are not amortised while leasehold land is amortised over the remaining lease periods of 30 to 99 years.

Depreciation is calculated to write off the cost of other property, plant and equipment on the straight line basis over their expected useful lives at the following annual rates:

Buildings	1% - 10%
Plant and machinery	7.5% - 40%
Motor vehicles	15% - 20%
Furniture, fixtures and equipment	2% - 50%

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

(g) Assets acquired under hire purchase and finance lease agreements

Assets financed by hire-purchase and finance lease agreements which transfer substantially all risks and rewards of ownership to the Group are capitalised as property, plant and equipment and corresponding obligations are treated as liabilities. On initial recognition, assets acquired by way of hire-purchase and finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum hire-purchase and lease payments at the inception of the leases. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

In calculating the present value of the minimum hire purchase and finance lease payments, the discount rate is the interest rate implicit in the lease, if this is practicable to determine; if not, the Group's incremental borrowing rates are used.

(h) Investment properties

Investment properties are properties held to earn rentals or for capital appreciation or both and are measured initially at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at fair values, which reflect the market condition at the balance sheet date. Increases or decreases from changes in the fair values of the investment properties are recognised as income or expense in the income statement in the period in which they arise.

(i) Land held for property development and property development costs

(i) Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified under non-current assets and is stated at cost less accumulated impairment loss. The policy for the recognition and measurement of impairment loss is in accordance with Note 1(p).

Notes To And Forming Part Of The Financial Statements for the year ended 31 December 2005

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

(ii) Property development costs

Property development costs comprise land and development costs which includes costs directly attributable to the development activities and other costs that can be allocated on a reasonable basis to such activities as well as interest expenses incurred during the period of development.

Property development revenue and expenses are recognised in the income statement using the percentage of completion method, which is applied in circumstances where the outcome of the development activities can be reliably estimated. The stage of completion is estimated by the proportion of cost incurred to-date bear to estimated total costs, and for this purpose only those costs that reflect actual development work performed are included as costs incurred to-date.

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

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

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

(j) Other investments

Other investments which are held for long term, are stated at cost less accumulated impairment loss. The investments are written down when there is an impairment loss on the value of such investments. The impairment loss is charged to the income statement.

(k) Intangible assets

The cost of acquiring and development of patents, including cost of registration of patents is capitalised and written off on the straight line basis over the expected useful economic life of 5 years.

The carrying amount of the intangible assets is reviewed annually to determine whether there is an impairment loss. The impairment loss, if any, is charged to the income statement.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined principally on the weighted average, first-in first-out and specific identification bases appropriate to the type of inventory. In the case of work-in-progress and finished goods, cost comprises materials, direct labour, other direct charges and an appropriate proportion of factory overheads. The net realisable value is considered to be the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated selling expenses.

(m) Gross amount due from/to customers

On the balance sheet, contracts work-in-progress are reflected either as gross amounts due from or due to customers, where a gross amount due from customers is the surplus of (i) costs incurred plus profits recognised under the percentage of completion method over (ii) recognised foreseeable losses plus progress billings. A gross amount due to customers is the surplus of (ii) over (i).

(n) Receivables

Receivables are stated at their nominal values and an allowance is made for any receivables considered to be doubtful of collection. Known bad debts are written off.

(o) Payables

Payables are stated at their nominal values which are the fair values of the consideration to be paid in the future for goods and services received.



Notes To And Forming Part Of The Financial Statements for the year ended 31 December 2005

(p) Impairment of assets

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated. The recoverable amount is the higher of an asset's estimated net selling price and its value in use. Value in use is measured by the discounted future cash flows expected to be generated from continuing use of the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or the cash generating unit to which it belongs exceeds its recoverable amount. The impairment loss, if any, is charged to the income statement.

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

(q) Share capital

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

Shares repurchased are held as treasury shares under Section 67A of the Companies Act, 1965 and are accounted for under the treasury stock method. Cost of treasury shares comprises the cost of repurchase and incidental costs, and are set off against equity.

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

(r) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies during the financial year are converted to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at closing rates or at forward contract rates, if appropriate. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions.

(ii) Financial statements of foreign operations

For consolidation purposes, assets and liabilities of foreign subsidiary companies are translated to Ringgit Malaysia at the closing rates. Goodwill or discount on acquisition and fair value adjustments are translated at the exchange rates at the dates of acquisition. The revenue and expense items in the income statement are translated to Ringgit Malaysia at average exchange rates applicable throughout the financial year. All exchange differences arising on translation are recognised directly in equity through the exchange translation reserve account. On disposal of foreign subsidiaries, such translation differences are recognised in the income statement as part of the gain or loss on disposal.

The closing rates used in translation are as follows:

	2005	2004
	RM	RM
USD1	3.75	3.77
SGD1	2.24	2.29
HKD1	0.47	0.48
AUD1	2.72	2.90
RMB1	0.47	0.46
TWD1	0.12	0.12
Euro1	4.43	5.11
YEN1	0.03	0.04
NZD1	2.54	2.67
MOP1	0.49	-

Notes To And Forming Part Of The Financial Statements

for the year ended 31 December 2005

(s) Revenue recognition

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

(i) Sale of goods and completed units of properties

Sale of goods and completed units of properties are recognised when significant risks and rewards of ownership have been transferred to the customers.

(ii) Construction contracts

The Group's construction contracts are all fixed price contracts and where their outcome can be reasonably estimated, revenue is recognised on the percentage of completion method. The stage of completion is determined by the proportion that contract costs incurred to-date bear to estimated total costs, and for this purpose only those costs that reflect actual contract work performed are included as costs incurred to date.

When the outcome of a construction contract cannot be reasonably estimated, revenue is recognised only to the extent of contract costs incurred that are expected to be recoverable. At the same time, all contract costs incurred are recognised as an expense in the period in which they are incurred.

Where it is probable that the total costs will exceed total revenue, the foreseeable loss is immediately recognised in the income statement irrespective of whether contract work has commenced or not, or the stage of completion of contract activity, or the amounts of profits expected to arise on other unrelated contracts.

Revenue from construction contracts represents the proportionate contract value on construction contracts attributable to the percentage of contract work performed during the financial year.

(iii) Sale of development properties

Revenue from sale of development properties is recognised on the percentage of completion method and represents the proportionate sales value of development properties sold attributable to the percentage of development work performed during the financial year.

(iv) Services rendered

Revenue from services rendered is recognised on an accrual basis when services are rendered.

(v) Dividend income

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

(vi) Rental income

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

(vii) Interest income

Interest income is recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

(viii) Licence fees

Licence fees in respect of club membership received by a subsidiary company are recognised on time proportion basis over the licence period commencing from the respective dates of signing the licence agreements to 31 August 2089. Licence fees received and receivable which relate to the unexpired licence period are reflected in the consolidated balance sheet as deferred income.



Notes To And Forming Part Of The Financial Statements for the year ended 31 December 2005

(t) Borrowing costs

All interest and other costs incurred in connection with borrowings are expensed when incurred as part of finance costs except to the extent that they are directly attributable to the acquisition and construction of development properties, in which case, they are capitalised as part of the property development costs.

Finance costs comprise interest and other expenses paid and payable on borrowings. Borrowing costs incurred on development properties that take a substantial period of time for completion are capitalised into the carrying value of the assets. Capitalisation of borrowing costs will cease when the assets are completed or during extended periods in which active development is interrupted. The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on borrowings obtained specifically for the purpose of the development.

The interest component of hire purchase and finance lease payments are charged to the income statement over the hire purchase and finance lease periods so as to give a constant periodic rate of interest on the remaining hire purchase and finance lease liabilities.

(u) Operating leases

Operating leases are those leases other than finance leases. Lease payments under operating leases are charged to the income statement on a time proportion basis over the lease term.

(v) Employees benefits

(i) Short term benefits

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

(ii) Defined contribution plans

The Group has various post-employment benefit schemes in accordance with local conditions and practices in the countries in which it operates. These benefits are called defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"), whereas companies in other countries will make contributions to the respective local pension funds. Such contributions are recognised as an expense in the income statement in the financial year to which they relate.

(iii) Equity compensation benefits

The Company operates an ESOS which allows full-time salaried employees (including full time executive directors) of the Company and its subsidiaries to acquire shares of the Company. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

(iv) Termination benefits

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

(w) Tax expense

The tax expense in the income statement comprises current tax and deferred tax. Current tax is an estimate of tax payable at current tax rate based on profit earned during the year. Deferred taxation is recognised in full, based on the liability method for taxation deferred in respect of all material temporary differences arising from differences between the tax bases of the assets and liabilities and their carrying amounts in the financial statements.

Notes To And Forming Part Of The Financial Statements for the year ended 31 December 2005

Deferred tax assets are recognised to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is calculated at the tax rate expected to apply to the period when the asset is realised or the liability is settled. Current and deferred tax is recognised as an income or an expense and included in the income statement.

(x) Cash and cash equivalents

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

(y) Financial instruments

(a) Financial instruments recognised in the balance sheets

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

(b) Financial instruments not recognised in the balance sheets

(i) Foreign currency forward contracts

Certain subsidiary companies within the Group are parties to foreign currency forward contracts which are not recognised in the financial statements at inception. The objective of entering into these foreign currency forward contracts is to protect these companies against unfavourable exchange rate movements for purchases undertaken in foreign currencies. Gains or losses from the forward contracts on receivables offset the corresponding foreign exchange losses or gains on payables covered by the forward contracts.

(ii) Unsecured guarantees

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



Notes To And Forming Part Of The Financial Statements for the year ended 31 December 2005

2. PROPERTY, PLANT AND EQUIPMENT

2005	Freehold land RM	Long term leasehold land RM	Short term leasehold land RM	Buildings RM	Plant and machinery RM	Motor vehicles RM	Furniture, fixtures and equipment RM	Capital work-in-progress RM	Total RM
At cost									
At 1 January	675,026	23,500,924	2,906,493	71,565,945	111,021,346	9,478,203	33,086,517	326,220	252,560,674
Exchange adjustments	-	-	1,777	(88,701)	(645,623)	(98,205)	(195,855)	12,378	(1,014,229)
Additions	-	13,068	-	821,226	10,017,963	1,860,646	2,573,648	2,476,862	17,763,413
Disposals	(102,161)	-	-	(97,827)	(23,642,677)	(1,670,208)	(628,189)	-	(26,141,062)
Write-off	-	-	-	-	(4,347,055)	(81,671)	(661,054)	-	(5,089,780)
Transfers	-	-	-	1,274,194	1,764	-	112,671	(1,388,629)	-
Reclassifications	-	-	-	-	(317,166)	-	317,166	-	-
At 31 December	572,865	23,513,992	2,908,270	73,474,837	92,088,552	9,488,765	34,604,904	1,426,831	238,079,016
Accumulated depreciation									
At 1 January	-	3,080,319	71,653	14,991,031	89,856,633	6,534,038	25,240,836	-	139,774,510
Exchange adjustments	-	-	51	(86,526)	(491,862)	(74,706)	(145,462)	-	(798,505)
Charge for the year	-	260,294	43,478	1,409,293	7,788,497	1,178,595	2,827,971	-	13,508,128
Disposals	-	-	-	(38,820)	(22,154,508)	(1,388,995)	(578,784)	-	(24,161,107)
Write-off	-	-	-	-	(4,287,634)	(81,669)	(634,516)	-	(5,003,819)
Reclassifications	-	-	-	-	(174,044)	-	174,044	-	-
At 31 December	-	3,340,613	115,182	16,274,978	70,537,082	6,167,263	26,884,089	-	123,319,207
Net book value at 31 December	572,865	20,173,379	2,793,088	57,199,859	21,551,470	3,321,502	7,720,815	1,426,831	114,759,809
2004									
Net book value at 31 December	675,026	20,420,605	2,834,840	56,574,914	21,164,713	2,944,165	7,845,681	326,220	112,786,164
Depreciation charge for the year	-	71,653	259,991	1,462,209	8,909,312	1,301,964	2,693,485	-	14,698,614

Notes To And Forming Part Of The Financial Statements

for the year ended 31 December 2005

The long term leasehold land of a subsidiary company with a net book value of RM16,502,990 (2004 : RM16,697,334) is presently licensed to another subsidiary company for 97 years which commenced on 1 September 1992 for the purpose of management of a golf course and a clubhouse. The remaining long term leasehold land of the said subsidiary company of RM17,760,000 (2004 : RM17,760,000) has been allocated for development purpose and is classified under land held for property development and property development costs referred to in Notes 4 and 13 respectively.

