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NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Third Annual General Meeting of the Company will be held at Crystal Ballroom, Corus hotel Kuala Lumpur, Jalan Ampang, 50450 Kuala Lumpur on Thursday, 29 June 2006 at 9.00 a.m. for the following purposes:-

AGENDA

1. To receive the audited financial statements together with the Reports of the Directors and Auditors thereon for the financial year ended 31 December 2005.
2. To consider and, if thought fit, pass the following resolutions in accordance with Section 129(6) of the Companies Act, 1965:-
 - (i) "THAT pursuant to Section 129(6) of the Companies Act, 1965, Dato' Abdul Aziz bin Ahmad be re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company."
 - (ii) "THAT pursuant to Section 129(6) of the Companies Act, 1965, Dato' Rastam bin Abdul Hadi be re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company."
 - (iii) "THAT pursuant to Section 129(6) of the Companies Act, 1965, Mr Yong Ming Sang be re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company."
3. To re-elect Dato' Choong Kok Min as a Director of the Company.
4. To re-elect Mr Ooi Boon Leong @ Law Weng Leun as a Director of the Company.
5. To re-appoint Messrs BDO Binder as auditors of the Company and to authorise the Directors to fix their remuneration.
6. To transact any other business of which due notice shall have been received.

By order of the Board

Leong Park Yip
Company Secretary

Kuala Lumpur
6 June 2006

Notes:-

1. A member of the Company entitled to attend and vote at the meeting may appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company but if he is not a member, he must be a qualified legal practitioner, approved company auditor, a person approved by the Companies Commission of Malaysia in the particular case or a person approved by the Directors prior to the appointment.
2. A member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint one proxy only in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where a member, other than an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, appoints two proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. The Form of Proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation, under its common seal or under the hand of the attorney.
4. The Form of Proxy must be deposited at the registered office of the Company at 5th Floor, Menara PMI, No. 2, Jalan Changkat Ceylon, 50200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Directors who are standing for re-appointment / re-election are:-

(a)	Dato' Abdul Aziz bin Ahmad	– Retiring pursuant to Section 129 of the Companies Act, 1965.
(b)	Dato' Rastam bin Abdul Hadi	– Retiring pursuant to Section 129 of the Companies Act, 1965.
(c)	Mr Yong Ming Sang	– Retiring pursuant to Section 129 of the Companies Act, 1965.
(d)	Dato' Choong Kok Min	– Retiring pursuant to Article 111 of the Company's Articles of Association.
(e)	Mr Ooi Boon Leong @ Law Weng Leun	– Retiring pursuant to Article 91 of the Company's Articles of Association.

2. Further details on the Directors standing for re-appointment/re-election are set out on pages 6 and 7 of this Annual Report. Their securities holdings in the Company are set out in the Analysis of Shareholdings which appear on pages 82 and 83 of this Annual Report.
3. Details of Attendance of Directors at Board Meetings.

There were four (4) Board Meetings held during the financial year ended 31 December 2005. Details of attendance of the Directors are set out in the Profile of Directors appearing on pages 6 and 7 of the Annual Report.

4. The Twenty-Third Annual General Meeting of the Company will be held at Crystal Ballroom, Corus hotel Kuala Lumpur, Jalan Ampang, 50450 Kuala Lumpur on Thursday, 29 June 2006 at 9.00 a.m..

CORPORATE INFORMATION

Board of Directors

Tan Sri Dato' Mohd Ibrahim bin Mohd Zain, D.S.P.N., D.I.M.P., *Chairman*
Khet Kok Yin, *Managing Director*
Dato' Choong Kok Min, D.P.T.J., P.J.K., *Executive Director*
Dato' Abdul Aziz bin Ahmad, D.S.D.K., D.P.M.J., J.M.N., K.M.N., J.B.S.
Dato' Rastam bin Abdul Hadi, P.G.D.K., D.C.S.M., D.P.M.T., K.M.N.
Yong Ming Sang
Ooi Boon Leong @ Law Weng Leun

Secretary

Leong Park Yip

Registered Office

5th Floor, Menara PMI
No. 2, Jalan Changkat Ceylon
50200 Kuala Lumpur
Tel No: 03-21166688 Fax No: 03-21445209

Principal Place of Business

8th Floor, Menara PMI
No. 2, Jalan Changkat Ceylon
50200 Kuala Lumpur
Tel No: 03-21166688 Fax No: 03-20311299

Registrar

Pan Malaysia Management Sdn Bhd
5th Floor, Menara PMI
No. 2, Jalan Changkat Ceylon
50200 Kuala Lumpur
Tel No: 03-21487696 Fax No: 03-21442118

Auditors

BDO Binder Chartered Accountants

Principal Bankers

Malayan Banking Berhad
Southern Bank Berhad
United Overseas Bank (Malaysia) Bhd

Stock Exchange Listing

The Main Board of Bursa Malaysia Securities Berhad

PROFILE OF DIRECTORS

Tan Sri Dato' Mohd Ibrahim bin Mohd Zain

Age 62. Malaysian. Independent Non-Executive Director and Chairman. Appointed as Director on 28 May 1998. Chairman of Audit Committee. Graduated from British Institute of Management and Institute of Marketing in United Kingdom. Holds a Masters in Business Administration from the University of Ohio in the United States of America. Upon graduation in 1965, was attached with University Technology MARA (formerly known as Institute Technology MARA) where later he was appointed as a Director, a position which he holds to date. Formerly, he was Chairman of the International Executive Service Corps Steering Committee, Malaysia and Chapter Chairman of Young Presidents' Organisation. He was also founding Board Member of the Penang Regional Development Authority ("PERDA") and had served as a Board Member of the Tourist Development Corporation. Was also formerly, Chief Executive of Amanah International Finance Berhad, Amanah Chase Merchant Bank Berhad and Oriental Bank Berhad, Chairman and Chief Executive Officer of Setron (Malaysia) Berhad, Chairman of Bank Kerjasama Rakyat (M) Berhad, Bescorp Industries Berhad, Pan Malaysian Industries Berhad and Chemical Company of Malaysia Berhad. Currently, he is also Chairman of Pan Malaysia Capital Berhad, Deputy Chairman of Metrojaya Berhad and a Director of Pan Malaysian Industries Berhad, K & N Kenanga Holdings Berhad, AMMB Holdings Berhad and Kawan Food Berhad. Not related to any Director and/or major shareholder of Pan Malaysia Holdings Berhad and does not have any conflict of interest with Pan Malaysia Holdings Berhad. Has had no convictions for any offences within the past 10 years. Attended all the four (4) Board Meetings held during the financial year.

Khet Kok Yin

Age 59. Malaysian. Managing Director. Appointed as Director on 28 May 1998. Member of Audit Committee. Holds a Bachelor of Economics (Hons) from University of Malaya. Currently, he is the Managing Director of Pan Malaysian Industries Berhad, Pan Malaysia Capital Berhad and Chief Executive Officer/Director of Pan Malaysia Corporation Berhad. He also sits on the Boards of Malayan United Industries Berhad, MUI Properties Berhad, MUI Continental Insurance Berhad and Metrojaya Berhad. Had served as Joint Managing Director of MUI Bank Berhad (now known as Hong Leong Bank Berhad), Managing Director of Metrojaya Berhad and President of the North American operations of The MUI Group in the United States of America. Not related to any Director and/or major shareholder of Pan Malaysia Holdings Berhad and does not have any conflict of interest with Pan Malaysia Holdings Berhad. Has had no convictions for any offences within the past 10 years. Attended all the four (4) Board Meetings held during the financial year.

Dato' Choong Kok Min

Age 63. Malaysian. Executive Director. Appointed as Director on 8 January 1991. Graduated in Law from the University of London and Barrister-at-Law from Gray's Inn. Was formerly a Chairman of Alliance Finance Berhad, Director cum Legal Adviser and Company Secretary of Oriental Bank Berhad, Director of Setron (Malaysia) Berhad and partner of Messrs Ariffin & Ooi and Messrs Allen & Gledhill. He also sits on the Board of Pan Malaysia Capital Berhad. Not related to any Director and/or major shareholder of Pan Malaysia Holdings Berhad and does not have any conflict of interest with Pan Malaysia Holdings Berhad. Has had no convictions for any offences within the past 10 years. Attended three (3) Board Meetings held during the financial year.

Dato' Abdul Aziz bin Ahmad

Age 78. Malaysian. Independent Non-Executive Director. Appointed as Director on 27 March 1990. Formerly a Government servant and had served in Polis DiRaja Malaysia. His last posting before retirement in May 1985 was in the Prime Minister's Department. He also sits on the Board of Pan Malaysia Capital Berhad. Not related to any Director and/or major shareholder of Pan Malaysia Holdings Berhad and does not have any conflict of interest with Pan Malaysia Holdings Berhad. Has had no convictions for any offences within the past 10 years. Attended all the four (4) Board Meetings held during the financial year.

Dato' Rastam bin Abdul Hadi

Age 75. Malaysian. Non-Independent Non-Executive Director. Appointed as Director on 15 August 1996. Member of Remuneration Committee and Chairman of Nomination Committee. Holds a Bachelor of Science (Hons) in Mathematics from University of Malaya, Singapore. Formerly, a State Financial Officer, Pahang and later Under-Secretary, Treasury of Ministry of Finance, Deputy Secretary General of Ministry of Defence and Deputy Governor of Bank Negara Malaysia. Was also formerly, Executive Director and later as Managing Director and finally as Senior Vice-President of Petroleum Nasional Berhad ("Petronas"). Currently, the Group Adviser to The MUI Group. Not related to any Director and/or major shareholder of Pan Malaysia Holdings Berhad and does not have any conflict of interest with Pan Malaysia Holdings Berhad. Has had no convictions for any offences within the past 10 years. Attended all the four (4) Board Meetings held during the financial year.

Yong Ming Sang

Age 75. Malaysian. Independent Non-Executive Director. Appointed as Director on 15 August 1996. Member of Nomination Committee and Chairman of Remuneration Committee. He is a Fellow of the Royal Institution of Chartered Surveyors (United Kingdom) and of the Institution of Surveyors (Malaysia). Prior to joining the corporate sector in 1978, practised as a Chartered Quantity Surveying Consultant in a quantity surveying firm of Messrs Yong Dan Mohamad Faiz of which he was the founder member. His corporate sector experience ranges from financial services, manufacturing, hotel, property development, airline industry to tourism. Also serves as a Director of Malayan United Industries Berhad, MUI Properties Berhad and Star Publications (Malaysia) Berhad. He is also the Chairman of Star Publications (Malaysia) Berhad. He had previously served as a Director of Malaysian Airline System Berhad, the national airline and of two statutory bodies, namely, Tourist Development Corporation and Keretapi Tanah Melayu. He is a member of the Advisory Council of Corporate Malaysia Roundtable. Not related to any Director and/or major shareholder of Pan Malaysia Holdings Berhad and does not have any conflict of interest with Pan Malaysia Holdings Berhad. Has had no convictions for any offences within the past 10 years. Attended all the four (4) Board Meetings held during the financial year.

Ooi Boon Leong @ Law Weng Leun

Age 69. Malaysian. Independent Non-Executive Director. Appointed as Director on 9 September 2005. Member of Remuneration Committee and Nomination Committee. An advocate and solicitor. Holds a Bachelor of Arts, Bachelor of Laws, Master of Arts and Master of Laws, all from the University of Cambridge. The sole proprietor of Ooi Boon Leong & Co, a legal firm in Malaysia. Currently, he is a Director of Pan Malaysian Industries Berhad, Inter-Community Welfare Foundation and Malaysian Community & Education Foundation. He also sits on the boards of Morning Star Resources Limited, Hong Kong and Jacks International Limited, Singapore. He also holds directorships in private limited companies. Not related to any Director and/or major shareholder of Pan Malaysia Holdings Berhad and does not have any conflict of interest with Pan Malaysia Holdings Berhad. Has had no conviction for any offences within the past 10 years. Attended one (1) Board Meeting held from the date of his appointment on 9 September 2005.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors is committed to the principles of corporate governance in the Malaysian Code of Corporate Governance (the “Code”).

The Board of Directors will continuously evaluate the status of the Group’s corporate governance practices and procedures with a view to adopt and implement the Best Practices of the Code wherever applicable in the best interests of the shareholders of the Company. The Board considers that it has generally applied the Principles and Best Practices of the Code.

Set out below is the description on the manner in which the Company has applied the Principles of the Code and the extent to which it has complied with the Best Practices of the Code.

1. Directors

1.1 The Board

An effective Board leads and controls the Group. The Board is responsible for the overall performance of the Company and focuses mainly on strategies, performance, standards of conduct and critical business issues.

The Board meets at least four (4) times a year, with additional meetings convened as necessary. The Chairman is responsible for setting the agenda for Board meetings. Any Board member may, however, recommend the inclusion of items on the agenda. Such recommendations will be accommodated to the extent practicable. The agenda reaches the Board at least two (2) to three (3) weeks prior to Board meetings. Board meetings are typically scheduled a year in advance.

Four (4) Directors’ meetings were held during the financial year ended 31 December 2005. Details of the attendance of the Directors are disclosed on pages 6 and 7 of the Annual Report.

1.2 Board Balance

The Board currently consist of seven (7) Directors:-

- One (1) Independent Non-Executive Chairman
- One (1) Managing Director
- One (1) Executive Director
- One (1) Non-Independent Non-Executive Director
- Three (3) Independent Non-Executive Directors

There is a clear division of responsibility between the Chairman and Managing Director to ensure there is a balance of power and authority. All major matters and issues are referred to the Board for consideration and approval. The roles and contributions of independent Directors also provide an element of objectivity, independent judgement and check and balance on the Board.

Together, the Directors bring a wide range of business and financial experience for effective direction and management of the Group's businesses. A brief description of the background of each Director is presented on pages 6 and 7 of the Annual Report.

The Board complies with the Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements that requires at least two (2) or one-third (1/3) of the Board, whichever is higher, to be independent Directors.

Mr Yong Ming Sang has been identified as the senior independent non-executive Director to whom concerns regarding the Company may be conveyed.

The Board has established Board committees, which operate within defined terms of reference. These committees are:-

- Audit Committee
- Nomination Committee
- Remuneration Committee

The Report of the Audit Committee for the financial year ended 31 December 2005 is set out on pages 18 and 19 of the Annual Report.

Details of the Nomination Committee and Remuneration Committee are set out on pages 10 and 11 respectively.

1.3 Supply of Information

The Board has unrestricted access to timely and accurate information necessary in the furtherance of their duties, which is not only quantitative but also any other information deemed suitable.

Board papers are distributed to Board members at least seven (7) days prior to the meeting. Important matters that are reasonably expected to have a material effect on the price, value or market activity of the Company's shares may be discussed at the meeting without materials being distributed prior to the meeting.

In addition to Group performances that are discussed at the meeting, there is a schedule of matters reserved specifically for the Board's decision.

All Directors have access to the advice and service of the Company Secretary and where necessary, in the furtherance of their duties, obtain independent professional advice at the Group's expense.

1.4 Appointments to the Board

The members of the Nomination Committee are as follows:-

Chairman	Dato' Rastam bin Abdul Hadi	- Non-Independent Non-Executive Director
Members	Yong Ming Sang	- Independent Non-Executive Director
	Ooi Boon Leong @ Law Weng Leun	- Independent Non-Executive Director

The duties and functions of the Nomination Committee are:-

- identifying and recommending new nominees for the Board and Board Committees
- annually assesses the effectiveness of the Board as a whole, the Board Committees and contribution of each Director on an on-going basis
- annually reviews the mix of skills, experience and other qualities, including core competencies of non-executive Directors
- annually reviews the Board structure, size and composition

The decision as to who shall be nominated shall be the responsibility of the full Board after considering the recommendations of the Nomination Committee.

The Directors have direct access to the services of the Company Secretary who is responsible for ensuring that all appointments are properly made and all necessary information is obtained from Directors, both for the Company's own records and for the purposes of meeting the requirements of the Companies Act, 1965, Bursa Securities Listing Requirements and other regulatory requirements.

1.5 Directors' Training

All Directors have attended and successfully completed the Mandatory Accreditation Programme prescribed by Bursa Securities. During the year, all the Directors attended training on Practical Aspects in Conducting General Meetings of Public Listed Companies and Investor Relations and Financial Communications conducted by Bursatra Sdn Bhd.

There is a familiarisation programme in place for new Board members, which include visits to the Group's businesses, and meetings with senior management as appropriate, to facilitate their understanding of the Group.

1.6 Re-election of Directors

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to election by shareholders at the next Annual General Meeting following their appointment. The Articles of Association of the Company also provide that all Directors shall retire from office once at least in every three (3) years but shall be eligible for re-election.

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.

2. Directors' Remuneration

The remuneration of Directors is determined at levels which enable the Company to attract and retain Directors with the relevant experience and expertise to govern the Group effectively. In the case of executive Directors, their remuneration are structured to link rewards to corporate and individual performance. In the case of non-executive Directors, the level of remuneration reflects the experience and level of responsibility undertaken by them.

The members of the Remuneration Committee are as follows:-

Chairman	Yong Ming Sang	- Independent Non-Executive Director
Members	Dato' Rastam bin Abdul Hadi	- Non-Independent Non-Executive Director
	Ooi Boon Leong @ Law Weng Leun	- Independent Non-Executive Director

The primary duty and responsibility of the Remuneration Committee is to recommend to the Board the remuneration of executive Directors in all forms, drawing from outside advice as necessary. Nevertheless, the determination of remuneration packages of executive Directors is a matter for the Board as a whole and individual executive Directors are required to abstain from discussion of their own remuneration.

The Remuneration Committee shall also recommend to the Board the remuneration of non-executive Directors. The determination of the remuneration of the non-executive Directors is a matter for the Board as a whole.

For the financial year ended 31 December 2005, the aggregate of remuneration of the Directors received from the Company and its subsidiaries categorised into appropriate components were as follows:-

	Salaries	Fees	Benefits- in-kind	Others	Total
	RM	RM	RM	RM	RM
Executive Directors	90,000	–	24,600	19,500	134,100
Non-Executive Directors	–	36,000	13,800	104,000	153,800

The number of Directors of the Company whose remuneration during the year falls within the respective bands were as follows:-

Range of remuneration	Number of Directors	
	Executive	Non-Executive
Below RM50,000	1	5
RM50,001 to RM100,000	–	1
RM100,001 to RM150,000	1	–

3. Relationship with Shareholders and Investors

In addition to various announcements made during the year, the timely release of quarterly interim financial reports provides shareholders with a regular overview of the Group's performance and operations.

