

Pan Malaysia Holdings Berhad

Company No: 95469 - W

LAPORAN TAHUNAN 2006 ANNUAL REPORT

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NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Fourth Annual General Meeting of the Company will be held at Ballroom 2, Corus hotel Kuala Lumpur, Jalan Ampang, 50450 Kuala Lumpur on Wednesday, 20 June 2007 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 2006.
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 a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company." **Resolution 1**
 - (ii) "THAT pursuant to Section 129(6) of the Companies Act, 1965, Dato' Rastam bin Abdul Hadi be re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company." **Resolution 2**
 - (iii) "THAT pursuant to Section 129(6) of the Companies Act, 1965, Mr Yong Ming Sang be re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company." **Resolution 3**
 - (iv) "THAT pursuant to Section 129(6) of the Companies Act, 1965, Mr Ooi Boon Leong @ Law Weng Leun be re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company." **Resolution 4**
3. To re-elect Tan Sri Dato' Mohd Ibrahim bin Mohd Zain as a Director of the Company. **Resolution 5**
4. To re-appoint Messrs BDO Binder as auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 6**
5. 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
29 May 2007

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) Mr Ooi Boon Leong @ Law Weng Leun | – Retiring pursuant to Section 129 of the Companies Act, 1965. |
| (e) Tan Sri Dato' Mohd Ibrahim bin Mohd Zain | – Retiring pursuant to Article 111 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. The securities holdings of Dato' Choong Kok Min in the Company is set out in the Analysis of Shareholdings which appear on page 82 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 2006. 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-Fourth Annual General Meeting of the Company will be held at Ballroom 2, Corus hotel Kuala Lumpur, Jalan Ampang, 50450 Kuala Lumpur on Wednesday, 20 June 2007 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*

Dato' Choong Kok Min, D.P.T.J., P.J.K., *Executive Director*

Khet Kok Yin

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

Chan Choung Yau (*Alternate to Khet Kok Yin*)

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

CIMB Bank Berhad

Malayan Banking Berhad

United Overseas Bank (Malaysia) Berhad

Stock Exchange Listing

The Main Board of Bursa Malaysia Securities Berhad

PROFILE OF DIRECTORS

Tan Sri Dato' Mohd Ibrahim bin Mohd Zain

Age 63. 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 till October 2006. 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 (now known as the Malaysian Tourism Promotion Board). 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, and 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.

Dato' Choong Kok Min

Age 65. 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. 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 60. Malaysian. Non-Independent Non-Executive Director. Appointed as Director on 28 May 1998. Member of Audit Committee. Holds a Bachelor of Economics (Honours) from University of Malaya. Currently, he sits on the Boards of Malayan United Industries Berhad, MUI Properties Berhad, MUI Continental Insurance Berhad, Pan Malaysia Corporation Berhad, Pan Malaysia Capital Berhad, Pan Malaysian Industries 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, Pan Malaysian Industries Berhad, Pan Malaysia Capital Berhad and Morning Star Securities Limited, Hongkong and Chief Executive Officer of Pan Malaysia Corporation 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' Abdul Aziz bin Ahmad

Age 79. 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 76. 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 76. 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, media, manufacturing, hotel, property development, airline industry to tourism. Also serves as a Director of Malayan United Industries Berhad and MUI Properties Berhad. He had previously served as Chairman of Star Publications (Malaysia) Berhad and Bandar Raya Development Berhad and a Director of Malaysian Airline System Berhad, the national airline, Tourist Development Corporation (now known as the Malaysian Tourism Promotion Board), Keretapi Tanah Melayu and the National Art Gallery, Malaysia. 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 70. Malaysian. Independent Non-Executive Director. Appointed as Director on 9 September 2005. Member of Audit, Remuneration and Nomination Committees. 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 all the four (4) Board Meetings held during the financial year.

Chan Choung Yau

(Alternate Director to Khet Kok Yin)

Age 44. Malaysian. Appointed as alternate Director on 14 September 2006. He is a Chartered Accountant with the Malaysian Institute of Accountants and a Fellow of The Association of Chartered Certified Accountants, United Kingdom. He has more than twenty-five years experience mainly in finance and accounting, audit, corporate secretarial and human resource management. Mr Chan is currently a Senior Vice President of Malayan United Management Sdn Bhd. Currently, he sits on the Board of Metrojaya Berhad. He is an alternate director on the Boards of Pan Malaysian Industries Berhad and Pan Malaysia Capital Berhad. He has served Deloitte KassimChan, Plantation Agencies Sdn Bhd, Escoy Holdings Berhad Group and IOI Oleochemical Industries Berhad as Assistant Manager, Senior Accountant, Corporate Affairs Director/Company Secretary and Financial Controller respectively from February 1981 to December 2005. 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.

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 2006. 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) Executive Director
- Two (2) Non-Independent Non-Executive Directors
- Three (3) Independent Non-Executive Directors

There is an alternate Director on the Board.

1.2 Board Balance (Cont'd)

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 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 2006 is set out on pages 17 to 19 of the Annual Report.

Details of the Nomination Committee and Remuneration Committee are set out in section 1.4 and section 2 respectively of this statement.

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 Boardroom Affairs and its Functions and Corporate Disclosure Rules and Regulations 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 2006, the aggregate of remuneration of the Directors received from the Company and its subsidiaries categorised into appropriate components were as follows:-

| | <i>Salaries</i> <i>RM</i> | <i>Fees</i> <i>RM</i> | <i>Benefits- in-kind</i> <i>RM</i> | <i>Others</i> <i>RM</i> | <i>Total</i> <i>RM</i> |
|-------------------------|--|--|---|--|---|
| Executive Directors | 90,000 | — | 24,600 | 19,500 | 134,100 |
| Non-Executive Directors | — | — | 13,800 | 105,000 | 118,800 |

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

| Range of remuneration | <i>Number of Directors</i> | |
|------------------------------|-----------------------------------|-----------------------------|
| | <i>Executive</i> | <i>Non-Executive</i> |
| Below RM50,000 | 1 | 2 |
| 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 17 to 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 Financial Reporting Standards in Malaysia 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 Board is committed to maintaining a strong control structure and environment for the proper conduct of the Group’s business operations. 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
- an Audit Committee comprising non-executive members of the Board with the majority being independent directors

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 2006, non-audit fees paid to the external auditors amounted to RM57,392 (2005: 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 2006 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 recurrent related party transactions of a revenue or trading nature conducted during the financial year ended 31 December 2006 by Pan Malaysia Holdings Berhad and its unlisted subsidiaries ("PMH Group") in accordance with the shareholders' mandate were as follows:-

| Company within the PMH Group involved | Related Party | Nature of Transaction | RM'000 |
|--|---|--|--------|
| 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 | 2,922 |

5. Recurrent Related Party Transactions of A Revenue or Trading Nature (Cont'd)

| Company within the PMH Group involved | Related Party | Nature of Transaction | RM'000 |
|--|--|---|---------------|
| 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 |
| PMTT | Ming Court Hotel (KL) Sdn Bhd, a wholly-owned subsidiary of MUIB. | Purchase of hotel rooms and food for tour groups | 16 |
| PMH Group | Malayan United Management Sdn Bhd, a wholly-owned subsidiary of MUIB. | Procurement of legal, audit and other support services | 8 |

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 | Non-Independent Non-Executive 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 Securities 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:-
 - (a) the audit plan with the external auditors;
 - (b) the evaluation of the system of internal controls with the external auditors;
 - (c) the audit report with the external auditors;
 - (d) the assistance and co-operation given by the employees of the Company to the external auditors;
 - (e) the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - (f) 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;
 - (g) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
 - (i) changes in or implementation of major accounting policy changes;
 - (ii) significant and unusual events;
 - (iii) significant adjustments arising from the audit;
 - (iv) the going concern assumption; and
 - (v) compliance with accounting standards and other legal requirements;
 - (h) 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;
 - (i) any letter of resignation from the external auditors;
 - (j) whether there is any reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment;

3. Functions (Cont'd)

- 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 2006, six (6) Audit Committee Meetings were held. All the Audit Committee members attended all the six (6) meetings held during the financial year.

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 2006

The Audit Committee reviewed and deliberated five (5) 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 2007. 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 Department reports directly to the Audit Committee Chairman, and regularly reviews and appraises the Group's key operations to ensure that key risk and control concerns are being effectively managed. 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
- performing follow-up reviews of previous audit reports to ensure appropriate actions are implemented to address control issues highlighted, 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 2006.

ECONOMIC REVIEW

The Malaysian economy achieved a growth rate of 5.9% in real Gross Domestic Product in 2006 compared to 5.2% in 2005. The economic growth was driven by sustained consumption, increased corporate investments and stronger exports. On the supply side, the manufacturing sector and the agriculture, forestry and fishery sector achieved higher growth rates in 2006 than in the previous year whereas the services sector maintained its growth rate at 6.5%. In contrast and as reflected in the softer housing market, the construction sector contracted by 0.5% in 2006.

Tourism registered strong growth with tourist arrivals in Malaysia growing 6.8% to 17.5 million visitors compared to 16.4 million visitors in 2005. ASEAN tourists accounted for over 77% of the total tourist arrivals into Malaysia in 2006.

Malaysia recorded a surplus in overall balance of payments of RM25.3 billion in 2006, reflecting growth in exports and higher foreign direct investment as well as net inflow of portfolio investment. The international reserves of Bank Negara Malaysia amounted to RM290.4 billion (US\$82.5 billion), sufficient to finance 7.8 months of retained imports and is 7.0 times the short-term external debt as at 31 December 2006.

The Kuala Lumpur Composite Index ("KLCI") started 2006 positively on favourable economic expectations and foreign portfolio inflows. The buying interest pushed the KLCI to a six-year high of 966.88 in early May. In mid-May, however, uncertainties over US monetary policy and global growth prospects led to heavy sell-off across all asset classes, resulting in a more than 7% decline in the market. Despite tension in the Middle East and rising crude oil prices which

breached US\$78 per barrel at one point, the KLCI started its ascending trend from the end of July and ended the year at 1,096.24, or 22% higher than when the year started.

The volume transacted on Bursa Malaysia Securities Berhad ("Bursa Securities") increased 81% to 215.4 billion units in 2006 while the total value of transactions rose 38% to RM277.8 billion. However, the number of IPOs in 2006 decreased to 41 issues raising RM1.5 billion as compared to 79 issues raising RM5.3 billion in 2005.

The re-introduction by Bursa Securities of Regulated Short Selling and Securities Borrowing and Lending transactions in 2007 is expected to improve the liquidity of the Malaysian stock market and augurs well for its development.

CORPORATE DEVELOPMENTS

A. Par Value Reductions

The Company and its associated company, Pan Malaysia Capital Berhad, have successfully completed their respective Par Value Reduction exercises and have regularised their financial positions and are no longer classified as Affected Listed Issuers. The Par Value Reductions by both companies are detailed below:

(i) Pan Malaysia Holdings Berhad (the "Company")

On 29 September 2006, the Company completed its Par Value Reduction exercise involving the reduction of the original share capital of RM928,867,411 comprising 928,867,411 ordinary shares of RM1.00 each to RM92,886,741 comprising 928,867,411 ordinary shares of RM0.10 each, by cancelling RM0.90 from each existing ordinary share of RM1.00 then in issue. In addition, the Company also reduced its share premium account of RM34.7 million ("Share Premium Reduction"). The credit arising from the

Par Value Reduction of RM836.0 million and Share Premium Reduction of RM34.7 million totalling RM870.7 million was used to reduce the audited accumulated losses of the Company of RM872.9 million as at 31 December 2005 to RM2.2 million.

**(ii) Pan Malaysia Capital Berhad
("PM Capital")**

PM Capital also completed its Par Value Reduction on 29 September 2006, involving the reduction of the original share capital of RM815,308,845 comprising 815,308,845 ordinary shares of RM1.00 each to RM326,123,538 comprising 815,308,845 ordinary shares of RM0.40 each, by cancelling RM0.60 from each existing ordinary share of RM1.00 then in issue. PM Capital had a reserve of RM149.6 million in its merger relief account and together with the credit arising from the Par Value Reduction of RM489.2 million, the available credit totalling RM638.8 million was used to reduce the audited accumulated losses of PM Capital of RM646.1 million as at 31 December 2005 to RM7.3 million.

The respective Par Value Reductions were proposed by the Company and PM Capital on 2 March 2006. Shareholders of the Company and PM Capital approved the Par Value Reductions at their respective extraordinary general meetings on 15 May 2006 and the High Court approved both the companies' Petitions for the same on 28 August 2006. With the completion of their respective Par Value Reductions on 29 September 2006, the Company and PM Capital had regularised their financial positions and on 9 October 2006, Bursa Securities announced that the Company and PM Capital had ceased to be Affected Listed Issuers pursuant to Practice Note 17/2005 of the Listing Requirements of Bursa Securities.