The net book values of property, plant and equipment pledged as securities for banking and other credit facilities granted to the Group are as follows:

	2005 RM	Group 2004 RM
Freehold land	446,372	446,372
Long term leasehold land	19,625,579	20,420,605
Buildings	41,222,781	45,664,988
Plant and machinery	2,225,614	1,588,152
Motor vehicles	930,556	1,050,404
Furniture, fixtures and equipment	1,025,015	1,131,946
	65,475,917	70,302,467

Included in the net book value of property, plant and equipment of the Group are the following assets acquired under hire purchase and finance lease:

	2005 RM	2004 RM
Plant and machinery	1,225,690	687,093
Motor vehicles	2,008,903	1,763,254
Equipment	-	18,162
	3,234,593	2,468,509

3. INVESTMENT PROPERTIES

Group	----- 2005 -----			----- 2004 -----		
	Freehold land and buildings RM	Leasehold land and buildings RM	Total RM	Freehold land and buildings RM	Leasehold land and buildings RM	Total RM
At 1 January	60,560,122	17,218,391	77,778,513	60,560,122	17,218,391	77,778,513
Fair value adjustment on adoption of FRS 140	(11,495,873)	-	(11,495,873)	-	-	-
As restated	49,064,249	17,218,391	66,282,640	60,560,122	17,218,391	77,778,513
Additions	2,081,240	246,330	2,327,570	-	-	-
Disposals	-	-	-	-	-	-
Increase/(Decrease) in fair value during the year	-	-	-	-	-	-
At 31 December	51,145,489	17,464,721	68,610,210	60,560,122	17,218,391	77,778,513

The fair value of the investment properties has been determined by reference to market prices for similar properties and after having considered specific factors such as locality and availability of amenities.



Notes To And Forming Part Of The Financial Statements for the year ended 31 December 2005

The net carrying amounts of investment properties of certain subsidiary companies pledged as securities for bank term loans granted to the Company are as follows:

	2005 RM	2004 RM
Investment properties		
- freehold land and buildings	47,000,000	58,495,873
- leasehold land and buildings	4,200,000	4,200,000
	51,200,000	62,695,873

4. LAND HELD FOR PROPERTY DEVELOPMENT

Group	2005			2004		
	Freehold land RM	Leasehold land RM	Total RM	Freehold land RM	Leasehold land RM	Total RM
Land at cost						
At 1 January	2,208,209	6,416,917	8,625,126	2,208,209	6,416,917	8,625,126
Transfer to property development costs	(305,335)	-	(305,335)	-	-	-
At 31 December	1,902,874	6,416,917	8,319,791	2,208,209	6,416,917	8,625,126
Add:						
Development costs						
At 1 January	-	14,907,757	14,907,757	-	14,531,574	14,531,574
Additions	1,883,875	74,125	1,958,000	-	376,183	376,183
At 31 December	1,883,875	14,981,882	16,865,757	-	14,907,757	14,907,757
	3,786,749	21,398,799	25,185,548	2,208,209	21,324,674	23,532,883

Included in development costs of the previous financial year was interest expense capitalised of RM116,128.

5. SUBSIDIARY COMPANIES

	2005 RM	2004 RM
Unquoted shares, at cost	150,651,928	150,651,928

Notes To And Forming Part Of The Financial Statements

for the year ended 31 December 2005

The subsidiary companies, all of which are incorporated in Malaysia, except where indicated, are as follows:

		Gross equity interest		Principal activities
		2005	2004	
		%	%	
Subsidiaries of the Company				
*	Alu-Paste & Pigments Sdn Bhd	100	100	Investment holding
	Alam Perdana Sdn Bhd	100	100	Investment holding
*	Davex Holdings Berhad	93	93	Investment holding
	First Cosmopolitan Sdn Bhd	100	100	Investment holding
	Ganda Pesona Sdn Bhd	100	100	Provision of accounting, secretarial and insurance agency services
	Metra Management Sdn Bhd	100	100	Provision of share registration, management and secretarial services
	MWE Golf & Country Club Berhad	100	100	Management of a golf course and clubhouse and the provision of landscaping services
	MWE Advanced Structure Sdn Bhd	90	90	Building construction and trading in commercial trucks
	MWE Optical Holdings Sdn Bhd	55	55	Investment holding
	MWE Properties Sdn Bhd	100	100	Property investment and development
	MWE Spinning Mills Sdn Bhd	100	100	Investment holding. Manufacture of yarn was discontinued during the year
	MWE Weaving Mills Sdn Bhd	100	100	Trading of yarns
Subsidiary companies of Davex Holdings Berhad				
*	Davex (Malaysia) Sdn Bhd	93	93	General importer and supplier of electrical fittings, manufacturing and assembling of all range of electrical cable trunkings and lightings
*	Daviscomms (S) Pte Ltd (incorporated in the Republic of Singapore)	83	83	Design, manufacturing and distribution of telecommunication products
*	Phili-Orient Lines (Penang) Sdn Bhd	61	57	Provision of sea freight forwarding services
*	Round and Round Pte Ltd (incorporated in the Republic of Singapore)	51	51	Importing and exporting of electronic power conversion products
*	PI International Holdings Ltd (incorporated in British Virgin Islands)	44	44	Investment holding
Subsidiary companies of Davex (Malaysia) Sdn Bhd				
*	Davex Australia Pty Ltd (incorporated in Australia)	100	100	Manufacturer, wholesaler and importer of electrical goods
*	Davex Engineering (M) Sdn Bhd	100	100	Manufacturing and assembling of a range of electrical cable trunkings and lightings



Notes To And Forming Part Of The Financial Statements

for the year ended 31 December 2005

	Gross equity interest		Principal activities
	2005	2004	
	%	%	
Subsidiary companies of Davex (Malaysia) Sdn Bhd (cont'd)			
* Davex Singapore Pte Ltd (incorporated in the Republic of Singapore)	100	100	Dealing in electrical products and provision of engineering services
* Davex Trading (Pg) Sdn Bhd @ (under members' voluntary winding up)	100	100	Inactive
* Specific Form Sdn Bhd	100	100	Investment holding
Subsidiary company of Specific Form Sdn Bhd			
* Realistic Returns Sdn Bhd	100	100	Letting of property
Subsidiary company of Daviscomms (S) Pte Ltd			
* Daviscomms (Malaysia) Sdn Bhd	100	100	Contract manufacturing of electronic products
Subsidiary companies of Phili-Orient Lines (Penang) Sdn Bhd			
* Phili-Orient Airfreight (Penang) Sdn Bhd	100	100	Provision of international air and sea freight forwarding services
* Phili-Orient Lines (Port Klang) @ Sdn Bhd (under members' voluntary winding up)	100	100	Provision of sea freight forwarding services
Subsidiary company of Phili-Orient Airfreight (Penang) Sdn Bhd			
* Phili-Orient Airfreight (Malaysia) Sdn Bhd	100	100	Provision of air and sea freight forwarding services
Subsidiary companies of PI International Holdings Ltd			
* PI Industries Limited (formerly known as Baby Lion Enterprises Limited, incorporated in British Virgin Islands)	100	100	Investment holdings and trading of electronic parts and electronic power conversion products
* PI Electronics (Hong Kong) Limited (incorporated in Hong Kong, SAR)	100	100	Investment holding, designing, manufacturing and sale of electronic power conversion products
* PI International Limited (incorporated in British Virgin Islands)	100	100	Inactive
* Profitkey Holdings Limited (incorporated in British Virgin Islands)	100	100	Inactive
* PI Japan Holdings Limited (incorporated in British Virgin Islands)	56	100	Investment holdings, dealing in designing and manufacturing of power conversion products
* PI Macao Commercial Offshore Limited (incorporated in Macao, SAR)	100	-	Inactive

Notes To And Forming Part Of The Financial Statements

for the year ended 31 December 2005

	Gross equity interest		Principal activities	
	2005 %	2004 %		
Subsidiary companies of PI Industries Limited				
*	Bao Hui Science & Technology Co., Ltd (incorporated in the People’s Republic of China)	100	100	Manufacturing of electronic power conversion products
*	PI Power Products (Shenzhen) Co., Ltd (incorporated in the People’s Republic of China)	100	100	Manufacturing of electronic power conversion products
Subsidiary companies of PI Electronics (Hong Kong) Limited				
*	PI Technology (China) Limited (incorporated in Hong Kong, SAR)	100	100	Investment holding and trading of electronic parts and electronic power conversion products
*	PI Electronics (Taiwan) Ltd (incorporated in the Republic of Taiwan)	75	75	
Subsidiary company of PI Technology (China) Limited				
*	PI Technology (Shenzhen) Limited (incorporated in the People’s Republic of China)	100	100	Manufacturing of electronic products
Subsidiary company of PI Japan Holdings Limited				
*	PI Electronics (Japan) Co., Ltd (incorporated in Japan)	99	99	Provision of marketing services
Subsidiary company of First Cosmopolitan Sdn Bhd				
	Devanna Limited (incorporated in British Virgin Islands)	100	100	Investment holding and general trading
Subsidiary company of Metra Management Sdn Bhd				
	Metra Nominees Sdn Bhd	100	100	Provision of nominee services
Subsidiary companies of MWE Advanced Structure Sdn Bhd				
	MWE Cedar Homes Sdn Bhd	70	70	Inactive
	Quasar Industrial Vehicles Sdn Bhd	53	53	Assembling and distributing of trucks
Subsidiary companies of MWE Optical Holdings Sdn Bhd				
	MWE Optimia JV Sdn Bhd	100	100	Trading in ophthalmic products
	MWE Optical Trading Sdn Bhd	100	100	Trading in optical products, coating and manufacturing of lenses
	Shu Tong Mow Contact Optical Sdn Bhd	100	100	Trading in ophthalmic products



Notes To And Forming Part Of The Financial Statements

for the year ended 31 December 2005

	Gross equity interest		Principal activities
	2005	2004	
	%	%	
Subsidiary companies of MWE Properties Sdn Bhd			
Melati Mewah Sdn Bhd	100	100	Property investment and development
Metra PMC Sdn Bhd	100	100	Provision of property management services
MWE Precast Concrete Sdn Bhd	100	100	Inactive
Prime Achiever Sdn Bhd	90	90	Rental of properties
MWE Development Sdn Bhd	70	70	Property development
MWE Tiravest Sdn Bhd	60	60	Property development
Jurangjaya Sdn Bhd	60	60	Property development and property management
MWE Macadam Sdn Bhd	51	51	Building construction
Subsidiary company of Melati Mewah Sdn Bhd			
Melati Mewah Property Services Sdn Bhd	100	100	Provision of property management services
Subsidiary company of Jurangjaya Sdn Bhd			
Lup Ching Holdings Sdn Bhd	100	100	Property development
Subsidiary companies of MWE Spinning Mills Sdn Bhd			
MWE Textile Industries Sdn Bhd	100	100	Manufacturing and sale of dyed knitted fabrics, dyeing and finishing of woven fabrics
United Sweethearts Garment Sdn Bhd	100	100	Manufacturing and sale of garments
* United Sweethearts Garment (Vietnam) Co Ltd (incorporated in Vietnam)	100	100	Production of garment products for export
Subsidiary of United Sweethearts Garment Sdn Bhd			
USJ Embroidery Sdn Bhd	100	94	Dormant

* Subsidiary companies not audited by Moores Rowland or its associates.

@ Subsequent to year end, these subsidiary companies have been placed under members' voluntary winding up pursuant to Section 254(1)(b) of the Companies Act, 1965. The members' voluntary winding up is part of the Group's continuing rationalisation efforts to wind-up dormant and inactive subsidiary companies.

Notes To And Forming Part Of The Financial Statements for the year ended 31 December 2005

6. AMOUNT OWING BY/TO SUBSIDIARY COMPANIES

	2005 RM	Company 2004 RM
Amount owing by subsidiary companies	202,828,294	219,405,600
Amount owing to subsidiary companies (included in Note 25)	41,243,801	31,213,619

The amount owing by/to the subsidiary companies represents unsecured advances which are not expected to be substantially receivable/repayable within the next 12 months.

The amount owing by the subsidiary companies for the current financial year is interest free while an amount of RM195,770,424 owing by the subsidiary companies in the previous financial year earned effective interest rates of between 0.125% and 8.9% per annum and the balance was interest free.

The amount owing to the subsidiary companies for the current financial year is interest free while an effective interest rate of 1% per annum was charged on an amount of RM1,009,573 owing to a subsidiary company in the previous financial year and the balance was interest free.