Shareholders and members of the public can also obtain information on the annual and quarterly reports and the announcements made by accessing Bursa Securities's website.

Notice of the Annual General Meeting and the Annual Report are sent to all shareholders. At Annual General Meetings, shareholders have direct access to the Directors and are given the opportunity to ask questions during the question and answer session.

4. Accountability and Audit

4.1 Financial Reporting

In presenting the annual and quarterly reports, the Directors aim to present a balanced and comprehensive assessment of the Group's position and prospects. The Audit Committee assists the Board in ensuring accuracy, adequacy and completeness of information for disclosure.

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 80 of the Annual Report and the Statement explaining the Directors' responsibility for preparing the annual audited financial statements pursuant to paragraph 15.27(a) of Bursa Securities Listing Requirements is set out on page 13 of the Annual Report.

4.2 Internal Control

The Directors acknowledge their responsibilities for the internal control system in the Group, covering not only financial controls but also controls relating to operational, compliance and risk management. The system of internal control involves each key business unit and its management, including the Board, and is designed to meet the business units' particular needs, and to manage the risks to which they are exposed. The system, by its nature, can only provide reasonable and not absolute assurance against material misstatement, loss or fraud. The concept of reasonable assurance recognises the costing aspect, whereby the cost of control procedures is not to exceed the expected benefits.

The Board recognises that risks cannot be fully eliminated. As such, the systems, processes and procedures being put in place are aimed at minimising and managing them. Ongoing reviews are continuously carried out to ensure the effectiveness, adequacy and integrity of the system of internal controls in safeguarding the Group's assets.

4.3 Relationship with the Auditors

The Company's external auditors, Messrs BDO Binder has continued to report to members of the Company on their findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements. In doing so, the Company has established a transparent arrangement with the auditors to meet their professional requirements.

The role of the Audit Committee in relation to the external auditors is set out in the Report of the Audit Committee on pages 18 and 19 of the Annual Report.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the results and cash flows of the Group and of the Company for the financial year. The Directors ensure that suitable accounting policies have been used and applied consistently, and that reasonable and prudent judgements and estimates have been made, in the preparation of the financial statements.

The Directors also ensure that applicable approved accounting standards have been followed.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1965.

STATEMENT ON INTERNAL CONTROL

The Board of Directors (“Board”) is responsible for the Group’s system of internal control and for reviewing its adequacy and integrity. The system includes financial, operational and compliance controls and risk management. The system is designed to identify and manage risks in the pursuit of the Group’s business objectives as well as to safeguard shareholders’ investments and the Group’s assets. The system serves to provide reasonable but not absolute assurance against the risk of material loss. The concept of reasonable assurance recognises that the cost of control procedures is not to exceed the expected benefits.

The Group has in place an enterprise-wide risk management (ERM) framework and process which was implemented in 2002. Within the ERM framework, operating companies have Risk Management Committees whose members represent key areas in operations. These committees are guided by documented terms of reference and meetings are held regularly to deliberate on risk and control issues. Risks and control measures are documented and compiled to represent the risk profile of the operating company. Key risks of operating companies are consolidated to form the risk profile of the Group. Risks and control measures are periodically communicated to the relevant personnel within the Group and to the Audit Committee. Risk profiles are reviewed and updated on a periodic basis.

During the financial year under review, the Group has continued with its ERM efforts. The risk profile of the Group was reviewed and updated to reflect current conditions. The updated risk profile was documented and presented to the Audit Committee for their review and acceptance.

Hence, in accordance with the Statement on Internal Control: Guidance for Directors of PLCs, the Group has in place an ongoing process for identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives and this process has operated during the financial year under review and up to the date of approval of the annual report.

The salient features of the Group’s internal control system include:

- a management structure with clearly defined lines of responsibility and authority limits
- written company values, code of conduct, policies and procedures
- monthly reporting of actual results which are reviewed against budget, with major variances being followed up and management action taken, where necessary
- an internal audit function that provides independent assurance on the effectiveness of the Group’s system of internal control and advice on areas which require further improvement

The Board, with the assistance of the internal audit team and external professional consultants (whenever deemed necessary), continuously reviews the adequacy and integrity of the Group’s system of internal control and management information systems, and compliance with laws, regulations, rules, directives and guidelines. Internal audit reports are tabled at Audit Committee meetings which are held at least once in every quarter. Control deficiencies and issues highlighted are addressed or rectified by management. There were no control deficiencies noted during the financial year under review which has a material impact on the Group’s financial performance or operations.

The Group’s system of internal control mainly applies to its operating companies and does not cover associated companies, inactive companies and dormant companies.

The Board is of the view that the monitoring arrangements in place provide reasonable assurance that the structure of controls and operations is adequate and appropriate to the Company’s and Group’s situation.

This statement was made in accordance with a resolution of the Board.

OTHER INFORMATION

1. Sanctions and / or Penalties Imposed

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

2. Non-Audit Fees

For the financial year ended 31 December 2005, non-audit fees paid to the external auditors amounted to RM61,995.

3. Material Contracts

There were no material contracts including contracts relating to a loan entered into by the Company and its subsidiaries involving Directors' and major shareholders' interest, either still subsisting at the end of the financial year ended 31 December 2005 or entered into since the end of the previous financial year.

4. Revaluation Policy

The Group does not have a revaluation policy on landed properties (see also Note 6 of the financial statements).

5. Recurrent Related Party Transactions Of A Revenue Or Trading Nature

The aggregate value of current related party transactions of a revenue or trading nature conducted during the financial year ended 31 December 2005 by Pan Malaysia Holdings Berhad and its unlisted subsidiaries and associated companies ("PMH Group") in accordance with the shareholders' mandate were as follows:-

Company within the PMH Group involved	Related Party	Nature of Transaction	RM
Pan Malaysia Travel & Tours Sdn Bhd ("PMTT"), a subsidiary company of Pan Malaysia Holdings Berhad ("PMH")	Morning Star Travel Service Limited, an associated company of Malayan United Industries Berhad ("MUIB"). MUIB is the ultimate holding company of PMH.	Provision of travel and ancillary services	2,992,660
Pengkalen Holiday Resort Sdn Bhd ("PHR"), a wholly-owned subsidiary of PMH	PMTT	Purchase of hotel rooms and food for tour groups conducted by PMTT at Corus Paradise Resort, Port Dickson which is owned by PHR	90,621

Company within the PMH Group involved	Related Party	Nature of Transaction	RM
PMH	PM Securities Sdn Bhd (“PM Securities”), a subsidiary of Pan Malaysia Capital Berhad (“PM Capital”). PM Capital is an associated company of PMH.	Provision of secretarial, accounting and other support services	360,000
PMTT	Ming Court Hotel (KL) Sdn Bhd, a wholly-owned subsidiary of MUIB.	Purchase of hotel rooms and food for tour groups	46,487
PMH Group	Malayan United Management Sdn Bhd, a wholly-owned subsidiary of MUIB.	Procurement of legal, audit and other support services	18,153
PMH	MUIB, MUI dotCom Sdn Bhd (“M.com”) and Malayan United Security Services Sdn Bhd (“MUSS”), M.com and MUSS are subsidiary companies of MUIB.	Rental of office space and car parking space at Menara PMI, Jalan Changkat Ceylon, 50200 Kuala Lumpur and procurement of ancillary services such as office maintenance services	94,060
PMH	Pan Malaysia Corporation Berhad (“PMC”) and Pan Malaysia Management Sdn Bhd (“PMM”), PMM is a subsidiary company of PMC. PMC is a subsidiary company of MUIB.	Rental of office space and car parking space at Menara PMI, Jalan Changkat Ceylon, 50200 Kuala Lumpur and procurement of ancillary services such as office maintenance services	24,856
PMH	MUI Properties Berhad (“MUIP”), MUIP is a subsidiary company of MUIB.	Rental of office space and car parking space at Menara PMI, Jalan Changkat Ceylon, 50200 Kuala Lumpur and procurement of ancillary services such as office maintenance services	30,886
PMH	Pan Malaysian Industries Berhad (“PMIB”), MUIB is a deemed major shareholder of PMIB.	Rental of office space and car parking space at Menara PMI, Jalan Changkat Ceylon, 50200 Kuala Lumpur and procurement of ancillary services such as office maintenance services	7,685

Company within the PMH Group involved	Related Party	Nature of Transaction	RM
PMH	PM Securities and PCB Asset Management Sdn Bhd ("PCB Asset"), PCB Asset is a subsidiary company of PM Capital.	Rental of office space and car parking space at Menara PMI, Jalan Changkat Ceylon, 50200 Kuala Lumpur and procurement of ancillary services such as office maintenance services	300,526
PMH	Metrojaya Berhad, a subsidiary company of PMIB.	Rental of office space and car parking space at Menara PMI, Jalan Changkat Ceylon, 50200 Kuala Lumpur and procurement of ancillary services such as office maintenance services	207,472

REPORT OF THE AUDIT COMMITTEE

MEMBERS

<i>Name</i>	<i>Designation</i>
Tan Sri Dato' Mohd Ibrahim bin Mohd Zain - Chairman	Independent Non-Executive Director
Khet Kok Yin	Managing Director
Ooi Boon Leong @ Law Weng Leun	Independent Non-Executive Director

TERMS OF REFERENCE

1. Constitution

The Audit Committee was established on 28 July 1994. The Board shall ensure that the composition of the Audit Committee comply with Bursa Malaysia Listing Requirements as well as other regulatory requirements.

2. 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 Audit Committee.
- The Audit Committee shall have unlimited access to all information and documents relevant to its activities as well as to the internal and external auditors and senior management of the Group.
- 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.

3. Functions

The functions of the Audit Committee shall be:-

- to report to the Board of Directors after reviewing the following:-
 - the audit plan with the external auditors;
 - the evaluation of the system of internal controls with the external auditors;
 - the audit report with the external auditors;
 - the assistance and co-operation given by the employees of the Company to the external auditors;
 - the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - the internal audit programme, processes, the results of the internal audits, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - 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;
 - significant adjustments arising from the audit;
 - the going concern assumption; and
 - compliance with accounting standards and other legal requirements;
 - any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - any letter of resignation from the external auditors;
 - whether there is any reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment;
- to recommend the nomination of a person or persons as external auditors;
- to consider the external auditors' fee and questions of dismissal;
- to discuss problems and reservations arising out of external or internal audits and any matters which the auditors may wish to bring up (in the absence of management or the Executive Directors of the Group where necessary);
- to review the external auditors' management letter and management's response; and
- to consider the major findings of internal investigations and management's response together with such other functions as may be agreed to by the Audit Committee and Board of Directors.

4. Meetings

During the financial year ended 31 December 2005, six (6) Audit Committee Meetings were held. Mr Khet Kok Yin attended all the six (6) meetings held during the financial year, Tan Sri Dato' Mohd Ibrahim Bin Mohd Zain attended five (5) meetings. Mr Ooi Boon Leong @ Law Weng Leun attended two (2) meetings held from the date of his appointment on 9 September 2005.

At each of these Audit Committee Meetings, the Vice-President of Finance & Administration and Head of Internal Audit were in attendance. The respective head of companies/departments and their management team attend when audit reports on their companies/departments are tabled for discussion. The presence of the external auditors will be requested when required.

Upon the request of the external auditors, the Chairman shall convene a meeting of the Audit Committee to consider any matter the external auditors believe should be brought to the attention of the Board or shareholders.

5. Summary of Activities of the Audit Committee During the Financial Year Ended 31 December 2005

The Audit Committee reviewed and deliberated three (3) audit reports on assignments conducted by the Internal Audit. The Audit Committee also appraised the adequacy and effectiveness of management's response in resolving the audit issues reported.

In addition, the unaudited quarterly interim financial reports and the audited financial statements of the Company and the Group were reviewed by the Audit Committee together with the Vice-President of Finance & Administration, prior to recommending the same for approval by the Board, upon being satisfied that the financial reporting and disclosure requirements of the relevant authorities had been complied with.

The Audit Committee met with the external auditors and discussed the nature and scope of the audit, considered any significant changes in accounting and auditing issues, reviewed audit issues and concerns affecting the financial statements of the Company and its subsidiaries, and discussed applicable accounting standards that may have significant implication on the Group's financial statements.

The Audit Committee reviewed and approved the Internal Audit Plan for the calendar year 2006. In its review of the Internal Audit Plan, the Audit Committee reviewed the scope and coverage over the activities of the respective business units of the Group. The Audit Committee also reviewed related party transactions carried out by the Group.

6. Internal Audit Function

The internal audit function is performed by the Group Internal Audit Department and is independent of the activities audited. The function is performed with impartiality, proficiency and due professional care. The Internal Audit reports directly to the Chairman, and also has a functional reporting line to the Audit Committee, and regularly reviews and appraises the Group's key operations. Its activities include:

- reviewing the effectiveness of risk management and internal control
- appraising the adequacy and integrity of internal controls and management information systems
- ascertaining the effectiveness of management in identifying principal risks and to manage such risks through appropriate systems of internal control
- recommending improvements to existing systems of internal control
- ascertaining the level of compliance with the Group's plans, policies, procedures and adherence to laws and regulations
- appraising the effectiveness of administrative controls applied and the reliability and integrity of data that are produced within the Group
- ascertaining the adequacy of controls for safeguarding the Group's assets from losses of all kinds, and
- conducting special reviews or investigations requested by management or by the Audit Committee

The Internal Audit carries out audit assignments based on an audit plan that is reviewed and approved by the Audit Committee. The reports of the audits undertaken were presented to the Audit Committee and forwarded to the management concerned for attention and necessary action.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I present herewith the Annual Report and financial statements of our Company and the Group for the financial year ended 31 December 2005.

ECONOMIC REVIEW

Despite high oil prices during the year, the Malaysian economy remained resilient and recorded a growth rate of 5.3% in real Gross Domestic Product ("GDP") in 2005. The economic growth was underpinned by strong growth in domestic demand and improving exports. All sectors of the economy, with the exception of the construction sector, achieved positive growth in 2005.

Malaysia has benefited from the expansion in regional travel in 2005, particularly from countries such as Vietnam, Thailand and Indonesia, as well as various strategies to promote tourism products such as Formula One Petronas Malaysia Grand Prix and Malaysia Mega Sale Carnival. Consequently, tourist arrivals in Malaysia grew by 4.4% in 2005 to 16.4 million visitors compared to 15.7 million visitors in 2004. Though 15 new hotels were completed in the country during the year under review, the average occupancy rates for hotels improved to 63.6% in 2005 from 60.8% in 2004 due to the increase in tourist arrivals and domestic tourism activity.

Malaysia recorded an overall balance of payments surplus of RM12.8 billion in 2005, reflecting sustained expansion in commodity exports and continued growth in manufacturing exports. Net international reserves of Bank Negara Malaysia increased by RM12.8 billion to RM266.3 billion (USD70.5 billion) as at 31 December 2005. This reserves position is adequate to finance 7.8 months of retained imports and cover 5.8 times the short-term external debt.

The Kuala Lumpur Composite Index ("KLCI") started 2005 on a cautious note. Despite reaching a four-and-half-year high of 937.53 on 19 January 2005, market sentiment remained weak due to lack of fresh leads. Subsequently, the market retreated under increasing

selling pressure due to the high oil prices, expectation of the Ringgit re-peg which then failed to materialise and the general perception that the revamp of government linked companies was losing momentum. The equity market was further dampened by heavy sell down of second and third liners in May 2005 following the withdrawal of share financing by some banks. The KLCI dipped to a low of 858.84 on 2 June 2005. The KLCI reversed its downtrend at the beginning of the third quarter 2005 as the market and investors responded positively towards the government's decision to lift the Ringgit peg and reached an intraday year high of 953.88 on 4 August 2005, a 5.12% appreciation from the end of 2004. However, the rally was short-lived as market sentiments turned bearish in the fourth quarter 2005 due to heavy foreign selling, disappointing third quarter corporate earnings and fear of rising interest rates. The KLCI subsequently closed at 899.79 on Friday, 30 December 2005, 0.84% lower than a year ago.

Total volume and value transacted on Bursa Malaysia Securities Berhad ("Bursa Securities") in 2005 were 118,819 million units and RM201,090 million respectively compared to 122,684 million units and RM243,863 million respectively in 2004. The lower market activities were due to weak market sentiment which was, inter-alia, affected by lacklustre financial performance of public listed companies. The number of IPOs in 2005 increased to 79 issues raising RM5,305 million.

With the objective of enhancing the capacity and capabilities of domestic capital market intermediaries to contribute towards the development of a more resilient, competitive and dynamic financial system, Bank Negara Malaysia and the Securities Commission jointly announced on 13 October 2005 that the framework on Investment Banks is extended to Universal Brokers. The transformation of Universal Brokers to Investment Banks is expected to strengthen their potential to capitalise on new and larger business opportunities, diversify their sources of funding and enhance their market making capabilities in the capital market.

CORPORATE DEVELOPMENTS

(A) Pan Malaysia Holdings Berhad (“PMH”) Became An Affected Listed Issuer pursuant to Practice Note No 17/2005 (“PN17”) of the Listing Requirements of Bursa Securities and Proposed Par Value Reduction

The Company announced on 2 March 2006 that due to insignificant business or operations for the financial year ended 31 December 2005, it was an Affected Listed Issuer pursuant to PN17. The Company’s revenue on a consolidated basis for the financial year ended 31 December 2005, computed on the basis stated in PN17, was not more than 5% of its issued and paid-up share capital.

The Company’s revenue on a consolidated basis for the financial year ended 31 December 2004 of RM83.02 million represented more than 5% of the issued and paid-up share capital of the Company. However, for the financial year ended 31 December 2005, the Company’s revenue on a consolidated basis computed on the basis stated in PN17, decreased by RM37.57 million to RM45.45 million, which represented less than 5% of the issued and paid-up share capital of the Company. The decrease in the revenue on a consolidated basis was mainly due to the following:-

- (i) Pan Malaysia Capital Berhad (“PMCap”) ceased to be a subsidiary company and became an associated company on 29 December 2004. Thus, for the financial year ended 31 December 2005 and in accordance with the basis stated in PN17, PMH took up 34.84% of the consolidated revenue of PMCap for the said financial year based on its equity interest in PMCap for computing PMH’s revenue on a consolidated basis to determine its level of operations. For the financial year ended 31 December 2005, the consolidated revenue of PMCap was RM37.85 million. Thus, based on its equity interest of 34.84%, PMH took up RM13.19 million of PMCap’s consolidated revenue. In the period from 1 January 2004 to 28 December 2004 when PMCap was a subsidiary company of PMH, PMH took up approximately 100% of the consolidated revenue of PMCap for the said period of RM46.88 million;

- (ii) the decrease in the consolidated revenue of PMCap for the financial year ended 31 December 2005 which was mainly due to the 17.54% decline in the value of market transactions from RM243.86 billion to RM201.09 billion on Bursa Securities; and
- (iii) the decrease in the revenue of PMH Group’s travel and hotel businesses by RM4.38 million from RM35.53 million for the financial year ended 31 December 2004 to RM31.15 million for the financial year ended 31 December 2005. The business downturn was mainly due to the aftermath of the tsunami disaster in December 2004 which adversely affected their businesses in early 2005.