B. Transformation of PM Securities Sdn Bhd ("PM Securities") to an Investment Bank

On 5 January 2006, PM Securities, a 99.99%-owned subsidiary of PM Capital paid an initial deposit of RM10 million to Bank Negara Malaysia ("BNM") as part of the total contribution of RM52.5 million for its transformation from a Universal Broker to an Investment Bank. BNM, the Securities Commission and Bursa Securities had conducted their due diligence review on PM Securities to ensure that the company meets the preconditions of becoming an Investment Bank. The company is making the necessary arrangements to comply with all such conditions.

FINANCIAL HIGHLIGHTS AND REVIEW OF OPERATIONS

The Group recorded an improved performance for the financial year ended 31 December 2006 with revenue rising 16.5% to RM37.6 million from RM32.3 million in the preceding financial year. The increase in revenue was mainly contributed by rental income from Menara PMI and higher sales in the Group's travel business.

The Group made a profit before tax of RM1.1 million in the financial year compared to a loss before tax of RM12.3 million in the preceding year. The turnaround of the Group's performance was attributable to improved results from its stock broking associate as well as its property and travel operations.

Menara PMI, the 15-storey building situated in the Golden Triangle of Kuala Lumpur, has been nearly 100% tenanted out since November 2005. During the financial year under review, rental income from the building contributed positively to the Group's performance.

The travel operations under Pan Malaysia Travel and Tours Sdn Bhd, an 80% subsidiary, recorded higher revenue of RM25.0 million in the financial year ended 31 December 2006, an improvement of 5.2% from the preceding financial year.

PM Securities, the main operating unit of the Group's 34.84% associated company, Pan Malaysia Capital Berhad, is a Universal Broker. PM Securities has its principal office in Kuala Lumpur and 9 branch offices in Seremban, Penang, Klang, Puchong, Damansara Utama, Johor Bahru, Batu Pahat, Melaka and Jelebu.

On the back of higher volume and value transacted on Bursa Securities, PM Securities achieved better performance in 2006 with improved revenue of RM51.8 million, representing a significant increase of 38.7% over that of the previous year. It recorded a profit before tax of RM12.3 million in 2006 compared to a loss before tax of RM29.0 million in the previous year.

OUTLOOK FOR 2007

The Malaysian economy is expected to strengthen further in 2007 with a projected increase in real Gross Domestic Product of 6.0%. The economic growth is expected to be driven by continued expansion of private sector activities, fiscal expansion and implementation of the Ninth

Malaysia Plan. The launch of Visit Malaysia Year 2007 is expected to boost tourist arrivals. The favourable economic outlook will also augur well for market performance and trading activities on Bursa Securities.

Barring unforeseen circumstances, the Group expects a satisfactory performance for 2007.

ACKNOWLEDGEMENTS

I would like to express my sincere appreciation to our shareholders, bankers and other business associates for their continuing support and confidence in the Management and the Board. To all 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

7 May 2007

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 2006.

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.

Results

| | <i>Group</i> <i>RM'000</i> | <i>Company</i> <i>RM'000</i> |
|---|---|---|
| Net profit for the financial year attributable to:- | | |
| Equity holders of the parent | 1,028 | 2,867 |
| Minority interests | 59 | - |
| | 1,087 | 2,867 |

Movement in reserves and provisions

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

Dividends

No dividends were paid or declared by the Company since the end of the previous financial year. No dividend was recommended by the Directors in respect of the financial year ended 31 December 2006.

Share capital

During the financial year:-

- (i) the authorised share capital of the Company of RM3,000,000,000 comprising 3,000,000,000 ordinary shares of RM1.00 each has been amended to RM3,000,000,000 comprising 30,000,000,000 ordinary shares of RM0.10 each; and
- (ii) the issued and fully paid-up share capital of the Company was reduced from RM928,867,411 comprising 928,867,411 ordinary shares of RM1.00 each to RM92,886,741 comprising 928,867,411 ordinary shares of RM0.10 each by way of cancellation of RM0.90 of the par value of each then existing ordinary shares in the Company in issue, pursuant to Section 64(1) of the Companies Act, 1965.

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)
Dato' Choong Kok Min (Executive Director)
Khet Kok Yin
Dato' Abdul Aziz bin Ahmad
Dato' Rastam bin Abdul Hadi
Yong Ming Sang
Ooi Boon Leong @ Law Weng Leun
Chan Choung Yau (Alternate to Khet Kok Yin) (Appointed on 14 September 2006)

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 RM0.10 each in Pan Malaysia Holdings Berhad

| | <i>Number of shares</i> | | |
|-----------------------------|---------------------------------------|---------------|---|
| | <i>Balance as at 1.1.2006</i> | <i>Bought</i> | <i>Sold</i> |
| | | | <i>Balance as at 31.12.2006</i> |
| Dato' Choong Kok Min | | | |
| Direct | 1,442,000 | - | - |
| Indirect | 21,109,732 | - | - |
| Dato' Rastam bin Abdul Hadi | | | |
| Indirect | 401,000 | 100,000 | (501,000) |

Ordinary shares of RM1.00 each in Malayan United Industries Berhad

| | <i>Number of shares</i> | | |
|----------------------|---------------------------------------|---------------|---|
| | <i>Balance as at 1.1.2006</i> | <i>Bought</i> | <i>Sold</i> |
| | | | <i>Balance as at 31.12.2006</i> |
| Dato' Choong Kok Min | | | |
| Direct | 1,150,000 | 100,000 | - |
| Yong Ming Sang | | | |
| Direct | 1,981,800 | - | - |
| Indirect | 549,640 | - | - |

Ordinary shares of RM0.50 each in MUI Properties Berhad

| | <i>Number of shares</i> | | |
|----------------------|---------------------------------------|---------------|---|
| | <i>Balance as at 1.1.2006</i> | <i>Bought</i> | <i>Sold</i> |
| | | | <i>Balance as at 31.12.2006</i> |
| Dato' Choong Kok Min | | | |
| Direct | 5,000 | - | - |

**Ordinary shares of RM0.50 each in
Pan Malaysia Corporation Berhad**

| | Number of shares | | |
|---|---------------------------------------|---------------|-------------|
| | Balance as at 1.1.2006 | Bought | Sold |
| Dato' Rastam bin Abdul Hadi Indirect | 132,600 | - | - |

**Class A1 ICULS* in
Malayan United Industries Berhad**

| | Nominal value (RM) | | |
|---|---------------------------------------|---------------|-------------|
| | Balance as at 1.1.2006 | Bought | Sold |
| Dato' Choong Kok Min Direct | 3,470 | - | - |
| Dato' Rastam bin Abdul Hadi Indirect | 99,684 | - | - |

**Class A2 ICULS* in
Malayan United Industries Berhad**

| | Nominal value (RM) | | |
|---|---------------------------------------|---------------|-------------|
| | Balance as at 1.1.2006 | Bought | Sold |
| Dato' Choong Kok Min Direct | 3,470 | - | - |
| Dato' Rastam bin Abdul Hadi Indirect | 99,684 | - | - |

* Irredeemable Convertible Unsecured Loan Stocks

In accordance with Section 129(2) of the Companies Act, 1965, Dato' Abdul Aziz bin Ahmad, Dato' Rastam bin Abdul Hadi, Mr Yong Ming Sang and Mr Ooi Boon Leong @ Law Weng Leun 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, Tan Sri Dato' Mohd Ibrahim bin Mohd Zain retires by rotation 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.

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.

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.

Tan Sri Dato' Mohd Ibrahim bin Mohd Zain

Director

Khet Kok Yin

Director

25 April 2007

Balance Sheets

As at 31 December 2006

| | | Group | | Company | |
|--|-------------|------------------------------|---|------------------------------|---|
| | Note | 2006 RM'000 | 2005 RM'000 <i>(Restated)</i> | 2006 RM'000 | 2005 RM'000 <i>(Restated)</i> |
| Non-current assets | | | | | |
| Property, plant and equipment | 6 | 31,809 | 32,381 | 433 | 428 |
| Investment property | 7 | 28,921 | 29,304 | 28,921 | 29,304 |
| Investment in subsidiary companies | 8 | - | - | 641 | 651 |
| Investment in associated companies | 9 | 47,766 | 43,429 | 47,749 | 43,429 |
| Long term investments | 10 | 945 | 1,059 | 859 | 973 |
| | | 109,441 | 106,173 | 78,603 | 74,785 |
| Current assets | | | | | |
| Inventories | 11 | 714 | 687 | - | - |
| Short term investments | 12 | 2 | 386 | 2 | 2 |
| Trade and other receivables | 13 | 4,432 | 6,321 | 168 | 222 |
| Amounts owing by subsidiary companies | 14 | - | - | 16,008 | 16,459 |
| Amounts owing by associated companies | 15 | 56,057 | 56,031 | 56,057 | 56,031 |
| Amounts owing by related companies | 16 | 961 | 1,529 | 75 | 796 |
| Term and call deposits | 17 | 2,545 | 3,345 | - | 531 |
| Cash and bank balances | | 599 | 888 | 12 | 105 |
| | | 65,310 | 69,187 | 72,322 | 74,146 |
| Total assets | | 174,751 | 175,360 | 150,925 | 148,931 |
| Non-current liabilities | | | | | |
| Provision | 18 | - | - | 35,190 | 35,190 |
| Borrowings | 19 | 53,428 | 51,388 | 17,820 | 16,200 |
| Deferred tax liabilities | 22 | 295 | 295 | - | - |
| | | 53,723 | 51,683 | 53,010 | 51,390 |
| Current liabilities | | | | | |
| Trade and other payables | 23 | 5,842 | 5,909 | 2,130 | 1,536 |
| Amount owing to a subsidiary company | 14 | - | - | 2,019 | 2,022 |
| Amount owing to an associated company | 15 | 943 | 943 | - | - |
| Amounts owing to related companies | 16 | 354 | 423 | 87 | 4 |
| Amount owing to the ultimate holding company | 24 | 73 | - | 73 | - |
| Borrowings | 19 | 17,332 | 21,240 | - | 3,240 |
| Tax liabilities | | - | 1 | - | - |
| | | 24,544 | 28,516 | 4,309 | 6,802 |
| Total liabilities | | 78,267 | 80,199 | 57,319 | 58,192 |
| NET ASSETS | | 96,484 | 95,161 | 93,606 | 90,739 |

Balance Sheets (Cont'd)

As at 31 December 2006

| | | Group | | Company | |
|---|----|--------|----------------------|---------|----------------------|
| | | 2006 | 2005 | 2006 | 2005 |
| Note | | RM'000 | RM'000 (Restated) | RM'000 | RM'000 (Restated) |
| Issued capital and reserve attributable to equity holders of the parent | | | | | |
| Share capital | 25 | 92,887 | 928,867 | 92,887 | 928,867 |
| Reserves | 26 | 3,367 | (833,877) | 719 | (838,128) |
| | | 96,254 | 94,990 | 93,606 | 90,739 |
| Minority interests | | 230 | 171 | - | - |
| TOTAL EQUITY | | 96,484 | 95,161 | 93,606 | 90,739 |

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

Income Statements

For the financial year ended 31 December 2006

| | <i>Note</i> | <i>Group</i> | | <i>Company</i> | |
|--|-------------|------------------------------|---|------------------------------|------------------------------|
| | | <i>2006</i> <i>RM'000</i> | <i>2005</i> <i>RM'000</i> <i>(Restated)</i> | <i>2006</i> <i>RM'000</i> | <i>2005</i> <i>RM'000</i> |
| Revenue | 27 | 37,594 | 32,258 | 4,560 | 1,248 |
| Cost of sales | | (25,318) | (24,103) | - | - |
| Gross profit | | 12,276 | 8,155 | 4,560 | 1,248 |
| Other operating income | | 1,534 | 5,142 | 6,674 | 2,835 |
| Distribution costs | | (574) | (612) | - | - |
| Administration expenses | | (4,050) | (5,403) | (3,463) | (2,678) |
| Other operating expenses | | (6,444) | (3,096) | (3,454) | (13,964) |
| Finance costs | | (5,967) | (5,843) | (1,450) | (1,617) |
| Share of results of associated companies | | 4,337 | (10,639) | - | - |
| Profit/(Loss) before tax | 28 | 1,112 | (12,296) | 2,867 | (14,176) |
| Tax expense | 29 | (25) | (27) | - | - |
| Net profit/(loss) for the financial year | | 1,087 | (12,323) | 2,867 | (14,176) |
| Attributable to: | | | | | |
| Equity holders of the parent | | 1,028 | (12,382) | 2,867 | (14,176) |
| Minority interests | | 59 | 59 | - | - |
| | | 1,087 | (12,323) | 2,867 | (14,176) |
| Basic earnings/(loss) per share attributable to equity holders of the parent | 30 | 0.11 | (1.33) | | |