7. ASSOCIATED COMPANIES

	2005 RM	Group 2004 RM	2005 RM	Company 2004 RM
Unquoted shares, at cost	18,059,424	18,059,424	16,747,096	16,747,096
Less:				
Impairment loss	-	-	16,747,095	16,747,095
	18,059,424	18,059,424	1	1
Group's share of post-acquisition reserves and results	(16,539,021)	(14,837,463)	-	-
	1,520,403	3,221,961	1	1

Represented by:

	2005 RM	2004 RM
Attributable share of net assets of associated companies	1,520,403	3,221,961

The share of loss in an associated company has been discontinued in the previous financial years as the share of loss had exceeded the carrying amount of the investment. The share of profit for the current year and cumulative loss not recognised is as follows:

	2005 RM	Group 2004 RM
Share of profit/(loss) not recognised		
- in the current year	87,164	3,587,953
- cumulatively	(4,187,166)	(4,274,330)



Notes To And Forming Part Of The Financial Statements for the year ended 31 December 2005

The associated companies, all of which are incorporated in Malaysia, except where indicated, are as follows:

	Gross equity interest		Principal activities
	2005	2004	
	%	%	

Associated company of the Company

Premier Capital Holdings Sdn Bhd	30	30	Investment holding
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Associated company of PI Electronics (Hong Kong) Ltd

STD PI Technology Limited (incorporated in Hong Kong, SAR)	40	40	Inactive
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Associated companies of MWE Properties Sdn Bhd

Island Garden Development Sdn Bhd	40	40	Housing development
Ribuan Wangsa Sdn Bhd	50	50	Property development

Associated companies of United Sweethearts Garment Sdn Bhd

CNT Garments Sdn Bhd	20	20	Manufacturing of and dealing in textiles
USH Garment (Nibong Tebal) Sdn Bhd	45	45	Manufacturing of and dealing in textiles

8. OTHER INVESTMENTS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Shares quoted in Malaysia, at cost	34,793,775	25,620,170	14,273,775	5,100,170
Less:				
Impairment loss	15,635,546	14,894,100	2,379,246	-
	19,158,229	10,726,070	11,894,529	5,100,170
Shares quoted outside Malaysia, at cost	2,336,155	2,237,395	8,105	8,105
Less:				
Impairment loss	2,034,062	1,934,515	-	-
	302,093	302,880	8,105	8,105
Bonds quoted outside Malaysia, at cost	17,011,662	8,825,337	-	-
Unquoted shares, at cost	32,141,120	32,995,870	15,203,920	15,203,920
Less:				
Impairment loss	24,842,103	24,896,850	15,203,917	15,203,917
	7,299,017	8,099,020	3	3
Membership in a golf and country club, at cost	280,276	286,146	-	-
Less:				
Impairment loss	141,148	102,866	-	-
	139,128	183,280	-	-
	43,910,129	28,136,587	11,902,637	5,108,278

Notes To And Forming Part Of The Financial Statements for the year ended 31 December 2005

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Market value				
- shares quoted in Malaysia	20,093,182	11,004,300	12,829,482	5,378,400
- shares quoted outside Malaysia	361,312	364,950	68,904	70,175
- bonds quoted outside Malaysia	17,340,159	9,097,772	-	-
	37,794,653	20,467,022	12,898,386	5,448,575

Shares quoted in Malaysia held by a subsidiary company with a net carrying value of RM7,263,700 (2004 : RM5,625,900) are pledged to a licensed bank to secure banking facilities of the Company.

The bonds quoted outside Malaysia are held by a foreign subsidiary company and certain bonds with a net carrying value of RM7,496,786 (2004 : RM8,825,337) are pledged to a foreign banking institution to secure banking facilities of the said subsidiary company.

9. INTANGIBLE ASSETS

Intangible assets represent patents stated at cost less amount written off.

	Group	
	2005 RM	2004 RM
At 1 January	442,820	174,621
Exchange adjustment	(5,982)	48
	436,838	174,669
Additions	50,789	374,074
	487,627	548,743
Less:		
Amortisation for the year	167,094	105,923
	320,533	442,820



Notes To And Forming Part Of The Financial Statements for the year ended 31 December 2005

10. GOODWILL ON ACQUISITION

	2005 RM	2004 RM
At 1 January	21,823,593	20,075,970
Increase in effective interests in subsidiary companies	-	3,955,260
	21,823,593	24,031,230
Less:		
Disposal of subsidiary companies	-	11,834
	21,823,593	24,019,396
Less:		
Amortisation for the year	2,294,684	2,195,803
At 31 December	19,528,909	21,823,593

11. DEFERRED TAX ASSETS

	2005 RM	Group 2004 RM
At 1 January	1,289,074	721,835
Exchange adjustment	(47,121)	41,718
Transfer from income statement	650,445	525,521
At 31 December	1,892,398	1,289,074
The deferred tax assets comprise deductible temporary differences on:		
Unused tax losses	582,202	67,141
Unused tax credits	-	740,475
Other temporary differences	1,310,196	481,458
	1,892,398	1,289,074

At the end of the year, the Group has the following items giving rise to deferred tax assets, which are not recognised in the financial statements as it is not probable that future taxable profit will be available against which the assets can be utilised.

	2005 RM	Group 2004 RM
Deductible temporary differences on		
- Unutilised tax losses	55,657,468	54,597,734
- Unabsorbed capital allowances	11,895,662	12,043,295
- Other taxable temporary differences	2,812,435	5,263,100
	70,365,565	71,904,129
Less:		
Taxable temporary differences between net book value and tax written down value of property, plant and equipment	2,599,044	2,329,265
	67,766,521	69,574,864

Notes To And Forming Part Of The Financial Statements

for the year ended 31 December 2005

12. INVENTORIES

Group	At cost RM	At net realisable value RM	Total RM
2005			
Raw materials	32,033,866	242,367	32,276,233
Work-in-progress	11,883,883	-	11,883,883
Finished goods	24,161,964	-	24,161,964
Commercial trucks held for sale	14,522,538	-	14,522,538
Inventories of completed development units	2,178,440	-	2,178,440
Consumable stores and spares	4,190,574	-	4,190,574
	88,971,265	242,367	89,213,632
2004			
Raw materials	32,240,894	454,790	32,695,684
Work-in-progress	19,723,127	-	19,723,127
Finished goods	25,229,672	-	25,229,672
Commercial trucks held for sale	17,441,638	-	17,441,638
Inventories of completed development units	2,078,271	-	2,078,271
Consumable stores and spares	4,192,511	-	4,192,511
	100,906,113	454,790	101,360,903

Inventories pledged to banks for banking facilities granted to certain subsidiary companies are as follows:

	Group	
	2005 RM	2004 RM
Raw materials	4,219,905	5,091,730
Work-in-progress	455,102	519,302
Finished goods	14,098,359	12,440,633
Commercial trucks held for sale	14,244,314	16,265,871
Consumable stores and spares	3,665,443	2,903,069
	36,683,123	37,220,605



Notes To And Forming Part Of The Financial Statements for the year ended 31 December 2005

13. PROPERTY DEVELOPMENT COSTS

	2005 RM	Group 2004 RM
At 1 January		
Freehold land, at cost	-	27,152,387
Leasehold land, at cost	11,343,083	11,343,083
Development costs	47,876,184	98,663,559
	59,219,267	137,159,029
Add:		
Development costs incurred during the year	992,972	2,798,455
Transfer from freehold land held for property development	305,335	-
	60,517,574	139,957,484
Less:		
Costs recognised as an expense in the income statement:		
Recognised in previous financial years	48,534,080	124,752,403
Recognised during the year	4,886,109	4,519,895
	53,420,189	129,272,298
At 31 December	7,097,385	10,685,186

Included in the property development costs incurred in the previous financial year was interest expense of RM192,034.

14. GROSS AMOUNT DUE FROM/TO CUSTOMERS

	2005 RM	Group 2004 RM
Cost of contracts	99,333,013	46,555,016
Attributable profits recognised to-date	6,235,691	3,942,242
	105,568,704	50,497,258
Less:		
Progress billings to-date	98,446,065	45,180,463
	7,122,639	5,316,795
Represented by:		
Gross amount due from customers	7,769,402	5,779,162
Gross amount due to customers	(646,763)	(462,367)
	7,122,639	5,316,795
Retention sums receivable	6,364,886	1,869,581

Notes To And Forming Part Of The Financial Statements

for the year ended 31 December 2005

15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Gross trade receivables	162,633,500	131,036,814	-	-
Less:				
Allowance for doubtful debts	6,807,192	6,459,081	-	-
Balance carried forward	155,826,308	124,577,733	-	-
Gross other receivables	18,553,940	33,324,370	1,452	3,242,208
Less:				
Allowance for doubtful debts	2,027,695	11,840,523	-	3,241,282
Deposits	16,526,245	21,483,847	1,452	926
Prepayments	2,637,474	5,244,908	4,500	4,500
	1,493,740	2,361,605	-	-
	176,483,767	153,668,093	5,952	5,426

Trade receivables comprise amounts receivable from progress billings made to customers on contract works performed, sale of goods and services rendered to customers, rental receivable from tenants, management fees receivable and retention sums receivable. Other receivables, deposits and prepayments are from the normal business transactions of the Group. All trade receivables are granted credit periods of 7 to 120 days.

The retention sums are receivable upon the expiry of the defect liability periods of the respective construction contracts. The defect liability periods of the construction contracts are between 12 and 18 months.

16. AMOUNT OWING BY/TO ASSOCIATED COMPANIES

The amount owing by the associated companies represents unsecured advances which are interest free and have no fixed terms of repayment.

The amount owing to the associated companies in the previous financial year represented trade payables.

17. FIXED AND TIME DEPOSITS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Fixed deposits are placed with				
- Licensed banks in Malaysia	2,060,631	6,876,456	-	-
- Foreign banks	9,972,111	4,490,077	-	-
	12,032,742	11,366,533	-	-
Time deposits placed with				
licensed banks in Malaysia	15,091,903	3,650,000	2,800,000	3,000,000
	27,124,645	15,016,533	2,800,000	3,000,000



Notes To And Forming Part Of The Financial Statements for the year ended 31 December 2005

The effective interest rates per annum of the deposits are as follows:

	Group		Company	
	2005 %	2004 %	2005 %	2004 %
Fixed deposits placed with				
- Licensed banks in Malaysia	2.68 to 3.70	2.00 to 4.00	-	-
- Foreign banks	0.63 to 3.85	0.65	-	-
Time deposits	0.50 to 3.00	2.00 to 2.30	2.00	2.00

All the fixed deposits have maturity periods of less than one year while the time deposits have maturity periods of less than one month.

Fixed deposits amounting to RM4,614,030 (2004 : RM5,241,372) of the Group are pledged as securities for bank guarantees and other credit facilities granted to the Group.

Included in fixed deposits of the Group is an amount of RM894,212 (2004 : RM781,675) placed in trust accounts pursuant to Clauses 12.02 and 13.01 of the Trust Deed entered into by two subsidiary companies with AmTrustee Berhad and Licensees of Monterez Golf & Country Club and RM1,312,231 (2004 : RM1,329,423) placed in trust accounts pursuant to section 46 of the Strata Titles Act, 1985 (Act 318) and Schedule III, Clause 5 of the Deed of Covenant entered into between the Developer and the Purchasers. The above trust accounts are only available for specific uses by the said subsidiary companies.

18. CASH AND BANK BALANCES

Included in cash and bank balances of the Group are bank balances not available for use by the Group amounting to RM61,423 (2004: RM92,876) maintained in housing development accounts in accordance with the Housing Developers (Housing Development Account) Regulations 1991 and RM9,478 (2004 : RM12,018) placed in trust accounts pursuant to Clauses 11.01, 12.02 and 13.01 of the Trust Deed entered into by two subsidiary companies with AmTrustee Berhad and Licensees of Monterez Golf & Country Club. These accounts are only available for specific uses by the said subsidiary companies.

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Trade payables	80,097,721	59,232,513	-	-
Progress billings	2,888,060	2,992,623	-	-
Other payables	20,700,037	19,797,716	7,266,079	8,066,079
Deposits	5,079,075	4,790,800	-	-
Accruals	38,291,710	32,799,480	210,786	219,556
Sinking fund	860,884	773,249	-	-
	147,917,487	120,386,381	7,476,865	8,285,635

Trade payables comprise amounts outstanding from trade purchases, sub-contractors claims on contract works performed and retention sums payable. Progress billings represent excess of billings to purchasers of development units over revenue recognised in the income statement. Other payables, deposits and accruals are from the normal business transactions of the Group.

The normal credit periods granted by trade suppliers and sub-contractors are between 14 and 120 days whereas retention sums are payable upon the expiry of the defect liability periods of the respective construction contracts. The defect liability periods of the construction contracts are between 12 and 18 months.