The Company also announced on 2 March 2006 a proposed share capital reduction pursuant to Section 64(1) of the Companies Act, 1965 (the “Act”) involving the cancellation of RM0.90 of the par value of each existing ordinary share of RM1.00 each of the Company in issue (the “Proposed Par Value Reduction”) and a proposed reduction of its share premium account up to RM34.73 million pursuant to Sections 64(1) and 60(2) of the Act (collectively, the “Proposed Capital Reconstruction”). Upon the completion of the Proposed Par Value Reduction, the Company’s present issued and paid-up share capital will be reduced from RM928.87 million to approximately RM92.89 million (“Reduced Share Capital”). Based on the Reduced Share Capital, the Company will need to achieve revenue on a consolidated basis of not less than approximately RM4.66 million per annum (“Requisite Revenue”), which represents more than 5% of the Reduced Share Capital, to regularise its level of operations (i.e. “insignificant business or operations”) pursuant to PN17.

Barring unforeseen circumstances, the Proposed Capital Reconstruction is expected to be completed within six (6) months from the date of announcement on 2 March 2006. With the expected improving market sentiments on Bursa Securities in 2006, and the projected GDP growth of 6% for the Malaysian economy in 2006, the Company would be able to achieve the Requisite Revenue in the first half of 2006, which upon the completion of the Proposed Capital Reconstruction will

enable the Company to regularise its level of operations and cease to be an Affected Listed Issuer pursuant to PN17.

(B) PMCap Became An Affected Listed Issuer pursuant to PN17 of the Listing Requirements of Bursa Securities and Proposed Par Value Reduction

PMCap announced on 2 March 2006 that its revenue on a consolidated basis for the financial year ended 31 December 2005, computed on the basis stated in PN17, represents not more than 5% of its issued and paid-up share capital. Consequently, the company is considered to have “insignificant business or operations” and is an Affected Listed Issuer pursuant to PN17.

PMCap’s revenue on a consolidated basis for the prior financial year ended 31 December 2004 of RM46.88 million represented more than 5% of the issued and paid-up share capital of the company. However, for the financial year ended 31 December 2005, the company’s revenue on a consolidated basis which decreased by RM9.03 million to RM37.85 million, represented less than 5% of the issued and paid-up share capital of the company. The decrease in the company’s revenue on a consolidated basis was mainly due to the decrease in brokerage income of its stockbroking subsidiary company by RM13.06 million from RM39.38 million in 2004 to RM26.32 million in 2005. This was attributed mainly to the decline in the value of market transactions on Bursa Securities for the same period by RM42.77 billion from RM243.86 billion in 2004 to RM201.09 billion in 2005.

To regularise its level of operations pursuant to PN17, PMCap announced on 2 March 2006 a proposed share capital reduction pursuant to Section 64(1) of the Companies Act, 1965 involving the cancellation of RM0.60 of the par value of each existing ordinary share of RM1.00 each of the company in issue (“Proposed Par Value Reduction”). Upon the completion of its Proposed Par Value Reduction, PMCap’s issued and paid-up share capital would be reduced from RM815.31 million to approximately RM326.12 million (“Reduced Share Capital”). Based on the Reduced Share Capital, PMCap will need to achieve a revenue on a

consolidated basis of not less than approximately RM16.34 million per annum (“Requisite Revenue”), which represents more than 5% of the Reduced Share Capital, to regularise its level of operations (i.e. “insignificant business or operations”) pursuant to PN17.

With the expected improving market sentiments on Bursa Securities in 2006, and the projected GDP growth of 6% for the Malaysian economy in 2006, the Company would be able to achieve the Requisite Revenue in the second half of 2006, which upon the completion of the Proposed Par Value Reduction, will enable the Company to regularise its level of operations and cease to be an Affected Listed Issuer pursuant to PN17. Barring unforeseen circumstances, the Proposed Par Value Reduction is expected to be completed within six (6) months from the date of announcement on 2 March 2006.

(C) Menara PMI

During the year under review, Menara Pengkalen was renamed Menara PMI. The 15- storey building, situated in the Golden Triangle of Kuala Lumpur, was refurbished in 2005 and presently serves as the headquarters for the majority of the member companies of The MUI Group. Menara PMI is currently fully tenanted and provides a steady income base for the Company.

(D) Transformation of PM Securities Sdn. Bhd. (“PM Securities”) from Universal Broker to Investment Bank

PM Securities, a 99.99%-owned subsidiary company of PMCap and a Universal Broker, is poised to be transformed to an Investment Bank. PM Securities had on 5 January 2006 paid an initial deposit of RM10.0 million as part payment of a total contribution of RM52.5 million to Bank Negara Malaysia (“BNM”). BNM and the Securities Commission had commenced a due diligence review on PM Securities to ensure that PM Securities meets the preconditions of becoming an Investment Bank.

FINANCIAL HIGHLIGHTS AND REVIEW OF OPERATIONS

Group revenue decreased by 61.14% to RM32.26 million for the financial year ended 31 December 2005 from RM83.02 million for the preceding financial year mainly due to the cessation of PMCap as a subsidiary company to become an associated company of the Company on 29 December 2004.

The Group recorded a loss before tax of RM12.24 million for the financial year ended 31 December 2005 compared to a profit before tax of RM371.15 million for the preceding financial year. The loss before tax for the current financial year ended 31 December 2005 was mainly due to the share of losses in associated companies. The principal activities of its associated companies are stockbroking and related services, and their results were adversely affected by the difficult equity market environment and weak equity prices. The profit before tax in the preceding financial year was mainly due to the gain on dilution of equity interest in a former subsidiary company and partly from a gain arising from the receipt of shares in Bursa Malaysia Berhad.

During the year under review, PM Securities relocated its principal office to Menara PMI. The other 6 branch offices of PM Securities are located in Penang, Melaka, Johor Bahru, Seremban, Klang and Puchong in Selangor. In August 2005, PM Securities added its fourth Electronic Access Facility in Damansara Utama in Selangor. The other 3 existing Electronic Access Facilities are located in Jelebu in Negri Sembilan, Batu Pahat and Segamat in Johor.

The aftermath of the tsunami disaster in December 2004 and the haze in August 2005 adversely affected the travel and hotel businesses of the Group in 2005. Consequently, Corus Paradise Resort in Port Dickson reported lower average occupancy rate in 2005 compared to the previous year. Nonetheless, the resort managed to achieve a slightly higher gross operating profit in 2005 than the previous financial year due to higher average room rates and better cost management. Notwithstanding the challenging operating environment in 2005, Pan Malaysia Travel Sdn Bhd performed satisfactorily.

OUTLOOK FOR 2006

The Malaysian economy is expected to strengthen further in 2006. GDP is projected to grow by 6.0%, driven by strengthening exports and resilient domestic demand. Private consumption is expected to increase by 6.8%, exceeding the overall growth rate for the seventh consecutive year. Tourism activities are expected to gain further momentum amidst the intensification of promotional activities by both the public and private sectors in preparation for the Visit Malaysia Year (VMY) 2007. In tandem with the growing Malaysian economy, market sentiments on the Bursa Securities are also expected to improve.

Barring unforeseen circumstances, the operations of the Group are expected to achieve satisfactory performance in 2006.

ACKNOWLEDGEMENT

I would like to express my sincere appreciation to our shareholders and bankers for their continuing support and confidence in the Management and the Board. To the staff and Management, I would like to thank them for their dedication and hardwork. I would also like to express my appreciation to the various regulatory authorities and my fellow colleagues on the Board for their support and counsel.

Tan Sri Dato' Mohd Ibrahim bin Mohd Zain
Chairman

Kuala Lumpur
3 May 2006

Directors' Report

The Directors wish to present their report and audited financial statements of the Group and of the Company for the financial year ended 31 December 2005.

Principal activities

The Company is an investment, property holding and management company. The principal activities of the Group consist of the following:-

- Hotel
- Travel
- Property and investment holding

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year. In the previous financial year, the principal activities of the Group included stockbroking which is conducted by Pan Malaysia Capital Berhad ("PM Cap") group. However from 29 December 2004 when PM Cap ceased to be a subsidiary company, stockbroking is not included as a principal activity of the Group.

Results

	<i>Group</i> <i>RM'000</i>	<i>Company</i> <i>RM'000</i>
Loss after tax	12,323	14,176
Minority interests	59	–
Net loss for the financial year	12,382	14,176

Movement in reserves and provisions

Material movements in reserves and provisions during the financial year are disclosed in the notes to the financial statements.

Dividends

No dividends were paid or declared by the Company since the end of the previous financial year. The Directors do not recommend any dividend in respect of the financial year ended 31 December 2005.

Issue of Shares and Debentures

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

Directors

The Directors who held office since the date of the last report and at the date of this report are:-

Tan Sri Dato' Mohd Ibrahim bin Mohd Zain (Chairman)
Khet Kok Yin (Managing Director)
Dato' Choong Kok Min (Executive Director)
Dato' Abdul Aziz bin Ahmad
Dato' Rastam bin Abdul Hadi
Yong Ming Sang
Ooi Boon Leong @ Law Weng Leun (Appointed on 9 September 2005)
Tan Sri Dato' Seri Dr Ting Chew Peh (Resigned on 1 September 2005)

None of the Directors who held office at the end of the financial year had, according to the Register of Directors' Shareholdings, any interest in the shares of the Company and its related corporations except as stated below:-

Ordinary shares of RM1.00 each in Pan Malaysia Holdings Berhad	Number of shares			
	Balance as at 1.1.2005	Bought	Sold	Balance as at 31.12.2005
Dato' Abdul Aziz bin Ahmad				
Indirect	10,000	—	10,000	—
Dato' Choong Kok Min				
Direct	1,342,000	100,000	—	1,442,000
Indirect	21,109,732	—	—	21,109,732
Dato' Rastam bin Abdul Hadi				
Indirect	471,000	—	70,000	401,000
Ordinary shares of RM1.00 each in Malayan United Industries Berhad	Number of shares			
	Balance as at 1.1.2005	Bought	Sold	Balance as at 31.12.2005
Dato' Choong Kok Min				
Direct	1,150,000	—	—	1,150,000
Yong Ming Sang				
Direct	1,981,800	—	—	1,981,800
Indirect	549,640	—	—	549,640
Ordinary shares of RM0.50 each in MUI Properties Berhad	Number of shares			
	Balance as at 1.1.2005	Bought	Sold	Balance as at 31.12.2005
Dato' Choong Kok Min				
Direct	5,000	—	—	5,000
Ordinary shares of RM0.50 each in Pan Malaysia Corporation Berhad	Number of shares			
	Balance as at 1.1.2005	Bought	Sold	Balance as at 31.12.2005
Dato' Rastam bin Abdul Hadi				
Indirect	132,600	—	—	132,600

<i>Class A1 ICULS* in Malayan United Industries Berhad</i>	<i>Nominal value (RM)</i>			<i>Balance as at 31.12.2005</i>
	<i>Balance as at 1.1.2005</i>	<i>Distributed*</i>	<i>Sold</i>	
Dato' Choong Kok Min				
Direct	—	3,470	—	3,470
Dato' Rastam bin Abdul Hadi				
Indirect	—	99,684	—	99,684
<i>Class A2 ICULS* in Malayan United Industries Berhad</i>				
Dato' Choong Kok Min				
Direct	—	3,470	—	3,470
Dato' Rastam bin Abdul Hadi				
Indirect	—	99,684	—	99,684

* Irredeemable Convertible Unsecured Loan Stocks.

The ICULS were distributed pursuant to the members' voluntary winding-up of a subsidiary company of MUI Properties Berhad.

In accordance with Section 129(2) of the Companies Act, 1965, Dato' Abdul Aziz bin Ahmad, Dato' Rastam bin Abdul Hadi and Mr Yong Ming Sang retire from the Board at the forthcoming Annual General Meeting, and the Directors recommend their re-appointment under Section 129(6) of the said Act.

In accordance with Article 111 of the Company's Articles of Association, Dato' Choong Kok Min retires by rotation from the Board at the forthcoming Annual General Meeting, and he being eligible, offers himself for re-election.

In accordance with Article 91 of the Company's Articles of Association, Mr Ooi Boon Leong @ Law Weng Leun retires from the Board at the forthcoming Annual General Meeting, and he being eligible, offers himself for re-election.

Since the end of the previous financial year, none of the Director has received or become entitled to receive a benefit (other than benefits as disclosed in 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 other than remuneration received by certain Directors as directors of related companies.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any arrangements, to which the Company is a party, whereby Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for Dato' Choong Kok Min who has been purportedly granted options to subscribe for 500,000 ordinary shares of RM1.00 each at an exercise price of RM3.02 per share pursuant to the Executive Share Option Scheme ("ESOS" or "Scheme") of the Company. The validity of the options granted has been challenged in the Kuala Lumpur High Court Civil Suit No. D2-22-337-1996.

On 12 January 2006, the parties to the Suit have agreed to effect a full and final settlement by way of a compromise ("Compromise"). Further details of the Compromise are disclosed in Note 35(b) to the financial statements. Dato' Choong Kok Min has subsequently accepted the Compromise.

Share Options

Pursuant to the Company's ESOS which was approved by the shareholders on 12 October 1994 and revised on 29 September 1995, options for a total of 19,553,000 ordinary shares of the Company have been purportedly granted to eligible executive employees of the Group. However, the validity of the options granted has been challenged in the Kuala Lumpur High Court Civil Suit No. D2-22-337-1996. The ESOS was in force for a duration of five (5) years and expired on 27 October 2000.

To the best of the Directors' knowledge, on expiry of the Scheme on 27 October 2000, the number of unissued ordinary shares under the options which have purportedly been granted and their exercise prices per share were:-

<i>Number of unissued ordinary shares under options</i>	<i>Exercise price per share RM</i>
10,000	2.57
4,597,000	3.02
11,571,000	3.09
287,000	3.14
<hr/>	
16,465,000	
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On 12 January 2006, the parties to the Suit have agreed to effect a full and final settlement by way of a compromise ("Compromise"). Further details of the Compromise are disclosed in Note 35(b) to the financial statements.

Other Statutory Information

(a) In the opinion of the Directors:-

- (i) the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature;
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made; and
- (iii) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

- (b) Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:-
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.
- (c) 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 provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
 - (iii) which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) As at the date of this report, there does not exist:-
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and
 - (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.
- (e) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

Significant Events

The significant events are disclosed in Note 38 to the financial statements.

Subsequent Events

The subsequent events are disclosed in Note 39 to the financial statements.

Ultimate Holding Company

The Directors regard Malayan United Industries Berhad, a company incorporated in Malaysia and quoted on the Main Board of Bursa Malaysia Securities Berhad, as the ultimate holding company.

Auditors

The auditors, BDO Binder, have expressed their willingness to accept re-appointment as auditors and a resolution proposing their appointment will be submitted at the forthcoming Annual General Meeting.

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

Khet Kok Yin

Director

Dato' Choong Kok Min

Director

Kuala Lumpur

25 April 2006

Balance Sheets

As at 31 December 2005

	<i>Note</i>	<i>Group</i>		<i>Company</i>	
		<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
		<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Assets Employed					
Property, Plant And Equipment	6	61,685	64,066	29,732	29,892
Investment In Subsidiary Companies	7	–	–	651	431
Investment In Associated Companies	8	43,429	54,068	43,429	54,068
Long Term Investments	9	1,059	1,165	973	1,079
Goodwill On Consolidation	10	–	–	–	–
Intangible Assets	11	–	–	–	–
Current Assets					
Inventories	12	687	742	–	–
Short term investments	13	386	418	2	2
Receivables	14	6,321	5,956	222	304
Amounts owing by subsidiary companies	15	–	–	16,459	18,275
Amounts owing by associated companies	16	56,031	56,030	56,031	56,030
Amount owing by related companies	17	1,529	1,136	796	763
Term and call deposits	18	3,345	5,907	531	1,901
Cash and bank balances		888	994	105	71
		69,187	71,183	74,146	77,346
Current Liabilities					
Payables	19	5,909	4,558	1,536	667
Provision	20	–	–	–	35,190
Amount owing to a subsidiary company	15	–	–	2,022	–
Amount owing to an associated company	16	943	945	–	–
Amounts owing to related companies	17	423	608	4	84
Borrowings	21	21,240	58,772	3,240	4,140
Tax liabilities		1	–	–	–
		28,516	64,883	6,802	40,081
Net Current Assets		40,671	6,300	67,344	37,265
		146,844	125,599	142,129	122,735
Financed By					
Share Capital	23	928,867	928,867	928,867	928,867
Reserves	24	(833,877)	(821,495)	(838,128)	(823,952)
Shareholders' Equity		94,990	107,372	90,739	104,915
Minority Interests		171	112	–	–
Deferred And Long Term Liabilities					
Provision	20	–	–	35,190	–
Borrowings	21	51,388	17,820	16,200	17,820
Deferred tax liabilities	25	295	295	–	–
		146,844	125,599	142,129	122,735

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

Income Statements

For the financial year ended 31 December 2005

	<i>Note</i>	<i>Group</i>		<i>Company</i>	
		<i>2005</i> <i>RM'000</i>	<i>2004</i> <i>RM'000</i>	<i>2005</i> <i>RM'000</i>	<i>2004</i> <i>RM'000</i>
Revenue	26	32,258	83,016	1,248	736
Cost of sales		(24,103)	(40,950)	–	–
Gross profit		8,155	42,066	1,248	736
Other operating income		5,142	36,537	2,835	6,917
Distribution costs		(612)	(569)	–	–
Administration expenses		(5,403)	(28,476)	(2,678)	(3,139)
Other operating expenses		(3,096)	(25,299)	(13,964)	(76,789)
Surplus arising from subsidiary companies not consolidated	7.2 (ii)	–	1,290	–	–
Gain on dilution of equity interest in a subsidiary company	7.3	–	356,818	–	–
Profit/(Loss) from operations		4,186	382,367	(12,559)	(72,275)
Finance costs		(5,843)	(11,222)	(1,617)	(1,899)
Share of results of associated companies		(10,583)	–	–	–
(Loss)/Profit before tax	27	(12,240)	371,145	(14,176)	(74,174)
Tax expense	28	(83)	(1,085)	–	714
(Loss)/Profit after tax		(12,323)	370,060	(14,176)	(73,460)
Minority interests		(59)	(45)	–	–
Net (loss)/profit for the financial year		(12,382)	370,015	(14,176)	(73,460)
		Sen	Sen		
Basic (loss)/earnings per share	29	(1.33)	39.88		

