



**PERAK  
CORPORATION  
BERHAD** (210915-U)  
Incorporated in Malaysia

# ANNUAL REPORT 2006

# Contents



ANNUAL  
REPORT  
2 0 0 6

|  |          |
|--|----------|
| • CORPORATE INFORMATION                    | 2        |
| • NOTICE OF ANNUAL GENERAL MEETING         | 3        |
| • CORPORATE STRUCTURE                      | 6        |
| • FINANCIAL HIGHLIGHTS                     | 7        |
| • PROFILE OF DIRECTORS                     | 8        |
| • CHAIRMAN'S STATEMENT                     | 10       |
| • PENYATA PENERUSI                         | 13       |
| • STATEMENT OF CORPORATE GOVERNANCE        | 16       |
| • STATEMENT ON INTERNAL CONTROL            | 22       |
| • REPORT OF AUDIT COMMITTEE                | 26       |
| • ADDITIONAL COMPLIANCE INFORMATION        | 30       |
| • ANALYSIS OF SHAREHOLDINGS                | 32       |
| • SUMMARY OF PROPERTIES                    | 34       |
| • STATEMENT OF DIRECTORS' RESPONSIBILITIES | 36       |
| • FINANCIAL STATEMENTS                     | 37       |
| • PROXY FORM                               | ENCLOSED |

# Corporate Information

## BOARD OF DIRECTORS

Dato' Ir. Haji Harun bin Ahmad Saruji DPMP, AMP (*Chairman*)

Datuk Haji Faisal bin Haji Siraj DMSM

Encik Razidan bin Ghazalli

Dr. Nawawi bin Mat Awin

YB Dato' Azian bin Osman DPMP, AMP

Puan Noor Asmah bt. Mohd Nawawi

Non-Independent Non-Executive

Non-Independent Non-Executive

Non-Independent Non-Executive

Independent Non-Executive

Independent Non-Executive

Independent Non-Executive

## MANAGEMENT TEAM

Dato' Samsudin bin Hashim DPMP, PMP, AMP

Encik Harbhajan Singh a/l Ujagar Singh AMP, PPT

Tuan Haji Ibrahim bin Yaacob AMP, PPT

Dato' Ismail Mokhtar bin Mohd Noor DPMP, PMP, AMP

Tuan Haji Hamsidi bin Haji Shaharah

Hajah Sharifah Nor Hashimah bt. Syed Kamaruddin AMP, PPT

Puan Sharifah Hanizah bt. Syed Mustaffa

Group Chief Executive Officer

Group Chief Financial Officer

Group GM, Township Development

Group GM, Hotel & Hospitality

Group Assistant GM, Business Development

Group Assistant GM, Land & Property

Group Manager, Finance

## PRINCIPAL PLACE OF BUSINESS

2nd Floor, Wisma Wan Mohamed

Jalan Panglima Bukit Gantang Wahab

30000 Ipoh, Perak Darul Ridzuan

Tel : (05) 242 7277, 242 7279

Fax : (05) 242 7290

## REGISTERED OFFICE

D-3-7, Greentown Square

Jalan Dato' Seri Ahmad Said

30450 Ipoh, Perak Darul Ridzuan

Tel : (05) 241 7762, 253 0760

Fax : (05) 241 6761

## COMPANY SECRETARY

Cheai Weng Hoong (LS 05624)

## AUDITORS

Ernst & Young (AF : 0039)

Chartered Accountants

## SOLICITORS

Azman Davidson & Co.

Rusnah Loh Ng & Co.

## PRINCIPAL BANKERS

CIMB Bank Berhad

Citibank Berhad

Malayan Banking Berhad

## REGISTRAR

Shared Services & Resources Sdn Bhd

D-3-7, Greentown Square

Jalan Dato' Seri Ahmad Said

30450 Ipoh, Perak Darul Ridzuan

Tel: (05) 241 7762, 253 0760

Fax: (05) 241 6761

## STOCK EXCHANGE LISTING

Main Board, Bursa Malaysia Securities Berhad

Name : PRKCORP

Stock Code : 8346

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Sixteenth Annual General Meeting of the Company will be held at Dewan Persidangan, Tingkat 4, Wisma Wan Mohamed, Jalan Panglima Bukit Gantang Wahab, 30000 Ipoh, Perak Darul Ridzuan on Wednesday, 30 May 2007, at 12.00 noon to transact the following businesses:-

1. To receive, consider and adopt the Audited Financial Statements for the year ended 31 December 2006 together with the Report of the Directors and Auditors thereon. **Resolution 1**
2. To approve the payment of a first and final dividend of 2.5 sen per share less income tax for the year ended 31 December 2006. **Resolution 2**
3. To approve the increase in Directors' fees for the year ended 31 December 2006 and the payment of Directors' fees thereon. **Resolution 3**
4. To re-elect the following Directors who retire in accordance with Article 80 of the Company's Articles of Association:
  - a) Dr Nawawi bin Mat Awin **Resolution 4**
  - b) Puan Noor Asmah bt Mohd Nawawi **Resolution 5**
5. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 6**
6. As special business to consider and, if thought fit, pass the following Resolutions:
  - A) Ordinary Resolution - Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature** **Resolution 7**

"**THAT** approval be and is hereby given pursuant to Paragraph 10.09, Part E of Chapter 10 of the Listing Requirements of Bursa Malaysia Securities Berhad for the Company and/or its subsidiaries to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for day to day operations with the Related Parties, as detailed in Section 2.1.2 of the Circular to Shareholders of the Company dated 25 April 2007, subject to the following:

    - (a) the transactions are carried out in the ordinary course of business on terms not more favourable to the Related Parties than those generally available to the public and not detrimental to minority shareholders of the Company; and
    - (b) disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year based on the following information:
      - (i) the type of the Recurrent Transactions made; and
      - (ii) the names of the Related Parties involved in each type of the Recurrent Transactions made and their relationship with the Company.

**THAT** the approval given in the paragraph above shall only continue to be in force until:

- (a) the conclusion of the next Annual General Meeting (“AGM”) of the Company, at which time it will lapse, unless by a resolution passed at the said AGM, the authority is renewed;
- (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to section 143(1) of the Companies Act, 1965, (“the Act”), but shall not extend to such extension as may be allowed pursuant to section 143(2) of the Act; or
- (c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier.

**AND THAT** authority be and is hereby given to the Directors of the Company to complete and do all such acts and things (including executing all such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution.”

**B) Special Resolution - Proposed Amendments to the Articles of Association of the Company**

**Resolution 8**

“**THAT** the proposed amendments to the Articles of Association of the Company as set out in Appendix II of the Circular to Shareholders of the Company dated 25 April 2007 be and are hereby approved.”

- 7. To transact any other business appropriate to an AGM of which due notice shall have been given in accordance with the Act and the Company’s Articles of Association.

By order of the Board

**Cheai Weng Hoong**  
Company Secretary

Ipoh  
25 April 2007

## NOTICE OF FIRST AND FINAL DIVIDEND PAYMENT AND CLOSURE OF REGISTER

Subject to the approval of the shareholders, a first and final dividend of 2.5 sen per share less income tax will be paid on 18 July 2007.

Notice is hereby given that the Register of Members of the Company will be closed on 29 June 2007, to determine shareholders' entitlement to the dividend payment.

A depositor will qualify for entitlement only in respect of:

- a) Share transferred into the Depositors' Securities account before 4.00 p.m. on 29 June 2007 in respect of ordinary transfers; and
- b) Share bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

Notes:

1. *A member entitled to attend and vote at the AGM is entitled to appoint a proxy/proxies who may but need not be a member/members of the Company to attend and vote in his/her stead and Section 149 (1)(b) of the Act shall not apply.*
2. *When a member appoints more than one proxy the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding to be represented by each proxy.*
3. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.*
4. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.*
5. *The instrument appointing a proxy must be deposited at the Registered Office of the Company at D-3-7, Greentown Square, Jalan Dato' Seri Ahmad Said, 30450 Ipoh, Perak Darul Ridzuan at least forty-eight (48) hours before the time appointed for holding the AGM or any adjournment thereof.*
6. *The registration for the above Meeting will commence on Wednesday, 30 May 2007 at 11.30 a.m.*

## Statement Accompanying Notice of Annual General Meeting

### Resolution 4 and 5

The Directors standing for re-election had no interest in the securities of the Company and their profiles are disclosed on pages 8 and 9 of the Annual Report of the Company.

### Explanatory Note

#### a) Resolution 7

Details of the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature are disclosed in the Circular to Shareholders of the Company dated 25 April 2007 which is enclosed together with the Annual Report of the Company.

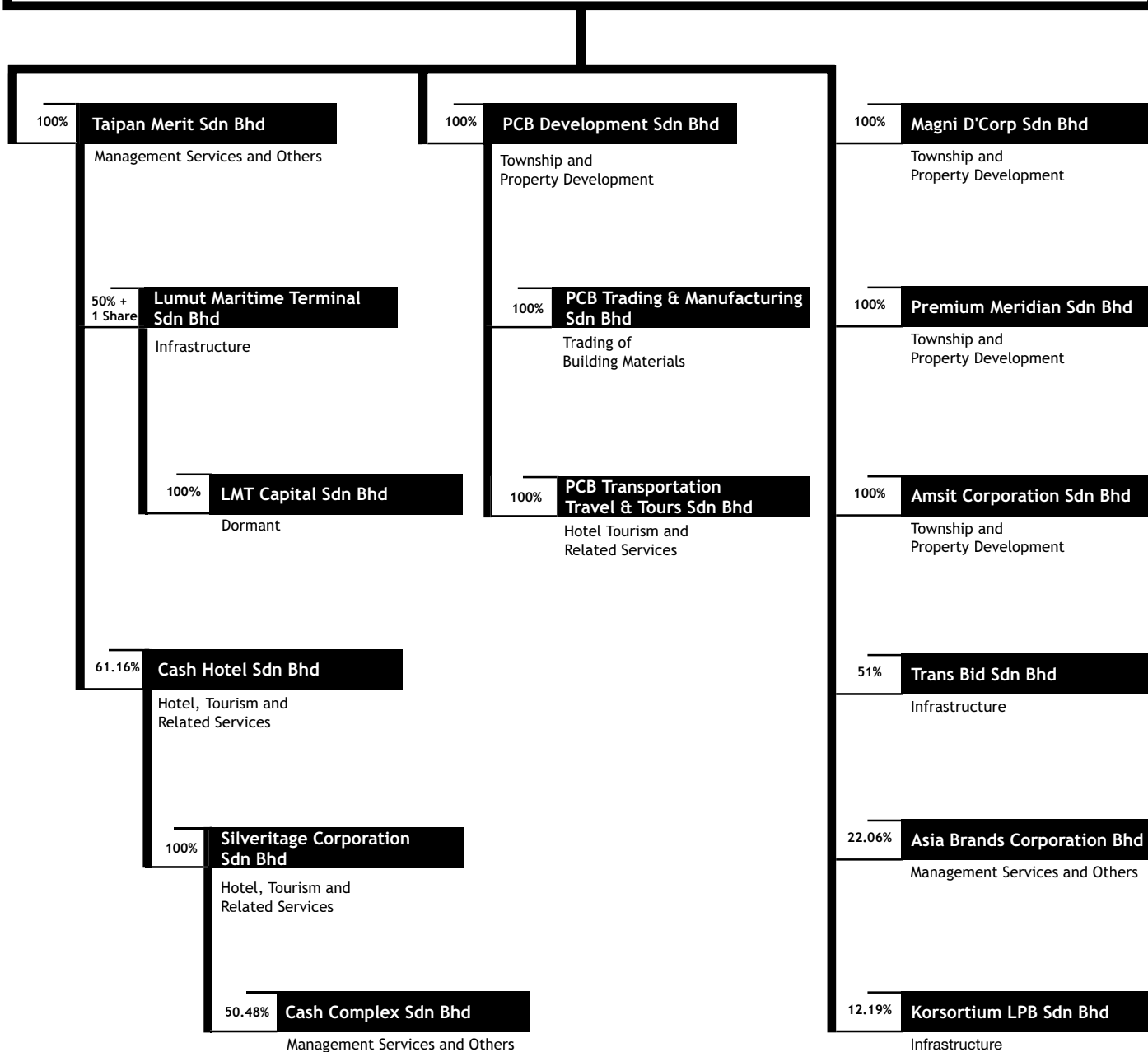
#### b) Resolution 8

Details of the Proposed Amendments to the Articles of Association of the Company are disclosed in the Circular to Shareholders of the Company dated 25 April 2007 which is enclosed together with the Annual Report of the Company.

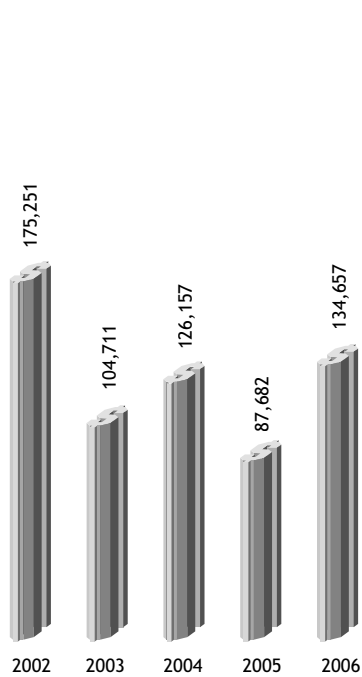
# Corporate Structure as at 31 December 2006



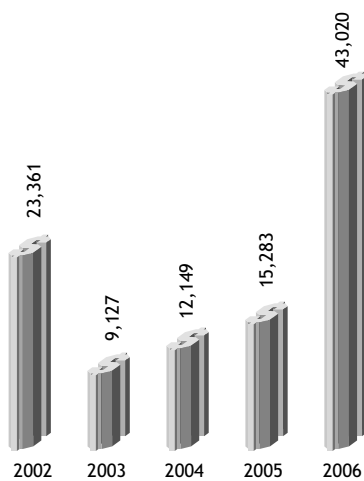
## PERAK CORPORATION BERHAD



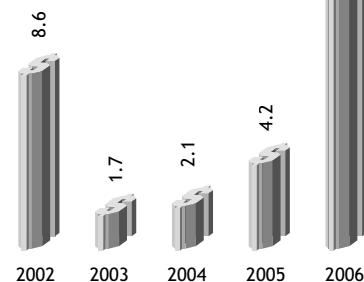
# Financial Highlights 31 December



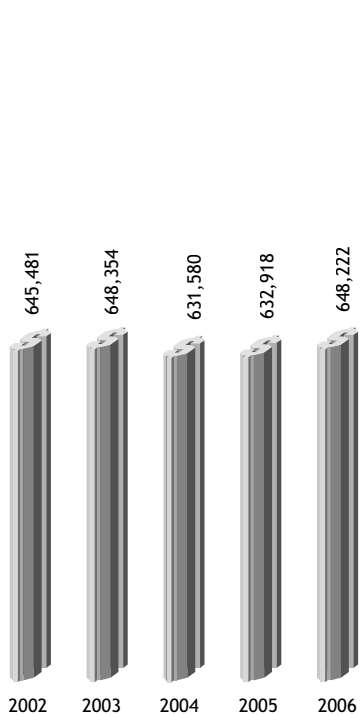
**Revenue**  
(RM'000)