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

Statements of Changes in Equity

For the financial year ended 31 December 2006

| Group | <———— Attributable to equity holders of the Company ————> (Accumulated) | | | | | | Minority interests | Total equity |
|--|--|----------------------------|------------------------------|--|--|-----------------|-----------------------|-----------------|
| | Share capital RM'000 | Share premium RM'000 | Capital reserve RM'000 | Exchange fluctuation reserve RM'000 | losses)/ Retained profit RM'000 | Total RM'000 | RM'000 | RM'000 |
| Balance as at 31 December 2004 | 928,867 | 34,734 | 5,656 | (12,406) | (849,479) | 107,372 | 112 | 107,484 |
| Net (loss)/profit for the financial year | - | - | - | - | (12,382) | (12,382) | 59 | (12,323) |
| Balance as at 31 December 2005 | 928,867 | 34,734 | 5,656 | (12,406) | (861,861) | 94,990 | 171 | 95,161 |
| Net income recognised in equity - exchange adjustment | - | - | - | 236 | - | 236 | - | 236 |
| Par value reduction (Note 38(i)) | (835,980) | - | - | - | 835,980 | - | - | - |
| Share premium reduction (Note 38(i)) | - | (34,734) | - | - | 34,734 | - | - | - |
| Net profit for the financial year | - | - | - | - | 1,028 | 1,028 | 59 | 1,087 |
| Balance as at 31 December 2006 | 92,887 | - | 5,656 | (12,170) | 9,881 | 96,254 | 230 | 96,484 |
| Company | | | | | | | | |
| Balance as at 31 December 2004 | 928,867 | 34,734 | - | - | (858,686) | 104,915 | - | 104,915 |
| Net loss for the financial year | - | - | - | - | (14,176) | (14,176) | - | (14,176) |
| Balance as at 31 December 2005 | 928,867 | 34,734 | - | - | (872,862) | 90,739 | - | 90,739 |
| Par value reduction (Note 38(i)) | (835,980) | - | - | - | 835,980 | - | - | - |
| Share premium reduction (Note 38(i)) | - | (34,734) | - | - | 34,734 | - | - | - |
| Net profit for the financial year | - | - | - | - | 2,867 | 2,867 | - | 2,867 |
| Balance as at 31 December 2006 | 92,887 | - | - | - | 719 | 93,606 | - | 93,606 |

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

Cash Flow Statements

For the financial year ended 31 December 2006

| | Group | | Company | |
|---|----------------|-------------------|----------------|-------------------|
| | 2006 | 2005 | 2006 | 2005 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| | | <i>(Restated)</i> | | <i>(Restated)</i> |
| Cash Flows From Operating Activities | | | | |
| Profit/(Loss) before tax | 1,112 | (12,296) | 2,867 | (14,176) |
| Adjustments for:- | | | | |
| Allowance for doubtful debts | 1,608 | 111 | 3,320 | 3,026 |
| Allowance for doubtful debts no longer required | (1,181) | (1,478) | (2,192) | (2,417) |
| Bad debts written off | - | 1 | - | - |
| Depreciation of investment property | 383 | 383 | 383 | 383 |
| Depreciation of property, plant and equipment | 1,316 | 1,324 | 102 | 91 |
| Deposits written off | - | 3 | - | - |
| Gain on disposal of quoted investments | (47) | - | - | - |
| Gain on disposal of property, plant and equipment | - | (3,035) | - | - |
| Impairment loss of investment in an associated company | - | - | - | 10,639 |
| Impairment loss of investment in subsidiary companies | - | - | 10 | 150 |
| Interest expenses | 5,967 | 5,843 | 1,450 | 1,617 |
| Interest income | (122) | (313) | (36) | (194) |
| Inventories written off | - | 24 | - | - |
| Property, plant and equipment written off | 2 | 74 | - | 43 |
| Provision for diminution in value of investments | 124 | 138 | 124 | 106 |
| Provision for diminution in value of investments no longer required | (10) | - | (10) | - |
| Provision for retirement gratuity | 120 | 97 | 58 | 15 |
| Reversal of impairment loss of investment in a subsidiary company | - | - | - | (370) |
| Share of results in associated companies | (4,337) | 10,639 | - | - |
| Reversal of impairment loss of investment in an associated company | - | - | (4,320) | - |
| Operating profit/(loss) before working capital changes | 4,935 | 1,515 | 1,756 | (1,087) |

Cash Flow Statements (Cont'd)

For the financial year ended 31 December 2006

| | Group | | Company | |
|--|---------------|-------------------|----------------|-------------------|
| | 2006 | 2005 | 2006 | 2005 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| | | <i>(Restated)</i> | | <i>(Restated)</i> |
| Cash Flows From Operating Activities (Cont'd) | | | | |
| Operating profit/(loss) before working capital changes | 4,935 | 1,515 | 1,756 | (1,087) |
| (Increase)/Decrease in inventories | (27) | 31 | - | - |
| Increase in trade receivables | (98) | (282) | (3) | (3) |
| Decrease/(Increase) in other receivables, deposits and prepayments | 1,218 | (125) | 906 | (10) |
| (Decrease)/Increase in trade payables | (343) | 314 | (24) | 45 |
| Increase in other payables and accruals | 392 | 940 | 560 | 809 |
| Decrease in amounts owing by related companies | 898 | 1,085 | 1,051 | 1,446 |
| Cash generated from operations | 6,975 | 3,478 | 4,246 | 1,200 |
| Interest paid | (22) | (23) | - | - |
| Interest income received | 24 | 181 | 36 | 194 |
| Tax paid | (15) | (97) | - | - |
| Net cash from operating activities | 6,962 | 3,539 | 4,282 | 1,394 |
| Cash Flows From Investing Activities | | | | |
| Interest income received | 98 | 132 | - | - |
| Proceeds from disposal of investments | 431 | - | - | - |
| Proceeds from disposal of property, plant and equipment | - | 4,046 | - | - |
| Purchase of property, plant and equipment (Note 31) | (174) | (411) | (107) | (357) |
| Net (advances to)/repayment from subsidiary companies | - | - | (1,860) | 1,847 |
| Advances to associated companies | - | (3) | - | (3) |
| Placement of term deposits pledged with banks | (118) | (16) | - | - |
| Net cash from/(used in) investing activities | 237 | 3,748 | (1,967) | 1,487 |

Cash Flow Statements (Cont'd)

For the financial year ended 31 December 2006

| | Group | | Company | |
|--|--------------------|-------------------|------------------|-------------------|
| | 2006 | 2005 | 2006 | 2005 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| | | <i>(Restated)</i> | | <i>(Restated)</i> |
| Cash Flows From Financing Activities | | | | |
| Interest paid | (5,945) | (5,820) | (1,450) | (1,617) |
| Repayment of hire-purchase creditors | (69) | - | - | - |
| Repayment of bank borrowings | (2,620) | (3,522) | (1,620) | (2,520) |
| Repayment to associated companies | (25) | (2) | (25) | - |
| Advances from the ultimate holding company | 73 | - | 73 | - |
| (Repayment to)/Advances from related companies | (69) | (185) | 83 | (80) |
| Net cash used in financing activities | (8,655) | (9,529) | (2,939) | (4,217) |
| Net decrease in cash and cash equivalents | (1,456) | (2,242) | (624) | (1,336) |
| Cash and cash equivalents at beginning of financial year | 3,754 | 5,996 | 636 | 1,972 |
| Cash and cash equivalents at end of financial year (Note 32) | 2,298 | 3,754 | 12 | 636 |

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

Notes to the Financial Statements

31 December 2006

1. General Information

The Company is a public limited liability company, incorporated and domiciled in Malaysia and 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.

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.

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 Financial Reporting Standards ("FRSs") 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.

5.2 Changes in accounting policies

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year, except for the change in accounting policies discussed below.

5.2.1 Adoption of new/revised standards

On 1 January 2006, the Group and the Company adopted the following new/revised FRSs which are relevant to the Group and the Company and mandatory for annual financial period beginning on or after 1 January 2006. All new/revised standards adopted by the Group and the Company require retrospective application unless otherwise stated.

(i) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interests, share of net after-tax results of associated companies and profit before tax. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the year, showing separately the amounts attributable to equity holders of the parent and to minority interests.

5. Significant Accounting Policies (cont'd)

(i) FRS 101: Presentation of Financial Statements (cont'd)

The Group's share of taxations of associated companies accounted for using the equity method are now included in the respective shares of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before tax.

The current year's presentation of the Group and the Company's financial statements is based on the revised requirements of FRS 101, with the comparatives restated as disclosed in Note 41 to conform with the current year's presentation.

(ii) FRS 140: Investment Property

Prior to 1 January 2006, Menara PMI was categorised as property, plant and equipment of the Company. It was not tenanted prior to November 2005. With effect from November 2005, Menara PMI is tenanted and provides a steady income base for the Company. Pursuant to FRS 140, Menara PMI is considered as "Investment Property" and shall, with effect from 1 January 2006 be presented as a separate item on the balance sheet. The comparatives are restated as disclosed in Note 41 to conform with the current year's presentation.

(iii) Other new/revised standards adopted

In addition, the Group adopted the following FRSs which did not result in any significant change in accounting policies:-

| | |
|---------|---|
| FRS 2 | Share-based Payment |
| FRS 3 | Business Combinations |
| FRS 5 | Non-current Assets Held for Sale and Discontinued Operations |
| FRS 102 | Inventories |
| FRS 108 | Accounting Policies, Changes in Accounting Estimates and Errors |
| FRS 110 | Events after the Balance Sheet Date |
| FRS 116 | Property, Plant and Equipment |
| FRS 121 | The Effects of Changes in Foreign Exchange Rates |
| FRS 127 | Consolidated and Separate Financial Statements |
| FRS 128 | Investment in Associates |
| FRS 132 | Financial Instruments: Disclosure and Presentation |
| FRS 133 | Earnings per Share |
| FRS 136 | Impairment of Assets |
| FRS 138 | Intangible Assets |

The adoption of the above standards does not have any significant financial impact to the Group.

5.2.2 FRS issued but not yet effective

The Group and the Company have not applied the following FRSs that have been issued which are relevant to the Group and the Company:-

(i) FRS 117: Leases and FRS 124: Related Party Disclosures

These standards are effective for annual financial periods beginning on or after 1 October 2006.

5. Significant Accounting Policies (cont'd)

5.2.2 FRS issued but not yet effective (cont'd)

- (ii) FRS 139: Financial Instruments: Recognition and Measurement

The effective date of this standard is yet to be announced.

By virtue of the exemption in these standards, the impact on its financial statements upon first adoption of these standards as required by the paragraph 30(b) of the FRS 108 are not disclosed.

5.3 Significant accounting estimates and judgements

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

5.3.1 Key sources of estimation uncertainty

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

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the unused tax losses and unabsorbed capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

5.3.2 Critical judgements made in applying the accounting policies

There were no critical judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

5.4 Subsidiary companies and principles of consolidation

5.4.1 Subsidiary companies

Subsidiary companies are entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it directly or indirectly, hold more than 50% of the issued share capital or control more than half of the voting power. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiary companies are consolidated from the date on which control is transferred to the Group and ceased to be consolidated from the date on which control is transferred out of the Group.

In the Company's separate financial statements, investment in subsidiary companies are stated at cost less any impairment losses.

5. Significant Accounting Policies (cont'd)

5.4.2 Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies made up to 31 December 2006 using the acquisition method of accounting.

Any excess of the cost of the business combination over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities is recorded as goodwill. If after reassessment, the Group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately to income statement.

The cost of business combination is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, regardless of the extent of any minority interest, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with FRS 5 Non-Current Assets Held for Sale and Discontinued Operations ("FRS 5"), which are recognised and measured at fair value less costs to sell.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Minority interests in the net assets of consolidated subsidiary companies are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary company's equity are allocated against the interest of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

5.5 Associated companies

An associated company is a company in which the Group and the Company have a long term equity interest and where the Group and the Company are in a position to exercise significant influence over the financial and operating policies of the investee company.

In the Company's separate financial statements, investment in associated companies is stated at cost less any impairment losses.

The results, assets and liabilities of associated companies are incorporated in the consolidated financial statements using the equity method of accounting, except when investment is classified as held for sale, in which case it is accounted for under FRS 5. Under the equity method, investments in associated companies are carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associated companies, less any impairment losses.

The Group's share of its associated companies' post-acquisition profit or losses is recognised in the income statement, and its share of post-acquisition movements in reserve is recognised in reserves. Losses of an associated company in excess of the Group's interest in that associated companies are not recognised unless it has incurred obligations or made payments on behalf of the associated company.

5. Significant Accounting Policies (cont'd)

5.5 Associated companies (cont'd)

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associated companies is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately as income in the determination of the Group's share of the associated company's profit or loss in the period in which the investment is acquired.

5.6 Property, plant and equipment

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.

The long term leasehold land are stated at their 1993 valuations which are based on valuations carried out by independent professional valuers. The Group has not adopted a policy of regular revaluation on property.