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

Statements Of Changes In Equity

For the financial year ended 31 December 2005

Group	Exchange					Total
	Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	Fluctuation Reserve RM'000	Accumulated Losses RM'000	
Balance as at 31 December 2003	924,824	34,753	78,128	(88,557)	(1,227,224)	(278,076)
Exchange adjustment	–	–	–	(994)	–	(994)
Share issue expenses	–	(19)	–	–	–	(19)
Net expenses not recognised in the consolidated income statement	–	(19)	–	(994)	–	(1,013)
Issue of share capital	4,043	–	–	–	–	4,043
Reserve arising from investment in a subsidiary company's irredeemable convertible preference shares ("ICPS")	–	–	12,403	–	–	12,403
Reserve realised on dilution of equity interest in a subsidiary company	–	–	(84,875)	–	84,875	–
Reserve realised on winding-up of a subsidiary company	–	–	–	77,145	(77,145)	–
Net profit for the financial year	–	–	–	–	370,015	370,015
Balance as at 31 December 2004	928,867	34,734	5,656	(12,406)	(849,479)	107,372
Net loss for the financial year	–	–	–	–	(12,382)	(12,382)
Balance as at 31 December 2005	928,867	34,734	5,656	(12,406)	(861,861)	94,990

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

Statements Of Changes In Equity (Cont'd)

For the financial year ended 31 December 2005

<i>Company</i>	<i>Share capital RM'000</i>	<i>Share premium RM'000</i>	<i>Accumulated losses RM'000</i>	<i>Total RM'000</i>
Balance as at 31 December 2003	924,824	34,753	(785,226)	174,351
Issue of share capital	4,043	–	–	4,043
Share issue expenses	–	(19)	–	(19)
Net expense not recognised in the income statement	–	(19)	–	(19)
Net loss for the financial year	–	–	(73,460)	(73,460)
Balance as at 31 December 2004	928,867	34,734	(858,686)	104,915
Net loss for the financial year	–	–	(14,176)	(14,176)
Balance as at 31 December 2005	928,867	34,734	(872,862)	90,739

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

Cash Flow Statements

For the financial year ended 31 December 2005

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Cash Flows From Operating Activities				
(Loss)/Profit before tax	(12,240)	371,145	(14,176)	(74,174)
Adjustments for:-				
Allowance for doubtful debts	111	–	3,026	14,117
Allowance for doubtful debts no longer required	(1,478)	(1,288)	(2,417)	(814)
Amortisation of investment	–	3	–	–
Bad debts written off	1	143	–	132
Depreciation of property, plant and equipment	1,707	5,623	474	474
Deposits written off	3	–	–	–
Dividend income	–	(29)	–	–
Gain arising from the receipt of shares in Bursa Malaysia Berhad	–	(25,000)	–	–
Gain on dilution of equity interest in a subsidiary company	–	(356,818)	–	–
Gain on disposal of quoted investments	–	(41)	–	–
Gain on disposal of property, plant and equipment	(3,035)	(1,010)	–	(144)
Impairment loss of goodwill	–	560	–	–
Impairment loss on investment in an associated company	–	–	10,639	62,401
Impairment loss of investment in subsidiary companies	–	–	150	–
Impairment loss of property, plant and equipment	–	2,665	–	–
Interest expenses	5,843	11,222	1,617	1,899
Interest income	(313)	(4,857)	(194)	(365)
Inventories written off	24	–	–	–
Investment written off	–	194	–	–
Property, plant and equipment written off	74	–	43	–
Provision for corporate guarantees no longer required	–	(1,141)	–	(5,951)
Provision for diminution in value of investments	138	10,901	106	140
Provision for retirement gratuity	396	199	15	52
Provision for retirement benefit no longer required	–	(65)	–	(43)
Reversal of impairment loss of investment in a subsidiary company	–	–	(370)	–
Share of results in associated companies	10,583	–	–	–
Surplus arising from subsidiary companies not consolidated	–	(1,290)	–	–
Unrealised gain on foreign exchange	–	(1,275)	–	–
Operating profit/(loss) before working capital changes	1,814	9,841	(1,087)	(2,276)

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

Cash Flow Statements (Cont'd)

For the financial year ended 31 December 2005

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Cash Flows From Operating Activities				
Operating profit/(loss) before working capital changes	1,814	9,841	(1,087)	(2,276)
Decrease in inventories	31	11	–	–
Increase in trade receivables	(282)	(54,745)	(3)	–
(Increase)/Decrease in other receivables, deposits and prepayments	(125)	7,583	(10)	1,024
Increase in trade payables	314	17,473	45	7
Increase/(Decrease) in other payables and accruals	641	16,767	809	(38)
Decrease/(Increase) in amounts owing by related companies	1,085	1,683	1,446	(141)
Cash generated from/(used in) operations	3,478	(1,387)	1,200	(1,424)
Deposits received from dealers and remisers maintained as trust monies	–	(1,545)	–	–
Interest paid	(23)	(4,168)	–	–
Interest income received	181	4,138	194	365
Tax (paid)/refund	(97)	(759)	–	1,180
Net cash from/(used in) operating activities	3,539	(3,721)	1,394	121
Cash Flows From Investing Activities				
Interest income received	132	720	–	–
Proceeds from disposal of investments	–	1,860	–	–
Proceeds from disposal of property, plant and equipment	4,046	4,691	–	337
Dividend received	–	21	–	–
Dilution of equity interest in a subsidiary company (Note 30)	–	(29,311)	–	–
Acquisition of investments	–	(3,561)	–	–
Purchase of property, plant and equipment	(411)	(2,367)	(357)	(1)
Net repayment from/(advances to) subsidiary companies	–	–	1,847	(912)
(Advances to)/Repayment from associated companies	(3)	–	(3)	173
Additional investment in ICPS of an associated company	–	(2,752)	–	(2,752)
Placement of term deposits pledged with banks	(16)	(17)	–	–
Subsidiary companies not consolidated (Note 31)	–	(320)	–	–
Net cash from/(used in) investing activities	3,748	(31,036)	1,487	(3,155)

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

Cash Flow Statements (Cont'd)

For the financial year ended 31 December 2005

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Cash Flows From Financing Activities				
Drawdown of bank borrowing	–	3,000	–	–
Interest paid	(5,820)	(7,061)	(1,617)	(1,899)
Repayment of hire-purchase creditors	–	(17)	–	–
Repayment of bank borrowings	(3,522)	(5,894)	(2,520)	(4,140)
Repayment to associated companies	(2)	–	–	–
(Repayment to)/Advances from related companies	(185)	–	(80)	14
Share issue expenses	–	(19)	–	(19)
Redemption of Bond	–	(1,000)	–	–
Net cash used in financing activities	(9,529)	(10,991)	(4,217)	(6,044)
Effect of exchange rate changes	–	1,719	–	–
Net Decrease In Cash And Cash Equivalents	(2,242)	(44,029)	(1,336)	(9,078)
Cash And Cash Equivalents At Beginning Of Financial Year				
As previously reported	5,996	50,023	1,972	11,050
Effect of exchange rate changes on cash and cash equivalents	–	2	–	–
As restated	5,996	50,025	1,972	11,050
Cash And Cash Equivalents At End Of Financial Year (Note 32)				
	3,754	5,996	636	1,972

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

Notes To The Financial Statements

31 December 2005

1. General Information

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

The registered office of the Company is located at 5th Floor, Menara PMI, No. 2, Jalan Changkat Ceylon, 50200 Kuala Lumpur.

The principal place of business of the Company is located at 8th Floor, Menara PMI, No. 2, Jalan Changkat Ceylon, 50200 Kuala Lumpur.

The Directors regard Malayan United Industries Berhad, a company incorporated in Malaysia and quoted on the Main Board of Bursa Securities, as the ultimate holding company.

The financial statements are presented in Ringgit Malaysia ("RM").

2. Financial Risk Management Objectives And Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks. The Group operates within clearly defined guidelines that are approved by the Board of Directors and the Group's policy is not to engage in speculative transactions.

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows:-

Credit risk

The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis to ensure that the Group is exposed to minimal credit risk. Term and call deposits and bank balances are placed with major financial institutions.

Market risk

The Group's principal exposure to market risk arises mainly from the changes in equity prices. Equity investments classified as current assets are available for sale and the Group manages disposal of its investments to optimise returns on realisation.

Interest rate risk

The Group's exposure to interest rate risk arises mainly from the Group's borrowings and deposits, and is managed through the use of fixed and floating rate debts, and term and call deposits.

Liquidity and cash flow risks

The Group seeks to achieve a balance between certainty of funding and a flexible, cost-effective borrowing structure. This is to ensure that the projected net borrowing needs are covered by committed facilities. Also, the objective for debt maturity is to ensure that the amount of debt maturing in any one year is within the Group's means to repay and refinance.

Foreign currency risk

The Group is exposed to foreign currency risk as a result of its normal trading activities, both external and intra-Group where the currency denomination differs from the local currency, RM. The Group's policy is to minimise the exposure of overseas operating subsidiaries to transaction risk by matching local currency income against local currency costs.

3. Principal Activities

The Company is an investment, property holding and management company. The principal activities of the Group consist of the following:-

- Hotel
- Travel
- Property and investment holding

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year. In the previous financial year, the principal activities of the Group included stockbroking which is conducted by Pan Malaysia Capital Berhad ("PM Cap") group. However from 29 December 2004 when PM Cap ceased to be a subsidiary company, stockbroking is not included as a principal activity of the Group.

4. Basis Of Preparation Of Financial Statements

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

5. Significant Accounting Policies

5.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the significant accounting policies and in respect of the Group, also modified to include the revaluation of a landed property.

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

5.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies made up to 31 December 2005 using the acquisition method of accounting except those subsidiary companies not consolidated as disclosed in Note 7.2 to the financial statements. Subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Significant inter-company transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

The difference between the purchase price and the fair value of the attributable net assets of subsidiary companies at the date of acquisition is treated as goodwill or negative goodwill arising on consolidation. Goodwill on consolidation is stated at cost less impairment losses, if any. Negative goodwill arising on consolidation is not recognised as income and is presented as a separate item in the balance sheet.

The gain or loss on disposal of a subsidiary company is the difference between the net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill on acquisition and exchange differences which were not previously recognised in the consolidated income statement.

Minority interest is measured at the minorities' share of net results and of net assets of subsidiary companies attributable to interests which are not owned, directly or indirectly through subsidiary companies, by the Company.

5. Significant Accounting Policies (Cont'd)

5.3 Property, plant and equipment and depreciation

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

Upon disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement and the revaluation reserve related to these assets, if any, is transferred directly to retained profits.

Freehold land is not depreciated. Leasehold lands are amortised over the lease period of 91 and 92 years.

Other property, plant and equipment are depreciated on a straight line method to write off the cost of the assets over their estimated useful lives. The principal annual depreciation rates are as follows:-

Buildings	2% - 2.5%
Office equipment	10% - 20%
Furniture and fittings	10% - 20%
Motor vehicles	20%
Plant and machinery	5% - 10%
Renovation	10% - 20%

5.4 Foreign currencies transactions and translations

(i) Transactions and balances in foreign currencies

Transactions in foreign currencies are converted into RM at the rates of exchange prevailing on transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into RM at the rates of exchange prevailing at that date. All gains and losses arising from the settlement of foreign currency transactions and from translating foreign monetary assets and liabilities are taken up in the income statements.

(ii) Translation of foreign currency financial statements

In the consolidated financial statements, assets and liabilities of overseas subsidiary companies are translated into RM at exchange rates ruling at the balance sheet date. Income statements items are translated at average exchange rates for the financial year. All exchange differences arising are dealt with through the exchange fluctuation reserve account.

Goodwill arising on the acquisition of overseas subsidiary companies and fair value adjustments to the carrying amounts of assets and liabilities acquired are translated at the exchange rate at the date of transaction.

5. Significant Accounting Policies (Cont'd)

(iii) Principal closing rates

The principal closing rates used in the translation of foreign currencies are as follows:-

	2005	<i>2004</i>
	RM	<i>RM</i>
1 US Dollar	3.780	3.800
1 Sterling Pound	6.513	7.308
1 Singapore Dollar	2.273	2.322
1 Australian Dollar	2.773	2.961
1 Hong Kong Dollar	0.488	0.489
100 Rupiah	0.038	0.042

5.5 Income tax

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

5.5.1 Current tax expense

Current tax expense includes all domestic and foreign taxes which are based on taxable profits.

5.5.2 Deferred tax

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

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

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

5.6 Investments

(i) Subsidiary companies

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

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

(ii) Associated companies

An associated company is a company in which the Group has a long term equity interest of between 20% to 50% and where the Group is in a position to exercise significant influence over the financial and operating policies of the investee company.

5. Significant Accounting Policies (Cont'd)

5.6 Investments (Cont'd)

(ii) Associated companies (Cont'd)

Investment in associated companies is stated at cost less impairment losses, if any.

Investment in associated companies is accounted for in the consolidated financial statements using the equity method of accounting. The Group's interests in associated companies are stated at cost plus adjustments to reflect changes in the Group's share of profits and losses in the associated companies and less impairment losses, if any.

Goodwill or negative goodwill arising on acquisition represents the difference between the cost of investment and the Group's share of the value of net assets of the associated companies at the date of acquisition.

Goodwill on acquisition is stated at cost less impairment losses, if any. Negative goodwill arising on acquisition is not recognised as income.

The Group's share of results and reserves less losses in the associated companies acquired or disposed off is included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

(iii) Other investments

Investment in shares held as long term investments are stated at cost less provision for diminution in value, if any.

Investment in golf club membership held as long term investments are stated at cost less provision for diminution in value, if any.

Investment in quoted shares are stated at the lower of cost and market value on a portfolio basis.

5.7 Impairment of assets

The carrying amounts of the Group's and the Company's assets, other than inventories and financial assets (other than investment in subsidiary companies and associated companies), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount is less than the carrying amount of the asset.

The impairment loss is recognised in the income statement immediately except for the impairment on a revalued asset where the impairment loss is recognised directly against the revaluation reserve account to the extent of the surplus credited from the previous revaluation for the same asset with the excess of the impairment loss charged to the income statement.

All reversals of an impairment loss are recognised as income immediately in the income statement except for the reversal of an impairment loss on a revalued asset where the reversal of the impairment loss is treated as a revaluation increase and credited to the revaluation reserve account of the same asset.

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

5. Significant Accounting Policies (Cont'd)

5.7 Impairment of assets (Cont'd)

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

5.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average method.

Cost of consumable inventories comprise the original cost of purchase plus the cost of bringing the inventories to their present condition and location.

5.9 Receivables

Receivables are carried at anticipated realisable value. Known bad debts are written off and allowance is made for debts where the collectibility is considered doubtful.

5.10 Payables

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

5.11 Provision

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

5.12 Employee benefit costs

(i) Short term benefits

Wages, salaries and social security contribution are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group and of the Company.

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

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

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the statutory provident fund, the Employees Provident Fund and recognise the contribution payable:-

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

5. Significant Accounting Policies (Cont'd)

5.13 Revenue recognition

Revenue from sale of goods are recognised upon delivery of products and customers' acceptance, if any, net of sales taxes and discounts.

Revenue from invoiced value of tickets sold is recognised upon issuance of tickets.

Revenue from hotel comprises of sales of room and food and beverage. Sales of room is recognised upon actual occupancy of rooms by guests whilst food and beverage are upon delivery of goods to guests.

Brokerage fees are recognised on accrual basis upon completion of the trading contract.

Interest income is recognised on an accrual basis except where margin accounts and contra losses of share trading accounts are considered as non-performing in accordance with the Rules of Bursa Securities, in which case recognition of such interest is suspended. Subsequent to suspension, interest is recognised upon receipt until all arrears have been paid.

Royalty income and rental income are recognised on an accrual basis in accordance with the substance of the relevant agreement.

Dividend income from subsidiary companies is recognised when the investing company's right to receive payment is established.

Dividend income from other investments is recognised as and when received.

Underwriting commission is recognised on an accrual basis once the underwriting exercise is concluded.

Public issues commission is recognised on receipt basis.

Corporate finance and advisory fees are recognised progressively in accordance with the payment term of engagements.

All other revenue are recognised on an accrual basis.

5.14 Cash and cash equivalents

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

5.15 Segment information

Segment information is presented in respect of the Group's business. The reporting segment information is in respect of business segments as the Group's risks and returns are affected predominantly by differences in the products it produces. No segmental information is presented on geographical segments as the Group's operation is predominantly in Malaysia.

A segment with a majority of operating income earned from providing product or services to external clients and whose operating income, results or assets are 10 percent or more of all the segments is reported separately.

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

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

5. Significant Accounting Policies (Cont'd)

5.16 Financial instruments recognised on the balance sheets

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instruments classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

(i) Ordinary shares

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

Dividends to shareholders are recognised in equity in the period in which they are declared.

(ii) Redeemable convertible bond ("Bond")

The Bond was redeemable for cash at maturity date on 29 December 2004 at the issue price or convertible up to 1,000,000 new ordinary shares of RM1.00 each of Pan Malaysia Capital Berhad ("PM Capital") within a five (5) years period to 28 December 2004. As the Bond was redeemable on 29 December 2004, it was classified as liability. No coupon rate was attached to and no interest was payable on the Bond. The Bond had been redeemed for cash on 29 December 2004.

(iii) Other borrowings

Other interest bearing borrowings are initially recorded at the amount of proceeds received.

(iv) Other financial instruments

The accounting policies for other financial instruments are disclosed in the individual policies associated with each item.