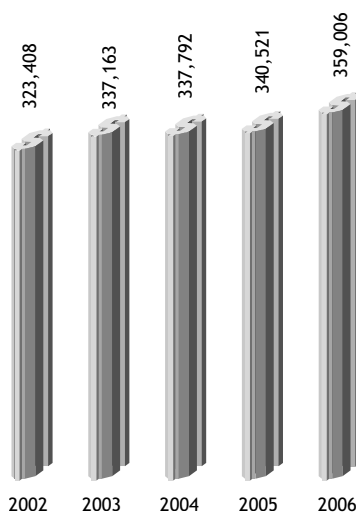
**Profit Before Taxation**  
(RM'000)



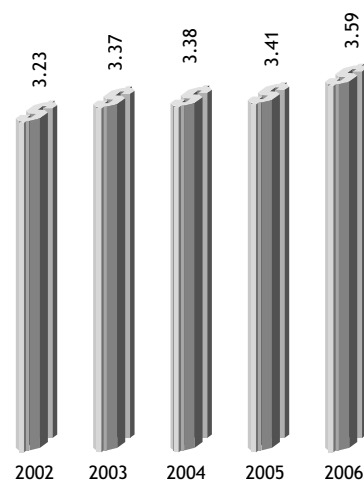
**Earnings per share**  
(Sen)



**Total Assets**  
(RM'000)



**Equity Holders' Funds**  
(RM'000)



**Net Assets per share**  
(RM)



# Profile of Directors

## **DATO' IR. HAJI HARUN BIN AHMAD SARUJI** (Malaysian, aged 70 years)

Non-Independent Non-Executive Director



Dato' Ir. Haji Harun bin Ahmad Saruji was first appointed to the Board on 19 February 1997. He serves as Chairman of the Board and he has been a member of the Audit Committee since 26 March 2004. He is a Civil Engineer by profession and has served in Government Departments and Statutory Bodies for over 35 years. Prior to his appointment to the Board,

he was the Chief Executive Officer of Perbadanan Kemajuan Negeri Perak ("PKNP"). He is currently also a board member of KUB Malaysia Berhad ("KUB"), a company listed on the main board of Bursa Malaysia Securities Berhad ("BMSB"). In addition, he sits on the Board of Directors of a number of subsidiaries within the PCB and KUB groups. He is an Executive Director of PCB

Development Sdn Bhd, a wholly owned subsidiary of PCB. He has attended all 4 Board of Directors' meetings held during the financial year ended 31 December 2006. He does not have any family relationship with any Director and/or major shareholder and has no conflict of interest with the Company. He has no conviction for any offence within the past 10 years.

## **DR. NAWAWI BIN MAT AWIN** (Malaysian, aged 69 years)

Senior Independent Non-Executive Director



Dr. Nawawi bin Mat Awin was first appointed to the Board on 20 December 2001. He serves as Chairman of the Audit Committee and he has been a member of the Nomination Committee since 26 February 2004. He was Chairman and Senior Partner (1974-1982; 1985-1993) of Coopers and Lybrand, Malaysia to which he was attached to since 1966. He has vast experience in the banking sector and had served in several public and professional bodies, at both national and international levels, including

as Chairman or President of, inter alia, the Asian Productivity Organisation, the National Productivity of Malaysia, ASEAN Chamber of Commerce and Industry, the National Chamber of Commerce and Industry of Malaysia, the Malaysian Institute of Certified Public Accountants and as Member of, inter alia, the National Economic Consultative Committee, the Panel on Takeovers and Mergers, Parliament and its Public Accounts Committee. He is currently also a board member of MBM Resources

Berhad and Rubberex Corporation (M) Berhad, both companies listed on BMSB. In addition, he sits on the board of Kennedy Burkill & Company Berhad and Clearwater Sanctuary Golf Management Berhad. He attended all 4 Board of Directors' meetings held during the financial year ended 31 December 2006. He does not have any family relationship with any director and/or major shareholder and has no conflict of interest with the Company. He has no conviction for any offence within the past 10 years.

## **DATUK HAJI FAISAL BIN HAJI SIRAJ** (Malaysian, aged 61 years)

Non-Independent Non-Executive Director



Datuk Haji Faisal bin Haji Siraj was first appointed to the Board on 16 January 2004. He has been a member of the Nomination Committee since 26 February 2004. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a Member of both the Malaysian Institute of Accountants and Malaysian Institute of Certified

Public Accountants. He sits on the Board on behalf of Skim Amanah Saham Bumiputera, a major shareholder of the Company. He was the Senior Group Director, Financial Services and Treasury of DRB-HICOM Berhad until his retirement in September 2005. Prior to joining DRB-HICOM Berhad, he served Malaysian Mining Corporation Berhad from

1976 to 1994, the last position held being Group Executive Director. He attended all 4 Board of Directors' meetings held during the financial year ended 31 December 2006. He does not have any family relationship with any director and/or major shareholder and has no conflict of interest with the Company. He has no conviction for any offence within the past 10 years.

## Profile of Directors (continued)

### **YB DATO' AZIAN BIN OSMAN** (Malaysian, aged 48)

Independent Non-Executive Director



YB Dato' Azian bin Osman was first appointed to the Board on 20 December 2001. He has been the Chairman of the Remuneration Committee since 26 February 2004 and a member of the Audit Committee since 3 January 2005. He holds a law degree from the University of Malaya and has more than 18 years experience and knowledge in the field of corporate, land and banking

laws gained from his practice as an Advocate and Solicitor. On 14 November 2006, he was appointed as a Senator for a term of 3 years. He also sits on the board of Opus International Group Public Limited Company (formerly known as Kinta Kellas Limited Company), a company listed on both BMSB and the London Stock Exchange, Syarikat Perumahan Negara Berhad (Chairman), and several other private limited companies.

He is also the Chairman of Kolej Risda. He attended 3 out of 4 Board of Directors' meetings held during the financial year ended 31 December 2006. He does not have any family relationship with any director and/or major shareholder and has no conflict of interest with the Company. He has no conviction for any offence within the past 10 years.

### **PUAN NOOR ASMAM BT. MOHD NAWAWI** (Malaysian, aged 40 )

Independent Non-Executive Director



Puan Noor Asmah binti Mohd Nawawi was first appointed to the Board on 20 December 2001. She has been a member of the Audit Committee since 20 December 2001 and was appointed as Chairperson of the Nomination Committee and a member of the Remuneration Committee since 26 June 2002. She holds a law degree from the

International Islamic University, Malaysia and has more than 14 years experience and knowledge gained from her practice as an Advocate and Solicitor. She is currently a partner of a legal firm in Ipoh, Messrs. Asmah, Juhaida & Partners. She is also the Chairperson of the board of Harta Perak Corporation Sdn Bhd, a subsidiary of PKNP. She attended

3 out of 4 Board of Directors' meetings held during the financial year ended 31 December 2006. She does not have any family relationship with any director and/or major shareholder and has no conflict of interest with the Company. She has no conviction for any offence within the past 10 years.

### **ENCIK RAZIDAN BIN GHAZALLI** (Malaysian, aged 44)

Non-Independent Non-Executive Director



Encik Razidan bin Ghazalli was first appointed to the Board on 15 November 2005. He has been a member of the Remuneration Committee since 21 December 2005. He graduated with a Bachelor of Commerce degree from the University of Tasmania, Australia in 1983 and qualified as a Certified Practising Accountant ("CPA") from the CPA Australia and also a Chartered Accountant of the Malaysian Institute of

Accountants since 1987. He obtained his Chartered Institute of Marketing (United Kingdom) qualification in 1997. He is currently the Director, Finance of Golden Hope Plantations Berhad, a major shareholder of the Company. He had previously served as Treasury Accountant in the Accountant General's Office, Senior Manager with Arthur Andersen & Co., Finance manager with Petronas Berhad, Senior Vice President with Celcom

(M) Berhad, General Manager, Financial Services with MISC Berhad and Senior Vice President with Idaman Unggul Berhad. He attended all 4 Board of Directors' meetings held during the financial year ended 31 December 2006. He does not have any family relationship with any director and/or major shareholder and has no conflict of interest with the Company. He has no conviction for any offence within the past 10 years.

# Chairman's Statement

**On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of PERAK CORPORATION BERHAD for the financial year ended 31 December 2006.**

## OVERVIEW

The Group activities in 2006 remained focus on its core businesses of township development of real property and ancillary services, hospitality services and maritime services and sales of port related industrial land.

The township and property development activities softened amidst rising costs of building materials and transportation which was compounded by concerns over high fuel price. However, the consistent returns from maritime services and a surge in the sales of port related land to bio-diesel, bio-fuel and gas related industries have enabled the Group to achieve improved results for the financial year under review amidst difficult operating conditions. The Group will continue to build on its strengths in all of its business segments and shall put in place a number of new initiatives to remain competitive and profitable in the foreseeable future.

## FINANCIAL REVIEW

For the financial year ended 31 December 2006, the Group increased its revenue by 54% to RM134.66 million (2005: RM87.68 million) mainly due to developed land sales realised from the various business segments. Accordingly, the Group achieved a pretax profit of RM43.02 million for the year under review in comparison to RM15.28 million recorded in the year 2005 whilst net profit attributable to shareholders of RM19.58 million increased by almost five-fold when compared to RM4.17 million earned in the previous year.

Net assets per share attributable to ordinary equity holders of the parent as at 31 December 2006 improved to RM3.59 (2005: RM3.41), based on the ordinary shares in issue of RM1.00 each of 100 million (2005: 100 million) units.

For the year under review, the Company achieved revenue of RM25.84 million resulting in pretax profits of RM7.13 million as compared to revenue of RM4.81 million with pretax profits of RM2.24 million recorded in the year 2005. Profit after taxation was recorded at RM4.47 million as against RM1.66 million achieved in the year 2005. The increase was largely attributable to developed land sales of RM19.3 million made during the year (2005: RM nil).

The details of the new/ revised Financial Reporting Standards (FRSs) adopted and their impact on the financial results for the year ended 31 December 2006, are disclosed in the Notes to the Financial Statements.

## REVIEW OF OPERATIONS

### Hospitality and Tourism

The Group's interest in this segment is via its subsidiary, Cash Hotel Sdn. Bhd. ("CHSB"), which owns a 4-star hotel in Ipoh, currently called "Impiana Casuarina Ipoh" and manages "Casuarina Inn Taiping".

On 1 August 2006, Impiana Hotels & Resorts Management Sdn. Bhd., was appointed to manage the hotel's operations in Ipoh to further enhance its revenue and profitability.

The hotel and tourism segment has achieved a revenue of RM18.23 million (2005: RM14.04 million) with an average occupancy rate of 71.3% for the year under review. Profit before taxation for the year was recorded at RM2.14 million as compared to a loss before taxation of RM0.12 million for the previous year.

### Township Development

This segment, via its wholly owned subsidiary, PCB Development Sdn. Bhd. ("PCBD") is developing a self-contained and well-planned 2000-acre suburban development project known as Bandar Meru Raya ("BMR"), in the vicinity of Ipoh City, Perak with a projected population of 100,000 people by the year 2015. At present, the development of BMR has reached 30% completion stage and it is being developed in line with the Perak Structural Plan 2000.



*Self-contained 2,000-acre Bandar Meru Raya by PCBD*

"Auto City Complex", based on the concept of choose-test-buy cars in a day, will be a one-stop centre for automotive industry needs costing RM15 million to be located in BMR. It will be equipped with information technology facilities and is expected to be completed by June 2008. This project will be carried out by PCBD and LS Associates Sdn. Bhd.

A fully equipped "PTTC Ancasa Hotel Ipoh", which shall be built by a third party in the vicinity of BMR, will complement the various components of the township which include the Perak MSC Cyber Centre, Perak Hi Tech Industrial Park, and numerous government complexes which are ready in use and to be set up.

Other activities in this segment include a parcel of 465 acres (approximately 48 acres have been sold up to 31 December 2006) of land in Mukim Hulu Bernam Timur, Perak which is adjacent to Proton City at Tanjung Malim/ Ulu Bernam belonging to the Company, and provision of project management services.

This segment has contributed to the Group's revenue by achieving RM24.15 million (2005: RM25.10 million) with profit before taxation totalling RM3.21 million (2005: RM1.12 million) for the year under review.

### Infrastructure

The Group's contributor in this segment is via its subsidiary, Lumut Maritime Terminal Sdn. Bhd. ("LMT").

LMT provides total integrated port services and facilities covering marine, stevedoring, cargo handling and warehousing and catering to the requirements of general cargoes, break bulk, project cargo, dry bulk, liquid bulk and container cargo. For the year 2006, the port handled 2.17 million freight weight tonnes (FWT) (2005: 2.09 million FWT) in respect of both inward and outward cargo traffic. Export bulk made up 74.5% (2005: 69.4%) of the total cargo traffic for the year under review.

LMT also develops and sells industrial land known as 'Lumut Port Industrial Park' ("LPIP") which is located within a radius of 2 km of its port, for heavy, medium, light and small industries at competitive prices. LPIP has a total gross area of 1,000 acres (net 885 acres) with 89 years leasehold tenure from the date of issuance of individual title. Selling prices depend on port utilisation, location and total acreage purchased. Foreign ownership is permitted. Being located adjacent to the port makes LPIP a very attractive industrial estate for investors. 698 acres of the industrial land have been sold up to the financial year ended 31 December 2006.

LMT shall provide pipeline gantry systems to accommodate users to lay their pipelines for purposes of export/ import of liquid bulk cargo directly to the vessels. A review of the necessary infrastructure to be emplaced for handling of liquid-based cargo is being made to stimulate the growth of "LMT Bio-Nexus Hub" focusing primarily towards

## Chairman's Statement (Continued)

biodiesel and palm oil refiners due to the existing and planned refineries at LMT. The design requirements of a jetty to cater for hazardous cargo, upon the sale of LPIP land to Petronas Dagangan Bhd, is also being considered.

LMT is also the appointed operator and manager of Lekir Bulk Terminal ("LBT"), a deepwater seaport with a natural depth of 20 meters and is currently South-East Asia's largest dry bulk unloading facility. LBT is a dedicated port to handle coal used primarily by the adjoining TNB Janamanjung Sdn. Bhd. For the year 2006, LBT handled 5.44 million FWT (2005: 4.88 million FWT) of coal for the coal-fired power plant.

This infrastructure segment has contributed to the Group's revenue by achieving RM70.88 million (2005: RM46.05 million) with profit before taxation totalling RM32.82 million (2005: RM14.73 million) for the year under review.

### CORPORATE GOVERNANCE

Statements of Corporate Governance and Internal Control have been included in the Annual Report. These affirm the Board's commitment in ensuring that good corporate governance compliance is practised throughout the Group.

### PROSPECTS FOR THE YEAR 2007

With the implementation of the Ninth Malaysia Plan, the economy is expected to strengthen in 2007, despite a more challenging global environment. This optimism is underpinned by continued expansion of private sector activities and complemented by the Government's expansionary fiscal policies. With moderating inflationary pressures and stabilised interest rate, the township and property development activities are expected to remain active yet competitive. The rollout of new infrastructure projects under the Ninth Malaysia Plan and those to be developed by the Group may be expected to boost the prospects of the Group's relevant segments.

The Group strives for a better performance for the financial year 2007. The Group shall continue to focus on strengthening its activities by offering good quality and innovative products and services while continuing to source new strategic investments and opportunities to enhance its value to the shareholders.

### DIVIDEND

The Board of Directors recommends a final dividend of 2.5 sen (2005: 2 sen) per share less 27% taxation, totalling RM1.825 million for the financial year ended 31 December 2006, for approval by shareholders at the forthcoming Annual General Meeting ("AGM").