Included in other payables of the Company and of the Group is an amount of RM7,200,000 (2004 : RM8,000,000) which represents interest free refundable deposit received from a corporation in relation to the appointment of the said corporation as the developer and project manager for the development of a piece of leasehold land held by a subsidiary company and also to act as a club manager for Monterez Golf & Country Club. To-date, the terms of the appointment has yet to be finalised.

Notes To And Forming Part Of The Financial Statements for the year ended 31 December 2005

20. HIRE PURCHASE AND FINANCE LEASE LIABILITIES

	2005 RM	Group 2004 RM
Outstanding hire purchase instalments and finance lease rentals due:		
Not later than one year	1,309,918	792,689
Later than one year and not later than five years	1,508,008	1,330,303
Later than five years	151,358	-
	2,969,284	2,122,992
Less:		
Unexpired term charges	330,899	244,433
Outstanding principal amount due	2,638,385	1,878,559
Less:		
Outstanding principal amount due later than one year (Note 25)	1,786,701	1,227,132
Outstanding principal amount due not later than one year (included in current liabilities)	851,684	651,427

The effective interest rates of the hire purchase and finance lease liabilities are between 2.30% and 8.40% (2004 : 2.70% and 8.40%) per annum.

21. BANK BORROWINGS

	2005 RM	Group 2004 RM	2005 RM	Company 2004 RM
Bankers' acceptance and trust receipts				
- secured	16,479,649	6,769,617	-	-
- unsecured	14,317,632	24,624,491	-	-
	30,797,281	31,394,108	-	-
Bank overdrafts				
- secured	3,243,932	2,664,019	-	-
- unsecured	2,476,780	574,315	8,131	246,273
	5,720,712	3,238,334	8,131	246,273
Bank loans				
- secured	5,500,000	10,790,100	5,000,000	10,000,000
- unsecured	2,300,000	7,300,000	-	5,000,000
	7,800,000	18,090,100	5,000,000	15,000,000
Current portion of bank term loans (Note 25)	16,743,996	15,206,408	11,750,000	12,750,000
	61,061,989	67,928,950	16,758,131	27,996,273



Notes To And Forming Part Of The Financial Statements for the year ended 31 December 2005

The effective interest rates per annum of the bank borrowings are as follows:

	Group		Company	
	2005 %	2004 %	2005 %	2004 %
Bankers' acceptance and trust receipts	1.50 to 7.50	1.65 to 6.60	-	-
Bank overdrafts	4.15 to 9.50	2.40 to 8.90	7.00	7.25 to 8.50
Bank loans	4.75 to 5.60	4.75 to 7.86	4.75 to 5.05	4.75 to 4.90

The bank borrowings of the Company are secured by quoted securities held by a subsidiary company and by certain properties of the Group. The bank borrowings of subsidiary companies are secured by investments in quoted bonds and by fixed and floating charges over the assets of the said subsidiary companies. The Company and certain subsidiary companies have also issued corporate guarantees for the bank borrowings of the Group.

22. SHARE CAPITAL

	2005		2004	
	Number of shares	Nominal value RM	Number of shares	Nominal value RM
Authorised Ordinary shares of RM1 each	500,000,000	500,000,000	500,000,000	500,000,000
Issued and fully paid				
At 1 January	231,559,015	231,559,015	209,951,369	209,951,369
Issue of shares from				
- conversion of ICULS	-	-	21,600,246	21,600,246
- exercise of warrants	-	-	7,400	7,400
At 31 December	231,559,015	231,559,015	231,559,015	231,559,015

In the previous financial year, a total of 7,400 warrants were exercised where 7,400 new ordinary shares of RM1 each were issued. The remaining 66,149,883 unexercised warrants lapsed on 7 April 2004.

In 2001, the Company implemented an Employees' Share Option Scheme ("ESOS") for eligible full-time employees, including full time executive directors of the Company and its subsidiary companies after obtaining approval of the shareholders and the relevant authorities.

The movements in the share options are as follows:

	Number of options over ordinary shares	
	2005	2004
At 1 January	15,795,000	16,880,000
Forfeiture due to resignations	(2,464,000)	(1,085,000)
At 31 December	13,331,000	15,795,000

The principal features of the ESOS are as follows:

- (a) The maximum number of ESOS Shares to be made available under the ESOS which includes options exercised under previous schemes of the Company at any point in time during the existence of the ESOS, shall not exceed ten (10) percent of the enlarged issued and paid-up share capital.

Notes To And Forming Part Of The Financial Statements for the year ended 31 December 2005

- (b) Eligibility for participation in the ESOS shall be at the absolute discretion of the Option Committee subject to the eligible employees (including full-time executive directors and contract employees) having been confirmed in the employment of the Group. Foreign employees save and except for foreign executive directors are not eligible for participation in the ESOS.
- (c) No option shall be granted for less than 1,000 ESOS Shares or for more than 750,000 ESOS Shares to any eligible employee. The Option Committee shall have the discretion to determine the criteria for allotment which will be based on seniority and length of service of the eligible employee.
- (d) The Option Price has been set at RM1.00 each.
- (e) The Option Period commences on the Date of Offer or such later date as determined by the Option Committee for each Grantee and expires on 20 September 2006.

The duration of the ESOS shall commence from the date of the confirmation letter submitted by merchant bank and that the following approvals have been obtained:-

- (i) the Securities Commission (“SC”);
- (ii) the Bursa Malaysia Securities Berhad (“BMSB”);
- (iii) shareholders of the Company in a general meeting;
- (iv) any other relevant regulatory authorities whose approvals are necessary in respect of the ESOS;

and shall be continued for a period of five (5) years from the Date of Commencement (the “Initial Scheme Period”) subject however to any renewal of the Initial Scheme Period as may be approved by all the parties referred to in (i), (ii), (iii) and (iv) above.

- (f) Subject to the approvals of the SC, other regulatory authorities, BMSB and/or any other relevant stock exchanges, the Option Committee shall recommend to the board of directors who shall have the power at any time and from time to time by resolution to amend and/or modify all or any part of the provisions of the ESOS provided that no such amendment and/or modification shall be made which would either prejudice the rights then accrued to any Grantee who has accepted an Option without his prior consent or, without the prior approval of the Company in general meeting, which would alter to the advantage of any Grantee the provisions of the ESOS.
- (g) Upon acceptance of the Offer relating to the Option, the Grantee shall pay to the Company a sum calculated at a rate of One Ringgit Malaysia (RM1.00) for subscription relating to the Option as consideration for acceptance of such Offer. Thereafter, a receipt of acknowledgement will be issued to the Eligible Employee for valid acceptances of the Offer.
- (h) The ESOS Shares to be allotted upon any exercise of Options under the ESOS shall on allotment rank pari passu in all respects with the then existing issued ordinary shares of the Company, except that the ESOS Shares so issued will not rank for any dividend or other distribution declared, made or paid to the shareholders prior to the exercise of the ESOS and the crediting of the ESOS Shares into the shareholders’ CDS accounts prior to the Book Closure Date and will be subject to all provisions of the Articles of Association of the Company relating to transfer, transmission and otherwise.
- (i) The ESOS shall be administered by the Option Committee in such manner as it shall in its discretion deem fit and with such powers and duties as are conferred upon it by the board of directors.
- (j) The Shares referred in Bye-Law 2 and the Shares (if any) to be allocated to the Grantee will not be listed or quoted on the BMSB, and/or any other relevant stock exchanges until the Option is exercised in accordance with Bye-Law 9 whereupon the Company shall apply to the BMSB, any/or other relevant stock exchanges for the listing of and quotation for such Shares and use its best endeavours to obtain permission for dealing therein.

There were no share options exercised during the financial year under review.



Notes To And Forming Part Of The Financial Statements for the year ended 31 December 2005

The share options outstanding at year end are as follows:

<u>Exercise period</u>	Exercise price RM	Number of share options outstanding	
		2005 RM	2004 RM
27-11-2001 to 20-9-2006	1.00	12,613,000	15,016,000
27-5-2002 to 20-9-2006	1.00	282,000	324,000
27-11-2002 to 20-9-2006	1.00	436,000	455,000
		13,331,000	15,795,000

23. RESERVES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Non-distributable				
Share premium account	23,586,099	23,586,099	23,586,099	23,586,099
Exchange translation reserve	9,036,030	10,757,460	-	-
Capital reserve	806,413	806,413	-	-
	33,428,542	35,149,972	23,586,099	23,586,099
Distributable				
Capital reserve	130,865	23,611,413	-	13,761,928
Unappropriated profit/ (Accumulated loss)	15,339,585	(9,202,691)	30,228,521	7,419,768
	15,470,450	14,408,722	30,228,521	21,181,696
	48,898,992	49,558,694	53,814,620	44,767,795

24. TREASURY SHARES

	2005 RM	2004 RM
At 1 January	-	-
Shares purchased during the year	234,841	-
At 31 December	234,841	-

The shareholders of the Company passed an ordinary resolution at the extraordinary general meeting held on 6 June 2005 to authorise the board of directors to repurchase the Company's shares not exceeding 10% of the issued and paid-up share capital. The repurchase of own shares is to enhance the value of the Company to the benefit of the shareholders. The repurchase transactions are funded from internally generated funds.

Subsequently, between 13 July 2005 and 28 July 2005, the Company made repurchases totalling 355,000 ordinary shares at a total consideration of RM234,841 from the open market at prices ranging from RM0.65 to RM0.67 per share.

The repurchased shares are being held as treasury shares and carried at cost in accordance with the requirements of Section 67A of the Companies Act, 1965. Treasury shares have no rights to voting, dividend and participation in other distribution.

At 31 December 2005, the number of treasury shares held is 355,000 ordinary shares.

Notes To And Forming Part Of The Financial Statements for the year ended 31 December 2005

25. LONG TERM LIABILITIES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Bank term loans				
- secured	44,395,516	57,766,281	34,750,000	52,500,000
- unsecured	-	3,650	-	-
	44,395,516	57,769,931	34,750,000	52,500,000
Less:				
Repayments due within 12 months (included in Note 21)	16,743,996	15,206,408	11,750,000	12,750,000
Repayments due after 12 months	27,651,520	42,563,523	23,000,000	39,750,000
Hire purchase and finance lease liabilities (Note 20)	1,786,701	1,227,132	-	-
Amount owing to subsidiary companies (Note 6)	-	-	41,243,801	31,213,619
	29,438,221	43,790,655	64,243,801	70,963,619

The bank term loans of the subsidiary companies bear effective interest rates of between 5.25% and 8.25% (2004 : 1.62% and 8.40%) per annum. They are secured by leasehold properties, investments in quoted bonds and fixed and floating charges over the assets of these subsidiary companies. They are also guaranteed by the Company.

The bank term loans of the Company bear effective interest rates of between 5.25% and 7.25% (2004 : 5.25% and 7.0%) per annum. The loans are secured by freehold, leasehold and investment properties of certain subsidiary companies.

The bank term loans of the Company and of the Group are repayable by equal monthly, quarterly and semi-annual instalments commencing between 1993 and 2005.

26. DEFERRED TAX LIABILITIES

	Group	
	2005 RM	2004 RM
At 1 January	9,124,276	9,627,869
Exchange adjustment	(11,882)	5,879
Transfer to income statement	(259,863)	(509,472)
At 31 December	8,852,531	9,124,276



Notes To And Forming Part Of The Financial Statements for the year ended 31 December 2005

The deferred tax liabilities comprise:

	2005 RM	Group 2004 RM
Deferred tax liabilities on taxable temporary differences		
- relating to fair value adjustment on the leasehold land allocated for property development	2,431,649	2,632,819
- between net book value and tax written down value of property, plant and equipment	6,466,531	6,761,555
- on other taxable temporary differences	-	536,337
	8,898,180	9,930,711

Less:

Deferred tax assets recognised on deductible temporary differences relating to

- unused tax losses and unabsorbed capital allowances	-	53,480
- other temporary differences	45,649	752,955
	45,649	806,435
	8,852,531	9,124,276

27. DEFERRED INCOME

	2005 RM	Group 2004 RM
Licence fees received in advance	16,581,438	16,066,543
Discount on acquisition of subsidiary companies		
At 1 January	2,404,767	2,257,070
Discount on acquisition of a subsidiary company	-	6,199
Acquisition of additional shares in existing subsidiaries	72,673	141,498
	2,477,440	2,404,767
At 31 December	19,058,878	18,471,310

Licence fees received in advance represent club membership licence fees received by a subsidiary company. The licence fees received are recognised in the income statement on a time proportion basis over the licence period.