6. Property, Plant And Equipment

Group

	Freehold Land RM'000	Long term Leasehold Land RM'000	Buildings RM'000	Equipment RM'000	Office Furniture and Fittings RM'000	Motor Vehicles RM'000	Plant and Machinery RM'000	Renovation RM'000	Total 2005 RM'000	2004 RM'000
Cost or Valuation										
Balance as at 1 January	11,030	-	61,315	4,973	8,338	1,377	987	604	88,624	135,215
Cost	-	6,617	-	-	-	-	-	-	6,617	6,617
Valuation										
	11,030	6,617	61,315	4,973	8,338	1,377	987	604	95,241	141,832
Additions	-	-	-	68	-	-	1	342	411	2,367
Disposals	-	-	(1,276)	-	-	-	-	-	(1,276)	(5,685)
Written off	-	-	-	-	(96)	-	-	(83)	(179)	-
Dilution of equity interest in a subsidiary company	-	-	-	-	-	-	-	-	-	(42,932)
Subsidiary companies not consolidated	-	-	-	-	-	-	-	-	-	(341)
Balance as at 31 December	11,030	6,617	60,039	5,041	8,242	1,377	988	863	94,197	95,241
Representing:-										
Cost	11,030	-	60,039	5,041	8,242	1,377	988	863	87,580	88,624
Valuation	-	6,617	-	-	-	-	-	-	6,617	6,617
	11,030	6,617	60,039	5,041	8,242	1,377	988	863	94,197	95,241
Accumulated Depreciation										
Balance as at 1 January	-	630	11,866	4,421	7,882	1,234	198	348	26,579	46,697
Charge for the financial year	-	72	1,087	170	151	79	99	49	1,707	5,623
Disposals	-	-	(265)	-	-	-	-	-	(265)	(2,003)
Written off	-	-	-	-	(65)	-	-	(40)	(105)	-
Dilution of equity interest in a subsidiary company	-	-	-	-	-	-	-	-	-	(23,397)
Subsidiary companies not consolidated	-	-	-	-	-	-	-	-	-	(341)
Balance as at 31 December	-	702	12,688	4,591	7,968	1,313	297	357	27,916	26,579
Impairment Losses										
Balance as at 1 January	-	-	4,596	-	-	-	-	-	4,596	7,002
Charge for the financial year	-	-	-	-	-	-	-	-	-	2,665
Dilution of equity interest in a subsidiary company	-	-	-	-	-	-	-	-	-	(5,071)
Balance as at 31 December	-	-	4,596	-	-	-	-	-	4,596	4,596
Net Book Value										
Balance as at 31 December 2005	11,030	5,915	42,755	450	274	64	691	506	61,685	-
Balance as at 31 December 2004	11,030	5,987	44,853	552	456	143	789	256	-	64,066

6. Property, Plant And Equipment (Cont'd)

<i>Company</i>	<i>Freehold Land RM'000</i>	<i>Buildings RM'000</i>	<i>Office Equipment RM'000</i>	<i>Furniture and Fittings RM'000</i>	<i>Motor Vehicles RM'000</i>	<i>Renovation RM'000</i>	<i>Total 2005 RM'000</i>	<i>2004 RM'000</i>
Cost								
Balance as at 1 January	10,850	26,299	1,983	6,571	1,216	82	47,001	48,292
Additions	—	—	15	—	—	342	357	1
Disposals	—	—	—	—	—	—	—	(1,292)
Written off	—	—	—	—	—	(83)	(83)	—
Balance as at 31 December	10,850	26,299	1,998	6,571	1,216	341	47,275	47,001
Accumulated Depreciation								
Balance as at 1 January	—	5,492	1,958	6,554	1,102	33	15,139	15,764
Charge for the financial year	—	383	8	3	63	17	474	474
Disposals	—	—	—	—	—	—	—	(1,099)
Written off	—	—	—	—	—	(40)	(40)	—
Balance as at 31 December	—	5,875	1,966	6,557	1,165	10	15,573	15,139
Impairment Losses								
Balance as at 1 January/ 31 December	—	1,970	—	—	—	—	1,970	1,970
Net Book Value								
Balance as at 31 December 2005	10,850	18,454	32	14	51	331	29,732	—
Balance as at 31 December 2004	10,850	18,837	25	17	114	49	—	29,892

Title deed for the freehold land of a subsidiary company has yet to be issued by the land office.

As at 31 December 2005, a landed property of the Group is carried at revalued amount based on valuation made by an independent professional valuer on open market value basis in 1993. This revalued asset has been retained on the basis of its previous valuation in accordance with the transitional provisions of International Accounting Standards ("IAS") No 16 (Revised) - Property, Plant and Equipment applied by the Group when the IAS was first adopted by the Malaysian Accounting Standards Board ("MASB") in 1998. The above transitional provisions are available only on the first application of the MASB approved accounting standards IAS 16 which is effective for periods ending on or after 1 September 1998. The transitional provisions will remain in force until and unless the Group adopts a revaluation policy in place of a cost policy where FRS116₂₀₀₄ would require revaluations to be carried out at regular intervals.

Had the said asset been carried at cost less accumulated depreciation, the carrying amount would have been as follows:-

	<i>2005 RM'000</i>	<i>2004 RM'000</i>
Cost	727	727
Less: Accumulated depreciation	(77)	(69)
Net book value	650	658

The net book value of property, plant and equipment pledged to financial institutions for banking facilities amounted to RM61,070,623 (2004: RM63,849,048) for the Group and RM29,303,230 (2004: RM29,686,616) for the Company.

7. Investment In Subsidiary Companies

	2005	2004
	RM'000	RM'000
7.1 Company		
Unquoted shares, at cost	15,776	15,776
Less: Impairment losses	(15,125)	(15,345)
	651	431

The subsidiary companies are listed in Note 40 to the financial statements.

7.2 Group

- (i) The consolidated financial statements of the Group do not deal with the following subsidiary companies:-

Asia Entertainment Network Sdn. Bhd.
Cocoa Specialities (Malaysia) Sdn. Bhd.
Fibercorp (Sarawak) Sdn. Bhd.
Grand Union Insurance Company Limited
Office Business Systems (Malacca) Sdn. Bhd.
Office Business Systems (Penang) Sdn. Bhd.
Office Business Systems Sdn. Bhd.
Pengkalen Building Materials Sdn. Bhd.
Pengkalen Electronics Industries Sdn. Bhd.
Pengkalen Engineering & Construction Sdn. Bhd.
Pengkalen Heights Sdn. Bhd.
Pengkalen Pasar Borong Sdn. Bhd.
Pengkalen Raya Sdn. Bhd.
Sensor Equipment Sdn. Bhd.
Technitone (M) Sdn. Bhd.

These companies, which are in the process of winding-up during the current financial year, were placed under winding-up or receivership in 2003 or prior to 2003.

7. Investment In Subsidiary Companies (Cont'd)

7.2 Group (Cont'd)

- (ii) The consolidated financial statements of the Group also do not deal with Pengkalen (UK) Plc, its subsidiary companies and associated company ("PUK Group") from the date its control in Pengkalen (UK) Plc ceased when Pengkalen (UK) Plc was placed under creditors' voluntary winding-up during the previous financial year.

The subsidiary and associated company of Pengkalen (UK) Plc are as follows:-

(a) Subsidiary company

- Anglo Pacific Corporation (Malaysia) Sdn. Bhd.
- * Anglo Pacific Holdings (Malaysia) Sdn. Bhd.
- Aqua Lanka (Private) Limited
- * Central Cocoa Pte. Ltd.
- GCIH Property Limited
- _ Grand Central (Ceylon) Rubber Estates Limited
- Grand Central Limited
- _ Highland Tea Company of Ceylon Limited
- Kuril Plantations Sdn. Berhad
- _ Meltis Holdings Limited
- _ Nagolle Holdings Limited
- _ Nagolle (Ceylon) Rubber and Tea Plantations Limited
- _ Network Foods International Limited
- _ The Panawatte Tea and Rubber Estates Limited
- _ The Yatiyantota Ceylon Rubber Company Limited
- * Upali Group Sdn. Bhd.
- * Wellon Distribution Pte. Ltd.

(b) Associated company

- Desa Kuril Sdn. Berhad
- _ Subsidiary companies were dissolved during the current financial year as disclosed in Note 38(iii)(c) to the financial statements.
- * Subsidiary companies placed under creditors' voluntary winding-up during the financial year as disclosed in Note 38(iii)(a) and (b) to the financial statements.

Accordingly, the consolidated income statement for the previous financial year included the results of PUK Group up to the date when Pengkalen (UK) Plc was placed under creditors' voluntary winding-up.

The effects of the non-consolidation of PUK Group on the financial results of the Group for the previous financial year are as follows:-

	<i>1.1.2004 to the date of non-consolidation RM'000</i>
Other operating income	1,321
Operating costs	(88)
Surplus arising from PUK Group not consolidated	1,290
Profit from operations before tax	2,523
Tax expense	2
Increase in Group net profits	2,525

7. Investment In Subsidiary Companies (Cont'd)

7.2 Group (Cont'd)

The effects of the non-consolidation of PUK Group for the previous financial year on the financial position of the Group were as follows:-

	<i>At the date of non-consolidation 2004 RM'000</i>
Long term investments	6,819
Current assets	358
Current liabilities	(8,467)
Increase in Group net assets	(1,290)

Details of net liabilities not consolidated and cash flows to the Group arising from the non-consolidation of PUK Group for the previous financial year are disclosed in Note 31 to the financial statements.

7.3 Dilution of equity interest in a subsidiary company

On 29 December 2004, 562,221,711 irredeemable convertible preferences shares ("ICPS") of RM1.00 each in Pan Malaysia Capital Berhad ("PM Cap") were automatically converted into 562,221,711 new ordinary shares of RM1.00 each in the share capital of PM Cap. Arising from the said conversion of the ICPS, the equity interest in PM Cap held by the Company has been diluted from 73.89% to 34.84%. Consequently, PM Cap ceased to be a subsidiary company and became an associated company with effect from 29 December 2004.

- (i) The effects of the dilution of equity interest in PM Cap on the results of the Group for the previous financial year up to date of dilution are as follows:-

	<i>1.1.2004 to the date of dilution RM'000</i>
Revenue	46,878
Other operating income	33,605
Operating costs	(54,537)
Gain arising from dilution of equity interest in a subsidiary company	356,818
Profit from operations	382,764
Finance costs	(5,162)
Profit before tax	377,602
Tax expense	(1,780)
Increase in Group net profit	375,822

7. Investment In Subsidiary Companies (Cont'd)

7.3 Dilution of equity interest in a subsidiary company (Cont'd)

- (ii) The effects of the dilution of equity interest in PM Cap on the financial position of the Group for the previous financial year as at date of dilution are as follows:-

	<i>At the date of dilution RM'000</i>
Property, plant and equipment	14,464
Long term investments	26,691
Intangible assets	144,037
Goodwill on consolidation	7,808
Deferred tax assets	11,000
Current assets	220,104
Current liabilities	(207,308)
Long term liabilities	(54,384)
Minority interest	(465,162)
	<hr/>
	(302,750)
Share of net assets now accounted for as an associated company	(54,068)
	<hr/>
Increase in Group net assets	(356,818)

Details of net liabilities diluted and cash flows arising from the dilution of equity interest in PM Cap in the previous financial year are disclosed in Note 30 to the financial statements.

8. Investment In Associated Companies

	Group		Company	
	2005	<i>2004</i>	2005	<i>2004</i>
	RM'000	<i>RM'000</i>	RM'000	<i>RM'000</i>
Quoted shares, at cost	296,672	296,672	296,672	296,672
Group's share of post-acquisition reserves and retained profits less losses	(10,639)	—	—	—
	<hr/>		<hr/>	
	286,033	296,672	296,672	296,672
Less: Impairment loss	(242,604)	(242,604)	(253,243)	(242,604)
	<hr/>		<hr/>	
	43,429	54,068	43,429	54,068
	<hr/>		<hr/>	
Market value of quoted shares	32,659	56,813	32,659	56,813

The Group's investment in associated companies is represented by:-

	2005	<i>2004</i>
	RM'000	<i>RM'000</i>
Group's share of net assets	43,429	54,068

The associated companies are listed in Note 40 to the financial statements.

9. Long Term Investments

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Unquoted shares, at cost	124,871	124,871	24,190	24,190
Less: Provision for diminution in value	(124,871)	(124,871)	(24,190)	(24,190)
	—	—	—	—
Quoted shares outside Malaysia, at cost	20,222	20,222	20,222	20,222
Less: Provision for diminution in value	(19,650)	(19,544)	(19,650)	(19,544)
	572	678	572	678
Other unquoted investments, at cost	487	487	401	401
	1,059	1,165	973	1,079
Market value of quoted shares	572	678	572	678

10. Goodwill On Consolidation

	Group	
	2005	2004
	RM'000	RM'000
Balance as at 1 January	—	8,368
Less: Impairment loss	—	(560)
Dilution of equity interest in a subsidiary company	—	(7,808)
Balance as at 31 December	—	—

11. Intangible Assets

	Group	
	2005	2004
	RM'000	RM'000
Balance as at 1 January	—	144,037
Dilution of equity interest in a subsidiary company	—	(144,037)
Balance as at 31 December	—	—

12. Inventories

	Group	
	2005	2004
	RM'000	RM'000
At cost:		
Consumables, food, beverages, etc	687	742

13. Short Term Investments

	<i>Group</i>		<i>Company</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Quoted shares in Malaysia, at cost	2,993	2,993	7	7
Less: Provision for diminution in value	(2,607)	(2,575)	(5)	(5)
	386	418	2	2
Market value of quoted shares	386	418	2	2

14. Receivables

	<i>Group</i>		<i>Company</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Trade receivables	3,504	3,273	43	40
Less: Allowance for doubtful debts	(122)	(159)	(40)	(39)
	3,382	3,114	3	1
Other receivables	4,483	4,476	2,171	2,173
Less: Allowance for doubtful debts	(2,525)	(2,572)	(2,169)	(2,154)
	1,958	1,904	2	19
Deposits	692	668	271	265
Less: Allowance for doubtful debts	(143)	–	(79)	–
	549	668	192	265
Prepayments	238	147	25	19
Tax recoverable	194	123	–	–
	6,321	5,956	222	304

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

	<i>Group</i>		<i>Company</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Bad debts written off				
- Trade receivables	50	6,313	–	–
- Other receivables	–	875	–	610

The credit terms offered by the Group and the Company in respect of trade receivables range from cash term to 45 days (2004: cash term to 45 days) from date of invoice.

15. Amounts Owning By/To Subsidiary Companies

	<i>Company</i>	
	2005	2004
	RM'000	RM'000
Amounts owing by subsidiary companies	391,022	390,847
Less: Allowance for doubtful debts	(374,563)	(372,572)
	16,459	18,275
Amount owing to a subsidiary company	2,022	–

Amounts owing by subsidiary companies represent balances arising from advances and payments made on behalf and balances arising from the settlement of certain subsidiary companies' debts by the issuance of shares in the Company pursuant to the schemes of arrangement of the Company and these subsidiary companies under Section 176 of the Companies Act, 1965 which are unsecured, repayable on demand and interest-free except for the following:-

	<i>Company</i>	
	2005	2004
Outstanding advances (RM'000)	150	150
Interest rate per annum (%)	9	9

Amounts owing to subsidiary companies represented advances and payments made on behalf which are unsecured, interest-free and repayable on demand.

16. Amounts Owning By/To Associated Companies

	<i>Group</i>		<i>Company</i>	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Amounts owing by associated companies	56,059	56,056	56,059	56,056
Less: Allowance for doubtful debts	(28)	(26)	(28)	(26)
	56,031	56,030	56,031	56,030
Amount owing to an associated company	943	945	–	–

The amounts owing by associated companies represent balances arising from advances and payments on behalf and balances arising from the settlement of an associated company's debts by the issuance of shares in the Company pursuant to the schemes of arrangement of the Company and the said associated company pursuant to Section 176 of the Companies Act, 1965 which are unsecured, interest-free and repayable on demand.

The amount owing to an associated company represents balances arising from payments on behalf which is unsecured, interest-free and repayable on demand.

17. Amounts Owning By/To Related Companies

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Amounts owing by related companies	2,305	3,489	1,571	3,116
Less: Allowance for doubtful debts	(776)	(2,353)	(775)	(2,353)
	1,529	1,136	796	763

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

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Bad debts written off	99	—	99	—

The amount owing by a related company of RM650,528 (2004: RM762,686) represents balances arising from advances and payments on behalf. This amount is secured by a debenture of the said related company, bears interest at 6% (2004: 6%) per annum and repayable by yearly instalment. Other amounts owing by related companies represent balances arising from normal trade transactions which are unsecured, interest-free and repayable on demand.

The amounts owing to related companies represent balances arising from normal trade transactions, payments made on behalf and advances. These balances are unsecured, repayable on demand and interest-free except for the following:-

	Group	
	2005	2004
	RM'000	RM'000
Outstanding advances (RM'000)	252	350
Interest rate per annum (%)	5	8

18. Term And Call Deposits

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Term and call deposits with:-				
Licensed banks	2,784	4,316	430	820
Other corporations	561	1,591	101	1,081
	3,345	5,907	531	1,901

Included in deposits with licensed banks of the Group are deposits totalling RM479,090 (2004: RM463,178) of subsidiary companies pledged to licensed banks to secure their banking facilities.

19. Payables

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Trade payables	1,630	1,316	68	23
Other payables, deposits and accruals	4,279	3,242	1,468	644
	5,909	4,558	1,536	667

The credit terms available to the Group and the Company in respect of trade payables range from 14 to 60 days (2004: 14 to 60 days) from date of invoice.

20. Provision

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Provision for corporate guarantees:				
Balance as at 1 January	–	5,184	35,190	45,184
Utilised during the financial year	–	(4,043)	–	(4,043)
Unused amount reversed during the financial year	–	(1,141)	–	(5,951)
Balance as at 31 December	–	–	35,190	35,190
Analysed as follows:				
Current	–	–	–	35,190
Non-current	–	–	35,190	–
	–	–	35,190	35,190

The provision as at 31 December 2005 is in respect of corporate guarantee given by the Company for banking facilities granted to a subsidiary company.