The recommended dividend shall be paid on 18 July 2007, upon approval by shareholders in the forthcoming AGM.

### APPRECIATION

May I take this opportunity to extend my heartiest congratulations to YB Dato' Azian bin Osman on his appointment as Senator on 14 November 2006.

I would also like to extend my sincere thanks to our shareholders, clients, suppliers and business associates, bankers and various government authorities for their support and confidence in the Group. My appreciation is also extended to the management and staff for all their dedication and commitment in their work throughout the year.

**DATO' IR. HAJI HARUN BIN AHMAD SARUJI** DPMP, AMP  
Chairman

25 April 2007

# Penyata Pengerusi

**Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Perak Corporation Berhad bagi tahun kewangan berakhir 31 Disember 2006.**

## TINJAUAN KESELURUHAN

Aktiviti Kumpulan di dalam 2006 masih memfokus kepada perniagaan teras iaitu pembangunan bandar baru bagi hartanah dan perkhidmatan sampingannya, perkhidmatan perhotelan dan perkhidmatan maritim dan penjualan tanah industri persekitaran pelabuhan.

Aktiviti bandar baru dan pembangunan hartanah berkurang berpunca kenaikan kos bahan binaan dan pengangkutan ditambah dengan kebimbangan harga bahan api yang tinggi. Namun begitu pulangan yang konsisten dari perkhidmatan maritim dan terdapat lonjakan jualan tanah persekitaran pelabuhan kepada industri biodisel, biofuel dan industri berkaitan gas telah membolehkan Kumpulan mencapai keputusan yang lebih baik bagi tahun kewangan yang di bawah kajian dalam keadaan operasi yang sukar.

Kumpulan akan terus meningkat kekuatannya di dalam semua segmen perniagaannya dan akan menempatkan beberapa inisiatif baru untuk kekal bersaing dan yang menguntungkan pada masa hadapan yang boleh diramal.

## TINJAUAN SEMULA KEWANGAN

Bagi tahun kewangan berakhir 31 Disember 2006, perolehan Kumpulan telah meningkat sebanyak 54% ke RM134.66 juta (2005: RM87.68 juta) terutama dari penjualan tanah yang telah dimajukan hasilan dari beberapa segmen perniagaan. Seterusnya, Kumpulan mencapai keuntungan sebelum cukai yang berjumlah RM43.02 juta bagi tahun di bawah kajian berbanding dengan RM15.28 juta yang dicatat pada tahun 2005 manakala agihan untung bersih kepada pemegang saham-pemegang saham sebanyak RM19.58 juta peningkatan sebanyak hampir lima kali ganda berbanding dengan RM4.17 juta diperolehi pada tahun sebelumnya.

Aset bersih berhaslil kepada pemegang ekuiti biasa syarikat induk se saham pada 31 Disember 2006 bertambah baik ke RM3.59 (2005: RM3.41), berasas kepada syer biasa yang diterbitkan pada RM1.00 seunit untuk 100 juta (2005: 100 juta) unit.

Bagi tahun di bawah kajian, Syarikat telah mencapai perolehan sebanyak RM25.84 juta yang menghasilkan keuntungan sebelum cukai RM7.13 juta berbanding dengan perolehan RM4.81 juta dengan keuntungan sebelum cukai RM2.24 juta dicatat pada tahun 2005. Keuntungan selepas cukai dicatat pada RM4.47 juta berbanding RM1.66 juta yang dicapai pada tahun 2005. Sebahagian besar peningkatan ini adalah hasil dari penjualan tanah yang telah dimajukan berjumlah RM19.3 juta yang disempurnakan pada tahun tersebut (2005: RM tiada).

Pemakaian perincian terbaru/pindaan ke atas Piawaian Laporan Kewangan (Financial Reporting Standards) dan kesan ke atas keputusan kewangan bagi tahun berakhir 31 Disember 2006 dinyatakan di dalam Nota-Nota kepada Penyata Kewangan.

## TINJAUAN SEMULA AKTIVITI-AKTIVITI

### Perhotelan dan Pelancongan

Kepentingan Kumpulan dalam segmen ini adalah melalui syarikat anak, Cash Hotel Sdn. Bhd. ("CHSB"), yang memiliki sebuah hotel bertaraf 4-bintang di Ipoh, yang dikenali sebagai "Impiana Casuarina Ipoh" dan mengurus "Casuarina Inn Taiping".

Pada 1 Ogos 2006, Impiana Hotels & Resorts Management Sdn. Bhd. telah dilantik mengurus operasi hotel di Ipoh bagi mempertingkatkan perolehan dan keuntungan.

## Penyata Pengerusi (sambungan)

Segmen perhotelan dan pelancongan telah mencapai perolehan sebanyak RM18.23 juta (2005: RM14.04 juta) dengan kadar penginapan 71.3% bagi tahun di bawah kajian. Keuntungan sebelum cukai bagi tahun telah dicatat pada RM2.14 juta berbanding dengan kerugian sebelum cukai RM0.12 juta pada tahun sebelumnya.

### Pembangunan Bandar Baru

Segmen ini, melalui syarikat anak pemilikan penuh, PCB Development Sdn Bhd. ("PCBD") sedang membangunkan sebuah projek pembangunan yang serba lengkap serta terancang di atas 2000-ekar tanah di persisiran Bandaraya Ipoh yang dikenali sebagai Bandar Meru Raya ("BMR") dengan jangkaan penduduk 100,000 orang pada tahun 2015. Terkini, pembangunan BMR telah mencapai tahap 30% siap dengan pembangunan selari dengan Pelan Pembangunan Perak 2000 (Perak Structural Plan 2000).

"Kompleks Auto City", berasas kepada konsep pilih-pandu-beli kereta dalam sehari akan menjadi pusat setempat bagi keperluan industri automotif, dengan kos pembangunan RM15 juta berlokasi di BMR yang serba lengkap dengan kemudahan teknologi maklumat dijangka siap dalam Jun 2008. Projek ini bakal akan dilaksanakan oleh PCBD dan LS Associates Sdn. Bhd.

"PTTC Ancasa Hotel Ipoh", yang serba lengkap akan dibina oleh pihak ketiga di persekitaran BMR bakal melengkapkan pelbagai komponen bandar baru tersebut termasuk Perak MSC Cyber Centre, Perak Hi Tech Industrial Park, dan beberapa kompleks kerajaan yang telah dan akan dibangunkan.

Aktiviti-aktiviti lain di dalam segmen ini termasuk 465 ekar (di mana lebih kurang 48 ekar telah dijual sehingga 31 Disember 2006) tanah di Mukim Hulu Bernam Timur, Perak bersebelahan Bandaraya Proton City di Tanjung Malim/Ulu Bernam yang dimiliki oleh Syarikat dan penyediaan perkhidmatan pengurusan projek.

Segmen ini telah menyumbang perolehan bagi Kumpulan sebanyak RM24.15 juta (2005: RM25.10 juta) dengan keuntungan sebelum cukai berjumlah RM3.21 juta (2005: RM1.12 juta) bagi tahun di bawah kajian.

### Infrastruktur

Sumbangan Kumpulan dalam segmen ini adalah melalui syarikat anak, Lumut Maritime Terminal Sdn Bhd. ("LMT").

LMT menyediakan perkhidmatan pelabuhan yang bersepadu dengan kemudahan-kemudahan yang merangkumi marin, 'stevedoring', pengurusan kargo dan gudang serta menyediakan keperluan kargo awam, 'break bulk', kargo projek, pukal kering, pukal cecair dan kargo kontena. Bagi tahun 2006, pelabuhan tersebut mengurus 2.17 juta 'freight weight tonnes' (FWT) (2005: 2.09 juta FWT) berhubung dengan kemasukan dan pelepasan keluar trafik kargo. Eksport pukal merupakan 74.5% (2005: 69.4%) dari keseluruhan trafik kargo bagi tahun di bawah kajian.

LMT juga memajukan dan menjual tanah industri yang dikenali sebagai Lumut Port Industrial Park (LPIP) terletak dalam lingkungan 2 kilometer dari pelabuhan, bagi industri berat, sederhana, ringan dan kecil pada harga yang kompetitif. LPIP mempunyai keluasan kasar 1,000 ekar (bersih: 885 ekar) dengan 89 tahun pajakan dari tarikh pengeluaran hakmilik berasingan. Harga jualan berdasar kepada penggunaan pelabuhan, lokasi dan keluasan tanah di beli. Pemilikan asing adalah dibenarkan. Lokasi yang bersebelahan dengan pelabuhan menjadikan LPIP sebuah estet perindustrian yang menarik bagi pelabur. 698 ekar dari tanah perindustrian telah terjual sehingga tahun kewangan berakhir 31 Disember 2006.

LMT akan menyediakan sistem gantri dengan saluran talian paip bagi memudahkan pengguna-pengguna memasang talian paip bagi tujuan eksport/import kargo pukal cecair terus ke kapal. Satu kajian semula infrastruktur pengendalian pukal cecair sedang dijalankan untuk menggalakkan pertumbuhan "LMT Bio-Nexus Hub" menjurus kepada pengilang penapis biodisel dan minyak kelapa sawit disebabkan oleh loji-loji penapisan sedia ada dan yang dirancang di LMT. Keperluan reka bentuk sebuah jeti bagi memenuhi keperluan kargo berbahaya, setelah jualan tanah di LPIP kepada Petronas Dagangan Bhd, juga dipertimbangkan.

## Penyata Pengerusi (sambungan)

LMT juga dilantik sebagai operator dan pengurus Lekir Bulk Terminal ("LBT"), pelabuhan laut airdalam dengan paras semulajadi 20 meter dan terkini ianya adalah pusat pemunggahan pukal kering yang terbesar di Asia Tenggara. Secara khusus, LBT juga mengendalikan arangbatu, terutamanya untuk kegunaan TNB Janamanjung Sdn. Bhd. Bagi tahun 2006, LBT mengendalikan 5.44 juta FWT (2005: 4.88 juta FWT) arangbatu untuk kegunaan loji janakuasa itu.

Segmen infrastruktur ini telah menyumbang kepada perolehan Kumpulan dengan mencapai RM70.88 juta (2005: RM46.05 juta) dengan keuntungan sebelum cukai berjumlah RM32.82 juta (2005: RM14.73 juta) bagi tahun di bawah kajian.

## URUS TADBIR KORPORAT

Penyata Urus Tadbir Korporat dan Penyata Kawalan Dalaman adalah termasuk di dalam Laporan Tahunan. Dengan ini, Lembaga memberi komitmen sepenuhnya menerima pakai amalan terbaik urus tadbir korporat pada keseluruhan Kumpulan.

## PROSPEK BAGI TAHUN 2007

Dengan perlaksanaan Rancangan Malaysia Kesembilan, ekonomi Malaysia dijangka bertambah kukuh pada 2007, di samping persekitaran global yang mencabar. Jangkaan optimis ini disokong dengan pengembangan berterusan aktiviti-aktiviti sektor swasta dan dilengkapi dengan pengembangan polisi fiskal dari Kerajaan. Dengan kesederhanaan tekanan inflasi dan kadar faedah yang stabil, aktiviti bandar baru dan pembangunan hartanah dijangka kekal aktif serta bersaing. Projek-projek infrastruktur baru yang bermula di bawah Rancangan Malaysia Kesembilan dan yang dibangunkan oleh Kumpulan adalah dijangka dapat merangsang prospek segmen yang berkaitan di bawah Kumpulan.

Kumpulan bertekad untuk berusaha ke arah prestasi yang lebih baik bagi tahun kewangan 2007. Kumpulan akan terus memfokus ke arah mengukuhkan aktiviti-aktivitinya dengan menawarkan produk-produk dan perkhidmatan yang berkualiti dan inovatif di samping terus menghasilkan sumber pelaburan strategik yang baru dan peluang-peluang untuk meningkatkan nilai kepada para pemegang saham.

## DIVIDEN

Ahli Lembaga Pengarah mencadangkan dividen akhir sebanyak 2.5 sen (2005: 2 sen) sesaham ditolak 27% cukai, berjumlah RM1.825 juta bagi tahun kewangan berakhir 31 Disember 2006 bagi kelulusan para pemegang saham pada Mesyuarat Agung Tahunan ("AGM") yang akan datang.

Dividen yang dicadangkan akan dibayar pada 18 Julai 2007, selepas kelulusan diperolehi daripada para pemegang saham pada AGM akan datang.

## PENGHARGAAN

Saya ingin mengambil kesempatan ini untuk merakamkan ucapan tahniah kepada YB Dato' Azian bin Osman atas perlantikan beliau sebagai Senator pada 14 November 2006.

Saya ingin mengucapkan terima kasih kepada para pemegang saham, pelanggan-pelanggan, pembekal dan rakan-rakan niaga, ahli-ahli perbankan dan agensi-agensi kerajaan untuk sokongan dan keyakinan pada Kumpulan ini. Ucapan penghargaan juga saya rakamkan kepada pengurusan dan tenaga kerja Kumpulan untuk dedikasi dan komitmen dalam menjalankan tugas mereka sepanjang tahun.

**DATO' IR. HAJI HARUN BIN AHMAD SARUJI** DPMP, AMP  
Pengerusi

25 April 2007



# Statement of Corporate Governance

The Board welcomes the Malaysian Code on Corporate Governance (the “Code”) as it sets out principles (Part 1) and best practices (Part 2) on structures and processes the Group may use in their operations towards achieving the optimal framework in the discharge of its responsibilities to protect and enhance shareholders value and the financial performance of the Group.

The Principles and Best Practices of the Code published in October 2000 were incorporated into the revamped Listing Requirements of the Bursa Malaysia Securities Berhad (“BMSB”) with effect from 1 June 2001. The principles of the Code are divided into four sections:

Section 1: Directors

Section 2: Directors’ Remuneration

Section 3: Shareholders

Section 4: Accountability and Audit

In preparing this report, the Board has considered the manner in which it has applied these Principles of the Code and the extent to which it has complied with the Best Practices of the Code.

## SECTION 1: DIRECTORS

### Composition of the Board

The Board has six members as at the date of the Annual Report, all of whom are Non-Executive Directors. Of this, three are independent and the rest are non-independent. No individual or group of individuals dominates the Board’s decision making and the number of Directors fairly reflects the nominees of each of the Company’s major shareholders.

Dato’ Ir. Haji Harun bin Ahmad Saruji is the Chairman of the Board while Dato’ Samsudin bin Hashim, who is a non-board member, leads the management team. There is a clear division of responsibility between these two roles and between the non-executive Board members and the management team to ensure a balance of power and authority.

The Company considers that its complement of Non-Executive Directors provide an effective Board with a mix of industry-specific knowledge and business and commercial experience. This balance enables the Board to provide clear and effective leadership to the Company and to bring informed and independent judgement to many aspects of the Company’s strategy and performance so as to ensure that the Company maintains the highest standard of conduct and integrity. The profile of the Board members is set out on pages 8 and 9.

One half of the Board members are Independent Directors since the Company recognises the contribution of Independent Directors as equal Board members in the development of the Company’s strategy, the importance of representing the interest of public shareholders and providing a balanced and independent view to the Board. All independent directors are independent of management and free from any relationship that could interfere with their independent judgement. The appointment of Dr. Nawawi bin Mat Awin as the Senior Independent Non-Executive Director has been made based on his vast business experience and to whom concerns by other Independent Directors may be conveyed.

### Board Responsibilities

The Board retains full and effective control of the Company. This includes responsibility for determining the Company's overall strategic direction as well as development and control of the Group. Key matters, such as approval of annual and interim results, material acquisitions and disposals, as well as material agreements are reserved for the Board.