Subsequent costs including the costs of replacing a part of property, plant and equipment are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of item can be measured reliably. The carrying amount of the parts of property, plant and equipment being replaced is derecognised accordingly. The cost of regular repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Upon derecognition 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 to its residual value over their estimated useful lives. The principal annual depreciation rates are as follows:-

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

5. Significant Accounting Policies (cont'd)

5.6 Property, plant and equipment (cont'd)

The carrying value of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at each balance sheet date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

5.7 Investment property

The investment property consists of land and building that is not substantially occupied for used by, or in the operations of the Group and is held for investment potential and rental income.

Investment property is measured at cost, including related transaction costs less accumulated depreciation and accumulated impairment losses, if any.

Freehold land is not depreciated. Building is depreciated at a principal annual depreciation rate of 2% to write off the cost of the asset on a straight line basis over its estimated useful life.

The residual value and useful life of investment property are reviewed, and adjusted if appropriate, at each balance sheet date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of investment property.

Upon disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

5.8 Assets acquired under hire-purchase

Assets acquired under hire-purchase agreements which in substance transfer the risks and benefits of ownership of the assets to the Group have been capitalised under property, plant and equipment and the corresponding obligations are treated as liabilities. These assets are depreciated on the same basis as that of the Group's assets.

The finance charges are allocated to the income statements over the period of the agreement to give a constant periodic rate of charge on the remaining hire-purchase liabilities over the period of the agreement.

5.9 Other investments

Investment in shares and club memberships 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. Significant Accounting Policies (cont'd)

5.10 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) and deferred tax assets 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. Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped (as CGU) at the lowest levels for which there are separately identifiable cash flows. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

An impairment loss is recognised in income statement immediately except for the impairment on a revalued asset where the impairment loss is recognised directly against the revaluation 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.

When an impairment loss is subsequently reversed, the carrying amount of the asset or CGU is increased to the revised estimate recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset of CGU in prior years.

5.11 Foreign currency transactions and translations

(i) Functional and presentation currency

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

(ii) Transactions and balances in foreign currencies

Foreign currency transactions are initially recorded in the functional currency using the exchange rates prevailing on transaction dates. Subsequently in each balance sheet dates, monetary items denominated in foreign currencies are translated using the closing rate and non-monetary items measured at historical cost and fair value are translated at transaction rates or at the rates when the fair value was determined respectively.

Exchange differences arising from settlement or re-translating of monetary items are recognised in the income statements, except for exchange differences arising on monetary items forming part of net investment in a foreign operation are recognised initially in a separate component of equity and recognised in the income statements on disposal of the foreign operation. In the company's separate financial statements, such exchange differences are recognised in the income statement.

5. Significant Accounting Policies (cont'd)

(ii) Transactions and balances in foreign currencies (cont'd)

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in income statements for the period except for difference arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

(iii) Translating foreign operation or translating to presentation currency

The results and financial position of a foreign operation or of an entity whose functional currency differs from presentation currency are translated into presentation currency as follows:

- (a) assets and liabilities at closing rates;
- (b) income and expenses at exchange rates prevailing at the dates of transactions; and
- (c) all resulting exchange differences shall be recognised as a separate component of equity.

Exchange differences in relation to a foreign operation shall be recognised in the income statement on disposal of the foreign operation.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are translated at the closing rate.

5.12 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.

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

5.13 Receivables

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

5.14 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.

5.15 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. Significant Accounting Policies (cont'd)

5.16 Income tax

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

5.16.1 Current tax expense

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

5.16.2 Deferred tax

Deferred tax, which includes deferred tax liabilities and assets, is provided for under the liability method 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. Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantially enacted at the balance sheet date.

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

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

5.17 Employee benefit costs

(i) Short term benefits

Wages, salaries, bonuses 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.

5. Significant Accounting Policies (cont'd)

5.17 Employee benefit costs (cont'd)

(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.

5.18 Revenue recognition

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 sale of food and beverage is recognised upon delivery of goods to guests.

Interest income is recognised on an accrual basis.

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.

All other revenue are recognised on an accrual basis.

5.19 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.

5.20 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)

5.21 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) Other borrowings

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

(iii) Other financial instruments

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

6. Property, Plant And Equipment

| Group | Freehold land | | Long term leasehold land | | Furniture and fittings | | | Motor vehicles | | Plant and machinery | | Renovation | | Total | |
|---------------------------|----------------------|---------------|---------------------------------|---------------|-------------------------------|---------------|---------------|-----------------------|---------------|----------------------------|---------------|-------------------|---------------|---------------|---------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | Office equipment | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | 2006 | 2005 |
| Cost or valuation | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Balance as at 1 January | | | | | | | | | | | | | | | |
| Cost | 180 | - | 33,740 | 5,041 | 8,242 | 1,377 | 863 | 988 | 50,431 | 51,475 | | | | | |
| Valuation | - | 6,617 | - | - | - | - | - | - | 6,617 | 6,617 | | | | | |
| Additions | 180 | 6,617 | 33,740 | 5,041 | 8,242 | 1,377 | 863 | 988 | 57,048 | 58,092 | | | | | |
| Disposals | - | - | - | 56 | - | 583 | 107 | - | 746 | 411 | | | | | |
| Written off | - | - | - | (17) | (6) | - | - | - | (23) | (1,276) | | | | | |
| Balance as at 31 December | 180 | 6,617 | 33,740 | 5,080 | 8,236 | 1,960 | 970 | 988 | 57,771 | 57,048 | | | | | |
| Representing:- | | | | | | | | | | | | | | | |
| Cost | 180 | - | 33,740 | 5,080 | 8,236 | 1,960 | 970 | 988 | 51,154 | 50,431 | | | | | |
| Valuation | - | 6,617 | - | - | - | - | - | - | 6,617 | 6,617 | | | | | |
| | 180 | 6,617 | 33,740 | 5,080 | 8,236 | 1,960 | 970 | 988 | 57,771 | 57,048 | | | | | |

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

| Group | Freehold land RM'000 | Long term leasehold land RM'000 | Buildings RM'000 | Office equipment RM'000 | Furniture and fittings RM'000 | Motor vehicles RM'000 | Plant and machinery RM'000 | Renovation RM'000 | 2006 RM'000 | 2005 RM'000 |
|--|---------------------------------------|--|-----------------------------------|--|--|--|---|------------------------------------|------------------------------|------------------------------|
| Accumulated depreciation | | | | | | | | | | |
| Balance as at 1 January | - | 702 | 6,813 | 4,591 | 7,968 | 1,313 | 297 | 357 | 22,041 | 21,087 |
| Charge for the financial year | - | 72 | 701 | 145 | 55 | 171 | 99 | 73 | 1,316 | 1,324 |
| Disposals | - | - | - | - | - | - | - | - | - | (265) |
| Written off | - | - | - | (17) | (4) | - | - | - | (21) | (105) |
| Balance as at 31 December | - | 774 | 7,514 | 4,719 | 8,019 | 1,484 | 396 | 430 | 23,336 | 22,041 |
| Charge for the financial year ended 31 December 2005 | - | 72 | 704 | 170 | 151 | 79 | 99 | 49 | - | 1,324 |
| Impairment losses | | | | | | | | | | |
| Balance as at 1 January/ 31 December | - | - | 2,626 | - | - | - | - | - | 2,626 | 2,626 |
| Net book value | | | | | | | | | | |
| Balance as at 31 December 2006 | 180 | 5,843 | 23,600 | 361 | 217 | 476 | 592 | 540 | 31,809 | - |
| Balance as at 31 December 2005 | 180 | 5,915 | 24,301 | 450 | 274 | 64 | 691 | 506 | - | 32,381 |

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

| <i>Company</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 2006 RM'000</i> | <i>2005 RM'000</i> |
|---|--|--|--------------------------------------|------------------------------|----------------------------------|------------------------|
| Cost | | | | | | |
| Balance as at 1 January | 1,998 | 6,571 | 1,216 | 341 | 10,126 | 9,852 |
| Additions | - | - | - | 107 | 107 | 357 |
| Written off | - | - | - | - | - | (83) |
| Balance as at 31 December | 1,998 | 6,571 | 1,216 | 448 | 10,233 | 10,126 |
| Accumulated depreciation | | | | | | |
| Balance as at 1 January | 1,966 | 6,557 | 1,165 | 10 | 9,698 | 9,647 |
| Charge for the financial year | 7 | 3 | 51 | 41 | 102 | 91 |
| Written off | - | - | - | - | - | (40) |
| Balance as at 31 December | 1,973 | 6,560 | 1,216 | 51 | 9,800 | 9,698 |
| Charge for the financial year ended 31 December 2005 | 8 | 3 | 63 | 17 | - | 91 |
| Net book value | | | | | | |
| Balance as at 31 December 2006 | 25 | 11 | - | 397 | 433 | - |
| Balance as at 31 December 2005 | 32 | 14 | 51 | 331 | - | 428 |

6. Property, plant and equipment (cont'd)

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

As at 31 December 2006, 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 FRS116 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:-

| | 2006 RM'000 | 2005 RM'000 |
|--------------------------------|------------------------------|------------------------------|
| Cost | 727 | 727 |
| Less: Accumulated depreciation | (85) | (77) |
| Net book value | 642 | 650 |

The net book value of property, plant and equipment of the Group pledged to financial institutions for banking facilities amounted to RM30,754,000 (2005: RM31,767,000).

The net book value of property, plant and equipment of the Group acquired under hire-purchase arrangements amounted to RM476,000 (2005: Nil).

7. Investment Property

| Group and Company | Freehold land RM'000 | Building RM'000 | Total 2006 RM'000 | 2005 RM'000 |
|-------------------------------------|-------------------------------------|----------------------------|----------------------------------|------------------------|
| Cost | | | | |
| Balance as at 1 January/31 December | 10,850 | 26,299 | 37,149 | 37,149 |
| Accumulated depreciation | | | | |
| Balance as at 1 January | - | 5,875 | 5,875 | 5,492 |
| Charge for the financial year | - | 383 | 383 | 383 |
| Balance as at 31 December | - | 6,258 | 6,258 | 5,875 |
| Impairment losses | | | | |
| Balance as at 1 January/31 December | - | 1,970 | 1,970 | 1,970 |

7. Investment Property (cont'd)

| | <i>Freehold land RM'000</i> | <i>Building RM'000</i> | <i>Total 2006 RM'000</i> | <i>2005 RM'000</i> |
|--------------------------------|--|-----------------------------------|---|-------------------------------|
| <i>Net book value</i> | | | | |
| Balance as at 31 December 2006 | 10,850 | 18,071 | 28,921 | - |
| Balance as at 31 December 2005 | 10,850 | 18,454 | - | 29,304 |
| Fair value | | | 39,600 | 35,000 |

- (a) The investment property has been pledged to a financial institution for banking facility granted to the Company.
- (b) The following amounts have been recognised in the income statements:

| | <i>Group</i> | | <i>Company</i> | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | <i>2006 RM'000</i> | <i>2005 RM'000</i> | <i>2006 RM'000</i> | <i>2005 RM'000</i> |
| Rental and parking income | 4,013 | 665 | 4,044 | 670 |
| Direct operating expenses arising from investment property that generated rental and parking income | 1,720 | 312 | 1,720 | 312 |

8. Investment In Subsidiary Companies

8.1 Company

| | <i>2006 RM'000</i> | <i>2005 RM'000</i> |
|--------------------------|-------------------------------|-------------------------------|
| Unquoted shares, at cost | 15,776 | 15,776 |
| Less: Impairment losses | (15,135) | (15,125) |
| | 641 | 651 |

The subsidiary companies are listed in Note 39 to the financial statements.

8.2 Group

The consolidated financial statements of the Group do not deal with subsidiary companies and associated companies as listed in Note 39(c) and (d). These are companies under liquidation or subsidiaries of the companies under liquidation.

9. Investment In Associated Companies

| | <i>Group</i> | | <i>Company</i> | |
|---|------------------|---------------|------------------|---------------|
| | <i>2006</i> | <i>2005</i> | <i>2006</i> | <i>2005</i> |
| | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> | <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 | (6,302) | (10,639) | - | - |
| | 290,370 | 286,033 | 296,672 | 296,672 |
| Less: Impairment loss | (242,604) | (242,604) | (248,923) | (253,243) |
| | 47,766 | 43,429 | 47,749 | 43,429 |
| Market value of quoted shares | 41,175 | 32,659 | 41,175 | 32,659 |

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

| | <i>Group</i> | |
|-----------------------------|---------------|---------------|
| | <i>2006</i> | <i>2005</i> |
| | <i>RM'000</i> | <i>RM'000</i> |
| Group's share of net assets | 47,766 | 43,429 |

The associated companies are listed in Note 39 to the financial statements.

The carrying amount of the investment in an associated company of the Group and the Company totalling RM28.8 million (2005: Nil) has been pledged to a financial institution for banking facilities granted to the Company.