21. Borrowings

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Current liabilities				
Bank overdrafts - unsecured	–	442	–	–
Term loans (Note 22)				
- secured	–	54,190	–	–
- unsecured	21,240	4,140	3,240	4,140
	21,240	58,330	3,240	4,140
	21,240	58,772	3,240	4,140

21. Borrowings (Cont'd)

<i>Company</i>	<i>Fixed Rate</i> <i>RM'000</i>	<i>Floating Rate</i> <i>RM'000</i>	<i>Total</i> <i>RM'000</i>
As at 31 December 2005			
Within one year	3,240	–	3,240
More than one year and less than five years	16,200	–	16,200
	19,440	–	19,440
As at 31 December 2004			
Within one year	3,240	900	4,140
More than one year and less than five years	17,820	–	17,820
	21,060	900	21,960

22. Term Loans

	<i>Group</i>		<i>Company</i>	
	<i>2005</i> <i>RM'000</i>	<i>2004</i> <i>RM'000</i>	<i>2005</i> <i>RM'000</i>	<i>2004</i> <i>RM'000</i>
Secured	35,188	54,190	–	–
Unsecured	37,440	21,960	19,440	21,960
	72,628	76,150	19,440	21,960
Repayable as follows:-				
Current liabilities:				
- within one year (Note 21)	21,240	58,330	3,240	4,140
Long term liabilities				
- more than one year and less than five years (Note 21)	51,388	17,820	16,200	17,820
	72,628	76,150	19,440	21,960

The term loans are secured by way of the following:-

- (i) fixed legal charges over landed properties of the Group;
- (ii) fixed and floating charges over the assets of a subsidiary company; and
- (iii) corporate guarantees from the Company.

23. Share Capital

	Group and Company 2005		Group and Company 2004	
	Number of shares '000	RM'000	Number of shares '000	RM'000
Ordinary shares of RM1.00 each:-				
Authorised	3,000,000	3,000,000	3,000,000	3,000,000
Issued and fully paid:-				
Balance as at 1 January	928,867	928,867	924,824	924,824
Issued during the financial year	-	-	4,043	4,043
Balance as at 31 December	928,867	928,867	928,867	928,867

24. Reserves

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Non-distributable reserves:				
- Exchange fluctuation reserve	(12,406)	(12,406)	-	-
- Capital reserve	5,656	5,656	-	-
- Share premium	34,734	34,734	34,734	34,734
- Accumulated losses	(861,861)	(849,479)	(872,862)	(858,686)
	(833,877)	(821,495)	(838,128)	(823,952)

25. Deferred Tax Liabilities

(a) The deferred tax liabilities are made up of the following:-

	Group	
	2005	2004
	RM'000	RM'000
Deferred tax liabilities		
- Revaluation reserve	295	295

(b) The movements of deferred tax assets and liabilities during the financial year are as follows:-

	Group	
	2005	2004
	RM'000	RM'000
Deferred tax assets		
Balance as at 1 January	-	11,000
Dilution of equity interest in a subsidiary company	-	(11,000)
Balance as at 31 December	-	-
Deferred tax liabilities		
Balance as at 1 January/31 December	295	295

25. Deferred Tax Liabilities (Cont'd)

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

	<i>Group</i>		<i>Company</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Unutilised tax losses	33,501	32,665	19,827	18,913
Unabsorbed capital allowances	9,174	8,828	1,199	1,171
Others	546	436	309	294
	43,221	41,929	21,335	20,378

26. Revenue

	<i>Group</i>		<i>Company</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Brokerage fees	–	39,376	–	–
Rendering of services:-				
- ticketing and travel related	23,788	27,818	–	–
- hotel	7,111	7,637	–	–
- other services	154	3,423	–	–
Interest income	181	4,272	194	365
Rental and parking income	665	24	670	–
Others	359	466	384	371
	32,258	83,016	1,248	736

27. (Loss)/Profit Before Tax

	<i>Group</i>		<i>Company</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
(Loss)/Profit before tax is arrived at:-				
After charging:-				
Allowance for doubtful debts	111	–	3,026	14,117
Amortisation of investment	–	3	–	–
Auditors' remuneration:-				
- statutory				
- current year	66	164	25	25
- (over)/under provision in prior year	(2)	8	–	–
- non-statutory				
- current year	26	48	25	25
- under provision in prior year	8	35	8	28
Bad debts written off	1	143	–	132
Deposits written off	3	–	–	–
Depreciation of property, plant and equipment	1,707	5,623	474	474

27. (Loss)/Profit Before Tax (Cont'd)

	<i>Group</i>		<i>Company</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Directors' remuneration:-				
- fee	36	60	36	36
- other emoluments	214	954	190	190
Impairment loss of goodwill	—	560	—	—
Impairment loss of investment in associated companies included in other operating expenses	—	—	10,639	62,401
Impairment loss of investment in subsidiary companies included in other operating expenses	—	—	150	—
Impairment loss of property, plant and equipment included in other operating expenses	—	2,665	—	—
Inventories written off	24	—	—	—
Interest expense:-				
- bank overdrafts	4	516	—	—
- term loans	5,820	6,012	1,617	1,899
- related company	19	3,653	—	—
- hire-purchase	—	1	—	—
- short term borrowings	—	283	—	—
- others	—	757	—	—
Investment written off	—	194	—	—
Property, plant and equipment written off	74	—	43	—
Provision for retirement gratuity	396	199	15	52
Provision for diminution in value of investments	138	10,901	106	140
Realised loss on foreign exchange	30	1,432	—	—
Rental of:-				
- land and buildings	367	1,442	123	70
- equipment	4	2,178	4	4
Rental paid and payable to a related company	—	603	—	64

The estimated monetary value of benefits-in-kind received by the Directors otherwise than in cash from the Group and the Company amounted to RM38,400 and RM38,400 (2004: RM50,182 and RM31,082) respectively.

	<i>Group</i>		<i>Company</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
And crediting:-				
Allowance for doubtful debts no longer required	1,478	1,288	2,417	814
Bad debts recovered	—	6,565	—	—
Gain arising from the receipt of shares in Bursa Malaysia Berhad	—	25,000	—	—
Gain on dilution of equity interest in a subsidiary company	—	356,818	—	—
Gain on disposal of quoted investments	—	41	—	—
Gain on disposal of property, plant and equipment	3,035	1,010	—	144

27. (Loss)/Profit Before Tax (Cont'd)

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
And crediting:- (Cont'd)				
Gross dividends from quoted investments in Malaysia	—	29	—	—
Interest receivable from:-				
- subsidiary companies	—	—	13	14
- related companies	135	239	135	178
- others	178	4,618	46	173
Management fees received and receivable from:-				
- a subsidiary company	—	—	24	24
- an associated company	360	360	360	360
Provision for corporate guarantees no longer required	—	1,141	—	5,951
Provision for retirement benefit no longer required	—	65	—	43
Reversal of impairment loss of investment in a subsidiary company included in other operating income	—	—	370	—
Rental and parking income received and receivable from:-				
- a subsidiary company	—	—	5	—
- associated companies	301	—	301	—
- related companies	150	—	150	—
- others	237	63	214	—
Surplus arising from subsidiary companies not consolidated	—	1,290	—	—
Unrealised gain on foreign exchange	—	1,275	—	—

- (a) Number of Directors of the Company whose aggregate of remuneration received from the Company and its subsidiary companies during the financial year and falling within the respective bands are as follows:-

	Number of Directors	
	2005	2004
Executive Directors		
Below RM50,000	1	—
RM100,001 to RM150,000	1	1
RM500,001 to RM550,000	—	—
RM600,001 to RM650,000	—	1
Non-Executive Directors		
Below RM50,000	5	2
RM50,001 to RM100,000	1	2
RM150,001 to RM200,000	—	1

27. (Loss)/Profit Before Tax (Cont'd)

- (b) In 2004, impairment loss of RM2,665,501 in respect of certain property, plant and equipment of subsidiary companies was recognised to reflect their recoverable amounts. The recoverable amounts of these assets were based on their estimated net selling price.
- (c) In January 2004, the then Kuala Lumpur Stock Exchange ("KLSE") undertook a demutualisation exercise and had vested and transferred its stock exchange licence to Bursa Securities. As a result of the demutualisation exercise, PM Securities Sdn. Bhd. ("PM Securities"), the stockbroking subsidiary company of PM Capital, was allocated 9,090,909 shares in Bursa Malaysia Berhad which was assigned a fair value of RM25,000,000.

The fair value of RM25,000,000 was determined by reference to the underlying net tangible assets as reflected in the latest audited financial statements of Bursa Malaysia Berhad as at 31 December 2003. In the absence of other clear indicators, the Directors considered that underlying net tangible assets as reflected in the latest audited financial statements of Bursa Malaysia Berhad as at 31 December 2003 was a reasonable indicator of fair value.

- (d) As at 31 December 2004, the recoverable amount of a former subsidiary company based on its net assets has declined significantly since the date of its acquisition due to its poor economic performance in the past few years. Consequently, an impairment loss on goodwill of RM559,736 of this investment was recognised to reflect its recoverable amount.
- (e) As at 31 December 2004, the recoverable amount of an investment in a former subsidiary company based on its net assets has declined significantly since the date of its acquisition due to its poor economic performance in the past few years. Consequently, an impairment loss of RM62,401,203 on this investment was recognised to reflect its recoverable amount.

As at 31 December 2005, the recoverable amount of the said investment declined further due to loss suffered by the Company for the current financial year. Accordingly, an impairment loss of RM10,639,101 on this investment was recognised in the current financial year to reflect its recoverable amount.

28. Tax Expense

	<i>Group</i>		<i>Company</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Current year provision	24	185	—	—
Under/(Over) provision in prior year	3	900	—	(714)
Share of tax expense of associated companies	56	—	—	—
	83	1,085	—	(714)

28. Tax Expense (Cont'd)

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

	Group		Company	
	2005	2004	2005	2004
	%	%	%	%
Company and subsidiary companies				
average applicable tax rate	(28)	28	(28)	(28)
Depreciation on non-qualifying property, plant and equipment	2	—	1	—
Exempt income	(1)	—	—	—
Non-taxable income	(11)	(29)	(5)	(3)
Non-allowable expenses	36	2	30	30
Movement in deferred tax assets not recognised during the year	3	(1)	2	1
Effective tax rate	1	—	—	—

Subject to the agreement with the Inland Revenue Board, the Company's unabsorbed tax losses and unabsorbed capital allowances totalling approximately RM22.8 million (2004: RM21.9 million) are available for set-off against future taxable income.

29. Basic (Loss)/Earnings Per Share

The basic (loss)/earnings per ordinary share is calculated based on net loss after tax and minority interests for the financial year amounting to RM12,382,691 (2004: net profit after tax and minority interests for the financial year of RM370,014,782) and the weighted average number of ordinary shares in issue during the financial year of 928,867,411 (2004: 927,718,571) shares.

The diluted earnings per share in 2005 and 2004 is not disclosed as it is not applicable to the Group since there is no dilutive potential ordinary shares.

30. Dilution Of Equity Interest In A Subsidiary Company

During the previous financial year, the Group's equity interest in PM Capital was diluted. Details of net liabilities diluted and cash flow arising from the dilution were as follows:-

	Group
	2004
	RM'000
Property, plant and equipment	14,464
Long term investments	26,691
Intangible assets	144,037
Goodwill on consolidation	7,808
Deferred tax assets	11,000
Amount owing by related companies	324
Cash and cash equivalents	29,311
Other current assets	136,401

30. Dilution Of Equity Interest In A Subsidiary Company (Cont'd)

	<i>Group 2004 RM'000</i>
Other current liabilities	(207,308)
Long term liabilities	(54,384)
Minority interest	(465,162)
Gain on dilution of Group's equity interest in a subsidiary company	356,818
	<hr/>
Less: Cash and cash equivalents of subsidiary company diluted net of monies held in trust (Dealers and remisier deposits)	(29,311)
Cash flow on dilution of equity interest in a subsidiary company, net of cash and cash equivalents diluted	<hr/> (29,311) <hr/>

31. Subsidiary Companies Not Consolidated

The effects of the non-consolidation of the PUK Group mentioned in Note 7.2(ii) on the cash flow of the Group for the previous financial year were as follows:-

	<i>Group 2004 RM'000</i>
Long term investments	6,819
Cash and cash equivalents	320
Other current assets	38
Current liabilities	(8,467)
Surplus on subsidiary companies not consolidated	1,290
	<hr/>
Less: Cash and cash equivalents of subsidiary companies not consolidated	(320)
Cash flow of subsidiary companies not consolidated	<hr/> (320) <hr/>

32. Cash And Cash Equivalents

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

	<i>Group</i>		<i>Company</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Term and call deposits	3,345	5,907	531	1,901
Cash and bank balances	888	994	105	71
Bank overdrafts (Note 21)	—	(442)	—	—
	<hr/> 4,233	6,459	<hr/> 636	1,972
Less: Deposits pledged to banks (Note 18)	(479)	(463)	—	—
	<hr/> 3,754 <hr/>	5,996	<hr/> 636 <hr/>	1,972

32. Cash And Cash Equivalents (Cont'd)

The weighted average interest rates of term and call deposits that were effective during the financial year were as follows:-

	Group		Company	
	2005	2004	2005	2004
	%	%	%	%
Term and call deposits with licensed banks	2.5	3.0	2.5	3.0
Term and call deposits with other corporations	2.6	2.7	2.6	2.7

Deposits of the Group and of the Company have a maturity period ranging from 1 to 31 days (2004: 1 to 31 days). Bank balances are deposits held at call with licensed banks.

33. Financial Instruments

(a) Credit risk

As at 31 December 2005, the Group and the Company have amount owing by associated companies of RM56.06 million (2004: RM56.06 million) ("Debts"). The carrying amount of these Debts net of allowance for doubtful debt of RM0.03 million (2004: RM0.03 million) as at 31 December 2005 is RM56.03 million (2004: RM56.03 million). The term and call deposits, and bank balances of the Group and of the Company are placed with major financial institutions in Malaysia. Other than as mentioned, the Group and the Company have no significant concentration of credit risk. The maximum exposures to credit risk are represented by the carrying amounts of the financial assets in the balance sheets.

(b) Fair values

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

	Group		Company	
	Carrying amount	Fair value	Carrying amount	Fair value
As at 31 December 2005	RM'000	RM'000	RM'000	RM'000
Amounts owing by subsidiary companies	—	—	16,459	*
Amounts owing by associated companies	56,031	*	56,031	*
Amounts owing by related companies	1,529	*	796	*
Amount owing to a subsidiary company	—	—	2,022	*
Amounts owing to an associated company	943	*	—	—
Amounts owing to related companies	423	*	4	*
As at 31 December 2004				
Amounts owing by subsidiary companies	—	—	18,275	*
Amounts owing by associated companies	56,030	*	56,030	*
Amounts owing by related companies	1,136	*	763	*
Amounts owing to an associated company	945	*	—	—
Amounts owing to related companies	608	*	84	*

* It is not practical to estimate the fair values of the amounts owing by/to subsidiary companies, associated companies and related companies. This is principally due to the lack of fixed repayment terms and the inability to estimate fair value without incurring excessive costs. However, the Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from values that would eventually be received or settled.

33. Financial Instruments (Cont'd)

(b) Fair values (Cont'd)

The following methods and assumptions are used to determine the fair value of financial instruments:-

- (i) The carrying values of the financial assets and liabilities maturing within 12 months approximate their fair values due to the relatively short term maturity of these financial instruments.
- (ii) The fair values of quoted investments other than quoted investments in an associated company which was formerly a subsidiary company are estimated based on quoted market prices. For investments for which there are no quoted market prices, a reasonable estimate of fair value could not be made without incurring excessive costs. Therefore, such investments are valued at cost subject to review for impairment.
- (iii) The fair value of quoted investment in an associated company is based on its recoverable amount by reference to its net assets.
- (iv) The fair value of the loans to a related company is estimated based on the current market rates offered for loans of the similar nature.
- (v) The fair values of term loans are estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Group for loans of the same remaining maturities.

34. Significant Related Party Transactions And Balances

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Significant related party transactions during the financial year:-				
Rental and related expenses paid to MUI Plaza Sdn. Bhd.	—	781	—	66
Rental and parking income received and receivable from:-				
- Malayan United Management Sdn. Bhd.,				
- Malayan United Securities Services Sdn. Bhd.,				
- MUI dotCom. Sdn. Bhd.,				
- PM Securities Sdn. Bhd.,				
- Metrojaya Berhad,				
- MUI Properties Berhad.,				
- Pan Malaysia Corporation Berhad.,				
- Pan Malaysian Industries Berhad.,				
- Pan Malaysia Management Sdn. Bhd. and				
- PCB Assets Management Sdn. Bhd.	665	—	665	—

34. Significant Related Party Transactions And Balances (Cont'd)

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Significant related party transactions during the year:-				
Sales of air tickets and provision of travel and ancillary services to:-				
Aius Sdn. Bhd.,				
Corus & Regal Hotels plc.,				
Dirnavy Pte Limited,				
EIC Clothing Sdn. Bhd.,				
Laura Ashley Holdings plc.,				
Malayan United Management Sdn. Bhd.,				
Malayan United Industries Berhad,				
Metrojaya Berhad,				
Ming Court Hotel (KL) Sdn. Bhd.,				
Ming Court Beach Hotel Sdn. Bhd.,				
MJ Department Stores Sdn. Bhd.,				
MJ Reject Shop Sdn. Bhd.,				
MJ Somerset Bay Sdn. Bhd.,				
Morning Star Resources Limited,				
Morning Star Travel Service Limited,				
MUI Continental Insurance Berhad,				
MUI Media Limited,				
MUI Properties Berhad,				
Network Foods (Malaysia) Sdn. Bhd.,				
Network Foods Industries Sdn. Bhd.,				
Network Foods International Ltd.,				
Network Foods Limited,				
Pan Malaysia Corporation Berhad,				
Plaza Hyde Park Limited,				
PM Securities Sdn. Bhd. and				
Vista Hotel Management Sdn. Bhd.				
	4,189	4,466	—	—
Interest expenses paid to MUI Capital Sdn. Bhd.	19	3,653	—	—
Interest income received and receivable from GCIH Trademark Sdn. Bhd.	135	178	135	178
Purchase of insurance from MUI Continental Insurance Berhad	272	317	125	141
Management fee received and receivable from PM Securities Sdn. Bhd.	360	—	360	—

The related party transactions were entered in the normal course of business and were on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Significant related party balances:-				
Included in trade receivables:-				
Amount owing by Morning Star Travel Service Limited	445	334	—	—

34. Significant Related Party Transactions And Balances (Cont'd)

The relationships between the Group and related parties, other than disclosed elsewhere in the financial statements, are as follows:-

Identities of related parties	Relationships with the Group
Dirnavy Pte Limited }	
Corus & Regal Hotels plc. }	
Malayan United Management Sdn. Bhd. }	
Malayan United Securities Services Sdn. Bhd. }	
Ming Court Hotel (KL) Sdn. Bhd. }	
Ming Court Beach Hotel Sdn. Bhd. }	
MUI Capital Sdn. Bhd. }	
MUI Continental Insurance Berhad }	
MUI dotCom Sdn. Bhd. }	Subsidiary companies of the ultimate holding company
MUI Media Limited }	
MUI Plaza Sdn. Bhd. }	
MUI Properties Berhad }	
Network Foods (Malaysia) Sdn. Bhd. }	
Network Foods Industries Sdn. Bhd. }	
Network Foods International Ltd. }	
Network Foods Limited }	
Pan Malaysia Corporation Berhad }	
Pan Malaysia Management Sdn. Bhd. }	
Plaza Hyde Park Limited }	
Aius Sdn. Bhd. }	
Laura Ashley Holdings plc. }	Associated companies of the ultimate holding company
Morning Star Resources Limited }	
Morning Star Travel Service Limited }	
Vista Hotel Management Sdn. Bhd. }	
EIC Clothing Sdn. Bhd. }	
Metrojaya Berhad }	Subsidiary companies of Pan Malaysian Industries Berhad, a deemed major shareholder of the Company
MJ Department Stores Sdn. Bhd. }	
MJ Reject Shop Sdn. Bhd. }	
MJ Somerset Bay Sdn. Bhd. }	

35. Contingent Liabilities

Group and Company

Unsecured

- (a) On 13 September 1995, Wakefield Nominees Ltd ("WNL"), which is incorporated in Hong Kong, presented a petition to the Supreme Court of Bermuda against the Company and AGA Holdings Ltd ("AGA") in which the Company allegedly has a 35% equity interest. WNL has petitioned to seek for compensation in respect of the dilution of its interest in AGA and Central Reinsurance Limited ("CRL"), a subsidiary company of AGA.