The Board has a minimum of four regularly scheduled meetings annually, with additional meetings convened when urgent and important decisions need to be taken between scheduled meetings. In 2006, the Board held meetings on the following dates: 28 February, 30 May, 29 August, and 29 November. At each scheduled meeting, there is a full financial and business review and discussion, including trading and financial performance to date against annual budget and financial plan previously approved by the Board for that year. The meeting attendance of each individual Director is as follows:

|   | Meeting attendance<br>in 2006 |
|---|-------------------------------|
| (i) Dato' Ir. Haji Harun bin Ahmad Saruji | 4/4                           |
| (ii) Datuk Haji Faisal bin Haji Siraj     | 4/4                           |
| (iii) Encik Razidan bin Ghazalli          | 4/4                           |
| (iv) Dr. Nawawi bin Mat Awin              | 4/4                           |
| (v) YB Dato' Azian bin Osman              | 3/4                           |
| (vi) Puan Noor Asmah bt. Mohd Nawawi      | 3/4                           |

The Board has also delegated certain responsibilities to other Board committees, which operate within clearly defined terms of reference. Standing committees of the Board include the Audit Committee (please refer to the Report of Audit Committee set out on pages 26 to 29), Nomination Committee and Remuneration Committee.

The Board has also set up a Financial Executive Committee ("FEC") to assist the Board to evaluate major operating issues which arise out of the ordinary course of business. The FEC also reviews Annual Budgets before they are submitted to the Board and annual salary review of the employees of the Company. The FEC comprises an Independent Non-Executive Director, the Group Chief Executive, the Group Chief Financial Officer and headed by the Chairman of the Board.

### Supply of Information

Each Board member receives quarterly operating results, including comprehensive review and analysis. Prior to each Board meeting, Directors are sent an agenda and a full set of Board papers for each agenda item to be discussed at the meeting. This is issued in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be properly informed before the meeting.

Directors have access to all information within the Company whether as a full board or in their individual capacity, in furtherance to their duties. Directors have also direct access and the services of the Company Secretary who is responsible for ensuring that the Board procedures are followed.

### Appointments of the Board and Re-election

The Board has a Nomination Committee, which was established on 20 December 2001. The composition of the Nomination Committee comprises three Non-Executive Directors, two of whom are independent. The members are Dr. Nawawi bin Mat Awın, Datuk Haji Faisal bin Haji Siraj and headed by Puan Noor Asmah binti Mohd Nawawi. This Committee is empowered to bring to the Board recommendations as to the appointment of any new Executive or Non-Executive Director.

The Board through the Nomination Committee ensures that it recruits, to the Board, individuals of sufficient calibre, knowledge and experience to fulfill the duties of a Director. The Chairman of the Board together with the Group Chief Executive shall give informal briefings to the new Directors. All of the Directors have attended the Mandatory Accreditation Programme as prescribed by the BMSB on their appointment as Directors of the Company as part of the induction exercise on joining the Board.

In addition, all Directors are encouraged to continuously undertake training and regularly update and refresh their skills and knowledge to enable them to effectively discharge their duties. In this connection, the Directors had at its meeting in the previous year adopted the Guidelines for Directors' Training Needs as recommended by the Nomination Committee. The guidelines require each Director to attend at least one (1) seminar/ course/ workshop during the financial year.

During the financial year ended 31 December 2006, the Company organised a Board meeting at one of its subsidiaries, Cash Hotel Sdn. Bhd., which owns the Impiana Casuarina Hotel, to give an insight and better understanding with regard to the day-to-day running of a hotel. In addition, some of the Directors had also attended talks, seminars and conferences which are relevant to their professions to further enhance their skills and knowledge.

The Directors have direct access to the advice and the services of the Company Secretary, who is responsible for ensuring that all appointments are properly made and all necessary information are obtained from Directors, both for the Group's own records and for the purposes of complying with the requirements of the Companies Act 1965, Listing Requirements of the BMSB and other regulatory requirements. Upon appointment, Directors are advised of their legal and other obligations as a Director of a public-listed company.

## Statement of Corporate Governance (Continued)

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to election at the next Annual General Meeting ("AGM") after their appointment. The Articles also provide that at least one-third of the Board is subject to re-election at regular intervals of at least once every three years.

During the financial year, a Nomination Committee meeting was held on 28 February 2006 which was attended by all its members.

### SECTION 2: DIRECTORS' REMUNERATION

#### Remuneration Policy and Procedure

The Remuneration Committee was established on 20 December 2001. The composition of the Remuneration Committee since 21 December 2005 comprises three Non-Executive Directors, two of whom are independent. The members are Puan Noor Asmah binti Mohd Nawawi, Encik Razidan bin Ghazalli and YB Dato' Azian bin Osman as the Chairman. The Committee reviews the annual fees, attendance allowance and other benefits for the Directors of the Company. The decision of determining the level of remuneration shall be the responsibility of the Board as a whole after considering recommendations from the Remuneration Committee with ultimate approval of shareholders at the AGM.

During the financial year, a Remuneration Committee meeting was held on 29 November 2006 and attended by all its members.

#### Directors' Remuneration

The aggregate remuneration of the Directors (all of whom are non-executives) of the Company for the financial year ended 31 December 2006 is as follows:

|   |                |
|---|----------------|
|   | RM             |
| Company fees and attendance allowances                          | 143,000        |
| Subsidiary fees, salary, bonus, allowances and benefits in kind | 186,392        |
| Total   | <u>329,392</u> |

Bands of remuneration for the financial year ended 31 December 2006 are as follows:

| Band of remuneration | All are Non-Executive Directors |
|----------------------|---------------------------------|
| Below RM50,000       | 5                               |
| RM200,001 - 250,000  | 1                               |

## SECTION 3: SHAREHOLDERS

### Investor Relations and Shareholders Communication

The Board acknowledges the need for shareholders to be informed of all material business matters affecting the Company through the Annual Report, AGM and extraordinary general meeting (if required). Announcements and release of financial results on a quarterly basis, semi-annual returns and business acquisitions and disposals, provide the shareholders and the investing public with an overview of the Group's performance, operations and directions. Members of the public can obtain the full financial results and the Company's announcements from the BMSB website.

In addition, nominees of the Company's major shareholders sit on the Board. This provides a platform for interactions and direct communications between the Board, management and major shareholders. Any queries from other shareholders are communicated through the Company Secretary.

### Annual General Meeting ("AGM")

The AGM is the principal forum for dialogue with shareholders. Notice of the AGM and Annual Report are sent out to shareholders at least 21 days before the date of meeting.

Besides the usual agenda for the AGM, the Board provides opportunities for shareholders to raise questions pertaining to the business activities of the Group. The Directors and the Group Chief Executive are available to provide responses to questions from the shareholders during the meeting.

For re-election of Directors, the Board shall ensure that full information shall be disclosed through the notice of meeting regarding Directors who are retiring and who are willing to serve if re-elected.

An explanatory statement to facilitate full understanding and evaluation of the issues involved shall accompany items of special business included in the notice of the meeting.

## SECTION 4: ACCOUNTABILITY AND AUDIT

### Financial Reporting

For financial reporting through quarterly reports to BMSB and the annual report to shareholders, the Directors have a responsibility to present a fair assessment of the Group's position and prospects. The Audit Committee assists the Board in scrutinising information for disclosure to ensure accuracy, adequacy and completeness. The Statement of Directors' Responsibilities pursuant to Section 169 of the Companies Act, 1965 is set out on page 35 of this Annual Report.

### Internal Control

The Board takes responsibility for the Group's internal control system and risk management and for reviewing its adequacy and integrity. The Board is of the view that the current system of internal control in place throughout the Group is sufficient to safeguard the Group's assets and shareholders' investment. The Group has in place an adequately resourced internal audit department of the Company's ultimate holding corporation.

The Statement on Internal Control as set out on pages 22 to 25 in this Annual Report provides an overview of the state of internal controls within the Group.

### Relationship with Auditors

The role of the Audit Committee in relation to the auditors can be found in the Report of Audit Committee set out on pages 26 to 29. The Company has always maintained a close and transparent relationship with its auditors in seeking professional advice and ensuring compliance with accounting standards in Malaysia.

### Statement of Compliance with the Best Practice of the Code

*Saved as disclosed below, the Group has complied with the Principles and Best Practices of the Code:*

- (a) *The Board and also the various committees' members of the Board have been able to identify business risks and ensure implementation of appropriate measures to manage these risks* – The Audit Committee members shall assist the Board of Directors towards the compliance of this responsibility. A structured risk management framework is in place to better identify, monitor and manage the business risks affecting the Group with the assistance of the internal audit department of the Company's ultimate holding corporation;
- (b) *The Board has a formal schedule of matters reserved to itself for decision* – The Board is of the view that this is done through the appointment of various committees, which spell out the authority of the committees. Otherwise, this is achieved informally through the convention that the Board decides on any Group level issues as a whole;
- (c) *There is formal succession planning within the organisation* – Middle Management is constantly being informally appraised to assess their capability of taking over the Senior Management positions;
- (d) *Remuneration of each member of the Board of Directors is detailed* – The Board of Directors is of the opinion that the non-disclosure of the individual remuneration of each Director will not significantly affect the understanding and evaluation of the Group governance.

This Statement is made in accordance with a resolution of the Board dated 28 February 2007.

# Statement on Internal Control

## INTRODUCTION

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets.

Paragraph 15.27(b) of the Bursa Malaysia Securities Berhad's ("BMSB") Listing Requirements require directors of listed companies to include a statement in annual reports on the state of the internal control of the listed issuer as a group. The BMSB's Statement on Internal Controls: Guidance for Directors of Public Listed Companies ("the Internal Control Guidance") provides guidance for compliance with these requirements. Set out below is the Board's Statement on Internal Control, which has been prepared in accordance with the Internal Control Guidance.

## BOARD RESPONSIBILITY

The Board of Directors recognises the importance of sound internal controls and risk management practices towards good corporate governance. The Board affirms its overall responsibility for the Group's system of internal controls and risk management, and for reviewing the adequacy and integrity of the system. Due to the limitations that are inherent in any system of internal control, the system is designed to manage rather than eliminate the risk of failure to achieve corporate objectives. Accordingly, the system can provide only reasonable and not absolute assurance against material misstatement or loss. The system of internal control covers, *inter alia*, risk management and financial, organisational, operational and compliance controls.

The Board confirms that there is an on-going process for identifying, evaluating, monitoring and managing the significant risks affecting the achievement of the Group's business objectives, which has been in place during the year and up to the date of the Annual Report and financial statements. The Board is constantly reviewing this process and accords with the Internal Control Guidance.

## RISK MANAGEMENT FRAMEWORK

The Board fully supports the contents of the Internal Control Guidance. The terms of reference of the Audit Committee has been extended towards the compliance of their responsibility. With the assistance of the internal audit department of the ultimate holding corporation, a structured risk management framework for the Group has been put in place. The recommended risk framework, which was previously presented to the Audit Committee for adoption by the Group, involves the following:

### 1. Group Risk Management Committee

The Group Risk Management Committee is responsible to identify continuously and communicate to the Audit Committee, which in turn would report to the Board, the critical risks the Group faces, their changes and the management action plans to manage the risks.

### 2. Risk Management Policies and Procedures Manual

This manual serves to outline the risk management framework for the Group and would offer practical guidance to all employees on risk management issues.

## Statement on Internal Control (Continued)

### 3. Key Management Staff

Nomination of key management staff in each operating unit to prepare action plans, with implementation time-scales to address any risk and control issues.

### 4. Risk Management Reporting

Regular risk management reporting by the head of operating units/ key management staff to the Group Risk Management Committee.

The above risk management framework has been fully implemented for the past three years to effectively address critical business risks.

For the financial year under review, it has been established at the Group level that the review of the adequacy and integrity of the system of internal control shall include the following:

- Assess the competency and suitability of the members of respective subsidiaries risk management committee;
- Require regular risk management reporting (at least once every quarter) from each company within the Group to the holding Company according to pre-determined schedule;
- Action plans to be submitted by the respective risk management committees;
- To receive and discuss reports and executive summaries from the companies and thereafter to discuss these reports at the Audit Committee meeting of the Company on a quarterly basis.
- To incorporate progressively the use of benchmarking and key performance indicators as effective operational and financial performance measures.

## INTERNAL AUDIT

The Group, via the ultimate holding corporation's internal audit department provides support to the Audit Committee in discharging its duties with respect to the adequacy and integrity of the system of internal controls within the Group. During the financial year under review, the Internal Auditors carried out audits of the operating units including subsidiaries based on an internal audit plan approved by the Audit Committee. The audit reports were tabled at the Audit Committee meeting, where Audit Committee members reviewed the findings with management. Internal auditors ensured that recommendations to improve controls were implemented by management. These initiatives, together with management's adoption of the external auditors' recommendations for improvement on internal controls noted during their annual audit, provide reasonable assurance that control procedures are in place.

The scope of work of the internal audit department did not extend to:

- (i) Konsortium LPB Sdn. Bhd. ("KLPB"), an associate of the Company:

Principal activities of KLPB are to construct, operate and manage the operation of the privatised project West Coast Expressway Highway for a 30-year concession period. It has yet to commence operations. However, a representative of the management of the Company sits as a Board member of KLPB to ensure that implementation shall be carried out in a proper manner and risk assessment shall be undertaken by KLPB;



## Statement on Internal Control (Continued)

- (ii) Asia Brands Corporation Berhad (“ABCB”), formerly known as Audrey International (Malaysia) Berhad, an associate of the Company:

Principal activities of ABCB Group are marketing and trading of lingerie and ladies’ leisure wear, and trading and retailing of children’s wear, care and related products. A representative of the management of the Company and a nominee sit as Board members of ABCB to ensure that risk assessment is carried out in a proper manner and controls are in place. ABCB has outsourced the internal audit function to a professional firm, which reports to the Audit Committee on a quarterly basis.

### OTHER KEY ELEMENTS OF INTERNAL CONTROL

Apart from key risk management and internal audit, the Group has in place the following key elements of internal control:

#### 1. Organisational Structure

The Group has in place an organisational structure with clearly defined lines of accountability and delegated authority.

#### 2. Policies and Operating Procedures Manual

There is an Operating Procedures Manual that sets out the policies, procedures and practices covering activities including the following: -

##### 2.1 Financial Authority Limits

The Financial Authority Limits define financial limits of purchases of goods/ services and capital expenditure for each level of management within the Group.

##### 2.2 Budgeting

Budgets are generated annually at each operating unit. The budgets will then be reviewed by the Finance Executive Committee and thereafter presented to the Board for final review and approval.

##### 2.3 Tender Committee

Major purchases of goods and services and contract works are required to be tendered out and submitted to the Board Tender Committee at subsidiary companies’ level for review and approval.

## Statement on Internal Control (Continued)

### 3. Management Financial Report

Quarterly financial and performance reports are submitted to the Board which include the monitoring of results against budget, with major variances being explained and management action taken for improvement of results. This involves the inclusion of the Group Balance Sheet, the Group Income Statement, the Group Statement of Changes in Equity and the Group Cash Flow Statement being presented to the Board.

### 4. Investment Appraisal

Investment proposals covering acquisition of property and long term investments shall be thoroughly appraised by the Board. Post implementation reviews on these investments are conducted and reported to the Board on a regular basis. Likewise, similar action is taken in respect of disposal of property/ long term investments/ subsidiaries.