28. GROSS REVENUE

	2005 RM	Group 2004 RM	2005 RM	Company 2004 RM
Sale of goods	560,802,614	551,349,454	-	-
Property development revenue				
from sale of development units	4,845,655	4,961,398	-	-
Sale of completed units	246,330	5,730,000	-	-
Contract revenue	54,354,378	21,908,709	-	-
Services rendered	38,509,776	32,664,688	-	-
Rental income	3,976,207	4,154,511	-	-
Dividend income	223,857	145,666	17,301,411	15,087,569
	662,958,817	620,914,426	17,301,411	15,087,569

Notes To And Forming Part Of The Financial Statements for the year ended 31 December 2005

29. COST OF SALES

	Group	
	2005 RM	2004 RM
Cost of goods sold	456,738,181	426,076,844
Property development costs relating to development units sold	4,886,109	4,519,895
Cost of completed units sold	246,330	5,407,211
Contract costs	51,071,915	20,679,585
Cost of services rendered	47,973,383	30,568,836
Direct operating costs relating to rental income	3,013,051	3,086,223
	563,928,969	490,338,594

30. PROFIT FROM OPERATIONS

Profit from operations is stated after charging:

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Allowance for doubtful debts	543,153	5,966,972	-	-
Amortisation of goodwill on acquisition	2,294,684	2,195,803	-	-
Amortisation of intangible assets	167,094	105,923	-	-
Auditors' remuneration				
- current year	775,730	560,863	27,000	27,000
- (over)/underestimated in prior year	(30,138)	9,505	5,000	5,000
Bad debts written off				
- amount owing by a subsidiary	-	-	629,695	-
- others	-	22,452	-	-
Depreciation	13,508,128	14,416,126	-	-
Directors' remuneration				
- Directors of the Company				
- fees				
- current year	180,000	160,000	90,000	75,000
- under/(over)estimated in prior year	50,000	(25,000)	15,000	(15,000)
- defined contribution plans	73,156	63,624	-	-
- other emoluments	1,048,990	938,426	26,500	21,500
- Directors of the subsidiary companies				
- fees				
- current year	254,000	131,000	-	-
- overestimated in prior year	(218,000)	-	-	-
- defined contribution plans	294,610	326,915	-	-
- other emoluments	5,852,539	4,284,185	-	-
Inventories written down	70,998	15,080	-	-
Lease rental of land	122,801	93,933	-	-
Loss on disposal of property, plant and equipment	28,452	27,434	-	-
Loss on foreign exchange				
- realised	38,764	1,555,005	-	-
- unrealised	2,478,053	452,132	-	-
Operating lease rental of buildings	4,813,820	4,790,807	-	-
Property, plant and equipment written off	85,588	138,854	-	-
Rental of machinery	1,429,353	959,474	-	-
Rental of premises	2,501,350	1,226,704	96,543	-
Research and development expenses	195,408	1,062,078	-	-



Notes To And Forming Part Of The Financial Statements for the year ended 31 December 2005

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
and crediting:				
Allowance for doubtful debts written back	7,260,122	623,962	-	-
Bad debts recovered	3,243,175	1,000,143	3,241,282	1,000,000
Deposits forfeited	192,000	26,027	-	-
Gain on disposal of property, plant and equipment	312,148	381,837	-	-
Gain on foreign exchange				
- realised	1,053,104	956,680	-	-
- unrealised	508,637	2,734,346	-	-
Gross dividend income from				
- subsidiary companies	-	-	17,222,205	15,086,305
- investments quoted in Malaysia	217,164	144,402	72,513	-
- investments quoted outside Malaysia	6,693	1,264	6,693	1,264
Interest income				
- subsidiary companies	-	-	-	3,498,715
- others	4,365,490	1,609,152	2,316,335	7,186
Rental income	4,440,386	4,423,567	-	-

31. FINANCE COSTS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Finance costs comprise:				
- interest expenses on bank borrowings	5,316,934	5,900,138	3,046,517	4,738,855
- interest on ICULS	-	900,615	-	900,615
- amortisation of discount on ICULS	-	324,004	-	324,004
- hire purchase and finance lease term charges	188,197	170,475	-	-
- interest charged by subsidiary companies	-	-	-	6,667
- other interest expenses	468,354	495,323	-	-
	5,973,485	7,790,555	3,046,517	5,970,141
Less:				
Finance costs classified in cost of sales				
- interest expenses on bank borrowings	282,716	56,934	-	-
Finance costs representing other interest expenses capitalised under				
- land held for property development (Note 4)	-	116,128	-	-
- property development costs (Note 13)	-	192,034	-	-
	5,690,769	7,425,459	3,046,517	5,970,141

Notes To And Forming Part Of The Financial Statements for the year ended 31 December 2005

32. NET GAIN ON DISPOSAL OF INVESTMENTS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Gain/(Loss) on disposal of investments in:				
Subsidiary companies	-	(4,998)	-	-
Associated company	-	2,631,311	-	-
Other investments	2,402,946	3,953,790	311,062	-
Gain/(Loss) arising from dilution of equity interest in a subsidiary company	556,089	(2,511,774)	-	-
	2,959,035	4,068,329	311,062	-

33. NET IMPAIRMENT LOSS ON VALUE OF OTHER INVESTMENTS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Impairment loss on value of other investments	2,419,676	3,226,200	2,379,246	-
Impairment loss on value of other investments written back	(1,692,547)	-	-	-
	727,129	3,226,200	2,379,246	-

34. DISCONTINUING OPERATIONS

The Group has an ongoing rationalisation exercise to dispose of loss-making operations and in October 2005, a decision was made to discontinue the yarn spinning operations carried out by a subsidiary company, MWE Spinning Mills Sdn Bhd, which recorded losses mainly due to low profit margins. The discontinuance of the yarn spinning operations is expected to be completed by end of 2006.

The revenue and results, net cash flows and net assets of the discontinuing operations for the financial year are as follows:

(a) Revenue and results

	2005 RM	2004 RM
Gross revenue	18,063,984	24,381,512
Cost of sales	(23,770,964)	(23,571,390)
Gross (loss)/profit	(5,706,980)	810,122
Other operating income	722,692	4,659
Selling and distribution costs	(527,160)	(497,370)
Administrative expenses	(1,677,235)	(1,154,850)
Loss from operations	(7,188,683)	(837,439)
Gain on disposal of property, plant and equipment	1,457,391	-
Finance costs	(158,779)	(153,109)
Loss before tax	(5,890,071)	(990,548)



Notes To And Forming Part Of The Financial Statements

for the year ended 31 December 2005

	2005 RM	2004 RM
The loss from operations is stated after charging:		
Allowance for doubtful debts	14,493	139,400
Auditors' remuneration	16,000	16,000
Bad debts written off	79,107	-
Depreciation	-	282,488
Directors' remuneration		
- fees		
- current year	30,000	-
- under/(over)estimated in prior year	30,000	(5,000)
- defined contribution plans	14,400	8,400
- other emoluments	120,000	70,000
Property, plant and equipment written off		373 -
and crediting:		
Bad debts written back	23,000	-

(b) Net cash flows

	2005 RM	Group 2004 RM
Loss before tax	(5,890,071)	(990,548)
Adjustments for:		
Depreciation	-	282,488
Gain on disposal of property, plant and equipment	(1,457,391)	-
Property, plant and equipment written off	373	-
Allowance for doubtful debts	14,493	139,400
Bad debts written off	79,107	-
Bad debts written back	(23,000)	-
Interest expenses	158,779	153,109
Operating loss before working capital changes	(7,117,710)	(415,551)
Changes in inventories	7,664,861	(2,932,465)
Change in receivables	1,482,037	1,236,797
Changes in payables	(39,946)	(26,453)
Changes in trade line borrowings	(3,757,043)	2,186,932
Cash (utilised in)/generated from operations	(1,767,801)	49,260
Interest paid	(158,779)	(153,109)
Tax paid	(60,774)	(141,731)
Net cash used in operating activities	(1,987,354)	(245,580)
Cash flows from investing activities		
Purchase of property, plant and equipment	(798,792)	-
Proceeds from disposal of property, plant and equipment	2,715,688	-
Net cash from investing activities	1,916,896	-

Notes To And Forming Part Of The Financial Statements for the year ended 31 December 2005

(c) Net assets

The net assets of the discontinuing operations at the end of the financial year are as follows:

	2005 RM	2004 RM
Property, plant and equipment	-	459,878
Inventories	913,091	8,577,952
Trade receivables	247,197	1,799,835
	1,160,288	10,837,665
Trade payables	-	(39,946)
Bank borrowings	(242,164)	(3,999,207)
Net assets of discontinuing operations	918,124	6,798,512

35. TAX EXPENSE

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Current tax expense				
Malaysian				
Continuing operations				
- current year	3,264,875	3,737,026	2,240,000	197,000
- overestimated in prior years	(1,638,985)	(272,652)	-	-
	1,625,890	3,464,374	2,240,000	197,000
Discontinuing operations				
- current year	-	-	-	-
- overestimated in prior year	(13,275)	(16,028)	-	-
	1,612,615	3,448,346	2,240,000	197,000
Overseas				
- current year	3,215,322	4,564,239	-	-
- overestimated in prior years	(68,151)	(44,578)	-	-
	4,759,786	7,968,007	2,240,000	197,000
Deferred tax income relating to the origination and reversal of temporary differences during the year	(917,898)	(1,071,451)	-	-
Deferred tax expense underestimated in prior years	7,590	36,458	-	-
	(910,308)	(1,034,993)	-	-
	3,849,478	6,933,014	2,240,000	197,000



Notes To And Forming Part Of The Financial Statements for the year ended 31 December 2005

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

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Accounting profit (excluding share of results in associated companies)	19,037,044	38,216,841	15,918,005	13,066,744
Tax at the applicable tax rate of 28% (2004 : 28%)	5,330,372	10,700,715	4,457,041	3,658,688
Add:				
Tax effect of expenses that are not deductible in determining taxable profit:				
Amortisation and depreciation of non-qualifying assets	236,420	254,669	-	-
Other non-deductible expenses	5,378,790	5,047,073	1,149,593	237,478
Tax effect of current year temporary differences not recognised	2,528,321	648,362	-	-
	13,473,903	16,650,819	5,606,634	3,896,166
Less:				
Tax effect of non-taxable and tax exempt income	5,272,396	6,037,514	3,366,634	3,699,166
Tax effect on utilisation of deductible temporary differences not previously recognised	1,364,566	282,388	-	-
Tax effect of tax incentives for the year	668,038	511,397	-	-
Tax effect of income taxed at different statutory rates	288,836	479,823	-	-
Tax effect of different rates in foreign tax jurisdictions	317,768	2,109,883	-	-
	5,562,299	7,229,814	2,240,000	197,000
(Less):				
Current tax expense overestimated in prior years	(1,720,411)	(333,258)	-	-
Deferred tax expense underestimated in prior years	7,590	36,458	-	-
Tax expense for the year	3,849,478	6,933,014	2,240,000	197,000

Based on estimated tax credits and tax exempt income available and the prevailing tax rate applicable to dividends, the entire unappropriated profit of the Company at year end is available for distribution by way of dividends without incurring additional tax liability.

Notes To And Forming Part Of The Financial Statements for the year ended 31 December 2005

36. EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share have been calculated based on the consolidated net profit for the year of RM17,188,781 (2004 : RM18,305,992) and on 231,204,015 (2004 : 215,095,127) weighted average number of ordinary shares in issue during the year after deducting treasury shares (2004 : after adjusting for shares issued on conversion of ICULS) calculated as follows:

	2005	2004
Number of ordinary shares at 1 January	231,559,015	209,951,369
Effect of shares issued pursuant to conversion of ICULS	-	5,143,758
Weighted average number of ordinary shares	231,559,015	215,095,127
Less:		
Treasury shares	355,000	-
Number of ordinary shares after deducting treasury shares	231,204,015	215,095,127

(b) Diluted earnings per share

The potential ordinary shares arising from the exercise of options under ESOS have been excluded from the above computation for the financial year because they have an anti-dilutive effect.

37. DIVIDENDS PAID

	2005	Company 2004
In respect of the financial year ended 31 December 2003		
- First and final dividend of 2% less 28% tax	-	3,025,107
In respect of the financial year ended 31 December 2004		
- Interim dividend of 2% less 28% tax	-	3,334,450
- Final dividend of 2% tax exempt	4,631,180	-
	4,631,180	6,359,557

On 28 December 2005, the directors declared an interim dividend of 4% tax exempt amounting to RM9,248,161 in respect of the financial year ended 31 December 2005 which was paid on 22 February 2006.

At the forthcoming annual general meeting, a final dividend of 1% tax exempt amounting to RM2,312,040 in respect of the financial year ended 31 December 2005 will be proposed for approval by shareholders of the Company. The proposed final dividend is payable in respect of all ordinary shares in issue at the date of the financial statements, excluding those ordinary shares held as treasury shares under share buy-back. These financial statements do not reflect the interim dividend payable and the proposed final dividend which will be accounted for in the shareholders' equity as an appropriation of unappropriated profit in the financial year in which the dividends are paid.