Consequent to the petition described above, Receivers and Managers have been appointed by the court to AGA and the Receivers and Managers have further petitioned and obtained an order to liquidate CRL.

The Company's solicitors are of the considered opinion that based upon available evidence, the Company has a valid defence to the petition.

35. Contingent Liabilities (Cont'd)

Group and Company (Cont'd)

- (b) A suit was filed on 17 May 1996 in the High Court of Kuala Lumpur by Loyal Design Sdn Bhd (“LDSB”), a wholly-owned subsidiary of Malayan United Industries Berhad (“MUIB”), against the Company and all its then existing directors for breach of directors’ duties in conducting the affairs of the Company during the period involved with the takeover offer by MUIB through LDSB in respect of the Company. The suit also seek to declare, inter-alia, that various options granted by the Company under the Company’s Executive Share Option Scheme (“ESOS”) are void.

On 12 January 2006, the parties to the suit have agreed to effect a full and final settlement by way of a compromise (“Compromise”). The terms of the Compromise included the following:-

- (1) The Compromise is being offered to a total of 191 former employees of the Company who were enjoined by the Order of Court on 3 August 1996 from exercising their rights under the ESOS (“Eligible Employees”);
- (2) Out of the 191 Eligible Employees:
 - (i) 79 Eligible Employees, with an aggregate balance of 4,955,000 shares in the Company under the ESOS, have accepted the Compromise (“Employees Category Y”).
 - (ii) 24 Eligible Employees, with an aggregate balance of 2,664,000 shares in the Company under the ESOS, have rejected the Compromise (“Employees Category N”).
 - (iii) The remaining 88 Eligible Employees, with an aggregate balance of 6,971,000 shares in the Company under the ESOS, have not responded to the Compromise (“Employees Category U”) and will be given a period of 3 months from the date of the Consent Order being advertised to give notice of their acceptance to MUIB in the prescribed form if they wish to accept the Compromise.
- (3) Under the Compromise, MUIB shall cause ordinary shares of par value of RM1.00 each of the Company (the “Shares”) to be transferred to Employees Category Y and Employees Category U who accept the Compromise (collectively, the “ESOS Employees”) in proportion of the balance number of shares in PMH against their names under the ESOS. They have the option to sell back to MUIB the Shares at a consideration of RM0.25 per share. Such option to sell shall be exercised in one installment only and shall lapse if not exercised within a specified time period.
- (4) Employees Category U who reject the Compromise and Employees Category N are at liberty to intervene in the suit upon the conditions set out in the Compromise.

The Compromise shall not have any effect on the issued and paid-up share capital of the Company as it does not involve any issue of new shares by the Company.

There is no impact on Group’s earnings per share and net assets per share for the financial year ending 31 December 2006 arising from the Compromise.

- (c) As at 31 December 2005, the contingent liabilities in respect of the corporate guarantees given by the Company for banking facilities granted to subsidiary companies amounted to RM20 million (2004: RM20 million).

36. Capital Commitment

	Group	
	2005	2004
	RM'000	RM'000
Authorised and contracted but not provided for:-		
- purchase of property, plant and equipment	644	–

37. Segment Information

The Group's operations comprise of the following main business segments:-

2005	2004	
Hotel	Hotel	: Operating of a hotel
Travel	Travel	: Travel agent and provision of travel-related services
Property and investment holding ("PIH")	PIH	: Comprise mainly investment, property holding, dormant and inactive subsidiary companies
–	Stockbroking	: Comprise mainly businesses involved in stock and sharebroking, corporate advisory services, research and fund management services, nominee and custodian services

The inter-segment transactions were entered in the normal course of business and were on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

(a) Business segment

	Hotel	Travel	Stockbroking	Property and Investment Holding	Elimination	Consolidated
2005	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue						
- external sales	7,289	23,764	–	1,205	–	32,258
- inter-segment sales	67	25	–	43	(135)	–
Total revenue	7,356	23,789	–	1,248	(135)	32,258
Result						
Segment result	680	323	–	3,051		4,054
Interest income	88	6	–	38		132
Interest expense	(1,390)	(23)	–	(4,430)		(5,843)
Shares of results of associated companies	–	–	(10,583)	–		(10,583)
Loss before tax						(12,240)
Tax expense						(83)
Loss after tax						(12,323)
Minority interests						(59)
Net loss for the financial year						(12,382)

37. Segment Information (Cont'd)

(a) Business segment (Cont'd)

2005	Hotel RM'000	Travel RM'000	Stockbroking RM'000	Property and Investment Holding RM'000	Elimination RM'000	Consolidated RM'000
Other information						
Segment assets	38,798	3,767	—	89,366		131,931
Investment in an associated company	—	—	43,429	—		43,429
Consolidated total assets						175,360
Segment liabilities	19,890	2,591	—	57,422		79,903
Unallocated corporate liabilities						296
Consolidated total liabilities						80,199
Capital expenditure	34	20	—	357		411
Depreciation and amortisation	1,171	58	—	478		1,707
Non-cash expenses other than depreciation	420	1	—	326		747
2004						
Revenue						
- external sales	7,637	27,818	46,863	698	—	83,016
- inter-segment sales	47	32	16	38	(133)	—
Total revenue	7,684	27,850	46,879	736	(133)	83,016
Result						
Segment result	(1,804)	274	25,527	(323)		23,674
Interest income	76	7	420	82		585
Interest expense	(1,368)	(43)	(5,162)	(4,649)		(11,222)
Surplus arising from subsidiary companies not consolidated	—	—	—	1,290		1,290
Gain on dilution of equity interest in a subsidiary Company	—	—	—	356,818		356,818
Profit before tax						371,145
Tax expense						(1,085)
Profit after tax						370,060
Minority interests						(45)
Net profit for the financial year						370,015
Other information						
Segment assets	40,442	3,467	—	92,505		136,414
Investment in an associated company	—	—	54,068	—		54,068
Consolidated total assets						190,482
Segment liabilities	20,800	2,214	—	59,689		82,703
Unallocated corporate liabilities						295
Consolidated total liabilities						82,998
Capital expenditure	48	10	2,308	1		2,367
Depreciation and amortization	1,207	64	3,848	504		5,623
Impairment loss of property, plant and equipment	2,626	—	39	—		2,665
Impairment loss of goodwill	—	—	560	—		560
Non-cash expenses other than depreciation	13	—	11,221	318		11,552

37. Segment Information (Cont'd)

(b) Geographical segments

As the Group's operation is predominantly in Malaysia, no segmental information is presented on geographical segments.

38. Significant Events

(i) Disposal of a Leasehold Apartment by Kayangan Makmur Sdn. Bhd. ("KMSB")

On 15 February 2005, KMSB, a wholly-owned subsidiary company of the Company, completed the disposal of a leasehold apartment to a third party for £570,000 (or approximately RM4.05 million) cash and resulted in a gain of RM3.04 million to the Group.

(ii) Upliftment of PN4 Status and Trading Restriction

As the Company had regularised its financial position with a surplus of RM107.37 million in its shareholders' equity on a consolidated basis as at 31 December 2004, the Company on 17 March 2005 applied to Bursa Securities to be uplifted from its Practice Note 4/2001 ("PN4") status. On 29 March 2005, Bursa Securities announced that the Company has regularised its financial condition and no longer triggers any of the criteria under paragraph 2.0 of PN4. Accordingly, the trading restriction on the Company's shares was uplifted and the Company will not be flagged as a PN4 company with effect from 30 March 2005.

(iii) Other Corporate Developments

Pursuant to the continuing rationalisation exercise of the Group to divest and wind-up non-core businesses and the creditors' voluntary winding-up of Pengkalen (UK) Plc ("PUK"), the following subsidiary companies of PUK have been placed under creditors' voluntary winding up or dissolved as follows:-

- (a) Anglo Pacific Holdings (Malaysia) Sdn. Bhd. and Upali Group Sdn. Bhd., wholly-owned subsidiary companies of GCIH Property Limited, which in turn is a wholly-owned subsidiary of PUK, were placed under creditors' voluntary winding-up on 6 July 2005.
- (b) Central Cocoa Pte. Ltd. and Wellon Distribution Pte. Ltd., wholly-owned subsidiary companies of PUK, were placed under creditors' voluntary winding-up on 11 October 2005.
- (c) Meltis Holdings Limited, Nagolle (Ceylon) Rubber and Tea Plantations Limited, Nagolle Holdings Limited, Network Foods International Limited, The Panawatte Tea and Rubber Estates Limited, The Yatiyantota Ceylon Rubber Company Limited, Grand Central (Ceylon) Rubber Estates Limited and Highland Tea Company of Ceylon Limited (collectively referred to as "dormant UK subsidiary companies") were dissolved on 11 October 2005. These dormant UK subsidiary companies were wholly-owned by PUK.

(iv) Menara PMI

During the financial year, Menara Pengkalen which is owned by the Company was renamed Menara PMI. The 15 storey building situated within the Golden Triangle of Kuala Lumpur, was refurbished in 2005 and effective November 2005, serves as headquarters for the majority of the member companies of Malayan United Industries Berhad group. Menara PMI is currently fully tenanted and provides a steady income base for the Company. The building was vacant in 2004.

39. Subsequent Events

(i) Pan Malaysia Holdings Berhad (“PMH”) Became An Affected Listed Issuer pursuant to Practice Note No 17/2005 (“PN17”) of the Listing Requirements of Bursa Securities and Proposed Capital Reconstruction

The Company announced on 2 March 2006 that due to insignificant business or operations for the financial year ended 31 December 2005, it was an Affected Listed Issuer pursuant to PN17. The Company’s revenue on a consolidated basis for the financial year ended 31 December 2005, computed on the basis stated in PN17, was not more than 5% of its issued and paid-up share capital.

The Company’s revenue on a consolidated basis for the financial year ended 31 December 2004 of RM83.02 million represented more than 5% of the issued and paid-up share capital of the Company. However, for the financial year ended 31 December 2005, the Company’s revenue on a consolidated basis, computed on the basis stated in PN17, decreased by RM37.57 million to RM45.45 million, which represented less than 5% of the issued and paid-up share capital of the Company. The decrease in the revenue on a consolidated basis was mainly due to the following:-

- (i) PM Cap ceased to be a subsidiary company and became an associated company on 29 December 2004. Thus for the financial year ended 31 December 2005 and in accordance with the basis stated in PN17, PMH took up 34.84% of the consolidated revenue of PM Cap for the said financial year based on its equity interest in PM Cap for computing PMH’s revenue on a consolidated basis to determine its level of operations. For the financial year ended 31 December 2005, the consolidated revenue of PM Cap was RM37.85 million. Thus, based on its equity interest of 34.84%, PMH took up RM13.19 million of PM Cap’s consolidated revenue. In the period 1 January 2004 to 28 December 2004 when PM Cap was a subsidiary company of PMH, PMH took up approximately 100% of the consolidated revenue of PM Cap for the said period of RM46.88 million.
- (ii) the decrease in the consolidated revenue of PM Cap for the financial year ended 31 December 2005 which was mainly due to the 17.54% decline in the value of market transactions from RM243.86 billion to RM201.09 billion on Bursa Securities for the same period as the PM Cap group comprises principally of stockbroking and related services in Malaysia; and
- (iii) the decrease in the revenue of PMH Group’s travel and hotel businesses by RM4.38 million from RM35.53 million for the financial year ended 31 December 2004 to RM31.15 million for the financial year ended 31 December 2005 which was mainly due to the aftermath of the tsunami disaster in December 2004 which affected adversely their businesses in early 2005.

The Company also announced on 2 March 2006 a proposed share capital reduction pursuant to Section 64(1) of the Companies Act, 1965 involving the cancellation of RM0.90 of the par value of each existing ordinary share of RM1.00 each of the Company in issue (the “Proposed Par Value Reduction”) and a proposed reduction of its share premium account up to RM34.73 million pursuant to Sections 64(1) and 60(2) of the Act (collectively, the “Proposed Capital Reconstruction”). Upon the completion of the Proposed Par Value Reduction, the Company’s present issued and paid-up share capital will be reduced from RM928.87 million to approximately RM92.89 million (“Reduced Share Capital”). Based on the Reduced Share Capital, the Company will need to achieve revenue on a consolidated basis of not less than approximately RM4.66 million per annum (“Requisite Revenue”), which represents more than 5% of the Reduced Share Capital, to regularise its level of operations (i.e. “insignificant business or operations”) pursuant to PN17.

Barring any unforeseen circumstances, the Proposed Capital Reconstruction is expected to be completed within six (6) months from 2 March 2006. With the expected improving market sentiment on Bursa Securities and projected GDP growth of 6.0% for the Malaysian economy in 2006, the Company will be able to achieve the Requisite Revenue in the first half of 2006, which upon the completion of the Proposed Capital Reconstruction will enable the Company to regularise its level of operations and cease to be an Affected Listed Issuer pursuant to PN17.

39. Subsequent Events (Cont'd)

(ii) Pan Malaysia Capital Berhad ("PM Cap") Became An Affected Listed Issuer pursuant to PN17 of the Listing Requirements of Bursa Securities and Proposed Par Value Reduction

PM Cap announced on 2 March 2006 that its revenue on a consolidated basis for the financial year ended 31 December 2005, computed on the basis stated in PN17, represents not more than 5% of its issued and paid-up share capital. Consequently, the company is considered to have an "insignificant business or operations" and is an Affected Listed Issuer pursuant to PN17.

PM Cap's revenue on a consolidated basis for the prior financial year ended 31 December 2004 of RM46.88 million represented more than 5% of the issued and paid-up share capital of the company. However, for the financial year ended 31 December 2005, the company's revenue on a consolidated basis which decreased by RM9.03 million to RM37.85 million, represented less than 5% of the issued and paid-up share capital of the company. The decrease in the company's revenue on a consolidated basis was mainly due to the decrease in brokerage income of its stockbroking subsidiary company by RM13.06 million from RM39.38 million in 2004 to RM26.32 million in 2005. This was attributed mainly to the decline in the value of market transactions on Bursa Securities for the same period by RM42.77 billion from RM243.86 billion in 2004 to RM201.09 billion in 2005.

To regularise its level of operations pursuant to PN17, PM Cap announced on 2 March 2006 a proposed share capital reduction pursuant to Section 64(1) of the Companies Act, 1965 involving the cancellation of RM0.60 of the par value of each existing ordinary share of RM1.00 each of the company in issue ("Proposed Par Value Reduction"). Upon the completion of its Proposed Par Value Reduction, PM Cap's issued and paid-up share capital would be reduced from RM815.31 million to approximately RM326.12 million ("Reduced Share Capital"). Based on the Reduced Share Capital, PM Cap will need to achieve revenue on a consolidated basis of not less than approximately RM16.34 million per annum ("Requisite Revenue"), which represents more than 5% of the Reduced Share Capital, to regularise its level of operations (i.e. "insignificant business or operations") pursuant to PN17.

With the expected improving market sentiment on Bursa Securities for 2006 and the projected GDP growth of 6.0% for the Malaysian economy in 2006, PM Cap will be able to achieve the Requisite Revenue in the second half of 2006, which upon the completion of the Proposed Par Value Reduction will enable the company to regularise its level of operations and cease to be an Affected Listed Issuer pursuant to PN17. Barring any unforeseen circumstances, the Proposed Par Value Reduction is expected to be completed within six (6) months from 2 March 2006.

(iii) Transformation of PM Securities Sdn Bhd ("PM Securities") from Universal Broker to Investment Bank

PM Securities, a 99.99% owned subsidiary company of PM Cap and a Universal Broker, is setting itself up to be transformed to an Investment Bank. PM Securities had on 5 January 2006 paid an initial deposit of RM10.0 million as part payment of a total contribution of RM52.5 million to Bank Negara Malaysia ("BNM"). BNM, the Securities Commission and Bursa Securities had commenced a due diligence review on PM Securities to ensure that PM Securities meets the preconditions of becoming an Investment Bank.