### 5. Group Financial Management Meeting

Group Financial Management Meetings are held to monitor the progress and performance of each business unit and copy of the minutes are circulated to the Group Chief Executive for his information.

## CONCLUSION

A number of minor structural weaknesses were identified during the year, all of which have been addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Company's Annual Report.

Management has taken the necessary action to ensure minimum exceptions to be reported in this Statement.

This Statement is made in accordance with a resolution of the Board dated 28 March 2007.

# Report of Audit Committee

## COMPOSITION

| Chairman:   | Meeting attendance<br>in 2006 |
|---|-------------------------------|
| Dr. Nawawi bin Mat Awin<br>Independent, Non-Executive                   | 6/6                           |
| Members:  |                               |
| Dato' Ir. Haji Harun bin Ahmad Saruji<br>Non-Independent, Non-Executive | 6/6                           |
| Puan Noor Asmah binti Mohd Nawawi<br>Independent, Non-Executive         | 5/6                           |
| YB Dato' Azian bin Osman<br>Independent, Non-Executive                  | 3/6                           |

All members of the Committee have a working familiarity with basic finance and accounting practices, and it's Chairman, Dr Nawawi bin Mat Awin is a member of the Malaysian Institute of Certified Public Accountants, a scheduled body approved by the Malaysian Institute of Accountants.

## MEETINGS

The Committee meets at least four times annually, or more frequently as circumstances dictate. As part of its duty to foster open communications, the Group Chief Executive, the Group Chief Financial Officer and the Head of Internal Audit of the Company's ultimate holding corporation and a representative of the external auditors (if required) will normally attend the meetings. Other Board members may attend meetings upon invitation by the Committee.

The Committee met 6 times during the financial year under review for the following purposes:

- To review the financial statements before the quarterly announcements to Bursa Malaysia Securities Berhad ("BMSB");
- To review the year end financial statements together with external auditors' management letter and management's response;
- To discuss with the external auditors, the audit plan and scope for the year, as well as the audit procedures to be utilised;
- To discuss with the internal auditors on its scope of work, adequacy of resources and coordination with the external auditors;
- To review the reports prepared by the internal auditors on the state of internal control of the Group.

In 2006, the Committee held meetings on the following dates: 27 February, 29 March, 30 May, 29 August, 28 November and 20 December. The attendance of the members is as shown above.

## RESPONSIBILITIES AND DUTIES

Besides the duties stated under the Terms of Reference stated below, the Audit Committee shall:

- Consider the appointment of the external auditors, the audit fees and any questions of their resignation or dismissal;
- Review the adequacy and effectiveness of risk management, internal controls and governance systems;
- Review any other activities, as authorised by the Board.

## INTERNAL AUDIT FUNCTION

The Audit Committee is supported adequately by the internal audit department from the Company's ultimate holding corporation, which would outsource any consultant or professional firm if there was a requirement to do so. The main role of the internal audit function is to review the effectiveness of the system of internal control and this is performed with impartiality, proficiency and due professional care.

The internal audit activities have been carried out according to the internal audit plan, which has been approved by the Audit Committee. In 2006, a series of review of the risk management framework of the Group and the audits of the operating units including subsidiaries were carried out. The audit reports were tabled at the Audit Committee Meeting, where Audit Committee members reviewed the findings with management. Internal Auditors ensured that recommendations to improve controls were implemented by management. These initiatives, together with management's adoption of the external auditors' recommendations for improvement on internal controls noted during their annual audit, provide reasonable assurance that control procedures are in place.

Further details of the activities of the internal audit function are set out in the Statement on Internal Control on pages 22 to 25.

## TERMS OF REFERENCE OF THE AUDIT COMMITTEE

### Membership

The Audit Committee shall be appointed by the Board of Directors from amongst their members (who are not Alternate Directors), comprising at least three (3) members. A majority of the Committee must be independent of senior management and executives and free from any relationship that, in the opinion of the Board, will interfere with the exercise of independent judgement as a committee member. At least one member of the Committee shall be a member of the Malaysian Institute of Accountants or he must be a member of one of the associations of accountants specified in Part II of the 1st schedule of the Accountants Act, 1967.

The term of office and performance of the committee and each of its members shall be reviewed by the Board of Directors at least once every three years.

### Chairman

The members of the Audit Committee shall elect a Chairman from amongst their number who shall be an Independent Director.

### **Vacancy, retirement and resignation**

All members, including the Chairman, will hold office only as long as they serve as Directors of the Company. If for any reason the membership of the Committee fails to comply with the membership requirements, the Board shall within three (3) months of the event, appoint such number of new members as may be required to fill the vacancy.

### **Authority**

The Audit Committee is authorised by the Board to investigate any activities within its terms of reference. It can seek outside legal or other independent professional assistance if it considers necessary.

The Audit Committee shall in principle have full, free and unrestricted access to any information pertaining to the Company and its Group in carrying out their duties.

### **Duties**

- (a) To recommend to the Board the appointment and reappointment of the external auditors, audit fees and any question of their resignation or dismissal.
- (b) To discuss with the external auditors before the audit commences, the audit plan, their evaluation of the system of internal control and the audit reports on the financial statements and the assistance given by the Company's officers to the external auditors.
- (c) To review the quarterly financial reports and annual financial statements before submission to the Board focusing particularly on:
  - Changes in or implementation of major accounting policy changes;
  - Significant and unusual events; and
  - Compliance with accounting standards and other legal requirements.
- (d) To discuss the outcome of the interim and final audit, and any matters the auditors may wish to discuss ensuring that no management restrictions are being placed on the scope of their examinations.
- (e) To review the adequacy of the scope, function and resources and the effectiveness of the internal audit function.
- (f) To review the internal audit programme, processes, the results of the internal audit programme, process or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
- (g) To review the Risk Management Framework of the Group, the significant risks identified for the Group and the findings highlighted by the Internal Auditors.

## Report of Audit Committee (Continued)

- (h) To review any related party transaction and conflict of interest situation that may arise within the Company and the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- (i) To maintain, through regularly scheduled meetings, a direct line of communication between the Board and the External Auditors as well as Internal Auditors.
- (j) To prepare an Audit Committee Report, for the consideration of the Board at the end of each financial year, for inclusion in the Annual Report of the Company.
- (k) To report to the BMSB where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of the BMSB.

### Meetings

The Audit Committee shall meet at least two (2) times a year, although additional meetings may be called at any time at the Chairman's discretion and if requested by any member or internal or external auditors. The Committee may convene meetings with the external auditors, excluding the attendance of the executive members of the Committee, whenever deemed necessary. The Committee may invite any person to be in attendance at each meeting.

A meeting shall be called by notice in writing of not less than seven (7) days or such shorter notice as may be agreed by the members.

The quorum for each meeting shall be two (2) members, the majority of members present must be independent members.

### Minutes

Minutes of each meeting shall be kept and distributed to each member of the Committee and the Board. The Chairman shall report on each meeting to the Board. The minutes' book shall be opened to the inspection of any director of the Company. The secretary to the Committee shall be the Company Secretary.

# Additional Compliance Information

## Recurrent Related Party Transactions (“RRPTs”) of Revenue Nature

RRPTs of revenue nature conducted during the financial year are as follows:

| Type of RRPT  | Name of Related Party                     | Relationship with the Company | Actual Value Period: 1/1/06 - 31/12/06 (RM) |
|---|---|-------------------------------|---|
| Rental of office premises from the Company  | Perbadanan Kemajuan Negeri Perak (“PKNP”) | Ultimate Holding Corporation  | 2,023,550                                   |
| Management services provided to the Company   | PKNP                                      | Ultimate Holding Corporation  | 296,000                                     |
| Project services provided to the Company  | PKNP                                      | Ultimate Holding Corporation  | 1,304,000                                   |
| Rental and disbursements payable by the Company                                       | PKNP                                      | Ultimate Holding Corporation  | 416,018                                     |
| Management services provided by a subsidiary, Premium Meridian Sdn Bhd                | PKNP                                      | Ultimate Holding Corporation  | 116,614                                     |
| Management services provided to a subsidiary, Lumut Maritime Terminal Sdn Bhd (“LMT”) | Integrax Berhad (“ITB”)                   | See note 1 below              | 600,000                                     |
| Operation and maintenance provided by a subsidiary, LMT                               | Lekir Bulk Terminal Sdn Bhd (“LBT”)       | See note 2 below              | 23,840,144                                  |
| Tug boat services provided to a subsidiary, LMT                                       | Radikal Rancak Sdn Bhd (“RR”)             | See note 3 below              | 6,369,945                                   |

### Relationship with the Company:

1. Kuda Sejati Sdn. Bhd. (“KS”) is a wholly owned subsidiary of PKNP, which holds 8.41% of the equity interest of ITB as at 31 December 2006. LMT is an associated company of Pelabuhan Lumut Sdn. Bhd. (PL) which holds 50% less 1 share of its equity. PL is a wholly owned subsidiary of ITB.
2. LBT is a subsidiary of PL, which holds 80% of its equity interest, whereas the remaining equity interest of 20% is held by Tuah Utama Sdn. Bhd., an unrelated company to PCB Group and its Directors.
3. RR is a wholly owned subsidiary of ITB.

## Additional Compliance Information (Continued)

### **Material Contracts**

There were no material contracts other than in the ordinary course of business entered into by the Company or its subsidiaries involving the interest of the Directors and major shareholders.

### **Impositions of Sanctions / Penalties**

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by relevant authorities.

### **Non-Audit Fees**

There was only a non-audit fee of RM5,000 (2005: RM5,000) payable to the external auditors of the Company for the financial year ended 31 December 2006.



# Analysis of Shareholdings as at 30 March 2007

|                                  |   |  |
|----------------------------------|---|--|
| Authorised Capital               | : | RM500,000,000  |
| Issued and Fully Paid-Up Capital | : | RM100,000,000  |
| Class of Shares                  | : | Ordinary shares of RM1.00 each fully paid  |
| Voting Rights                    | : | One vote per shareholder on a show of hands<br>One vote per ordinary share on a poll |

## DISTRIBUTION OF SHAREHOLDERS (Based on the Record of Depositors)

| No. of holders | Holdings             | Total shareholdings | %      |
|----------------|----------------------|---------------------|--------|
| 151            | Less than 100        | 7,412               | 0.01   |
| 101            | 100 to 1,000         | 59,648              | 0.06   |
| 2,191          | 1,001 to 10,000      | 6,250,437           | 6.25   |
| 232            | 10,001 to 100,000    | 5,578,925           | 5.58   |
| 29             | 100,001 to 4,999,999 | 16,739,828          | 16.74  |
| 3              | 5,000,000* and above | 71,363,750          | 71.36  |
| 2,707          |                      | 100,000,000         | 100.00 |

\* Denotes 5% of the issued capital

## SUBSTANTIAL SHAREHOLDERS (EXCLUDING BARE TRUSTEES) (Based on the Company's Register of Substantial Shareholders)

| No. | Name of holders                  | No. of shares held       |       |                       |      |
|-----|----------------------------------|--------------------------|-------|-----------------------|------|
|     |                                  | Direct                   | %     | Deemed                | %    |
| 1.  | Perbadanan Kemajuan Negeri Perak | 52,271,253 <sup>*1</sup> | 52.27 | 257,500 <sup>*2</sup> | 0.26 |
| 2.  | Skim Amanah Saham Bumiputera     | 15,000,000               | 15.00 | -                     | -    |
| 3.  | Golden Hope Plantations Berhad   | 6,125,000                | 6.13  | -                     | -    |

### Notes :

\*1. 51,506,250 shares held through RC Nominees (Tempatan) Sdn. Bhd.

\*2. Deemed interest through its wholly owned subsidiaries, Sergap Berkat Sdn. Bhd. and Cherry Blossom Sdn. Bhd.

## DIRECTORS' SHAREHOLDINGS (Based on the Company's Register of Director's Shareholdings)

| No. | Name of director                     | No. of shares held |      |                      |      |
|-----|--------------------------------------|--------------------|------|----------------------|------|
|     |                                      | Direct             | %    | Deemed               | %    |
| 1.  | Dato' Ir Haji Harun bin Ahmad Saruji | 23,750             | 0.02 | 20,000 <sup>*1</sup> | 0.02 |

### Note :

\*1. Deemed interest through his spouse

## Analysis of Shareholdings as at 30 March 2007 (Continued)

### THIRTY LARGEST SHAREHOLDERS

(Based on the Record of Depositors)

| No. | Name   | No. of shares held | %            |
|-----|--|--------------------|--------------|
| 1.  | RC Nominees (Tempatan) Sdn. Bhd.<br>• Perbadanan Kemajuan Negeri Perak   | 50,238,750         | 50.24        |
| 2.  | Amanah Raya Nominees (Tempatan) Sdn. Bhd.<br>• Skim Amanah Saham Bumiputera  | 15,000,000         | 15.00        |
| 3.  | Golden Hope Plantations Berhad   | 6,125,000          | 6.13         |
| 4.  | AMMB Nominees (Tempatan) Sdn. Bhd.<br>• KAF Fund Management Sdn. Bhd.  | 4,965,750          | 4.97         |
| 5.  | KAF Trustee Berhad<br>• KAF Fund Management Sdn. Bhd. For Malaysian Assurance Alliance Berhad                              | 2,582,800          | 2.58         |
| 6.  | RC Nominees (Tempatan) Sdn. Bhd.<br>• Perbadanan Kemajuan Negeri Perak   | 1,267,500          | 1.27         |
| 7.  | Citigroup Nominees (Asing) Sdn. Bhd.<br>• Citigroup GM Inc For SC Fundamental Value Fund LP                                | 995,616            | 1.00         |
| 8.  | Perbadanan Kemajuan Negeri Perak   | 765,003            | 0.76         |
| 9.  | Citigroup Nominees (Asing) Sdn. Bhd.<br>• Citigroup GM Inc For SC Fundamental Value BVI Ltd                                | 695,384            | 0.70         |
| 10. | PM Nominees (Tempatan) Sdn. Bhd.<br>• PCB Asset Management Sdn. Bhd. for MUI Continental Insurance Bhd                     | 600,000            | 0.60         |
| 11. | Ke-Zan Nominees (Asing) Sdn. Bhd.<br>• Kim Eng Securities Pte Ltd For Horizon Growth Fund NV                               | 450,000            | 0.45         |
| 12. | Ng Lai Chiek   | 450,000            | 0.45         |
| 13. | KAF Trustee Berhad<br>• KAF Fund Management Sdn. Bhd. For Yayasan Istana Abdul Aziz  | 360,000            | 0.36         |
| 14. | KAF Trustee Berhad<br>• KAF Fund Management Sdn. Bhd. For DYMM Tuanku Bainun Mohd Ali                                      | 351,000            | 0.35         |
| 15. | Fawziah bt Hussein Sazally   | 335,000            | 0.33         |
| 16. | Citigroup Nominees (Asing) Sdn. Bhd.<br>• Citigroup GM Inc for SC Fundamental LLC Employee Savings and Profit Savings Plan | 259,500            | 0.26         |
| 17. | Cheong Yoke Choy   | 250,000            | 0.25         |
| 18. | Sergap Berkat Sdn. Bhd.  | 247,500            | 0.25         |
| 19. | Lee Choon Hoong  | 240,000            | 0.24         |
| 20. | Foo Lim Get  | 188,000            | 0.19         |
| 21. | Toh Hock Chooi   | 187,300            | 0.19         |
| 22. | Chan Wing Kit  | 183,900            | 0.18         |
| 23. | Toh Hong Cheng   | 180,000            | 0.18         |
| 24. | KBB Nominees (Tempatan) Sdn. Bhd.<br>• Exempted ESOS (PRKCRP)  | 159,000            | 0.16         |
| 25. | Sisma Holdings Sdn. Bhd.   | 155,000            | 0.15         |
| 26. | Chee Mei Lin   | 154,000            | 0.15         |
| 27. | HLB Nominees (Tempatan) Sdn. Bhd.<br>• Pledged Securities Account For Lam Kim Chiap  | 151,575            | 0.15         |
| 28. | KAF Trustee Berhad<br>• KAF Fund Management Sdn. Bhd. For Ahmad bin Kadis  | 130,000            | 0.13         |
| 29. | Malaysia Nominees (Tempatan) Sendirian Berhad<br>• Pledged Securities Account For Lim Cheong Goh                           | 120,000            | 0.12         |
| 30. | Chong Mee Fah @ Frederick Chong  | 110,100            | 0.11         |
|     | <b>Total</b>   | <b>87,897,678</b>  | <b>87.90</b> |