10. Long Term Investments

| | <i>Group</i> | | <i>Company</i> | |
|--|------------------|---------------|-----------------|---------------|
| | <i>2006</i> | <i>2005</i> | <i>2006</i> | <i>2005</i> |
| | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> |
| 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 | (19,764) | (19,650) | (19,764) | (19,650) |
| | 458 | 572 | 458 | 572 |
| Other unquoted investments, at cost | 487 | 487 | 401 | 401 |
| | 945 | 1,059 | 859 | 973 |
| Market value of quoted shares | 458 | 572 | 458 | 572 |

11. Inventories

| | <i>Group</i> | |
|-----------------------------------|---------------|---------------|
| | <i>2006</i> | <i>2005</i> |
| | <i>RM'000</i> | <i>RM'000</i> |
| At cost: | | |
| Consumables, food, beverages, etc | 714 | 687 |

The cost of inventories recognised as expenses and included in the cost of sales of the Group amounted to RM1,299,000 (2005: RM1,214,000).

12. Short Term Investments

| | <i>Group</i> | | <i>Company</i> | |
|--|---------------|---------------|----------------|---------------|
| | <i>2006</i> | <i>2005</i> | <i>2006</i> | <i>2005</i> |
| | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> |
| Quoted shares in Malaysia, at cost | 7 | 2,993 | 7 | 7 |
| Less: Provision for diminution in value | (5) | (2,607) | (5) | (5) |
| | 2 | 386 | 2 | 2 |
| Market value of quoted shares | 2 | 386 | 2 | 2 |

13. Trade And Other Receivables

| | <i>Group</i> | | <i>Company</i> | |
|------------------------------------|----------------|---------------|----------------|---------------|
| | <i>2006</i> | <i>2005</i> | <i>2006</i> | <i>2005</i> |
| | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> |
| Trade receivables | 3,602 | 3,504 | 46 | 43 |
| Less: Allowance for doubtful debts | (126) | (122) | (40) | (40) |
| | 3,476 | 3,382 | 6 | 3 |
| Other receivables | 4,023 | 4,483 | 2,170 | 2,171 |
| Less: Allowance for doubtful debts | (3,841) | (2,525) | (2,169) | (2,169) |
| | 182 | 1,958 | 1 | 2 |
| Deposits | 547 | 692 | 223 | 271 |
| Less: Allowance for doubtful debts | (79) | (143) | (79) | (79) |
| | 468 | 549 | 144 | 192 |
| Prepayments | 123 | 238 | 17 | 25 |
| Tax recoverable | 183 | 194 | - | - |
| | 4,432 | 6,321 | 168 | 222 |

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

| | <i>Group</i> | | <i>Company</i> | |
|-----------------------|---------------|---------------|----------------|---------------|
| | <i>2006</i> | <i>2005</i> | <i>2006</i> | <i>2005</i> |
| | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> |
| Bad debts written off | | | | |
| - Trade receivables | - | 50 | - | - |
| - Other receivables | 350 | - | - | - |

The credit terms offered by the Group and the Company in respect of trade receivables range from cash term to 45 days (2005: cash term to 45 days) from date of invoice.

The foreign currency exposure of trade receivables of the Group are as follows:-

| | <i>Group</i> | |
|------------------|---------------|---------------|
| | <i>2006</i> | <i>2005</i> |
| | <i>RM'000</i> | <i>RM'000</i> |
| Hong Kong Dollar | 1,269 | 454 |
| US Dollar | 686 | 1,038 |

14. Amounts Owning By/To Subsidiary Companies

| | <i>Company</i> | |
|---------------------------------------|------------------|---------------|
| | <i>2006</i> | <i>2005</i> |
| | <i>RM'000</i> | <i>RM'000</i> |
| Amounts owing by subsidiary companies | 392,030 | 391,022 |
| Less: Allowance for doubtful debts | (376,022) | (374,563) |
| | 16,008 | 16,459 |
| Amount owing to a subsidiary company | 2,019 | 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 amount of RM150,000 (2005: RM150,000) which bears interest at 9% (2005: 9%) per annum.

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

15. Amounts Owning By/To Associated Companies

| | <i>Group</i> | | <i>Company</i> | |
|---------------------------------------|---------------|---------------|----------------|---------------|
| | <i>2006</i> | <i>2005</i> | <i>2006</i> | <i>2005</i> |
| | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> |
| Amounts owing by associated companies | 56,084 | 56,059 | 56,084 | 56,059 |
| Less: Allowance for doubtful debts | (27) | (28) | (27) | (28) |
| | 56,057 | 56,031 | 56,057 | 56,031 |
| Amount owing to an associated company | 943 | 943 | - | - |

The amounts owing by associated companies, which were previously subsidiary 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.

16. Amounts Owning By/To Related Companies

| | <i>Group</i> | | <i>Company</i> | |
|------------------------------------|---------------|---------------|----------------|---------------|
| | <i>2006</i> | <i>2005</i> | <i>2006</i> | <i>2005</i> |
| | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> |
| Amounts owing by related companies | 1,212 | 2,304 | 326 | 1,571 |
| Less: Allowance for doubtful debts | (251) | (775) | (251) | (775) |
| | 961 | 1,529 | 75 | 796 |

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

| | <i>Group</i> | | <i>Company</i> | |
|-----------------------|---------------|---------------|----------------|---------------|
| | <i>2006</i> | <i>2005</i> | <i>2006</i> | <i>2005</i> |
| | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> |
| Bad debts written off | 194 | 99 | 194 | 99 |

In year 2005, the amount owing by a related company of the Group and of the Company of RM651,000 represented balances arising from advances and payments on behalf. This amount was secured by a debenture of the said related company, bore interest at 6% per annum and repaid in 2006.

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 amount of RM262,000 (2005: RM350,000) which bears interest at 5% (2005: 5%) per annum.

17. Term And Call Deposits

| | <i>Group</i> | | <i>Company</i> | |
|-------------------------------|---------------|---------------|----------------|---------------|
| | <i>2006</i> | <i>2005</i> | <i>2006</i> | <i>2005</i> |
| | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> |
| Term and call deposits with:- | | | | |
| Licensed banks | 2,545 | 2,784 | - | 430 |
| Other corporations | - | 561 | - | 101 |
| | 2,545 | 3,345 | - | 531 |

Included in deposits with licensed banks of the Group are deposits totalling RM597,000 (2005: RM479,000) of subsidiary companies pledged to banks to secure their banking facilities.

18. Provision

| | <i>Company</i> | |
|--|----------------|---------------|
| | <i>2006</i> | <i>2005</i> |
| | <i>RM'000</i> | <i>RM'000</i> |
| Provision for corporate guarantees as at 1 January/31 December | 35,190 | 35,190 |

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

19. Borrowings

| | <i>Group</i> | | <i>Company</i> | |
|--|---------------|---------------|----------------|---------------|
| | <i>2006</i> | <i>2005</i> | <i>2006</i> | <i>2005</i> |
| | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> |
| Current | | | | |
| Bank overdrafts - unsecured | 249 | - | - | - |
| Hire-purchase creditors (Note 20) | 83 | - | - | - |
| Term loans (Note 21) | | | | |
| - secured | 17,000 | 18,000 | - | - |
| - unsecured | - | 3,240 | - | 3,240 |
| | 17,000 | 21,240 | - | 3,240 |
| | 17,332 | 21,240 | - | 3,240 |
| Non-current | | | | |
| Hire-purchase creditors (Note 20) | 420 | - | - | - |
| Term loans (Note 21) | | | | |
| - secured | 53,008 | 35,188 | 17,820 | - |
| - unsecured | - | 16,200 | - | 16,200 |
| | 53,428 | 51,388 | 17,820 | 16,200 |
| Total borrowings | 70,760 | 72,628 | 17,820 | 19,440 |
| | | | | |
| | <i>Group</i> | | <i>Company</i> | |
| | <i>2006</i> | <i>2005</i> | <i>2006</i> | <i>2005</i> |
| | <i>%</i> | <i>%</i> | <i>%</i> | <i>%</i> |
| Weighted average effective interest rate per annum:- | | | | |
| Bank overdrafts | 7.5 | - | - | - |
| Hire-purchase arrangements | 7.8 | - | - | - |
| Term loans | 8.0 | 7.5 | 8.0 | 7.9 |

19. Borrowings (cont'd)

The maturity of the borrowings are as follows:-

| <i>Group</i> | <i>Fixed rate RM'000</i> | <i>Floating Rate RM'000</i> | <i>Total RM'000</i> |
|---|------------------------------|-------------------------------------|-------------------------|
| As at 31 December 2006 | | | |
| Within one year | 17,083 | 249 | 17,332 |
| More than one year and less than five years | 18,240 | 35,188 | 53,428 |
| | 35,323 | 35,437 | 70,760 |

As at 31 December 2005

| | | | |
|---|--------|--------|--------|
| Within one year | 21,240 | - | 21,240 |
| More than one year and less than five years | 16,200 | 35,188 | 51,388 |
| | 37,440 | 35,188 | 72,628 |

Company

As at 31 December 2006

| | | | |
|---|---------------|---|---------------|
| Within one year | - | - | - |
| More than one year and less than five years | 17,820 | - | 17,820 |
| | 17,820 | - | 17,820 |

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 |

20. Hire-purchase Creditor

| | Group | |
|---|---------------|---------------|
| | 2006 | 2005 |
| | RM'000 | RM'000 |
| Minimum hire-purchase payments:- | | |
| - within one year | 120 | - |
| - more than one year and less than five years | 488 | - |
| | 608 | - |
| Less: Future interest charges | (105) | - |
| Present value of hire-purchase liabilities (Note 19) | 503 | - |
| Current:- | | |
| - within one year (Note 19) | 83 | - |
| Non-current:- | | |
| - more than one year and less than five years (Note 19) | 420 | - |
| | 503 | - |

21. Term Loans

| | Group | | Company | |
|---|---------------|---------------|----------------|---------------|
| | 2006 | 2005 | 2006 | 2005 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Secured | 70,008 | 53,188 | 17,820 | - |
| Unsecured | - | 19,440 | - | 19,440 |
| | 70,008 | 72,628 | 17,820 | 19,440 |
| Repayable as follows:- | | | | |
| Current | | | | |
| - within one year (Note 19) | 17,000 | 21,240 | - | 3,240 |
| Non-current | | | | |
| - more than one year and less than five years (Note 19) | 53,008 | 51,388 | 17,820 | 16,200 |
| | 70,008 | 72,628 | 17,820 | 19,440 |

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

- (i) pledge of quoted shares in an associated company (Note 9);
- (ii) fixed legal charges over landed properties of the Group;
- (iii) fixed and floating charges over the assets of a subsidiary company; and
- (iv) corporate guarantees from the Company.

22. Deferred Tax Liabilities

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

| | Group | |
|--------------------------|---------------|---------------|
| | 2006 | 2005 |
| | RM'000 | RM'000 |
| Deferred tax liabilities | | |
| - Revaluation reserve | 295 | 295 |

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

| | Group | | Company | |
|-------------------------------|---------------|---------------|----------------|---------------|
| | 2006 | 2005 | 2006 | 2005 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Unutilised tax losses | 33,993 | 33,937 | 20,236 | 20,236 |
| Unabsorbed capital allowances | 9,593 | 9,173 | 2,036 | 1,193 |
| Others | 2,275 | 546 | 367 | 309 |
| | 45,861 | 43,656 | 22,639 | 21,738 |

23. Trade And Other Payables

| | Group | | Company | |
|---------------------------------------|---------------|---------------|----------------|---------------|
| | 2006 | 2005 | 2006 | 2005 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Trade payables | 1,287 | 1,630 | 44 | 68 |
| Other payables, deposits and accruals | 4,555 | 4,279 | 2,086 | 1,468 |
| | 5,842 | 5,909 | 2,130 | 1,536 |

The credit terms available to the Group and the Company in respect of trade payables range from 14 to 60 days (2005: 14 to 60 days) from date of invoice.

24. Amount Owning To The Ultimate Holding Company

The amount owing to the ultimate holding company represents balances arising from payments made on behalf which is unsecured, interest-free and repayable on demand.