38. ANALYSIS OF ACQUISITION AND DISPOSAL OF SUBSIDIARY COMPANIES

The effects of acquisition and disposal of subsidiary companies on the consolidated net profit, the consolidated financial position and the consolidated cash flow statement are as follows:

(A) Acquisition of subsidiary company

During the financial year, PI International Holdings Limited subscribed for the entire issued and paid-up share capital of PI Macao Commercial Offshore Limited, a newly incorporated subsidiary company in Macao, SAR, at a cash consideration of Macao Pataca 100,000 or RM46,000. The said subsidiary company was inactive during financial year under review.



Notes To And Forming Part Of The Financial Statements

for the year ended 31 December 2005

(a) Effect on consolidated net profit for the year

	Subsidiaries ----- acquired in -----	
	2005 RM	2004 RM
Gross revenue	-	-
Cost of sales	-	-
Loss from operations	(77,916)	(489,555)
Finance costs	-	-
Loss before tax	(77,916)	(489,555)
Tax expense	-	(1,676)
Loss after tax	(77,916)	(491,231)
Minority interest	-	290,000
Decrease in Group's net profit	(77,916)	(201,231)

(b) Effect on consolidated financial position

	Subsidiaries ----- acquired in -----	
	2005 RM	2004 RM
Non-current assets	6,926	4
Current assets	27,738	657,902
Current liabilities	(63,422)	(74,531)
Minority interest	-	(35,003)
Net assets held prior to acquisition	-	(285,853)
(Decrease)/Increase in Group's share of net assets	(28,758)	262,519

Notes To And Forming Part Of The Financial Statements for the year ended 31 December 2005

(c) Effect on consolidated cash flow statement for the year

	Subsidiaries ----- acquired in -----	
	2005 RM	2004 RM
Net assets acquired:		
Property, plant and equipment	-	4
Current assets	-	657,902
Current liabilities	-	(74,531)
Minority interest	-	(35,003)
Discount on acquisition	-	(6,199)
Net assets held prior to acquisition	-	(285,853)
Total purchase consideration	-	256,320
Less:		
Cash and cash equivalents	-	(130,621)
Net cash flows on acquisition	-	125,699

(B) Disposal of a subsidiary company in the previous financial year

In the previous financial year, the Group disposed of Phili-Orient Lines (Johor) Sdn Bhd, a subsidiary company of Phili-Orient Lines (Penang) Sdn Bhd at a cash consideration of RM5,100.

(a) Effect on consolidated net profit for the year ended 31 December 2004

	Subsidiary disposed in 2004 RM
Gross revenue	165,669
Cost of sales	(146,510)
Loss before minority interest	(15,186)
Minority interest	7,768
Decrease in Group's net profit	(7,418)



Notes To And Forming Part Of The Financial Statements

for the year ended 31 December 2005

(b) Effect on consolidated financial position at 31 December 2004

	Subsidiary disposed in 2004 RM
Non-current assets	77,820
Current assets	121,628
Current liabilities	(220,087)
Minority interest	18,903
Decrease in Group's share of net liabilities	<u>(1,736)</u>

(c) Effect on consolidated cash flow statement for the year ended 31 December 2004

	Subsidiary disposed in 2004 RM
Net assets disposed:	
Property, plant and equipment	77,820
Current assets	121,628
Current liabilities	(220,087)
Minority interest	18,903
Goodwill on acquisition written off on disposal	11,834
Loss on disposal of subsidiary companies	<u>(4,998)</u>
Sale proceeds	5,100
Less:	
Cash and cash equivalents	<u>(10,042)</u>
Net cash flows on disposal	<u><u>(4,942)</u></u>

39. EMPLOYEES INFORMATION

	2005 RM	Group 2004 RM
Staff costs:		
Salaries, wages, allowances, bonuses and other staff related expenses	95,359,525	92,247,771
Defined contribution plans	3,651,568	3,790,018
	<u>99,011,093</u>	<u>96,037,789</u>
Number of employees at year end	<u>9,414</u>	<u>8,808</u>

Notes To And Forming Part Of The Financial Statements for the year ended 31 December 2005

40. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Company has controlling related party relationship with its subsidiary companies.

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

- (a) Star Regent International Limited, a company in which two directors of PI International Holdings Ltd, namely Mr Ho Kwok Pun and Madam Tse Oi, have financial interests.
- (b) Associated company, CNT Garments Sdn Bhd

Transactions with related parties during the financial year are as follows:

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Amount owing by Alu-Paste & Pigments Sdn Bhd written off as bad debt	-	-	629,695	-
Consultancy fee paid to Star Regent International Limited	456,686	1,349,841	-	-
Workmanship charged by CNT Garments Sdn Bhd	916,718	824,168	-	-

The directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business.

41. COMMITMENTS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Capital commitments				
Approved capital expenditure in respect of property, plant and equipment contracted but not provided for in the financial statements	729,918	6,247,349	-	-
Operating lease commitments				
Operating lease rentals payable				
- not later than one year	7,313,956	10,498,717	-	-
- later than one year and not later than five years	23,989,414	37,690,403	-	-
- later than five years	15,710,911	38,346,480	-	-
	47,014,281	86,535,600	-	-
	47,744,199	92,782,949	-	-



Notes To And Forming Part Of The Financial Statements for the year ended 31 December 2005

42. CONTINGENT LIABILITIES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Unsecured corporate guarantees given to secure banking and other credit facilities granted to subsidiary companies	-	-	31,878,508	44,170,000
Recourse against a subsidiary company in respect of loans granted by a financial institution to members of Monterez Golf and Country Club to finance licence fees payable by the latter to the said subsidiary company	159,407	126,618	-	-
	159,407	126,618	31,878,508	44,170,000

43. SEGMENT ANALYSIS

Segmental reporting

(a) Primary reporting format - business segment

The Group's operations comprise the following business segments:

- | | | | |
|-------|---------------------------|---|--|
| (i) | Textile and garments | - | Manufacturing and sale of garments, dyed knitted and woven fabrics |
| (ii) | Properties | - | Property investment, construction and development |
| (iii) | Power conversion products | - | Designing, manufacturing and sale of electronic power conversion products |
| (iv) | Lighting and pagers | - | Manufacturing and assembling electrical lightings and telecommunication products |
| (v) | Other operations | - | Assembling and distributing of trucks, investment holding, management of a golf course, trading in optical products, freight forwarding and warehousing services |
| (vi) | Discontinuing operations | - | Manufacturing and sale of yarn |

Transactions between segments were entered into in the normal course of business and were established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties. The effects of such inter-segmental transactions are eliminated on consolidation.

Notes To And Forming Part Of The Financial Statements

for the year ended 31 December 2005

←----- Continuing operations -----→

	Textile & garments RM	Properties RM	Power conversion products RM	Lighting & pagers RM	Other operations RM	Group total RM	Discontinuing operations RM	Total RM
REVENUE								
Sales	118,651,125	65,582,901	234,453,169	159,003,329	88,008,735	665,699,259	18,063,984	683,763,243
Less:								
Inter-segment sales	-	329,352	-	-	2,411,090	2,740,442	-	2,740,442
External sales	118,651,125	65,253,549	234,453,169	159,003,329	85,597,645	662,958,817	18,063,984	681,022,801
RESULTS								
Segment operating profit/(loss)	3,108,497	2,014,768	(7,274,199)	22,351,310	10,480,286	30,680,662	(7,188,683)	23,491,979
Unallocated corporate expenses						(2,294,684)	-	(2,294,684)
Profit/(loss) from operations						28,385,978	(7,188,683)	21,197,295
Add/(Less):								
Finance costs						(5,690,769)	(158,779)	(5,849,548)
Gain on disposal of investments						2,959,035	-	2,959,035
Gain on disposal of property, plant and equipment from discontinuing operations						-	1,457,391	1,457,391
Net impairment loss on value of other investments						(727,129)	-	(727,129)
Share of results in associated companies	(8,191)	1,465,710	(401)	-	-	1,457,118	-	1,457,118
Profit/(loss) from ordinary activities before tax						26,384,233	(5,890,071)	20,494,162
(Less)/Add:								
Tax expense for the year						(4,412,702)	-	(4,412,702)
Tax income from discontinuing operations						(13,275)	13,275	-
Profit/(loss) from ordinary activities after tax						21,958,256	(5,876,796)	16,081,460
Minority interests						1,107,321	-	1,107,321
Net profit/(loss) for the year						23,065,577	(5,876,796)	17,188,781



Notes To And Forming Part Of The Financial Statements for the year ended 31 December 2005

←----- Continuing operations ----->

At 31 December 2005

OTHER INFORMATION

	Textile & garments RM	Properties RM	Power conversion products RM	Lighting & pagers RM	Other operations RM	Group total RM	Discontinuing operations RM	Total RM
Segment assets	55,067,483	159,025,563	170,235,033	81,487,425	123,651,162	589,466,666	1,160,288	590,626,954
Associated companies	20,648	1,410,176	89,578	-	1	1,520,403	-	1,520,403
	55,088,131	160,435,739	170,324,611	81,487,425	123,651,163	590,987,069	1,160,288	592,147,357
Unallocated corporate assets						28,712,097	-	28,712,097
Total assets						619,699,166	1,160,288	620,859,454
Segment liabilities	5,245,890	21,932,066	77,004,828	24,800,084	36,162,820	165,145,688	-	165,145,688
Unallocated corporate liabilities						175,490,600	-	175,490,600
Total liabilities						340,636,288	-	340,636,288
Capital expenditure								
- Property, plant and equipment	1,917,240	1,187,345	9,652,084	3,257,061	950,891	16,964,621	798,792	17,763,413
- Goodwill on acquisition						-	-	-
Depreciation	3,018,928	949,455	4,589,235	3,249,900	1,700,610	13,508,128	-	13,508,128
Amortisation of goodwill						2,294,684	-	2,294,684

Notes To And Forming Part Of The Financial Statements

for the year ended 31 December 2005

←-----Continuing operations ----->

Year ended 31 December 2004	Textile & garments RM	Properties RM	Power conversion products RM	Lighting & pagers RM	Other operations RM	Group total RM	Discontinuing operations RM	Total RM
REVENUE								
Sales	107,263,888	41,645,746	252,783,165	146,411,680	75,565,852	623,670,331	24,381,512	648,051,843
Less:								
Inter-segment sales	-	329,352	-	238,080	2,188,473	2,755,905	-	2,755,905
External sales	107,263,888	41,316,394	252,783,165	146,173,600	73,377,379	620,914,426	24,381,512	645,295,938
RESULTS								
Segment operating profit/ (loss)	6,053,765	322,217	25,772,864	16,445,734	(608,058)	47,986,522	(837,439)	47,149,083
Unallocated corporate expenses						(2,195,803)	-	(2,195,803)
Profit/(loss) from operations						45,790,719	(837,439)	44,953,280
Add/(Less):								
Finance costs						(7,425,459)	(153,109)	(7,578,568)
Net gain on disposal of investments						4,068,329	-	4,068,329
Impairment loss on value of other investments						(3,226,200)	-	(3,226,200)
Share of results in associated companies	(1,432)	2,739,481	(1,310)	-	84,272	2,821,011	-	2,821,011
Profit/(loss) from ordinary activities before tax						42,028,400	(990,548)	41,037,852
(Less)/Add:								
Tax expense for the year						(7,698,639)	-	(7,698,639)
Tax income from discontinuing operations						(16,028)	16,028	-
Profit/(loss) from ordinary activities after tax						34,313,733	(974,520)	33,339,213
Minority interests						(15,033,221)	-	(15,033,221)
Net profit/(loss) for the year						19,280,512	(974,520)	18,305,992



Notes To And Forming Part Of The Financial Statements

for the year ended 31 December 2005

←----- Continuing operations -----→

	Textile & garments RM	Properties RM	Power conversion products RM	Lighting & pagers RM	Other operations RM	Group total RM	Discontinuing operations RM	Total RM
At 31 December 2004								
OTHER INFORMATION								
Segment assets	68,154,301	163,312,641	143,523,732	86,676,912	116,760,123	578,427,709	10,837,665	589,265,374
Associated companies	29,533	3,102,448	89,979	-	1	3,221,961	-	3,221,961
Unallocated corporate assets	68,183,834	166,415,089	143,613,711	86,676,912	116,760,124	581,649,670	10,837,665	592,487,335
Total assets						31,031,195	-	31,031,195
Segment liabilities	8,754,652	14,358,947	47,891,547	23,742,346	42,171,933	136,919,425	39,946	136,959,371
Unallocated corporate liabilities						205,441,450	-	205,441,450
Total liabilities						342,360,875	39,946	342,400,821
Capital expenditure	1,338,808	520,587	6,049,699	1,868,209	1,827,845	11,605,148	-	11,605,148
- Property, plant and equipment						3,955,260	-	3,955,260
- Goodwill on acquisition						14,416,126	282,488	14,698,614
Depreciation	3,169,153	881,209	5,371,204	3,285,056	1,709,504			
Amortisation of goodwill						2,195,803	-	2,195,803

Notes To And Forming Part Of The Financial Statements for the year ended 31 December 2005

(b) Secondary reporting format - geographical segment

The Group operates mainly in Asia. In determining the geographical segments of the Group, revenue is based on the geographical location of customers. Total assets and capital expenditure are based on the geographical locations of the assets.