# Summary of Properties as at 31 December 2006

| Location  | Approximate Land Area (acres) | Tenure   | Description   | Date of Acquisition<br>Approx. Age (Buildings)<br>Net Book Value              | Existing Use   |
|---|-------------------------------|--|---|---|--|
| Lot 6407N (PN 67134)<br>Bandar Ipoh,<br>Mukim Ulu Kinta,<br>District of Kinta,<br>Perak Darul Ridzuan.                            | 0.73                          | Leasehold<br>(99 years)<br>expiring<br>year 2081 | 9-storey office<br>tower  | 10.01.1997<br>26 years<br>RM10,513,282  | Rented to<br>Perbadanan<br>Kemajuan Negeri<br>Perak except for<br>second, seventh and<br>eighth floor occupied<br>by the Company               |
| Part of Lot 140407, 15437,<br>25459, 33004, 52566, 21310,<br>18202 Mukim Ulu Kinta,<br>District of Kinta,<br>Perak Darul Ridzuan. | 194.62                        | Freehold   | Agricultural land<br>with approval<br>for mixed<br>development<br>from Pejabat<br>Pengarah Tanah<br>& Galian, Perak | 31.12.1997<br>RM23,454,755  | Agriculture<br>(proposed for mixed<br>development)   |
| No. HSD 98757,<br>PT 167585 Negeri Perak,<br>Mukim Ulu Kinta,<br>District of Kinta,<br>Perak Darul Ridzuan.                       | 5.00                          | Freehold   | 3-storey<br>institutional<br>building   | 1.1.2002<br>5 years<br>RM4,272,352<br>(Non-current<br>asset held for<br>sale) | Currently vacant,<br>(a wholly owned<br>subsidiary<br>has a conditional<br>agreement to dispose<br>this property and<br>land to a third party) |
| PT 171441 KA92916<br>Mukim Ulu Kinta,<br>District of Kinta,<br>Perak Darul Ridzuan.<br>(formerly Lot 138945 PN<br>43395)          | 5.49                          | Leasehold<br>(99 years)<br>expiring<br>year 2100 | 9-storey hotel<br>building  | 21.1.1985<br>20 years<br>RM47,546,944   | 4-star hotel<br>operations   |
| Lot PT 2273, Mukim Lumut,<br>Daerah Manjung,<br>Perak Darul Ridzuan.  | 27.46                         | Leasehold<br>(99 years)<br>expiring<br>year 2094 | Waterbody   | 30.9.1995<br>RM315,399  | Port operations  |
| Lot PT 6973, Mukim Lumut,<br>Daerah Manjung,<br>Perak Darul Ridzuan.  | 72.54                         | Leasehold<br>(99 years)<br>expiring<br>year 2094 | Wharf,<br>warehouse &<br>office complex<br>building   | 10.4.1997<br>11 years<br>RM71,751,579   | Port operations  |



9-storey office tower, Wisma Wan Mohamed, Ipoh



Loading cement, Lumut Maritime Terminal



Loading clinker, Lumut Maritime Terminal



Housing development, Bandar Meru Raya



Impiana Casuarina Ipoh



3-storey institutional building, Bandar Meru Raya

# Statement of Directors' Responsibilities In Respect Of The Annual Audited Financial Statement

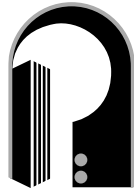
The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and their results and cash flows for the financial year then ended.

In preparing the financial statements, the Directors have:

- Complied with the applicable MASB approved accounting standards in Malaysia .
- Adopted and consistently applied appropriate accounting policies.
- Made judgments and estimates that are prudent and reasonable.

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

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



ANNUAL  
REPORT  
2 0 0 6

# Directors' Report & Audited Financial Statements

|                                     |    |
|-------------------------------------|----|
| • DIRECTORS' REPORT                 | 38 |
| • STATEMENT BY DIRECTORS            | 42 |
| • STATUTORY DECLARATION             | 42 |
| • REPORT OF THE AUDITORS            | 43 |
| • BALANCE SHEETS                    | 45 |
| • INCOME STATEMENTS                 | 47 |
| • STATEMENTS OF CHANGES IN EQUITY   | 48 |
| • CASH FLOW STATEMENTS              | 50 |
| • NOTES TO THE FINANCIAL STATEMENTS | 53 |

# Directors' Report

## DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2006.

## PRINCIPAL ACTIVITIES

The principal activities of the Company consist of property and investment holding, real property development and provision of management services.

The principal activities of the subsidiaries are described in Note 5 to the financial statements.

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

## RESULTS

|                               | Group<br>RM       | Company<br>RM    |
|-------------------------------|-------------------|------------------|
| Profit for the year           | <u>32,351,809</u> | <u>4,473,977</u> |
| Attributable to:              |                   |                  |
| Equity holders of the Company | 19,579,711        | 4,473,977        |
| Minority interests            | <u>12,772,098</u> | <u>-</u>         |
|                               | <u>32,351,809</u> | <u>4,473,977</u> |

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effects arising from the changes in accounting policies due to the adoption of the new and revised Financial Reporting Standards ("FRSs") which has resulted in an increase in the Group's profit for the year by RM1,373,540 as disclosed in Note 2.3(d)(ii) to the financial statements.

**DIVIDEND**

The amount of dividend paid by the Company since 31 December 2005 was as follows:

RM

In respect of the financial year ended 31 December 2005 as reported in the directors' report of that year:

|   |                  |
|---|------------------|
| Ordinary final dividend of 2% less 28% taxation, on 100,000,000 ordinary shares, approved on 30 May 2006 and paid on 18 July 2006 | <u>1,440,000</u> |
|---|------------------|

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year ended 31 December 2006, of 2.5% less 27% taxation on 100,000,000 ordinary shares, amounting to a dividend payable of RM1,825,000 (1.83 sen net per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the next financial year ending 31 December 2007.

**DIRECTORS**

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

Dato' Ir Haji Harun bin Ahmad Saruji, DPMP, AMP  
 Dr. Nawawi bin Mat Awin  
 YB Dato' Azian bin Osman, DPMP, AMP  
 Noor Asmah bt Mohd Nawawi  
 Datuk Haji Faisal bin Haji Siraj, DMSM  
 Razidan bin Ghazalli

**DIRECTORS' BENEFITS**

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 24 to the financial statements or the fixed salary of a full time employee of the Company or its related corporations) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.



## DIRECTORS' INTERESTS

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

| The Company                                     | Number of Ordinary Shares of RM1 Each |        |      |                     |
|---|---------------------------------------|--------|------|---------------------|
|   | 1 January<br>2006                     | Bought | Sold | 31 December<br>2006 |
| Dato' Ir Haji Harun bin Ahmad Saruji, DPMP, AMP |                                       |        |      |                     |
| - direct  | 23,750                                | -      | -    | 23,750              |
| - indirect*                                     | 20,000                                | -      | -    | 20,000              |

\*deemed interest through his spouse

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

## OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

**OTHER STATUTORY INFORMATION (CONTD.)**

- (d) 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.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

**SIGNIFICANT EVENTS**

The significant events during the financial year are as disclosed in Note 32 to the financial statements.

**AUDITORS**

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 March 2007.

DATO' IR HAJI HARUN BIN AHMAD  
SARUJI, DPMP, AMP

DATO' AZIAN BIN OSMAN, DPMP, AMP

# Statement by Directors / Statutory Declaration

## STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT 1965

We, DATO' IR HAJI HARUN BIN AHMAD SARUJI, DPMP, AMP and DATO' AZIAN BIN OSMAN, DPMP, AMP, being two of the directors of PERAK CORPORATION BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 45 to 140 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 March 2007.

DATO' IR. HAJI HARUN BIN AHMAD SARUJI, DPMP, AMP

DATO' AZIAN BIN OSMAN, DPMP, AMP

## STATUTORY DECLARATION PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT 1965

I, HARBHAJAN SINGH A/L UJAGAR SINGH, AMP, PPT, the officer primarily responsible for the financial management of PERAK CORPORATION BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 45 to 140 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the  
abovenamed HARBHAJAN SINGH A/L  
UJAGAR SINGH, AMP, PPT, at Ipoh in the  
State of Perak Darul Ridzuan  
on 28 March 2007

HARBHAJAN SINGH A/L UJAGAR SINGH, AMP, PPT

Before me,

HAJI AHMAD JALANY BIN HAJI MOHD. ALI PPT  
No: A144  
Commissioner for Oaths  
Ipoh, Perak Darul Ridzuan,  
Malaysia.

# Report of The Auditors

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
PERAK CORPORATION BERHAD**  
(Incorporated in Malaysia)

We have audited the accompanying financial statements set out on pages 45 to 140. These financial statements are the responsibility of the Company's directors.

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

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

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of:
  - (i) the financial positions of the Group and of the Company as at 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 5 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

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

**ERNST & YOUNG**  
**AF: 0039**  
**Chartered Accountants**

**LEONG CHOOI MAY**  
**No. 1231/03/09 (J)**  
**Partner**

Ipoh, Perak Darul Ridzuan, Malaysia  
Date: 28 March 2007

# Balance Sheets as at 31 December 2006

|   | Note | Group              |                          | Company            |                    |
|---|------|--------------------|--------------------------|--------------------|--------------------|
|   |      | 2006<br>RM         | 2005<br>RM<br>(Restated) | 2006<br>RM         | 2005<br>RM         |
| <b>ASSETS</b>   |      |                    |                          |                    |                    |
| <b>Non-current assets</b>                                   |      |                    |                          |                    |                    |
| Property, plant and equipment                               | 3    | 84,248,399         | 89,684,089               | 10,549,211         | 10,699,058         |
| Land held for property development                          | 4    | 107,512,824        | 108,871,649              | -                  | -                  |
| Investments in subsidiaries                                 | 5    | -                  | -                        | 6,702,511          | 6,702,511          |
| Investments in associates                                   | 6    | 26,318,132         | 25,315,420               | 23,384,793         | 23,992,793         |
| Other investments   | 7    | 3,993,840          | 4,622,500                | 3,993,840          | 4,622,500          |
| Intangible assets   | 8    | 23,811,003         | 23,483,669               | -                  | -                  |
| Other receivables   | 10   | -                  | -                        | 214,923,303        | 221,049,191        |
| Deferred tax assets   | 19   | 1,612,633          | 720,000                  | -                  | -                  |
|   |      | <u>247,496,831</u> | <u>252,697,327</u>       | <u>259,553,658</u> | <u>267,066,053</u> |
| <b>Current assets</b>                                       |      |                    |                          |                    |                    |
| Property development costs                                  | 4    | 141,460,048        | 162,307,549              | 54,391,814         | 54,968,014         |
| Inventories   | 9    | 12,879,179         | 2,871,023                | -                  | -                  |
| Trade and other receivables                                 | 10   | 166,845,815        | 163,138,618              | 103,064,923        | 96,422,798         |
| Tax recoverable   |      | 813,217            | 1,949,030                | -                  | 365,777            |
| Other investments   | 7    | 3,306,189          | -                        | -                  | -                  |
| Cash and bank balances                                      | 11   | 71,148,152         | 49,954,138               | 6,328,163          | 4,077,565          |
|   |      | <u>396,452,600</u> | <u>380,220,358</u>       | <u>163,784,900</u> | <u>155,834,154</u> |
| Non-current asset classified as held for sale               | 12   | 4,272,352          | -                        | -                  | -                  |
|   |      | <u>400,724,952</u> | <u>380,220,358</u>       | <u>163,784,900</u> | <u>155,834,154</u> |
| <b>TOTAL ASSETS</b>   |      | <u>648,221,783</u> | <u>632,917,685</u>       | <u>423,338,558</u> | <u>422,900,207</u> |
| <b>EQUITY AND LIABILITIES</b>                               |      |                    |                          |                    |                    |
| <b>Equity attributable to equity holders of the Company</b> |      |                    |                          |                    |                    |
| Share capital   | 13   | 100,000,000        | 100,000,000              | 100,000,000        | 100,000,000        |
| Share premium   |      | 172,770,440        | 172,770,440              | 172,770,440        | 172,770,440        |
| Retained earnings   | 14   | 86,235,917         | 67,750,193               | 45,068,801         | 42,034,824         |
|   |      | <u>359,006,357</u> | <u>340,520,633</u>       | <u>317,839,241</u> | <u>314,805,264</u> |
| Minority interests  |      | 69,957,391         | 66,660,997               | -                  | -                  |
| <b>Total equity</b>   |      | <u>428,963,748</u> | <u>407,181,630</u>       | <u>317,839,241</u> | <u>314,805,264</u> |

|                                     | Note | Group              |                          | Company            |                    |
|-------------------------------------|------|--------------------|--------------------------|--------------------|--------------------|
|                                     |      | 2006<br>RM         | 2005<br>RM<br>(Restated) | 2006<br>RM         | 2005<br>RM         |
| <b>Non-current liabilities</b>      |      |                    |                          |                    |                    |
| Other payables                      | 20   | -                  | -                        | 1,216,277          | 1,217,358          |
| Borrowings                          | 15   | 55,720,810         | 62,888,854               | -                  | -                  |
| Retirement benefits                 | 18   | 1,234,455          | 694,876                  | -                  | -                  |
| Deferred tax liabilities            | 19   | 5,617,633          | 4,417,000                | -                  | -                  |
|                                     |      | <u>62,572,898</u>  | <u>68,000,730</u>        | <u>1,216,277</u>   | <u>1,217,358</u>   |
| <b>Current liabilities</b>          |      |                    |                          |                    |                    |
| Retirement benefits                 | 18   | 118,646            | 16,207                   | -                  | -                  |
| Borrowings                          | 15   | 90,819,193         | 85,678,668               | 80,602,764         | 80,609,214         |
| Trade and other payables            | 20   | 60,846,670         | 66,265,720               | 23,485,262         | 26,268,371         |
| Tax payable                         |      | 3,298,459          | 3,204,134                | 195,014            | -                  |
| Provision for liabilities           | 21   | 1,602,169          | 2,570,596                | -                  | -                  |
|                                     |      | <u>156,685,137</u> | <u>157,735,325</u>       | <u>104,283,040</u> | <u>106,877,585</u> |
| <b>Total liabilities</b>            |      | <u>219,258,035</u> | <u>225,736,055</u>       | <u>105,499,317</u> | <u>108,094,943</u> |
| <b>TOTAL EQUITY AND LIABILITIES</b> |      | <u>648,221,783</u> | <u>632,917,685</u>       | <u>423,338,558</u> | <u>422,900,207</u> |