25. Share Capital

| | <i>Group and Company</i> | | | |
|--|--------------------------------------|------------------|--------------------------------------|---------------|
| | <i>2006</i> | | <i>2005</i> | |
| | <i>Number of shares '000</i> | <i>RM'000</i> | <i>Number of shares '000</i> | <i>RM'000</i> |
| Authorised:- | | | | |
| Ordinary shares of RM0.10/ (2005: RM1.00) each | 30,000,000 | 3,000,000 | 3,000,000 | 3,000,000 |
| Issued and fully paid:- | | | | |
| As at 1 January | | | | |
| - ordinary shares of RM1.00 each | 928,867 | 928,867 | 928,867 | 928,867 |
| Par value reduction | - | (835,980) | - | - |
| As at 31 December | | | | |
| - ordinary shares of RM0.10 (2005: RM1.00) each | 928,867 | 92,887 | 928,867 | 928,867 |

During the financial year:-

- (i) the authorised share capital of the Company of RM3,000,000,000 comprising 3,000,000,000 ordinary shares of RM1.00 each has been amended to RM3,000,000,000 comprising 30,000,000,000 ordinary shares of RM0.10 each; and
- (ii) the issued and fully paid-up share capital of the Company was reduced from RM928,867,411 comprising of 928,867,411 ordinary shares of RM1.00 each to RM92,886,741 comprising 928,867,411 ordinary shares of RM0.10 each by way of cancellation of RM0.90 of the par value of each then existing ordinary shares in the Company in issue, pursuant to Section 64(1) of the Companies Act, 1965. Further details of the par value reduction are mentioned in Note 38(i).

26. Reserves

| | <i>Group</i> | | <i>Company</i> | |
|---|------------------------|------------------------|------------------------|------------------------|
| | <i>2006 RM'000</i> | <i>2005 RM'000</i> | <i>2006 RM'000</i> | <i>2005 RM'000</i> |
| Non-distributable reserves | | | | |
| Exchange fluctuation reserve | (12,170) | (12,406) | - | - |
| Capital reserve | 5,656 | 5,656 | - | - |
| Share premium | - | 34,734 | - | 34,734 |
| Retained profit/(Accumulated losses) | 9,881 | (861,861) | 719 | (872,862) |
| | 3,367 | (833,877) | 719 | (838,128) |

27. Revenue

| | <i>Group</i> | | <i>Company</i> | |
|--------------------------------|---------------|---------------|----------------|---------------|
| | <i>2006</i> | <i>2005</i> | <i>2006</i> | <i>2005</i> |
| | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> |
| Rendering of services:- | | | | |
| - ticketing and travel related | 24,993 | 23,788 | - | - |
| - hotel | 7,964 | 7,111 | - | - |
| - other services | 145 | 154 | - | - |
| Interest income | 24 | 181 | 37 | 194 |
| Rental and parking income | 4,013 | 665 | 4,044 | 670 |
| Others | 455 | 359 | 479 | 384 |
| | 37,594 | 32,258 | 4,560 | 1,248 |

28. Profit/(Loss) Before Tax

| | <i>Group</i> | | <i>Company</i> | |
|---|---------------|---------------|----------------|---------------|
| | <i>2006</i> | <i>2005</i> | <i>2006</i> | <i>2005</i> |
| | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> |
| Profit/(Loss) before tax is arrived at:- | | | | |
| After charging:- | | | | |
| Allowance for doubtful debts | 1,608 | 111 | 3,320 | 3,026 |
| Auditors' remuneration:- | | | | |
| Statutory | | | | |
| - current year | 72 | 66 | 25 | 25 |
| - under/(over) provision in prior year | 13 | (2) | - | - |
| Non-statutory | | | | |
| - current year | 31 | 26 | 25 | 25 |
| - under provision in prior year | 6 | 8 | 6 | 8 |
| Bad debts written off | - | 1 | - | - |
| Deposits written off | - | 3 | - | - |
| Depreciation of investment property | 383 | 383 | 383 | 383 |
| Depreciation of property, plant and equipment | 1,316 | 1,324 | 102 | 91 |
| Directors' remuneration (Note 28(a)):- | | | | |
| - fee | - | 36 | - | 36 |
| - other emoluments | 215 | 214 | 191 | 190 |

28. Profit/(Loss) Before Tax (cont'd)

| | Group | | Company | |
|--|---------------|---------------|----------------|---------------|
| | 2006 | 2005 | 2006 | 2005 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Impairment losses included in other operating expenses:- | | | | |
| - investment in an associated company (Note 28 (b)) | - | - | - | 10,639 |
| - investment in subsidiary companies | - | - | 10 | 150 |
| Inventories written off | - | 24 | - | - |
| Interest expense:- | | | | |
| - bank overdrafts | 6 | 4 | - | - |
| - hire-purchase | 41 | - | - | - |
| - related company | 16 | 19 | - | - |
| - term loans | 5,904 | 5,820 | 1,450 | 1,617 |
| Property, plant and equipment written off | 2 | 74 | - | 43 |
| Provision for retirement gratuity | 120 | 97 | 58 | 15 |
| Provision for diminution in value of investments | 124 | 138 | 124 | 106 |
| Realised loss on foreign exchange | 1 | 30 | - | - |
| Rental of:- | | | | |
| - equipment | 5 | 4 | 5 | 4 |
| - land and buildings | 192 | 367 | - | 123 |

The estimated monetary value of benefits-in-kind received by the Directors otherwise than in cash from the Group and the Company amounted to RM38,000 (2005: RM38,000) respectively.

| | Group | | Company | |
|---|---------------|---------------|----------------|---------------|
| | 2006 | 2005 | 2006 | 2005 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| And crediting:- | | | | |
| Allowance for doubtful debts no longer required | 1,181 | 1,478 | 2,192 | 2,417 |
| Gain on disposal of quoted investments | 47 | - | - | - |
| Gain on disposal of property, plant and equipment | - | 3,035 | - | - |
| Interest receivable from:- | | | | |
| - subsidiary companies | - | - | 13 | 13 |
| - related companies | 11 | 135 | 11 | 135 |
| - others | 111 | 178 | 12 | 46 |

28. Profit/(Loss) Before Tax (cont'd)

| | <i>Group</i> | | <i>Company</i> | |
|---|---------------|---------------|----------------|---------------|
| | <i>2006</i> | <i>2005</i> | <i>2006</i> | <i>2005</i> |
| | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> |
| Management fees received and receivable from:- | | | | |
| - a subsidiary company | - | - | 24 | 24 |
| - an associated company | 360 | 360 | 360 | 360 |
| Provision for diminution in value of investments no longer required | 10 | - | 10 | - |
| Reversal of impairment losses included in other operating income:- | | | | |
| - investment in an associated company (Note 28 (b)) | - | - | 4,320 | - |
| - investment in a subsidiary company | - | - | - | 370 |
| Rental and parking income received and receivable from:- | | | | |
| - a subsidiary company | - | - | 31 | 5 |
| - associated companies | 1,826 | 301 | 1,826 | 301 |
| - related companies | 891 | 150 | 891 | 150 |
| - others | 1,331 | 237 | 1,296 | 214 |

- (a) Number of Directors of the Company whose aggregate of remuneration received from the Company and its subsidiary companies during the financial year is analysed as follows:-

| | <i>Number of Directors</i> | |
|--------------------------------|----------------------------|-------------|
| | <i>2006</i> | <i>2005</i> |
| Executive Directors | | |
| Below RM50,000 | 1 | 1 |
| RM100,001 to RM150,000 | 1 | 1 |
| Non-Executive Directors | | |
| Below RM50,000 | 2 | 5 |
| RM50,001 to RM100,000 | 1 | 1 |

- (b) In the financial year ended 31 December 2006, the recoverable amount of investment in associated companies has increased due to better performance in the current financial year. As a result, a reversal of impairment loss of RM4,320,000 on this investment was recognised for the financial year ended 31 December 2006 to reflect its recoverable amount. The recoverable amount of this investment is determined by reference to the Company's share of the net assets of the associated companies.

In the financial year ended 31 December 2005, the recoverable amount of the investment in associated companies based on its net assets had declined due to losses suffered by the associated companies in that financial year. Accordingly, an impairment loss of RM10,639,000 on this investment was recognised to reflect its recoverable amount then.

29. Tax Expenses

| | <i>Group</i> | | <i>Company</i> | |
|-------------------------------|---------------|---------------|----------------|---------------|
| | <i>2006</i> | <i>2005</i> | <i>2006</i> | <i>2005</i> |
| | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> |
| Current year provision | 25 | 24 | - | - |
| Under provision in prior year | - | 3 | - | - |
| | 25 | 27 | - | - |

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

| | <i>Group</i> | | <i>Company</i> | |
|--|--------------|-------------|----------------|-------------|
| | <i>2006</i> | <i>2005</i> | <i>2006</i> | <i>2005</i> |
| | <i>%</i> | <i>%</i> | <i>%</i> | <i>%</i> |
| Company and subsidiary companies average applicable tax rate | 28 | (28) | 28 | (28) |
| Depreciation on non-qualifying property, plant and equipment | 15 | 2 | 4 | 1 |
| Exempt income | (8) | (1) | - | - |
| Non-taxable income | (29) | (11) | (64) | (5) |
| Non-allowable expenses | 17 | 36 | 51 | 30 |
| Movement in deferred tax assets not recognised during the year | (21) | 3 | (19) | 2 |
| Effective tax rate | 2 | 1 | - | - |

Subject to the agreement of the Inland Revenue Board, the Company has unabsorbed tax losses and unabsorbed capital allowances of approximately RM20.2 million (2005: RM20.2 million) and RM2.0 million (2005: RM1.2 million) respectively which are available for set-off against future taxable income.

30. Basic Earnings/(Loss) Per Share

The basic earnings/(loss) per ordinary share is calculated based on net profit attributable to equity holders of the parent for the financial year amounting to RM1,028,000 (2005: net loss for the year of RM12,382,000) and the number of ordinary shares in issue during the financial year of 928,867,411 (2005: 928,867,411) shares.

31. Purchase Of Property, Plant And Equipment

During the financial year, the Group made the following cash payments to purchase property, plant and equipment:-

| | Group | | Company | |
|--|---------------|---------------|----------------|---------------|
| | 2006 | 2005 | 2006 | 2005 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Purchase of property, plant and equipment | 746 | 411 | 107 | 357 |
| Financed by hire-purchase arrangements | (572) | - | - | - |
| Cash payments on purchase of property, plant and equipment | 174 | 411 | 107 | 357 |

32. Cash And Cash Equivalents

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

| | Group | | Company | |
|---|---------------|---------------|----------------|---------------|
| | 2006 | 2005 | 2006 | 2005 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Term and call deposits | 2,545 | 3,345 | - | 531 |
| Cash and bank balances | 599 | 888 | 12 | 105 |
| Bank overdrafts (Note 19) | (249) | - | - | - |
| | 2,895 | 4,233 | 12 | 636 |
| Less: Deposits pledged to banks (Note 17) | (597) | (479) | - | - |
| | 2,298 | 3,754 | 12 | 636 |

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

| | Group | | Company | |
|--|--------------|-------------|----------------|-------------|
| | 2006 | 2005 | 2006 | 2005 |
| | % | % | % | % |
| Term and call deposits with licensed banks | 3.0 | 2.5 | - | 2.5 |
| Term and call deposits with other corporations | - | 2.6 | - | 2.6 |

Deposits of the Group and of the Company have a maturity period ranging from 1 to 30 days (2005: 1 to 31 days). Bank balances are deposits held at call with licensed banks.

33. Financial Instruments

(a) Credit risk

As at 31 December 2006, the Group and the Company have no significant concentration of credit risk, other than for an amount owing by an associated company of RM55.7 million (2005: RM55.9 million). The term and call deposits, and bank balances of the Group and of the Company are placed with major financial institutions in Malaysia. 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:-

| | <i>Group</i> | | <i>Company</i> | |
|--|---------------------------------------|----------------------------------|---------------------------------------|----------------------------------|
| | <i>Carrying Amount RM'000</i> | <i>Fair value RM'000</i> | <i>Carrying amount RM'000</i> | <i>Fair value RM'000</i> |
| As at 31 December 2006 | | | | |
| Amounts owing by subsidiary companies | - | - | 16,008 | * |
| Amounts owing by associated companies | 56,057 | * | 56,057 | * |
| Amounts owing by related companies | 961 | * | 75 | * |
| Amount owing to a subsidiary company | - | - | 2,019 | * |
| Amounts owing to an associated company | 943 | * | - | - |
| Amounts owing to related companies | 354 | * | 87 | * |
| Amount owing to the ultimate holding company | 73 | * | 73 | * |
| As at 31 December 2005 | | | | |
| 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 | * |

33. Financial Instruments (cont'd)

(b) Fair values (cont'd)

- * It is not practical to estimate the fair values of the amounts owing by/to subsidiary companies, associated companies, related companies and ultimate holding company. 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.

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

- (i) The fair values of quoted investments other than quoted investments in an associated 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.
- (ii) The fair value of quoted investment in an associated company is based on its recoverable amount by reference to its net assets.
- (iii) The fair value of the advances to a related company was estimated based on the current market rates offered for loans of the similar nature.
- (iv) 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.
- (v) The carrying values of the other financial assets and liabilities maturing within 12 months approximate their fair values due to the relatively short term maturity of these financial instruments.