	Revenue RM	Capital expenditure RM	Total assets RM
2005			
Malaysia	289,357,301	5,807,006	344,818,311
Asia Pacific	373,456,865	11,956,407	226,911,029
Others	144,651	-	18,897,614
	662,958,817	17,763,413	590,626,954
Associated companies			1,520,403
Unallocated assets			28,712,097
			620,859,454
2004			
Malaysia	282,142,437	3,657,169	361,085,893
Asia Pacific	338,627,587	7,947,979	201,434,240
Others	144,402	-	26,745,241
	620,914,426	11,605,148	589,265,374
Associated companies			3,221,961
Unallocated assets			31,031,195
			623,518,530

All inter-segment transactions have been carried out in the normal course of business and have been established under negotiated terms.

44. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The overall financial risk management objectives and policies of the Group are to ensure that they create value and maximise returns to its shareholders.

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

The Group has been financing its operations mainly from internally generated funds and bank borrowings.

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

(i) Credit risk

Credit risk arises when sales are made and services are rendered on deferred credit terms and when surplus cash is invested.



Notes To And Forming Part Of The Financial Statements for the year ended 31 December 2005

The entire financial assets of the Group are exposed to credit risk except for cash and bank balances, time deposits and fixed deposits which are placed with licensed financial institutions in Malaysia and in foreign banks. The Group's exposure to credit risk is monitored on an ongoing basis.

The Group has credit policies in place to manage the credit risk exposure. The risk is managed through the application of the Group's credit management procedures which include the application of credit approvals whereby credit evaluations are performed on all customers requiring credit over a certain amount and period, adherence to credit limits, regular monitoring and follow up procedures. Concentration of credit risk with respect to trade receivables is limited due to a wide spread of customers.

The Group does not require collateral in respect of financial assets and considers the risk of material loss from the non-performance on the part of a financial counter-party to be negligible.

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

(ii) Foreign currency exchange risk

The Group is exposed to foreign currency exchange risk as a result of transactions entered into by the subsidiary companies which are denominated in currencies other than their functional currencies. Certain subsidiary companies entered into foreign currency forward contracts in the normal course of business in order to limit their exposure and to manage exposure to fluctuations in foreign currency exchange rates. These contracts are entered into with licensed financial institutions.

At 31 December 2005, the foreign currency amounts to be received or paid and contractual exchange rates of the Group's outstanding forward contracts are as follows:

	Amounts to be received/(paid) RM	Average contractual rate	Settlement period within 1 year RM
Trade receivables			
AUD3,900,000	10,901,600	2.79	10,901,600
Committed future transactions			
USD4,897,910	(18,251,238)	3.73	(18,251,238)
Euro579,517	(2,588,818)	4.47	(2,588,818)

The net unrecognised gain at 31 December 2005 on forward contracts for future sales and committed future transactions amounted to RM159,020.

(iii) Interest rate risk

The Group is exposed to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The Group is exposed to interest rate risk in respect of its fixed and time deposits placed with licensed financial institutions, bank borrowings, hire purchase and finance lease liabilities.

Interest rate risk arising from fixed and time deposits placed with financial institutions is managed through fixed rate financial instruments. Interest rate risk arising from bank term loans and bank overdraft facilities is managed through the use of fixed and floating rate financial instruments. Interest rate risk arising from bankers' acceptance and revolving credit facilities are subject to floating interest rate plus an acceptance commission charge which is agreed with the financial institutions before the facilities are accepted.

The Group considers interest rate risk arising from hire purchase financing and leasing to be insignificant as the interest rates and the repayment terms are fixed at inception. It is the Group's policy not to trade in interest rate swap agreements.

Notes To And Forming Part Of The Financial Statements for the year ended 31 December 2005

(iv) Market risk

The Group is exposed to market risk, which is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

The Group's exposure to market risk arises mainly from changes in market prices of its quoted investments. The Group is exposed to significant market risk in respect of its quoted investments as it does not use derivatives to hedge these investments.

The financial assets which are exposed to market risk at balance sheet date are assessed for any potential impairment loss on their values and allowances are made for such impairment as disclosed in the notes to the financial statements.

(v) Liquidity and cash flow risk

Prudent liquidity risk management implies maintaining sufficient cash, fixed deposits and the availability of funding through adequate amount of committed credit facilities. The Company's exposure to liquidity and cash flow risk is monitored on an ongoing basis. Due to the nature of the business, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

(b) Fair values

The carrying amounts of the financial assets and liabilities of the Group and of the Company at 31 December 2005 approximated their fair values except for other investments as stated below.

	Group		Company	
	Carrying amounts RM	Fair values RM	Carrying amounts RM	Fair values RM
Other investments				
Unquoted shares	7,299,017	*	-	-

* A reasonable estimate of fair values could not be made without incurring excessive costs. Such investments are stated at their carrying amounts subject to review for impairment.



Notes To And Forming Part Of The Financial Statements

for the year ended 31 December 2005

(c) Currency exposure

	Transaction Currencies						
	Ringgit Malaysia RM	United States Dollar RM	Euro RM	Australian Dollar RM	Singapore Dollar RM	Japanese Yen RM	Others RM
2005							
Functional currencies of the Group							
Investments							
US Dollar	7,263,700	-	-	-	-	-	-
Hongkong Dollar	-	-	17,011,662	-	44,423	-	-
Trade receivables							
Ringgit Malaysia	-	8,642,057	-	450,058	71,992	-	868,945
Singapore Dollar	-	2,829,971	-	-	-	-	-
Hongkong Dollar	-	51,722,541	2,220,568	-	-	-	-
New Taiwan Dollar	-	26,110,297	-	-	-	-	-
Other receivables							
Hong Kong Dollar	-	-	428,559	-	-	-	-
US Dollar	1,007,030	-	-	-	-	-	-
Macau Pataca	-	-	-	-	-	-	7,171
Cash and bank balances and fixed deposits							
Ringgit Malaysia	-	2,194,873	1,918	1,019,491	7,299	-	4,714
Singapore Dollar	-	7,797,545	-	-	-	-	8,877
Hongkong Dollar	-	5,541,279	2,691,641	-	34,162	344	-
New Taiwan Dollar	-	2,079,539	2,609	-	-	-	108,685
Renminbi	-	1,646,095	-	-	-	-	-
Macau Pataca	-	-	-	-	-	-	9,810
Trade payables							
Ringgit Malaysia	-	1,552,457	5,077,094	438,059	193,306	-	211,743
Singapore Dollar	-	1,751,505	-	-	-	-	-
Hongkong Dollar	-	11,512,631	-	-	-	352,383	-
New Taiwan Dollar	-	387,866	-	-	-	-	-
Other payables							
Ringgit Malaysia	-	696	-	-	-	-	-
Hong Kong Dollar	-	2,845,995	-	-	-	-	-
New Taiwan Dollar	-	8,534,175	-	-	-	-	-
Borrowings							
Ringgit Malaysia	-	9,179,349	-	-	104,000	-	-
Hong Kong Dollar	-	4,298,469	-	-	-	-	-

Notes To And Forming Part Of The Financial Statements

for the year ended 31 December 2005

	Transaction Currencies						
	Ringgit Malaysia RM	United States Dollar RM	Euro RM	Japanese Yen RM	Renminbi RM	New Zealand Dollar RM	Others RM
2004							
Functional currencies of the Group							
Investments							
US Dollar	5,625,900	-	-	-	-	-	-
Hongkong Dollar	-	-	8,825,337	-	-	-	45,210
Trade receivables							
Ringgit Malaysia	-	13,928,194	-	-	-	-	418,812
Singapore Dollar	-	3,139,660	-	-	-	-	-
Hongkong Dollar	-	31,402,970	4,955,212	-	-	-	-
New Taiwan Dollar	-	14,312,674	-	-	-	-	-
Other receivables							
Hong Kong Dollar	-	1,118,304	-	-	-	-	-
US Dollar	-	-	-	-	-	8,289,401	-
Cash and bank balances and fixed deposits							
Ringgit Malaysia	-	1,665,602	2,211	-	-	-	127,008
Singapore Dollar	-	8,242,443	-	-	-	-	-
Hongkong Dollar	-	6,981,418	15,741,363	43	-	-	-
New Taiwan Dollar	-	655,621	-	-	-	-	-
Trade payables							
Ringgit Malaysia	-	3,909,119	6,578,541	-	-	-	926,262
Singapore Dollar	-	435,382	-	-	-	-	-
Hongkong Dollar	-	6,907,714	52,224	1,038,296	59,568	-	37,165
Other payables							
Hong Kong Dollar	-	-	-	-	2,152,763	-	-
Borrowings							
Ringgit Malaysia	-	17,863,306	-	-	-	-	1,184,000



Notes To And Forming Part Of The Financial Statements for the year ended 31 December 2005

45. COMPARATIVE FIGURES

The following comparative figures have been restated to conform with the current year's presentation.

	Group	
	As restated RM	As previously stated RM
Consolidated Balance Sheet at 31 December 2004		
Deferred tax assets	1,289,074	902,079
Tax payable	7,263,955	6,876,960

46. SUBSEQUENT EVENT

Subsequent to year end, the Company acquired additional 340,000 ordinary shares of RM1 each, representing 4.72% equity interest in its subsidiary company, Davex Holdings Berhad ("DHB") from a director of the Company, at a cash consideration of RM5,769,800. Consequently, the said acquisition has increased the Company's equity interest in DHB from 92.89% to 97.61%.

47. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements of the Company and of the Group were authorised for issue by the board of directors on 25 April 2006.

Statement By Directors

In the opinion of the directors, the financial statements set out on pages 34 to 91 are drawn up:

- (a) so as to give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2005 and of their results and cash flows for the year then ended; and
- (b) in accordance with applicable approved accounting standards and the provisions of the Companies Act, 1965.

Signed on behalf of the directors in accordance
with a resolution of the directors

DATO' SURIN UPATKOON
Director

TANG KING HUA
Director

Dated 25 April 2006

Statutory Declaration

I, Lim Kong Yow, being the director primarily responsible for the financial management of MWE Holdings Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 34 to 91 are correct.