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

# Income Statements for the year ended 31 December 2006

|   | Note | Group        |                          | Company      |             |
|---|------|--------------|--------------------------|--------------|-------------|
|   |      | 2006<br>RM   | 2005<br>RM<br>(Restated) | 2006<br>RM   | 2005<br>RM  |
| Revenue   | 22   | 134,656,766  | 87,681,813               | 25,835,593   | 4,813,854   |
| Cost of sales   | 23   | (67,711,874) | (46,115,728)             | (15,911,346) | -           |
| Gross profit  |      | 66,944,892   | 41,566,085               | 9,924,247    | 4,813,854   |
| Other operating income  |      | 2,860,137    | 2,789,753                | 1,729,161    | 1,158,038   |
| Sales and marketing expenses  |      | (354,181)    | (242,218)                | -            | -           |
| Administrative expenses   |      | (12,321,921) | (16,980,362)             | (959,949)    | (961,382)   |
| Other operating expenses  |      | (10,228,333) | (7,905,229)              | (3,047,419)  | (2,062,991) |
| Profit from operations  | 24   | 46,900,594   | 19,228,029               | 7,646,040    | 2,947,519   |
| Finance costs   | 25   | (5,303,483)  | (5,504,217)              | (517,170)    | (706,639)   |
| Share of profit of associates   |      | 1,422,713    | 1,559,477                | -            | -           |
| Profit before taxation  |      | 43,019,824   | 15,283,289               | 7,128,870    | 2,240,880   |
| Taxation  | 26   | (10,668,015) | (6,077,459)              | (2,654,893)  | (584,079)   |
| Profit for the year   |      | 32,351,809   | 9,205,830                | 4,473,977    | 1,656,801   |
| Attributable to:  |      |              |                          |              |             |
| Equity holders of the Company   |      | 19,579,711   | 4,169,090                | 4,473,977    | 1,656,801   |
| Minority interests  |      | 12,772,098   | 5,036,740                | -            | -           |
|   |      | 32,351,809   | 9,205,830                | 4,473,977    | 1,656,801   |
| Earnings per share attributable to equity holders of the Company (sen): |      |              |                          |              |             |
| Basic, for profit for the year  | 27   | 19.58        | 4.17                     |              |             |

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



## Statements Of Changes In Equity for the year ended 31 December 2006

| Group  | Note | Attributable to Equity Holders of the Company |                  |                            |                                    |             |                       | Total equity RM |
|--|------|---|------------------|----------------------------|------------------------------------|-------------|-----------------------|-----------------|
|  |      | Share capital RM                              | Share premium RM | Non distributable Share RM | Distributable Retained earnings RM | Total RM    | Minority interests RM |                 |
| At 1 January 2005  |      | 100,000,000                                   | 172,770,440      | -                          | 65,021,103                         | 337,791,543 | 66,721,858            | 404,513,401     |
| Profit for the year, representing total recognised income and expense for the year |      | -   | -                | -                          | 4,169,090                          | 4,169,090   | 5,036,740             | 9,205,830       |
| Dividend   | 28   | -   | -                | -                          | (1,440,000)                        | (1,440,000) | -                     | (1,440,000)     |
| Dividend paid by a subsidiary to a minority shareholder                            |      | -   | -                | -                          | -                                  | -           | (5,097,601)           | (5,097,601)     |
| At 31 December 2005  |      | 100,000,000                                   | 172,770,440      | -                          | 67,750,193                         | 340,520,633 | 66,660,997            | 407,181,630     |
| At 1 January 2006  |      | 100,000,000                                   | 172,770,440      | -                          | 67,750,193                         | 340,520,633 | 66,660,997            | 407,181,630     |
| As previously stated   |      | -   | -                | -                          | 346,013                            | 346,013     | -                     | 346,013         |
| Effects of adopting FRS 3 (Note 2.3(a)(iii))                                       |      | -   | -                | -                          | 346,013                            | 346,013     | -                     | 346,013         |
| At 1 January 2006 (as restated)  |      | 100,000,000                                   | 172,770,440      | -                          | 68,096,206                         | 340,866,646 | 66,660,997            | 407,527,643     |
| Profit for the year, representing total recognised income and expense for the year |      | -   | -                | -                          | 19,579,711                         | 19,579,711  | 12,772,098            | 32,351,809      |
| Dividend   | 28   | -   | -                | -                          | (1,440,000)                        | (1,440,000) | -                     | (1,440,000)     |
| Dividend paid by a subsidiary to a minority shareholder                            |      | -   | -                | -                          | -                                  | -           | (9,475,704)           | (9,475,704)     |
| At 31 December 2006  |      | 100,000,000                                   | 172,770,440      | -                          | 86,235,917                         | 359,006,357 | 69,957,391            | 428,963,748     |

| Company  | Note | Share capital<br>RM | Non distributable<br>Share premium<br>RM | Distributable<br>Retained earnings<br>RM | Total equity<br>RM |
|--|------|---------------------|--|--|--------------------|
| At 1 January 2005  |      | 100,000,000         | 172,770,440                              | 41,818,023                               | 314,588,463        |
| Profit for the year, representing total recognised income and expense for the year |      | -                   | -  | 1,656,801                                | 1,656,801          |
| Dividend   | 28   | -                   | -  | (1,440,000)                              | (1,440,000)        |
| At 31 December 2005  |      | 100,000,000         | 172,770,440                              | 42,034,824                               | 314,805,264        |
| At 1 January 2006  |      | 100,000,000         | 172,770,440                              | 42,034,824                               | 314,805,264        |
| Profit for the year, representing total recognised income and expense for the year |      | -                   | -  | 4,473,977                                | 4,473,977          |
| Dividend   | 28   | -                   | -  | (1,440,000)                              | (1,440,000)        |
| At 31 December 2006  |      | 100,000,000         | 172,770,440                              | 45,068,801                               | 317,839,241        |

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

# Cash Flow Statements for the year ended 31 December 2006

## CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

|  | Group        |                          | Company     |              |
|--|--------------|--------------------------|-------------|--------------|
|  | 2006<br>RM   | 2005<br>RM<br>(Restated) | 2006<br>RM  | 2005<br>RM   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>            |              |                          |             |              |
| Profit before taxation                                 | 43,019,824   | 15,283,289               | 7,128,870   | 2,240,880    |
| Adjustments for:                                       |              |                          |             |              |
| Allowance for doubtful debts                           | 563,534      | 27,519                   | -           | -            |
| Amortisation of  |              |                          |             |              |
| - goodwill arising on consolidation                    | -            | 2,164,637                | -           | -            |
| - negative goodwill                                    | -            | (71,885)                 | -           | -            |
| Bad debt written off                                   | 6,041        | -                        | -           | -            |
| Depreciation   | 3,727,874    | 3,570,971                | 169,773     | 172,176      |
| Development expenditure                                |              |                          |             |              |
| written off  | 8,886        | 26,214                   | -           | -            |
| Dividend income  | (80,149)     | (463,803)                | (4,227,293) | (2,658,304)  |
| Impairment loss on goodwill                            | 18,679       | -                        | -           | -            |
| Impairment loss on investment                          |              |                          |             |              |
| in an associate  | -            | -                        | 608,000     | -            |
| Allowance for diminution in value                      |              |                          |             |              |
| of other quoted investments                            | 628,660      | -                        | 628,660     | -            |
| Interest expenses                                      | 6,217,685    | 7,223,751                | 1,231,168   | 1,692,630    |
| Interest income  | (1,959,174)  | (1,486,086)              | (1,422,254) | (1,122,998)  |
| Provision for liquidated damages (net)                 | (28,900)     | 362,713                  | -           | -            |
| Provision for retirement benefits                      | 745,060      | 275,266                  | -           | -            |
| Share of results of associates                         | (1,422,713)  | (1,559,477)              | -           | -            |
| Operating profit before working capital changes        | 51,445,307   | 25,353,109               | 4,116,924   | 324,384      |
| Working capital changes:                               |              |                          |             |              |
| Property development costs                             | 20,847,501   | (24,614,768)             | 576,200     | (13,576,708) |
| Inventories  | (10,008,156) | 100,270                  | -           | -            |
| Payables   | (15,798,675) | (487,796)                | (3,498,188) | 12,217,891   |
| Receivables  | (3,856,772)  | 45,521,319               | (1,477,544) | (2,247,798)  |
| Cash generated from/(used in) operations               | 42,629,205   | 45,872,134               | (282,608)   | (3,282,231)  |
| Liquidated damages paid                                | (939,527)    | (2,622,889)              | -           | -            |
| Retirement benefits paid                               | (103,042)    | (77,406)                 | -           | -            |
| Taxes paid   | (9,109,168)  | (8,532,822)              | (910,460)   | (777,039)    |
| Net cash generated from/(used in) operating activities | 32,477,468   | 34,639,017               | (1,193,068) | (4,059,270)  |

|   | Group                    |                          | Company                 |                         |
|---|--------------------------|--------------------------|-------------------------|-------------------------|
|   | 2006<br>RM               | 2005<br>RM<br>(Restated) | 2006<br>RM              | 2005<br>RM              |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |                          |                          |                         |                         |
| Acquisition of subsidiary,<br>net of cash acquired              | -                        | 81                       | -                       | (2)                     |
| Dividends received  | 59,440                   | 333,938                  | 5,238,152               | 333,938                 |
| Interest received   | 1,959,174                | 1,486,086                | 189,060                 | 243,993                 |
| Proceeds from disposal of<br>property, plant and equipment      | -                        | 477                      | -                       | -                       |
| Purchase of quoted investment                                   | (3,306,189)              | -                        | -                       | -                       |
| Purchase of port facilities                                     | (162,234)                | (394,952)                | -                       | -                       |
| Purchase of property, plant<br>and equipment (Note 3(b))        | (386,363)                | (1,274,425)              | (19,926)                | (16,425)                |
| Net cash (used in)/generated from<br>investing activities       | <u>(1,836,172)</u>       | <u>151,205</u>           | <u>5,407,286</u>        | <u>561,504</u>          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                     |                          |                          |                         |                         |
| Dividend paid   | (1,440,000)              | (1,440,000)              | (1,440,000)             | (1,440,000)             |
| Interest paid   | (5,313,763)              | (5,963,915)              | (517,170)               | (706,639)               |
| Placement of bank balances pledged                              | (2,627,218)              | (2,129,722)              | -                       | -                       |
| Uplift/(placement) of deposits pledged                          | 1,986,418                | (411,471)                | -                       | -                       |
| Repayment of  |                          |                          |                         |                         |
| - hire purchase and lease financing                             | (198,545)                | (308,368)                | (6,450)                 | (10,746)                |
| - term loan   | -                        | (1,455,147)              | -                       | -                       |
| Net cash used in financing activities                           | <u>(7,593,108)</u>       | <u>(11,708,623)</u>      | <u>(1,963,620)</u>      | <u>(2,157,385)</u>      |
| <b>NET INCREASE/(DECREASE) IN<br/>CASH AND CASH EQUIVALENTS</b> | <b>23,048,188</b>        | <b>23,081,599</b>        | <b>2,250,598</b>        | <b>(5,655,151)</b>      |
| <b>CASH AND CASH EQUIVALENTS<br/>AT 1 JANUARY</b>               | <b>37,242,640</b>        | <b>14,161,041</b>        | <b>4,077,565</b>        | <b>9,732,716</b>        |
| <b>CASH AND CASH EQUIVALENTS<br/>AT 31 DECEMBER</b>             | <b><u>60,290,828</u></b> | <b><u>37,242,640</u></b> | <b><u>6,328,163</u></b> | <b><u>4,077,565</u></b> |

|  | Group             |                   | Company          |                  |
|--|-------------------|-------------------|------------------|------------------|
|  | 2006              | 2005              | 2006             | 2005             |
|  | RM                | RM                | RM               | RM               |
|  |                   | (Restated)        |                  |                  |
| Cash and cash equivalents comprise:  |                   |                   |                  |                  |
| Cash and bank balances   | 14,532,117        | 12,900,423        | 228,163          | 77,565           |
| Deposits with licensed banks   | 56,616,035        | 37,053,715        | 6,100,000        | 4,000,000        |
| Bank overdrafts  | (2,391,791)       | (4,886,765)       | -                | -                |
|  | <u>68,756,361</u> | <u>45,067,373</u> | <u>6,328,163</u> | <u>4,077,565</u> |
| Deposits pledged for guarantees<br>and other banking facilities<br>granted to certain subsidiaries | (457,582)         | (2,444,000)       | -                | -                |
| Bank balances pledged  | (8,007,951)       | (5,380,733)       | -                | -                |
|  | <u>60,290,828</u> | <u>37,242,640</u> | <u>6,328,163</u> | <u>4,077,565</u> |

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

# Notes To The Financial Statements 31 December 2006

## 1. CORPORATE INFORMATION

The principal activities of the Company consist of property and investment holding, real property development and provision of management services. The principal activities of the subsidiaries are described in Note 5. There have been no significant changes in the nature of the principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Room 305, 3rd Floor, Asia Life Building, 45 Jalan Tun Sambanthan, 30000 Ipoh, Perak Darul Ridzuan. The principal place of business of the Company is located at 2nd Floor, Wisma Wan Mohamed, Jalan Panglima Bukit Gantang Wahab, 30000 Ipoh, Perak Darul Ridzuan.

The immediate and ultimate holding corporation of the Company is Perbadanan Kemajuan Negeri Perak, a body corporate established under Perak Enactment No. 3 of 1967.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 March 2007.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies and comply with the provisions of the Companies Act 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities.

At the beginning of the current financial year, the Group and the Company had adopted new and revised Financial Reporting Standards ("FRSs") which are mandatory for financial period beginning on or after 1 January 2006 as described fully in Note 2.3.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies

#### (a) Subsidiaries and Basis of Consolidation

##### (i) Subsidiaries

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

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

##### (ii) Basis of Consolidation

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

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

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

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

## 2.2 Summary of Significant Accounting Policies (Contd.)

### (a) Subsidiaries and Basis of Consolidation (Contd.)

#### (ii) Basis of Consolidation (Contd.)

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

### (b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated income statement. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (b) Associates (Contd.)

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

#### (c) Intangible Assets

##### (i) Goodwill

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (d) Property, Plant and Equipment and Depreciation

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

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

Freehold land has an unlimited useful life and therefore is not depreciated. Long term leasehold land are depreciated over the period of the respective leases which range from 51 to 99 years. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful life, at the following annual rates:

|                                   |           |
|-----------------------------------|-----------|
| Buildings                         | 2% - 5%   |
| Plant and machinery               | 10% - 20% |
| Other assets                      |           |
| Equipment, furniture and fittings | 5% - 25%  |
| Motor vehicles                    | 10% - 25% |
| Refurbishment and renovations     | 10 years  |

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the income statement.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (e) Land Held for Property Development and Property Development Costs

##### (i) Land Held for Property Development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses.

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

##### (ii) Property Development Costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (e) Land Held for Property Development and Property Development Costs (Contd.)

##### (ii) Property Development Costs (Contd.)

The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the income statement is classified as progress billings within trade payables.

##### (iii) Development of Port Facilities

Land is stated at the lower of cost and net realisable value. Development expenditure comprises cost of land and all direct expenses relating to the development of port facilities.