40. Subsidiary And Associated Companies

Subsidiary and Associated Companies of Pan Malaysia Holdings Berhad

<i>Subsidiary Company</i>	<i>Equity Interest</i>		<i>Principal Activities</i>	<i>Country of Incorporation</i>
	<i>2005</i>	<i>2004</i>		
	<i>%</i>	<i>%</i>		
1. Destiny Aims Sdn. Bhd. (a wholly-owned subsidiary company of Pan Malaysia Travel & Tours Sdn. Bhd.)	80	80	Dormant	Malaysia
+ 2. Golden Carps Pte. Ltd.	100	100	Inactive	Singapore
+ 3. Grandvestment Company Limited	100	100	Investment holding	Hong Kong
4. Kayangan Makmur Sdn. Bhd.	100	100	Investment holding	Malaysia
+ 5. Pengkalen Company Limited	100	100	Dormant	United Kingdom
6. Pengkalen Equities Sdn. Bhd.	100	100	Investment holding and dealing	Malaysia
7. Pengkalen Foodservices Sdn. Bhd.	100	100	Inactive	Malaysia
8. Pengkalen Holiday Resort Sdn. Bhd.	100	100	Operating a hotel	Malaysia
9. Pengkalen Properties Sdn. Bhd.	100	100	Inactive	Malaysia
10. Pan Malaysia Travel & Tours Sdn. Bhd.	80	80	Travel agent & provision of travel-related services	Malaysia
11. Twin Phoenix Sdn. Bhd.	100	100	Dormant	Malaysia
<i>Associated Company</i>	<i>Equity Interest</i>		<i>Principal Activities</i>	<i>Country of Incorporation</i>
	<i>2005</i>	<i>2004</i>		
	<i>%</i>	<i>%</i>		
1. Pan Malaysia Capital Berhad	34.84	34.84	Investment holding	Malaysia
* 2. Excelpac Industries Sdn. Bhd. (a 25% associated company of Pan Malaysia Travel & Tours Sdn. Bhd.)	20	20	Inactive	Malaysia

40. Subsidiary And Associated Companies (Cont'd)

Subsidiary Companies of Pan Malaysia Holdings Berhad

<i>Subsidiary Company</i>	<i>Equity Interest</i>		<i>Principal Activities</i>	<i>Country of Incorporation</i>
	<i>2005</i>	<i>2004</i>		
	<i>%</i>	<i>%</i>		
1. Bayan Niaga Sdn. Bhd.	100	100	Inactive	Malaysia
2. KESB Nominees (Asing) Sdn. Bhd.	99.99	99.99	Dormant	Malaysia
3. KESB Nominees (Tempatan) Sdn. Bhd.	99.99	99.99	Nominee & custodian services	Malaysia
4. Meridian Nominees (Tempatan) Sdn. Bhd.	99.99	99.99	Share registration, nominee & custodian services	Malaysia
5. Pan Malaysia Equities Sdn. Bhd.	99.99	99.99	Property & investment holding	Malaysia
6. PCB Asset Management Sdn. Bhd.	100	100	Research & fund management services	Malaysia
7. PM Asset Management Sdn. Bhd.	100	100	Investment holding	Malaysia
8. PM Nominees (Asing) Sdn. Bhd.	99.99	99.99	Nominee & custodian services	Malaysia
9. PM Nominees (Tempatan) Sdn. Bhd.	99.99	99.99	Nominee & custodian services	Malaysia
10. PM Options & Futures Sdn. Bhd.	100	100	Inactive	Malaysia
11. PM Securities Sdn. Bhd.	99.99	99.99	Stock and sharebroking and corporate advisory services	Malaysia
12. Miranex Sdn. Bhd.	100	–	Moneylending	Malaysia

40. Subsidiary And Associated Companies (Cont'd)

Subsidiary and Associated Companies of Pan Malaysia Holdings Berhad which are in Liquidation

<i>Subsidiary Company</i>	<i>Equity Interest</i>		<i>Country of Incorporation</i>
	<i>2005</i>	<i>2004</i>	
	<i>%</i>	<i>%</i>	
<input type="checkbox"/> 1. Anglo Pacific Holdings (Malaysia) Sdn. Bhd.	100	100	Malaysia
2. Asia Entertainment Network Sdn. Bhd.	60	60	Malaysia
<input type="checkbox"/> 3. Central Cocoa Pte. Ltd.	100	100	Singapore
4. Cocoa Specialities (Malaysia) Sdn. Bhd.	84.12	84.12	Malaysia
5. Grand Union Insurance Company Limited	55	55	Hong Kong
6. Office Business Systems (Malacca) Sdn. Bhd.	41.67	41.67	Malaysia
7. Office Business Systems (Penang) Sdn. Bhd.	64.10	64.10	Malaysia
8. Office Business Systems Sdn. Bhd.	64.10	64.10	Malaysia
9. Pengkalen Building Materials Sdn. Bhd.	100	100	Malaysia
10. Pengkalen Electronics Industries Sdn. Bhd.	67	67	Malaysia
11. Pengkalen Engineering & Construction Sdn. Bhd.	100	100	Malaysia
12. Pengkalen Heights Sdn. Bhd.	70	70	Malaysia
13. Pengkalen Pasar Borong Sdn. Bhd.	80	80	Malaysia
14. Pengkalen Raya Sdn. Bhd.	100	100	Malaysia
15. Pengkalen (UK) Plc.	84.12	84.12	United Kingdom
16. Sensor Equipment Sdn. Bhd.	64.10	64.10	Malaysia
17. Technitone (M) Sdn. Bhd.	64.10	64.10	Malaysia
<input type="checkbox"/> 18. Upali Group Sdn. Bhd.	100	100	Malaysia
<input type="checkbox"/> 19. Wellon Distribution Pte. Ltd.	100	100	Singapore
<i>Associated Company</i>	<i>Equity Interest</i>		<i>Country of Incorporation</i>
	<i>2005</i>	<i>2004</i>	
	<i>%</i>	<i>%</i>	
1. Schwartau (Far East) Sdn. Bhd.	42.06	42.06	Malaysia

40. Subsidiary And Associated Companies (Cont'd)

Other Subsidiary and Associated Companies of Pengkalen (UK) Plc

<i>Subsidiary Company</i>	<i>Equity Interest</i>		<i>Country of Incorporation</i>
	<i>2005</i>	<i>2004</i>	
	<i>%</i>	<i>%</i>	
1. Anglo Pacific Corporation (Malaysia) Sdn. Bhd.	100	100	Malaysia
2. Aqua Lanka (Private) Limited	100	100	Sri Lanka
+ 3. GCIH Property Limited	100	100	Hong Kong
++ 4. Grand Central (Ceylon) Rubber Estates, Limited	—	100	United Kingdom
+ 5. Grand Central Limited	100	100	Sri Lanka
++ 6. Highland Tea Company of Ceylon, Limited	—	100	United Kingdom
7. Kuril Plantations Sdn. Berhad	100	100	Malaysia
++ 8. Meltis Holdings Limited	—	84	United Kingdom
++ 9. Nagolle Holdings Limited	—	100	United Kingdom
++ 10. Nagolle (Ceylon) Rubber and Tea Plantations Limited	—	100	United Kingdom
++ 11. Network Foods International Limited	—	100	United Kingdom
++ 12. The Panawatte Tea and Rubber Estates Limited	—	100	United Kingdom
++ 13. The Yatiyantota Ceylon Rubber Company Limited	—	100	United Kingdom
<i>Associated Company</i>	<i>Equity Interest</i>		<i>Country of Incorporation</i>
	<i>2005</i>	<i>2004</i>	
	<i>%</i>	<i>%</i>	
1. Desa Kuril Sdn. Berhad	50	50	Malaysia

+ Subsidiary companies audited by overseas member firms associated with BDO Binder, Malaysia

* Associated company not audited by member firms of BDO Binder, Malaysia

□ These subsidiary companies of PUK were placed under creditors' voluntary winding-up during the current financial year

++ These subsidiary companies of PUK were dissolved on 11 October 2005

41. Number Of Employees And Staff Costs

	<i>Group</i>		<i>Company</i>	
	2005	2004	2005	2004
Number of employees, including executive directors, as at year end	169	417	23	22

Staff costs for the financial year are as follows:-

	<i>Group</i>		<i>Company</i>	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	2,727	10,822	624	657
Defined contribution plans	311	754	86	76
Short term accumulating compensated absence	15	(7)	15	9
Other employee benefits	457	2,161	102	65
	3,510	13,730	827	807

49. Authorisation For Issue Of Financial Statements

These financial statements 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 30 to 79 have been drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of:-

- (i) the state of affairs of the Group and of the Company as at 31 December 2005 and of their results for the financial year then ended; and
- (ii) the cash flows of the Group and of the Company for the financial year ended 31 December 2005.

On behalf of the Board

Khet Kok Yin
Director

Dato' Choong Kok Min
Director

Kuala Lumpur
25 April 2006

Statutory Declaration

I, Lum Seng Yip, being the officer primarily responsible for the financial management of Pan Malaysia Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 30 to 79 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Lum Seng Yip at Kuala Lumpur in the Federal Territory on 25 April 2006.

Lum Seng Yip

Before me:-

Robert Lim Hock Kee
No. W092
Commissioner for Oaths
Kuala Lumpur

Report Of The Auditors

To the members of Pan Malaysia Holdings Berhad

We have audited the financial statements set out on pages 30 to 79.

These financial statements are the responsibility of the Company's Directors.

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

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

In our opinion:

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

We have considered the financial statements and the auditors' reports of the subsidiary companies of which we have not acted as auditors, as disclosed in Note 40 to the financial statements, being financial statements that are included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiary companies that are 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 subsidiary companies were not subject to any qualification and did not include any comment made under Section 174 (3) of the Act.

BDO Binder

AF : 0206

Chartered Accountants

Tan Lye Chong

1972/08/07 (J)

Partner

Kuala Lumpur

25 April 2006

Analysis Of Shareholdings

As at 2 May 2006

Class of Shares : Ordinary share of RM1.00 each
Voting Rights : 1 vote per ordinary share

Substantial Shareholders

as per Register of Substantial Shareholders

Name	Direct	No. of Shares held		%
		%	Deemed	
Pan Malaysian Industries Berhad	—	—	638,572,986	68.75
Tan Sri Dato' Khoo Kay Peng	—	—	633,814,310	68.24
Malayan United Industries Berhad	—	—	637,940,249	68.68
Loyal Design Sdn Bhd	358,496,163	38.59	—	—
MUI Media Ltd	140,117,208	15.08	—	—
Megawise Sdn Bhd	82,749,507	8.91	—	—
Pan Malaysia Corporation Berhad	—	—	82,749,507	8.91

Directors' Shareholdings

as per Register of Directors' Shareholdings

In the Company	Name	Direct	No. of Shares held		%
			%	Indirect	
	Dato' Choong Kok Min ^{*1}	1,442,000	0.16	21,109,732	2.27
	Dato' Rastam bin Abdul Hadi	—	—	501,000	0.05

^{*1} Dato' Choong Kok Min has purportedly been granted option to subscribe for 500,000 ordinary shares of RM1.00 each at an exercise price of RM3.02 per share pursuant to the Executive Share Option Scheme of the Company. The validity of the options granted has been challenged in the Kuala Lumpur High Court Civil Suit No. D2-22-337-1996. On 12 January 2006, the parties to the suit have agreed to effect a full and final settlement by way of a compromise. Dato' Choong Kok Min has subsequently accepted the compromise.

In Related Company	Name	Direct	No. of Shares held		%
			%	Indirect	
Malayan United Industries Berhad	Dato' Choong Kok Min	1,150,000	0.06	—	—
	Yong Ming Sang	1,981,800	0.10	549,640	0.03
MUI Properties Berhad	Dato' Choong Kok Min	5,000	negligible	—	—
Pan Malaysia Corporation Berhad	Dato' Rastam bin Abdul Hadi	—	—	132,600	0.02

Nominal Value of Class A1 Irredeemable Convertible Unsecured Loan Stocks (RM)

	Name	Direct	%	Indirect	%
Malayan United Industries Berhad	Dato' Choong Kok Min	3,470	negligible	—	—
	Dato' Rastam bin Abdul Hadi	—	—	99,684	0.02

Analysis Of Shareholdings (Cont'd)

As at 2 May 2006

		Nominal Value of Class A2 Irredeemable Convertible Unsecured Loan Stocks (RM)			
	Name	Direct	%	Indirect	%
Malayan United Industries Berhad	Dato' Choong Kok Min	3,470	negligible	—	—
	Dato' Rastam bin Abdul Hadi	—	—	99,684	0.02

Distribution of Shareholders

Category	No. of Shareholders	%	No. of Shares	%
Less than 100 shares	203	2.06	6,811	0.00
100 - 1,000 shares	2,481	25.23	2,230,262	0.24
1,001 - 10,000 shares	5,510	56.04	24,144,102	2.60
10,001 - 100,000 shares	1,391	14.15	44,946,767	4.84
100,001 to less than 5% of issued shares	242	2.46	216,956,070	23.36
5% and above of issued shares	6	0.06	640,583,399	68.96
Total	9,833	100.00	928,867,411	100.00

Thirty (30) Largest Securities Accounts Holders

Name	No. of Shares	%
1. Loyal Design Sdn Bhd	228,496,163	24.60
2. Amsec Nominees (Tempatan) Sdn Bhd - Arab-Malaysian Credit Berhad for Loyal Design Sdn Bhd	130,000,000	13.99
3. Mayban Nominees (Asing) Sdn Bhd - The Bank of East Asia Limited, Hong Kong for MUI Media Limited	83,000,000	8.94
4. Megawise Sdn Bhd	82,749,507	8.91
5. Mayban Nominees (Tempatan) Sdn Bhd - Mayban Investment Management Sdn Bhd for Malayan Banking Berhad	59,220,521	6.38
6. MUI Media Ltd	57,117,208	6.15
7. Acquiline Sdn Bhd	30,463,488	3.28
8. Arab-Malaysian Credit Berhad	22,845,416	2.46
9. Komin Holdings Sdn Bhd	20,311,332	2.19
10. Mayban Nominees (Tempatan) Sdn Bhd - The Bank of East Asia Limited, Hong Kong for MUI Capital Sdn Bhd	17,000,000	1.83
11. Danaharta Urus Sdn Bhd	13,554,211	1.46
12. MUI Capital Sdn Bhd	8,999,810	0.97
13. Amsec Nominees (Tempatan) Sdn Bhd - Ambank (M) Berhad	7,153,028	0.77
14. Danaharta Managers Sdn Bhd	5,673,118	0.61
15. Bank Kerjasama Rakyat Malaysia Berhad	5,101,634	0.55
16. ABB Nominee (Tempatan) Sdn Bhd - Affin Bank Berhad (Loan Recovery)	4,994,215	0.54
17. Lau Kok Seng	3,918,500	0.42
18. EB Nominees (Tempatan) Sendirian Berhad - EON Bank Berhad	3,323,002	0.36

Analysis Of Shareholdings (Cont'd)

As at 2 May 2006

Thirty (30) Largest Securities Accounts Holders (Cont'd)

<i>Name</i>	<i>No. of Shares</i>	<i>%</i>
19. Newest Sdn Bhd (In Creditors Voluntary Liquidation)	2,790,000	0.30
20. Ong Lea Yong	2,268,900	0.24
21. Bank Kerjasama Rakyat Malaysia Berhad	1,985,751	0.21
22. RHB Capital Nominees (Tempatan) Sdn Bhd - RHB Bank Berhad (RMB Investment)	1,864,593	0.20
23. Yeap Poh Tin	1,498,400	0.16
24. Mayban Nominees (Tempatan) Sdn Bhd - Securities account for Lau Kok Seng	1,400,000	0.15
25. Standard Chartered Bank Malaysia Berhad	1,315,139	0.14
26. Multi-Purpose Credit Sdn Bhd	1,142,082	0.12
27. Public Bank Berhad	1,121,096	0.12
28. RHB Capital Nominees (Tempatan) Sdn Bhd - Securities Account for Soo Siew Seng	1,068,300	0.12
29. Citibank Berhad	1,062,948	0.11
30. Teh Chin Soon	1,028,500	0.11
Total	802,466,862	86.39

Properties Owned By The Group

As at 31 December 2005

<i>Location</i>	<i>Description</i>	<i>Usage</i>	<i>Tenure Expiry Year</i>	<i>Approximate Area Sq. Metres</i>	<i>Approximate Age of the Building No. of Years</i>	<i>Net Book Value RM'000</i>	<i>Date of Acquisition/ Last Revaluation</i>
Federal Territory of Kuala Lumpur							
Menara PMI, No. 2, Jalan Changkat Ceylon 50200 Kuala Lumpur	1 lot of freehold land with a 15-storey office building	Office	Freehold	2,459	19	29,303	16.10.1993
State of Negeri Sembilan Darul Khusus							
Lot 286, 288 & 289 and PT5855, 3 1/2 km, Jalan Pantai, Port Dickson	4 lots of leasehold land with a 10-storey resort hotel	Hotel	Leasehold 2059/2087	55,745	10	30,217	1993
State of Pahang Darul Makmur							
HS10468 PT11291, Bentong,	1 lot of freehold bungalow land	Vacant	Freehold	1,115	—	180	06.03.1992

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Form of Proxy

No. of Shares Held

I/We _____ NRIC No. _____

of _____ Tel. No. _____

being a member of PAN MALAYSIA HOLDINGS BERHAD, hereby appoint _____

_____ NRIC No. _____

of _____ Occupation _____

or failing him/her, _____ NRIC No. _____

of _____ Occupation _____

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Twenty-Third Annual General Meeting of the Company to be held at Crystal Ballroom, Corus hotel Kuala Lumpur, Jalan Ampang, 50450 Kuala Lumpur on Thursday, 29 June 2006 at 9.00 a.m. and at any adjournment thereof.

My/Our Proxy is to vote as indicated below:-

Resolutions	For	Against
1. To receive the audited financial statements for the financial year ended 31 December 2005 and the Reports of the Directors and the Auditors thereon.		
2. To re-appoint Dato' Abdul Aziz bin Ahmad as Director.		
3. To re-appoint Dato' Rastam bin Abdul Hadi as Director.		
4. To re-appoint Mr Yong Ming Sang as Director.		
5. To re-elect Dato' Choong Kok Min as Director.		
6. To re-elect Mr Ooi Boon Leong @ Law Weng Leun as Director.		
7. To re-appoint Messrs BDO Binder as auditors of the Company and to authorise the Directors to fix their remuneration.		

(Please indicate with (X) how you wish to cast your vote. If you do not do so, the proxy will vote or abstain from voting at his discretion.)

Signature

Signed this _____ day of _____ 2006.

Seal

Notes:-

1. A member of the Company entitled to attend and vote at the meeting may appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company but if he is not a member, he must be a qualified legal practitioner, approved company auditor, a person approved by the Companies Commission of Malaysia in the particular case or a person approved by the Directors prior to the appointment.
2. A member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint one proxy only in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where a member, other than an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, appoints two proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. The Form of Proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation, under its common seal or under the hand of the attorney.
4. The Form of Proxy must be deposited at the registered office of the Company at 5th Floor, Menara PMI, No. 2, Jalan Changkat Ceylon, 50200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

Stamp

The Company Secretary
Pan Malaysia Holdings Berhad
5th Floor, Menara PMI
No. 2, Jalan Changkat Ceylon
50200 Kuala Lumpur
Malaysia