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

Subscribed and solemnly declared at)	
Kuala Lumpur)	
)	
this 25 April 2006)	
)	
)	
)	LIM KONG YOW

Before me:

T. THANDONEE RAJAGOPAL (W 228)
Commissioner for Oaths



Properties Held By The Group

Particulars of Titles	Tenure	Land Area	Description/ Existing Use	Net Book Value as at 31.12.05 RM	Approximate Age of Building	Year of Acquisition
PENANG						
Lot 468 Geran No. 39724 Mukim 12 Seberang Perai Selatan Penang	Leasehold (999 years - expiring on 31.12.2875)	11.55 acres	Office and factory building	4,102,016	31 years	1991
Lots 895, 896 & 1234 Mukim 15 Seberang Perai Tengah Penang	Freehold	3.95 acres	Office and factory building	2,658,010	40 years	1998
Lot 1233, Grant (1st Grade) 11818 Section 1, Georgetown, Daerah Timur Laut, Penang	Freehold	32,404 sq ft	2 storey out of 8 storey office block for rental	4,145,489	12 years	1988
Lot 199 Mukim 14, District of Seberang Perai Tengah, Penang (Plot 68)	Freehold	1,400 sq ft	Residential house	180,671	-	1991
Lot 278 Bandar Bukit Bendera Daerah Timur Laut, Penang	Leasehold (99 years - expiring on 30.04.2030)	0.64 acre	Bungalow	1,070,722	74 years	1989
Lots 346 & 348 Geran No. 63526 & 11256 Section 15 Bandar Georgetown Daerah Timur Laut, Penang	Freehold	0.54 acre	10 storey office block for rental	13,000,000	12 years	1991
H.S. (D) 3245 P.T. 2944, Mukim 11 Daerah Seberang Perai Tengah Penang	Leasehold (60 years - expiring on 29.06.2052)	2.79 acres	Factory building	3,905,894	13 years	1991
Holding No. 243, T.S. 17 North East District Penang	Freehold	0.04 acre	Shophouse	167,609	85 years	1991
H.S.(D) 253 P.T.277, Seksyen 11E Georgetown Daerah Timur Laut Penang	Leasehold (99 years - expiring on 25.11.2089)	5,255 sq ft	3 units of shophouses - office & laboratory	740,810	11 years	1995
H.S.(D) 578 P.T. No. 474, Mukim 6 Daerah Seberang Perai Tengah Penang	Leasehold (60 years - expiring on 23.09.2052)	5.88 acres	Office and factory building	6,504,981	7 years	1992
Lots 1337, 1334, 1181 & 1183, Mukim 7 Seberang Perai Utara Penang	Freehold	10.64 acres	Land for development	3,326,182	-	1990

Properties Held By The Group

Particulars of Titles	Tenure	Land Area	Description/ Existing Use	Net Book Value as at 31.12.05 RM	Approximate Age of Building	Year of Acquisition
PENANG (con't)						
Lot 788, Seksyen 19 Bandar Georgetown Daerah Timur Laut Penang	Freehold	37,703 sq ft	20 storey out of 25 storey office block with 1 basement car park - office & for rental	34,000,000	9 years	1990
KEDAH						
P.T. No. 38, H.S. (M) 3/1986, Kawasan Perindustrian Kulim, Mukim Sungai Seluang Kedah	Leasehold (60years - expiring on 20.04.2048)	9.21 acres	Factory building	3,436,415	16 years	1988
H.S. (D) 85/92, P.T. 18863,Sg. Petani, Daerah Kuala Muda Kedah Darul Aman	Leasehold (60 years - expiring on 12.04.2052)	3.02 acres	Factory building	2,270,179	10 years	1994
SELANGOR						
H.S.(D) 57415, P.T. 541 Mukim of Bukit Raja Daerah Petaling Selangor Darul Ehsan	Leasehold (99 years - expiring on 04.12.2090)	209 acres	Golf course & Clubhouse and residential development	73,466,043	11 years	1992
H.S. (D) 116225, P.T. 1880 Mukim Damansara Daerah Petaling Selangor Darul Ehsan	Leasehold (99 years - expiring on 28.12.2096)	1,988 sq ft	1 1/2 Storey terrace factory - office & warehouse	229,256	14 years	1990
Hakmilik No. 440, Lot 186, Mukim of Bandar Selayang, Dearah Gombak Selangor Darul Ehsan	Leasehold (99 years - expiring on 05.09.2074)	8,625 sq. m.	Office and factory building	5,494,367	14 years	1990
KUALA LUMPUR						
Lot 529, Seksyen 19 Bandar Kuala Lumpur Wilayah Persekutuan	Leasehold (99 years - expiring on 1.1.2079)	40,191 sq ft	50 units of penthouses and condominiums for sale & rental	17,113,600	12 years	1991
Lots 1937-1939, 1947, 2507-2512 & 2483 P.T. 41670, 41763, 41764 & 42051 Kepong, Kuala Lumpur	Freehold	26.6 acres	Joint venture development properties	19,588,381	-	1993



Analysis Of Equity Securities as at 8 May 2006

Class of security	:	Ordinary Shares of RM1.00 each
Authorised Share Capital	:	RM500,000,000
Tota Issue and Paid up capital	:	RM231,559,015
Voting right	:	1 vote per share
Number of shareholders	:	11,703

Size of Holdings	No. of Holders	% of Holders	No. of Shares	% of Shares
1 – 99	65	0.56	1,498	0.00
100 – 1,000	3,216	27.48	3,088,291	1.33
1,001 – 10,000	7,131	60.93	28,611,140	12.36
10,001 – 100,000	1,170	10.00	29,436,440	12.71
100,001 – 11,577,951	120	1.03	117,346,424	50.68
11,577,951 and above	1	0.00	53,075,222	22.92
Total	11,703	100.00	231,559,015	100.00

Directors' Shareholdings

Name	No. of shares held*			
	Direct	%*	Indirect	%*
Dato' Surin Upatkoorn	786,630	0.34	54,877,522 (a)	23.74
Tang King Hua	9,460,100	4.09	2,181,700 (b)	0.94
Lawrence Lim Swee Lin	320,000	0.14	-	-
Lim Kong Yow	27,000	0.01(d)	4,000 (c)	(d)
Dato' Ahmad Hasmuni bin Hj. Hussein	-	-	-	-
Dato' Shahbudin bin Imam Mohamad	-	-	-	-
Tan Chor Teck	350,000	0.15	9,719,680 (e)	4.20

Notes:

- (a) Deemed interested by virtue of Section 6A(4) of the Companies Act, 1965 held through Casi Management Sdn Bhd.
- (b) Deemed interested through his spouse and by virtue of Section 6A(4) of the Companies Act, 1965 held through Idea Kosmo Sdn Bhd.
- (c) Deemed interested through his spouse.
- (d) Shareholding is insignificant.
- (e) Deemed interested through family members and by virtue of Section 6A(4) of the Companies Act, 1965 held through Simansu Sdn Bhd.
- * Excluding a total of 355,000 shares bought back by MWE and retained as treasury shares as at 8 May 2006.

Analysis Of Equity Securities

as at 8 May 2006

THIRTY (30) LARGEST SHAREHOLDERS

No.	Name of shareholders	No. of shares held	% of shares
1.	SOUTHERN NOMINEES (TEMPATAN) SDN BHD <i>Qualifier : Pledged Securities Account for Casi Management Sdn Bhd</i>	53,075,222	22.92
2.	MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>Qualifier : Pledged Securities Account for Pinjaya Sdn Bhd</i>	10,656,000	4.60
3.	MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>Qualifier : Pledged Securities Account for Tang King Hua</i>	9,164,500	3.96
4.	AMSEC NOMINEES (TEMPATAN) SDN BHD <i>Qualifier : AmBank (M) Berhad for E & O Property Development Berhad</i>	8,200,000	3.54
5.	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>Qualifier : CIMB for Simansu Sdn Bhd</i>	8,058,000	3.48
6.	GREENLAND TIMBER INDUSTRIES (PRIVATE) LIMITED	7,966,000	3.44
7.	A.A. ANTHONY NOMINEES (ASING) SDN BHD <i>Qualifier : Pledged Securities Account for Greenland Timber Industries (Pte) Ltd</i>	6,562,600	2.83
8.	BUMIPUTRA-COMMERCE NOMINEES (TEMPATAN) SDN BHD <i>Qualifier : Pledged Securities Account for A.A. Anthony Securities Sdn Bhd</i>	4,931,000	2.13
9.	A.A. ANTHONY NOMINEES (TEMPATAN) SDN BHD <i>Qualifier : Pledged Securities Account for MCC Credit Sdn Bhd</i>	4,100,000	1.77
10.	MEDIA ZONE SDN BHD	4,100,000	1.77
11.	PINJAYA SDN BHD	3,048,700	1.32
12.	EMPLOYEES PROVIDENT FUND BOARD	3,039,000	1.31
13.	MAGNUM 4D BERHAD	2,754,000	1.19
14.	A.A. ANTHONY NOMINEES (TEMPATAN) SDN BHD <i>Qualifier : for New Kota Credit Sendirian Berhad</i>	2,730,500	1.18
15.	A.A. ANTHONY NOMINEES (ASING) SDN BHD <i>Qualifier : Pledged Securities Account for Citibase Limited</i>	2,705,500	1.17
16.	A.A. ANTHONY NOMINEES (TEMPATAN) SDN BHD <i>Qualifier : Pledged Securities Account for Bizurai Bijak (M) Sdn Bhd</i>	2,625,000	1.13
17.	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD <i>Qualifier : Pledged Securities Account for E & O Developers Sdn Bhd</i>	2,125,000	0.92
18.	IDEA KOSMO SDN BHD	2,067,500	0.89
19.	NG KWENG THEAM	1,621,200	0.70
20.	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>Qualifier : Pengurusan Danaharta Nasional Berhad for Raja Zainal Abidin Bin Raja Hussin</i>	1,209,000	0.52
21.	CASI MANAGEMENT SDN BHD	1,121,500	0.48
22.	TAN TOH HUA	1,041,400	0.45
23.	HLB NOMINEES (TEMPATAN) SDN BHD <i>Qualifier : Pledged Securities Account for Lau Kwai</i>	1,000,000	0.43
24.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>Qualifier: Pledged Securities Account for Muhammad Marzuki Bin A. Samad</i>	958,000	0.41



Analysis Of Equity Securities as at 8 May 2006

No.	Name of shareholders	No. of shares held	% of shares
25.	ABM HOLDINGS SDN BHD	906,400	0.39
26.	PACIFIC & ORIENT INSURANCE CO BERHAD	900,000	0.39
27.	HUANG PHANG LYE	860,000	0.37
28.	GOLDEN BAY HOLDING SDN BHD	843,000	0.36
29.	HSBC NOMINEES (ASING) SDN BHD <i>Qualifier: HSBC (M) Trustee Bhd for Surin Upapatthang'Koon @ Lau Kim Khoon</i>	788,392	0.34
30.	MD NOOR BIN NORDIN	600,600	0.26
Total		149,758,014	64.65

SUBSTANTIAL SHAREHOLDERS

Name	Direct Interest No. of Shares	%*	Indirect Interest No. of Shares	%*
Pinjaya Sdn Bhd	13,966,280	6.04	-	-
Casi Management Sdn Bhd	54,877,522	23.74	-	-
Dato' Surin Upatkoon	786,630	0.34	54,877,522(a)	23.74
Tang King Hua	9,460,100	4.09	2,181,700(b)	0.94

Notes:

- (a) Deemed interested by virtue of Section 6A(4) of the Companies Act, 1965 held through Casi Management Sdn Bhd.
 (b) Deemed interested through his spouse and by virtue of Section 6A(4) of the Companies Act, 1965 held through Idea Kosmo Sdn Bhd.
 * Excluding a total of 355,000 shares bought back by MWE and retained as treasury shares as at 8 May 2006.



MWE HOLDINGS BERHAD

(Company No. 5713 - D)
(Incorporated in Malaysia)

FORM OF PROXY

CDS ACCOUNT NO.	NO. OF SHARES HELD

Registered Office : No. 1818-A, Jalan Alma, Alma, 14000 Bukit Mertajam, Penang

I/We, Tel No :
(FULL NAME IN BLOCK CAPITALS)

NRIC No : (old) (new) / Co. Reg No :

of
(ADDRESS)

being a member / members of MWE HOLDINGS BERHAD, hereby appoint

..... NRIC No:
(FULL NAME IN CAPITALS) (NEW & OLD IC NOS.)

of
(ADDRESS)

or failing whom NRIC No:
(FULL NAME IN CAPITALS) (NEW & OLD IC NOS.)

of
(ADDRESS)

or failing whom, THE CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at the Company's Registered Office at No. 1818-A, Jalan Alma, Alma, 14000 Bukit Mertajam, Penang on Friday, 16 June 2006 at 10.00 a.m. and at any adjournment thereof.

RESOLUTIONS	* FOR	* AGAINST
1. Adoption of Audited Financial Statements and Reports		
2. Declaration of Final Dividend of 1% tax exempt		
3. Re-election of Dato' Shahbudin Bin Imam Mohamad as Director		
4. Re-election of Mr Lim Kong Yow as Director		
5. Re-appointment of Dato' Ahmad Hasmuni Bin Hj Hussein		
6. Approval of Directors' fees		
7. Re-appointment of Auditors		
8. To authorise Directors to grant options and to allot and issue shares pursuant to the Employees' Share Option Scheme		
9. To authorise Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965		
10. To approve the renewal of the authority for share buy-back		
11. To approve the renewal of shareholders' mandate for recurrent related party transactions		

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

Dated this day of 2006.

Signature of Witness

Name:

Address:

Occupation:

Signature of Shareholder (s)

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy or two proxies to attend and vote instead of him. 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. A proxy need not be a member of the Company.
2. The form of proxy in the case of an individual shall be signed by the appointor or his attorney and in the case of a corporation, must be executed under seal or under the hand of an officer or attorney duly authorised.
3. The instrument appointing a proxy must be deposited at the Company's Registered Office at No.1818-A, Jalan Alma, Alma, 14000 Bukit Mertajam, Penang not less than 48 hours before the time appointed for holding the Meeting.

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**AFFIX
STAMP**

**The Company Secretary
MWE HOLDINGS BERHAD
No. 1818-A, Jalan Alma, Alma,
14000 Bukit Mertajam
Penang**

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