34. Significant Related Party Transactions And Balances

| | <i>Group</i> | | <i>Company</i> | |
|--|---------------|---------------|----------------|---------------|
| | <i>2006</i> | <i>2005</i> | <i>2006</i> | <i>2005</i> |
| | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> |
| Significant related party transactions during the financial year:- | | | | |
| Rental and parking income received and receivable from:- | | | | |
| Malayan United Management Sdn. Bhd., | } | } | } | } |
| Malayan United Securities Services Sdn. Bhd., | | | | |
| Metrojaya Berhad, | | | | |
| MUI dotCom. Sdn. Bhd., | | | | |
| MUI Plaza Sdn. Bhd., | | | | |
| MUI Properties Berhad., | | | | |
| PM Securities Sdn. Bhd., | | | | |
| Pan Malaysia Corporation Berhad., | | | | |
| Pan Malaysian Industries Berhad., | | | | |
| Pan Malaysia Management Sdn. Bhd., | | | | |
| PCB Assets Management Sdn. Bhd. and | | | | |
| West Synergy Sdn. Bhd. | | | | |
| | 4,005 | 665 | 4,036 | 670 |
| Sales of air tickets and provision of travel and ancillary services to:- | | | | |
| Corus Hotels plc., | } | } | } | } |
| EIC Clothing Sdn. Bhd., | | | | |
| Laura Ashley Holdings plc., | | | | |
| Laura Ashley Japan Co. Ltd, | | | | |
| Laura Ashley Inc., | | | | |
| Malayan United Management Sdn. Bhd., | | | | |
| Malayan United Industries Berhad, | | | | |
| Metrojaya Berhad, | | | | |
| Ming Court Hotel (KL) 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 dotcom. Sdn. Bhd., | | | | |
| MUI Media Ltd., | | | | |
| MUI Properties Berhad, | | | | |
| Network Foods (Malaysia) Sdn. Bhd., | | | | |
| Network Foods Industries Sdn. Bhd., | | | | |
| Network Foods International Ltd., | | | | |
| Network Foods Limited, | | | | |
| Pan Malaysia Corporation Berhad, | | | | |
| PM Securities Sdn. Bhd. and | | | | |
| Vista Hotel Management Sdn. Bhd. | | | | |
| | 5,415 | 4,189 | - | - |

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

| | Group | | Company | |
|---|---------------|---------------|----------------|---------------|
| | 2006 | 2005 | 2006 | 2005 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest expenses paid to MUI Capital Sdn. Bhd. | 16 | 19 | - | - |
| Interest income received and receivable from GCIH Trademark Sdn. Bhd. | 11 | 135 | 11 | 135 |
| Purchase of insurance from MUI Continental Insurance Berhad | 351 | 272 | 150 | 125 |
| Management fee received and receivable from PM Securities Sdn. Bhd. | 360 | 360 | 360 | 360 |

The related party transactions were entered in the normal course of business and were negotiated on terms mutually agreed with the respective parties.

| | Group | | Company | |
|---|---------------|---------------|----------------|---------------|
| | 2006 | 2005 | 2006 | 2005 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Significant related party balances | | | | |
| Included in trade receivables:- | | | | |
| Amount owing by Morning Star Travel Service Limited | 1,253 | 445 | - | - |

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

Identities of related parties

Corus Hotels plc.
Malayan United Management Sdn. Bhd.
Malayan United Securities Services Sdn. Bhd.
Ming Court Hotel (KL) Sdn. Bhd.
MUI Continental Insurance Berhad
MUI dotCom Sdn. Bhd.
MUI Media Ltd.
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.
West Synergy Sdn. Bhd.

Relationships with the Group

Subsidiary companies of the ultimate holding company

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

| Identities of related parties | Relationships with the Group |
|--|--|
| Laura Ashley Holdings plc. Laura Ashley Inc. Morning Star Resources Limited Morning Star Travel Service Limited Vista Hotel Management Sdn. Bhd. | } Associated companies of the ultimate holding company |
| EIC Clothing Sdn. Bhd. Metrojaya Berhad MJ Department Stores Sdn. Bhd. MJ Reject Shop Sdn. Bhd. MJ Somerset Bay Sdn. Bhd. | } Subsidiary companies of Pan Malaysian Industries Berhad, a deemed major shareholder of the Company |
| Laura Ashley Japan Co. Ltd | } Associated company of Laura Ashley Holdings Plc |

35. Contingent Liabilities

Company - Unsecured

As at 31 December 2006, the contingent liabilities in respect of the corporate guarantees given by the Company for banking facilities granted to subsidiary companies amounted to RM249,000 (2005: Nil).

36. Capital Commitment

| | Group | |
|--|----------------|----------------|
| | 2006 RM'000 | 2005 RM'000 |
| Authorised and contracted but not provided for:- | | |
| - Purchase of property, plant and equipment | - | 644 |

37. Segment Information

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

| | | |
|--------------------|---|---|
| Hotel | : | Operating of a hotel |
| Investment holding | : | Comprise mainly investment, dormant and inactive subsidiary companies |
| Property holding | : | Property holding and operations |
| Travel | : | Travel agent and provision of travel-related services |
| Stockbroking | : | Comprise mainly businesses involved in stock and sharebroking, corporate advisory services, research and fund management services, nominee and custodian services principally engaged by associated companies |

The inter-segment transactions were entered in the normal course of business and were negotiated on terms mutually agreed with the respective parties.

37. Segment Information (cont'd)

(a) Business segment

| 2006 | Hotel RM'000 | Travel RM'000 | Stockbroking RM'000 | Property holding RM'000 | Investment holding RM'000 | Elimination RM'000 | Consolidated RM'000 |
|---|-------------------------|--------------------------|--------------------------------|--|--|-------------------------------|--------------------------------|
| Revenue | | | | | | | |
| - external sales | 8,109 | 24,993 | - | 4,108 | 384 | - | 37,594 |
| - inter-segment sales | 102 | 31 | - | 31 | 37 | (201) | - |
| Total revenue | 8,211 | 25,024 | - | 4,139 | 421 | (201) | 37,594 |
| Result | | | | | | | |
| Segment result | (26) | 366 | - | 2,419 | (115) | | 2,644 |
| Interest income | 86 | 8 | - | - | 4 | | 98 |
| Interest expenses | (1,415) | (64) | - | - | (4,488) | | (5,967) |
| Shares of results of associated companies | - | - | 4,337 | - | - | | 4,337 |
| Profit before tax | | | | | | | 1,112 |
| Tax expenses | | | | | | | (25) |
| Net profit for the financial year | | | | | | | 1,087 |
| Attributable to: | | | | | | | |
| Equity holders of the parent | | | | | | | 1,028 |
| Minority interests | | | | | | | 59 |
| | | | | | | | 1,087 |
| Other information | | | | | | | |
| Segment assets | 36,047 | 4,221 | - | 29,183 | 57,534 | | 126,985 |
| Investment in an associated company | - | - | 47,766 | - | - | | 47,766 |
| Consolidated total assets | | | | | | | 174,751 |
| Segment liabilities | 18,944 | 2,763 | - | 44 | 56,221 | | 77,972 |
| Unallocated corporate liabilities | | | | | | | 295 |
| Consolidated total liabilities | | | | | | | 78,267 |
| Capital expenditure | 49 | 590 | - | - | 107 | | 746 |
| Depreciation | 1,060 | 154 | - | 383 | 102 | | 1,699 |
| Non-cash expenses other than depreciation | 1,931 | - | - | - | 185 | | 2,116 |
| 2005 | | | | | | | |
| Revenue | | | | | | | |
| - external sales | 7,266 | 23,787 | - | 665 | 540 | - | 32,258 |
| - inter-segment sales | 90 | 2 | - | 5 | 38 | (135) | - |
| Total revenue | 7,356 | 23,789 | - | 670 | 578 | (135) | 32,258 |
| Result | | | | | | | |
| Segment result | 680 | 323 | - | 358 | 2,693 | | 4,054 |
| Interest income | 88 | 6 | - | - | 38 | | 132 |
| Interest expense | (1,390) | (23) | - | - | (4,430) | | (5,843) |

37. Segment Information (cont'd)

(a) Business segment (cont'd)

| 2005 | Hotel RM'000 | Travel RM'000 | Stockbroking RM'000 | Property holding RM'000 | Investment holding RM'000 | Elimination RM'000 | Consolidated RM'000 |
|---|-------------------------|--------------------------|--------------------------------|--|--|-------------------------------|--------------------------------|
| Result | | | | | | | |
| Shares of results of associated companies | - | - | (10,639) | - | - | | (10,639) |
| Loss before tax | | | | | | | (12,296) |
| Tax expense | | | | | | | (27) |
| Net loss for the financial year | | | | | | | (12,323) |
| Attributable to: | | | | | | | |
| Equity holders of the parent | | | | | | | (12,382) |
| Minority interests | | | | | | | 59 |
| | | | | | | | (12,323) |
| Other information | | | | | | | |
| Segment assets | 38,798 | 3,767 | - | 29,437 | 59,929 | | 131,931 |
| Investment in an associated company | - | - | 43,429 | - | - | | 43,429 |
| Consolidated total assets | | | | | | | 175,360 |
| Segment liabilities | 19,890 | 2,591 | - | 67 | 57,355 | | 79,903 |
| Unallocated corporate liabilities | | | | | | | 296 |
| Consolidated total liabilities | | | | | | | 80,199 |
| Capital expenditure | 34 | 20 | - | - | 357 | | 411 |
| Depreciation | 1,171 | 58 | - | 64 | 414 | | 1,707 |
| Non-cash expenses other than depreciation | 420 | 1 | - | - | 326 | | 747 |

(b) Geographical segments

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

38. Significant Events

(i) Pan Malaysia Holdings Berhad

Par Value Reduction and Affected Listed Issuer pursuant to Practice Note No. 17/2005 ("PN17") of the Listing Requirements of Bursa Securities

On 2 March 2006, the Company proposed a 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 then existing ordinary share of RM1.00 each of the Company in issue ("Par Value Reduction") and a reduction of the share premium account of the Company up to RM34.7 million pursuant to Sections 64(1) and 60(2) of the Act ("Share Premium Reduction"). The credit arising from the Par Value Reduction of RM836.0 million and Share Premium Reduction of RM34.7 million totalling RM870.7 million is to be utilised to reduce the audited accumulated losses of the Company of RM872.9 million as at 31 December 2005.

38. Significant Events (cont'd)

(i) Pan Malaysia Holdings Berhad

Par Value Reduction and Affected Listed Issuer pursuant to Practice Note No. 17/2005 ("PN17") of the Listing Requirements of Bursa Securities (cont'd)

On 15 May 2006, the shareholders of the Company approved the Par Value Reduction and Share Premium Reduction. On 28 August 2006, the High Court approved the Company's Petition for the Par Value Reduction and Share Premium Reduction. On 29 September 2006, the Par Value Reduction and Share Premium Reduction were completed. Consequently, the par value of the Company's shares was reduced from RM1.00 to RM0.10 per share and the audited accumulated losses of the Company of RM872.9 million as at 31 December 2005 were reduced to RM2.2 million.

With the completion of the Par Value Reduction, the Company had regularised its level of operations. On 5 October 2006, the Company applied to Bursa Securities to be uplifted from its PN17 status. On 9 October 2006, Bursa Securities announced that the Company had regularised its level of operations and no longer triggered any of the criteria under paragraph 2.0 of PN17.

(ii) Pan Malaysia Capital Berhad's ("PM Capital")

Par Value Reduction and Affected Listed Issuer pursuant to Practice Note No. 17/2005 ("PN17") of the Listing Requirements of Bursa Securities

On 2 March 2006, PM Capital proposed that its existing issued and paid-up share capital of PM Capital of RM815,308,845 comprising 815,308,845 ordinary shares of RM1.00 each, be reduced (pursuant to Section 64 of the Companies Act, 1965) to RM326,123,538 comprising 815,308,845 ordinary shares of RM0.40 each, by way of cancellation of RM0.60 of the par value of each then existing ordinary share of RM1.00 each of PM Capital in issue (the "Par Value Reduction"). PM Capital has reserve in merger relief account of RM149.6 million and together with the credit arising from the Par Value Reduction of RM489.2 million, the available credit of RM638.8 million is to be utilised to reduce PM Capital's accumulated losses of RM646.1 million as at 31 December 2005.

On 15 May 2006, the shareholders of PM Capital approved the Par Value Reduction. On 28 August 2006, the High Court approved PM Capital's Petition for the same. On 29 September 2006, the Par Value Reduction was completed. Consequently, the par value of PM Capital's shares was reduced from RM1.00 to RM0.40 per share and the audited accumulated losses of PM Capital of RM646.1 million as at 31 December 2005 were reduced to RM7.3 million.

With the completion of the Par Value Reduction, PM Capital had regularised its level of operations. On 5 October 2006, PM Capital applied to Bursa Securities to be uplifted from its PN17 status. On 9 October 2006, Bursa Securities announced that PM Capital had regularised its level of operations and no longer triggered any of the criteria under paragraph 2.0 of PN17.

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

On 5 January 2006, PM Securities, a subsidiary company of PM Capital, paid an initial deposit of RM10.0 million towards payment of a total contribution of RM52.5 million to Bank Negara Malaysia ("BNM") for its transformation to an Investment Bank. BNM, the Securities Commission and Bursa Securities had conducted their due diligence review on PM Securities on the preconditions of becoming an Investment Bank.

39. Subsidiary And Associated Companies

(a) 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>2006</i> | <i>2005</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 | Inactive | 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>2006</i> | <i>2005</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 |

39. Subsidiary And Associated Companies (cont'd)

(b) Subsidiary Companies of Pan Malaysia Capital Berhad

| | <i>Subsidiary Company</i> | <i>Equity Interest</i> | | <i>Principal Activities</i> | <i>Country of Incorporation</i> |
|-----|--|------------------------|-------------|--|---------------------------------|
| | | <i>2006</i> | <i>2005</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 | 100 | Moneylending | Malaysia |

39. Subsidiary And Associated Companies (cont'd)

**(c) Subsidiary and Associated Companies of Pan Malaysia Holdings Berhad which are in liquidation
(These companies are not dealt with in the consolidated financial statements of the Group)**

| Subsidiary Company | Equity Interest | | Country of Incorporation |
|---|-----------------|-----------|--------------------------|
| | 2006 % | 2005 % | |
| 1. Anglo Pacific Holdings (Malaysia) Sdn. Bhd. (Dissolved on 3 April 2007) | 100 | 100 | Malaysia |
| 2. Asia Entertainment Network Sdn. Bhd. | 60 | 60 | Malaysia |
| 3. Central Cocoa Pte. Ltd. (Dissolved on 24 July 2006) | - | 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 |
| □ 18. Upali Group Sdn. Bhd. | 100 | 100 | Malaysia |
| 19. Wellon Distribution Pte. Ltd. (Dissolved on 24 July 2006) | - | 100 | Singapore |
| Associated Company | Equity Interest | | Country of Incorporation |
| | 2006 % | 2005 % | |
| 1. Schwartau (Far East) Sdn. Bhd. (Dissolved on 22 September 2006) | - | 42.06 | Malaysia |

39. Subsidiary And Associated Companies (cont'd)

(d) Other Subsidiary and Associated Companies of Pengkalen (UK) Plc

| <i>Subsidiary Company</i> | <i>Equity Interest</i> | | <i>Country of Incorporation</i> |
|--|------------------------|------------------|---------------------------------|
| | <i>2006</i> % | <i>2005</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 Limited | 100 | 100 | Sri Lanka |
| 5. Kuril Plantations Sdn. Berhad | 100 | 100 | Malaysia |
| <i>Associated Company</i> | <i>Equity Interest</i> | | <i>Country of Incorporation</i> |
| | <i>2006</i> % | <i>2005</i> % | |
| 1. Desa Kuril Sdn. Berhad | 50 | 50 | Malaysia |
| <p>* Associated company not audited by member firms of BDO Binder, Malaysia</p> <p>□ This subsidiary company of PUK was placed under creditors' voluntary winding-up in previous financial year.</p> <p>+ Subsidiary companies audited by overseas member firms of BDO International</p> | | | |

40. Staff Costs

| | <i>Group</i> | | <i>Company</i> | |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
| | <i>2006</i> <i>RM'000</i> | <i>2005</i> <i>RM'000</i> | <i>2006</i> <i>RM'000</i> | <i>2005</i> <i>RM'000</i> |
| Wages and salaries | 2,682 | 2,727 | 687 | 624 |
| Defined contribution plans | 311 | 311 | 94 | 86 |
| Short term accumulating compensated absence | 58 | 15 | 58 | 15 |
| Other employee benefits | 503 | 505 | 166 | 150 |
| | 3,554 | 3,558 | 1,005 | 875 |

41. Comparatives

- (i) The following comparative amounts have been restated due to the adoption of new and revised FRSs:

| | Group | | | Company | | |
|---|----------------------------|---------------------------|-----------------|----------------------------|---------------------------|-----------------|
| | As | | | As | | |
| | previously reported | Reclassi- fication | Restated | previously reported | Reclassi- fication | Restated |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Adjustments made under FRS 101 | | | | | | |
| Income statements | | | | | | |
| Share of results of associated companies | (10,583) | (56) | (10,639) | - | - | - |
| Loss before tax | (12,240) | (56) | (12,296) | - | - | - |
| Tax expenses | (83) | 56 | (27) | - | - | - |
| Cash flow statements | | | | | | |
| Cash flow from operating activities | | | | | | |
| Loss before tax | (12,240) | (56) | (12,296) | - | - | - |
| Share of results in associated companies | (10,583) | (56) | (10,639) | - | - | - |
| Adjustments made under FRS 140 | | | | | | |
| Balance sheets | | | | | | |
| Property, plant and equipment | 61,685 | (29,304) | 32,381 | 29,732 | (29,304) | 428 |
| Investment property | - | 29,304 | 29,304 | - | 29,304 | 29,304 |
| Cash flow statements | | | | | | |
| Cash flow from operating activities | | | | | | |
| Depreciation of property, plant and equipment | 1,707 | (383) | 1,324 | 474 | (383) | 91 |
| Depreciation of investment property | - | 383 | 383 | - | 383 | 383 |

42. Authorisation For Issue Of Financial Statements

These financial statements were authorised for issue by the Board of Directors on 25 April 2007.

Statement By Directors

Pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 28 to 79 have been drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia so as to give a true and fair view of:-

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

On behalf of the Board,

Tan Sri Dato' Mohd Ibrahim bin Mohd Zain

Director

Khet Kok Yin

Director

25 April 2007

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, Lai Chee Leong, 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 28 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 Lai Chee Leong at Kuala Lumpur in the Federal Territory on 25 April 2007

Lai Chee Leong

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 28 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 Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of:-

- (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (ii) the state of affairs of the Group and of the Company as at 31 December 2006 and of their results and cash flows for the financial year then ended;

and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and 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 39 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 2007

Analysis Of Shareholdings

As at 23 April 2007

Class of Shares : Ordinary share of RM0.10 each
Voting Rights : 1 vote per ordinary share

Substantial Shareholders as per Register of Substantial Shareholders

| Name | No. of Shares held | | | |
|----------------------------------|---------------------------|----------|---------------|----------|
| | Direct | % | Deemed | % |
| Pan Malaysian Industries Berhad | — | — | 638,572,986 | 68.75 |
| Tan Sri Dato' Khoo Kay Peng | — | — | 638,572,986 | 68.75 |
| 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 | No. of Shares held | | | |
|------------------------------|----------------------|---------------------------|----------|-----------------|----------|
| | | Direct | % | Indirect | % |
| Pan Malaysia Holdings Berhad | Dato' Choong Kok Min | 1,442,000 | 0.16 | 20,906,932 | 2.25 |

| In Related Company | Name | No. of Shares held | | | |
|----------------------------------|-----------------------------|---------------------------|------------|-----------------|----------|
| | | Direct | % | Indirect | % |
| Malayan United Industries Berhad | Dato' Choong Kok Min | 1,250,000 | 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 23 April 2007

| | | 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 | 254 | 2.35 | 9,422 | 0.00 |
| 100 - 1,000 shares | 2,294 | 21.23 | 2,050,355 | 0.22 |
| 1,001 - 10,000 shares | 5,931 | 54.90 | 28,971,729 | 3.12 |
| 10,001 - 100,000 shares | 2,077 | 19.22 | 70,937,637 | 7.64 |
| 100,001 - less than 5% of issued shares | 244 | 2.26 | 245,535,390 | 26.43 |
| 5% and above of issued shares | 4 | 0.04 | 581,362,878 | 62.59 |
| Total | 10,804 | 100.00 | 928,867,411 | 100.00 |

Thirty (30) Largest Securities Account Holders

| Name | No. of Shares | % |
|--|----------------------|----------|
| 1. Amsec Nominees (Tempatan) Sdn Bhd - Arab-Malaysian Credit Berhad for Loyal Design Sdn Bhd | 185,000,000 | 19.92 |
| 2. Loyal Design Sdn Bhd | 173,496,163 | 18.68 |
| 3. MUI Media Ltd | 140,117,208 | 15.08 |
| 4. Megawise Sdn Bhd | 82,749,507 | 8.91 |
| 5. Mayban Nominees (Tempatan) Sdn Bhd - Mayban Investment Management Sdn Bhd for Malayan Banking Berhad | 41,740,521 | 4.49 |
| 6. Aquiline Sdn Bhd | 30,463,488 | 3.28 |
| 7. MUI Capital Sdn Bhd | 25,999,810 | 2.80 |
| 8. Arab-Malaysian Credit Berhad | 22,745,416 | 2.45 |
| 9. Komin Holdings Sdn Bhd | 20,311,332 | 2.19 |
| 10. Cimsec Nominees (Tempatan) Sdn Bhd - Danaharta Urus Sdn Bhd | 13,554,211 | 1.46 |
| 11. Amsec Nominees (Tempatan) Sdn Bhd - Ambank (M) Berhad | 6,628,028 | 0.71 |
| 12. Cimsec Nominees (Tempatan) Sdn Bhd - Danaharta Managers Sdn Bhd | 5,673,118 | 0.61 |
| 13. ABB Nominee (Tempatan) Sdn Bhd - Affin Bank Berhad | 4,994,215 | 0.54 |
| 14. Bank Kerjasama Rakyat Malaysia Berhad | 4,760,534 | 0.51 |

Analysis Of Shareholdings (Cont'd)

As at 23 April 2007

Thirty (30) Largest Securities Account Holders (cont'd)

| Name | No. of Shares | % |
|---|---------------|-------|
| 15. Newest Sdn Bhd (In Creditors Voluntary Liquidation) | 2,390,000 | 0.26 |
| 16. TCL Nominees (Tempatan) Sdn. Bhd. - Ong Lea Yong | 2,169,100 | 0.23 |
| 17. Bank Kerjasama Rakyat Malaysia Berhad | 1,985,751 | 0.21 |
| 18. Mayban Nominees (Tempatan) Sdn Bhd - Securities Account for Chai Nyuk Thin | 1,400,000 | 0.15 |
| 19. Teh Shiou Cherng | 1,300,000 | 0.14 |
| 20. Yeap Poh Tin | 1,295,600 | 0.14 |
| 21. Multi-Purpose Credit Sdn Bhd | 1,142,082 | 0.12 |
| 22. Citibank Berhad | 1,062,948 | 0.11 |
| 23. Amsec Nominees (Tempatan) Sdn Bhd - Securities Account for Tiong Kiong King | 900,000 | 0.10 |
| 24. TA Nominees (Tempatan) Sdn Bhd - Securities Account for Abdul Rani Bin Achmed Abdullah | 900,000 | 0.10 |
| 25. Mayban Nominees (Tempatan) Sdn Bhd - Securities Account for Wong Soo Chai @ Wong Chick Wai | 880,000 | 0.09 |
| 26. OSK Nominees (Tempatan) Sdn Berhad - Securities Account for Chong Lee Fong | 800,000 | 0.09 |
| 27. Wong Mook Leong | 800,000 | 0.09 |
| 28. RHB Nominees (Tempatan) Sdn Bhd - Securities Account for Sim Mui Khee | 790,000 | 0.09 |
| 29. Teh Li Li | 751,769 | 0.08 |
| 30. Chong Yuet Hwa @ Choong Kok Min | 742,000 | 0.08 |
| Total | 777,542,801 | 83.71 |

Properties Owned By The Group

As at 31 December 2006

| <i>Location</i> | <i>Description</i> | <i>Usage</i> | <i>Tenure</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, Kuala Lumpur | 1 lot of land with a 15-storey office building | Office | Freehold | 2,459 | 20 | 28,921 | 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 land with a 10-storey resort hotel | Hotel | Leashold Expiring 2059/2087 | 55,745 | 11 | 29,443 | 1993 |
| State of Pahang Darul Makmur | | | | | | | |
| HS10468 PT11291, Bentong, | 1 lot of 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-Fourth Annual General Meeting of the Company to be held at Ballroom 2, Corus hotel Kuala Lumpur, Jalan Ampang, 50450 Kuala Lumpur on Wednesday, 20 June 2007 at 9.00 a.m. and at any adjournment thereof, and to vote as indicated below:-

| Resolutions | For | Against |
|---|-----|---------|
| 1. To re-appoint Dato' Abdul Aziz bin Ahmad as a Director. | | |
| 2. To re-appoint Dato' Rastam bin Abdul Hadi as a Director. | | |
| 3. To re-appoint Mr Yong Ming Sang as a Director. | | |
| 4. To re-appoint Mr Ooi Boon Leong @ Law Weng Leun as a Director. | | |
| 5. To re-elect Tan Sri Dato' Mohd Ibrahim bin Mohd Zain as a Director. | | |
| 6. 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

Seal

Signed this _____ day of _____ 2007.

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