The principal annual rates of depreciation are:

|                    |                    |
|--------------------|--------------------|
| Leasehold portland | over 99 years      |
| Port structure     | over 50 years      |
| Port equipment     | over 10 - 20 years |

All expenditure incurred, associated with development of port facilities inclusive of interest cost, are capitalised in accordance with Note 2.2(n)(v) and amortised over the estimated useful life.

Amortisation of the port structure is based on the revenue method where the cost is amortised based on the total actual revenue in the year over total expected revenue to be generated from the port operations during the period of its estimated useful life.

##### (iv) Development of Tourism Projects

Development expenditure represents tourism projects related expenditure undertaken by a subsidiary and is stated at cost. Ultimate recovery of such expenditure is dependent on the successful implementation of the projects. Should the directors consider the implementation to be no longer successful, the accumulated expenditure applicable will be charged to the income statement.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (f) Impairment of Non-financial Assets

The carrying amounts of non-financial assets, other than property development costs, inventories, deferred tax assets and non-current assets held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

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

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

An impairment loss is recognised in the income statement in the period in which it arises.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (f) Impairment of Non-financial Assets (Contd.)

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

#### (g) Inventories

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

Cost is determined using the weighted average basis. The cost of raw materials, sundry supplies and food and beverages comprises costs of purchase and cost of bringing the inventories to their present location.

Completed properties held for sale are stated at lower of cost and net realisable value. Cost is determined on the specific identification basis and includes cost of land, construction and appropriate development overheads.

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

#### (h) Leases

##### (i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (h) Leases (Contd.)

##### (ii) Finance Leases - the Group as Lessee

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

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2(d).

##### (i) Income Tax

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (i) Income Tax (Contd.)

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

#### (j) Provisions

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

#### (k) Employee Benefits

##### (i) Short Term Benefits

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

##### (ii) Defined Contribution Plans

As required by law, the Group make contributions to the statutory pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (k) Employee Benefits (Contd.)

##### (iii) Defined Benefit Plans

A subsidiary operates an unfunded defined benefit scheme for its eligible employees, ("The Scheme") under a Collective Agreement with the National Union of Hotel, Bar and Restaurant Workers, Peninsular Malaysia. The Group's obligation under the scheme, calculated using Projected Benefit Valuation Method, is determined by an actuarial valuation carried out every three years by a qualified actuary, through which the amount of benefit that employees have earned in return for their service in the current and prior years is estimated.

That benefit is discounted in order to determine its present value. Actuarial gains and losses are recognised as income or expense over the expected average remaining working lives of the participating employees. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service costs. Any asset resulting from this calculation is limited to the net total of any unrecognised actuarial losses and past service costs.

The last valuation of the Scheme was carried out in March 2006.

#### (l) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

##### (i) Dividend income

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (l) Revenue (Contd.)

##### (ii) Hotel related operations

Revenue from hotel related operations comprising rental of hotel rooms, sale of food and beverage and other related income are recognised when the services are provided.

##### (iii) Management fees

Management fees in respect of the management services provided by the Company are recognised when the services are provided.

##### (iv) Mobilisation fees

Mobilisation fees are recognised on receivable basis.

##### (v) Port services

Revenue from port services and provision of container services are measured at fair value of the consideration receivable and are recognised in the income statement on rendered basis.

Revenue from Operation and Maintenance of deepwater bulk terminal and facility is recognised in the income statement on an accrual basis.

##### (vi) Proceeds from bus fare collection and provision of charter services

Proceeds received from bus fare collection and provision of charter services are recognised when services are rendered.

##### (vii) Rental income

Rental income is recognised over the term of the tenancy.

##### (viii) Sale of goods

Revenue relating to sale of goods is recognised net of discounts and rebates when transfer of risks and rewards have been completed.

##### (ix) Sale of completed properties

Sale of completed properties is recognised when transfer of risks and rewards have been completed.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (l) Revenue (Contd.)

##### (x) Sale of land

Revenue relating to sale of port development land is recognised on a percentage of completion basis.

Revenue relating to sale of other vacant land represents the proportionate sales value of land sold attributable to the percentage of sales value received during the financial year. With regard to the sale of land where the subsidiary has transferred the risks and rewards of ownership upon finalisation of the sales and purchase agreements, revenue is recognised in full.

##### (xi) Sale of development properties

Revenue from sale of development properties is accounted for by the stage of completion method as described in Note 2.2(e)(ii).

Profit from joint development project of a subsidiary is recognised based on guaranteed amount received during the year.

#### (m) Non-current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in the income statement.

#### (n) Financial Instruments

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (n) Financial Instruments (Contd.)

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

#### (i) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank and deposits with licensed financial institutions, but do not include deposits with licensed financial institutions which have been pledged for guarantee and other bank facilities granted to the Group and the Company as collaterals, and net of outstanding bank overdrafts.

#### (ii) Other Non-current Investments

Other non-current investments are stated at cost less allowance for diminution in value. On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is recognised in the income statement.

#### (iii) Receivables

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

#### (iv) 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.

#### (v) Interest-Bearing Borrowings

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (n) Financial Instruments (Contd.)

##### (v) Interest-Bearing Borrowings (Contd.)

Borrowings are reported at their face values. Borrowing costs directly attributable to the acquisition and construction of development properties and property, plant and equipment are capitalised as part of the cost of those assets, until:

- (i) port construction is completed and ready for use; or
- (ii) properties under development are brought to their saleable position.

All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

##### (vi) Bai Bithaman Ajil Islamic Debt Securities ("BaIDS")

The BaIDS are bonds issued in accordance with the Islamic finance concept of Bai Bithaman Ajil and accordingly excluded from the disclosure and presentation requirements of FRS 132 - Financial Instruments : Disclosure and Presentation. In accordance with such concept, the subsidiary sold certain assets to a trustee, and will repurchase them back at a pre-agreed price inclusive of profit margin. The payment of the purchase price is deferred in accordance with the maturities of the BaIDS, whilst the profit element is paid half yearly.

BaIDS are initially recognised at cost, being the fair value of the consideration received. After initial recognition, the profit element attributable to the BaIDS in each period are recognised in the income statement as finance cost, at a constant rate to the maturity of each series respectively.

##### (vii) Equity Instruments

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (o) Segmental Information

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. Most segment assets can be directly attributed to the segments on a reasonable basis. Segment assets and liabilities do not include income tax assets and liabilities respectively.

#### (p) Intersegment Transfers

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the economic entity at an arm's length transactions. These transfers are eliminated on consolidation.

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

On 1 January 2006, the Group and the Company adopted the following applicable FRSs mandatory for the financial period beginning on or after 1 January 2006:

|     |   |
|-----|---|
| FRS | 3 Business Combinations   |
| FRS | 5 Non-current Assets Held for Sale and Discontinued Operations      |
| FRS | 101 Presentation of Financial Statements                            |
| FRS | 102 Inventories   |
| FRS | 108 Accounting Policies, Changes in Accounting Estimates and Errors |
| FRS | 110 Events after the Balance Sheet Date                             |
| FRS | 116 Property, Plant and Equipment                                   |
| FRS | 127 Consolidated and Separate Financial Statements                  |
| FRS | 128 Investments in Associates                                       |
| FRS | 132 Financial Instruments: Disclosure and Presentation              |
| FRS | 133 Earnings Per Share  |
| FRS | 136 Impairment of Assets  |
| FRS | 138 Intangible Assets   |

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

In addition, the Group has not early adopted the new and revised FRS 117 - Leases and FRS 124 - Related Party Disclosures that are mandatory for financial period beginning on or after 1 October 2006.

The Group has also not early adopted the deferred FRS 139 - Financial Instruments: Recognition and Measurement and at the date of authorisation of these financial statements, the following FRS, amendments to FRSs and IC Interpretations were in issue but not yet effective:

- (i) FRS 6: Exploration for and Evaluation of Mineral Resources
- (ii) Amendment to FRS 119<sub>2004</sub>: Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures
- (iii) Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
- (iv) IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities
- (v) IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments
- (vi) IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- (vii) IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
- (viii) IC Interpretation 7: Applying the Restatement Approach under FRS 129<sub>2004</sub> Financial Reporting in Hyperinflationary Economies
- (ix) IC Interpretation 8: Scope of FRS 2

FRS 6 is not relevant to the Group's operations and the adoption of the above FRSs, amendments to FRSs and IC Interpretations will have no impact on the financial statements of the Group and the Company except for the following:

- (i) FRS 117 - Leases

This standard requires the classification of leasehold land as prepaid lease payments. The Group will apply this standard for financial period beginning 1 January 2007.

- (ii) FRS 124 - Related Party Disclosures

This standard will affect the identification of related parties and some other related party disclosures. The Group will apply this standard for financial period beginning 1 January 2007.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

#### (iii) FRS 139 - Financial Instruments : Recognition and Measurement

This new standard established principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group will apply this standard when effective.

#### (iv) Amendment to FRS 119<sub>2004</sub>: Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures

This amendment introduces the option of an alternative recognition approach for actuarial gains and losses arising from post-employment defined benefit plans. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements.

As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment will only impact the format and extent of disclosures presented in the financial statements. The Group will apply this amendment for financial period beginning 1 January 2007.

The adoption of revised FRS 102, 108, 110, 116, 127, 128, 132 and 133 does not result in significant changes in accounting policies and has no effect on the financial statements of the Group.



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

The principal changes in accounting policies and their effects resulting from the adoption of the other new and revised FRSs are discussed below:

#### (a) FRS 3 : Business Combinations, FRS 136: Impairment of Assets and FRS 138 : Intangible Assets

The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138. In accordance with the transitional provisions, FRS 3 has been applied for business combinations for which the agreement date is on or after 1 January 2006.

##### (i) Goodwill

Prior to 1 January 2006, goodwill was amortised on a straight-line basis over its estimated useful life of 20 years and at each balance sheet date, the Group assessed if there was any indication of impairment of the cash-generating unit in which the goodwill is attached to. The adoption of FRS 3 and the revised FRS 136 has resulted in the Group ceasing annual goodwill amortisation. Goodwill is now carried at cost less accumulated impairment losses and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

In accordance with the transitional provisions of FRS 3, the Group has applied the revised accounting policy for goodwill prospectively from 1 January 2006. The transitional provisions of FRS 3 also required the Group to eliminate the carrying amount of the accumulated amortisation at 1 January 2006 amounting to RM18,766,400 against the carrying amount of goodwill. The net carrying amount of goodwill as at 1 January 2006 of RM23,829,682 ceased to be amortised thereafter.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2005 or prior periods. The effects on the consolidated balance sheet as at 31 December 2006 and consolidated income statement for the year ended 31 December 2006 are set out in Note 2.3(d)(i) and Note 2.3(d)(ii) respectively. This change has no impact on the Company's financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

- (a) **FRS 3 : Business Combinations, FRS 136: Impairment of Assets and FRS 138 : Intangible Assets (Contd.)**
- (ii) **Excess of Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as negative goodwill)**

Prior to 1 January 2006, negative goodwill was amortised over the estimated useful life of 20 years. In such cases, it was recognised in the income statement as those expected losses were incurred. Under FRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisitions, after reassessment, is now recognised immediately in the income statement. In accordance with transitional provisions of FRS 3, the negative goodwill as at 1 January 2006 of RM346,013 was derecognised with a corresponding increase in retained earnings.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2005 or prior periods. The effects on the consolidated balance sheet as at 31 December 2006 and consolidated income statement for the year ended 31 December 2006 are set out in Note 2.3(d)(i) and Note 2.3(d)(ii) respectively. This change has no impact on the Company's financial statements.

(b) **FRS 5 : Non-current Assets Held for Sale**

Prior to 1 January 2006, non-current assets held for sale were neither classified nor presented as current assets. There were no differences in the measurement of non-current assets held for sale and those for continuing use. Upon the adoption of FRS 5, non current assets held for sale are classified as current assets and are stated at the lower of carrying amount and fair value less costs to sell.

The Group has applied FRS 5 prospectively in accordance with the transitional provisions.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

#### (c) FRS 101 : Presentation of Financial Statements

Prior to 1 January 2006, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity. Upon the adoption of the revised FRS 101, 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. The revised 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 Company and to minority interests.

Prior to 1 January 2006, the Group's share of taxation of associates accounted for using the equity method was included as part of the Group's income tax expense in the consolidated income statement. Upon the adoption of the revised FRS 101, the share of taxation of associates 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.

These changes in presentation have been applied retrospectively and as disclosed in Note 2.3(e), certain comparatives have been restated. The effects on the consolidated balance sheet as at 31 December 2006 and consolidated income statement for the year ended 31 December 2006 are set out in Note 2.3(d)(i) and Note 2.3(d)(ii) respectively. These changes in presentation has no impact on the Company's financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

#### (d) Summary of effects of adopting new and revised FRSs on the current year's financial statements

The following tables provide estimates of the extent to which each of the line items in the balance sheets and income statements for the year ended 31 December 2006 is higher or lower than it would have been had the previous policies been applied in the current year.

#### (i) Effects on balance sheets as at 31 December 2006

| Description of Change<br>Group   | Increase/(Decrease)            |                                 |                             |                               |   | Total<br>RM |
|----------------------------------|--------------------------------|---------------------------------|-----------------------------|-------------------------------|---|-------------|
|                                  | FRS 3<br>Note 2.3 (a)(i)<br>RM | FRS 3<br>Note 2.3 (a)(ii)<br>RM | FRS 5<br>Note 2.3 (b)<br>RM | FRS 101<br>Note 2.3 (c)<br>RM |   |             |
| Property, plant and equipment    | -                              | -                               | (4,272,352)                 | -                             | - | (4,272,352) |
| Intangible assets                | 2,145,958                      | 274,128                         | -                           | -                             | - | 2,420,086   |
| Non-current assets held for sale | -                              | -                               | 4,272,352                   | -                             | - | 4,272,352   |
| Retained earnings                | 2,145,958                      | 274,128                         | -                           | -                             | - | 2,420,086   |
| Total equity                     | 2,145,958                      | 274,128                         | -                           | 69,957,391                    | - | 72,377,477  |

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

## 2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSS (Contd.)

## (d) Summary of effects of adopting new and revised FRSS on the current year's financial statements (Contd.)

## (ii) Effects on income statements for the year ended 31 December 2006

| Description of Change<br>Group                    | Increase/(Decrease)            |                               |  | Total<br>RM |
|---|--------------------------------|-------------------------------|--|-------------|
|   | FRS 3<br>Note 2.3 (a)(i)<br>RM | FRS 101<br>Note 2.3 (c)<br>RM |  |             |
| Amortisation of goodwill arising on consolidation | 2,164,637                      | -                             |  | 2,164,637   |
| Amortisation of negative goodwill                 | (71,885)                       | -                             |  | (71,885)    |
| Share of results of associates                    | -                              | (719,212)                     |  | (719,212)   |
| Profit before taxation                            | 2,092,752                      | (719,212)                     |  | 1,373,540   |
| Taxation  | -                              | (719,212)                     |  | (719,212)   |

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSS (Contd.)

(e) Restatement of comparatives

The following comparatives amounts have been restated as a result of adopting the new and revised FRSS:

| Description of Change<br>Group      | Previously<br>Stated | Increase/<br>(Decrease)       | Restated    |
|-------------------------------------|----------------------|-------------------------------|-------------|
|                                     | RM                   | FRS 101<br>Note 2.3 (c)<br>RM | RM          |
| <b>Balance sheet</b>                |                      |                               |             |
| At 1 January 2005                   | 337,791,543          | 66,721,858                    | 404,513,401 |
| Total equity                        |                      |                               |             |
| <b>Balance sheet</b>                |                      |                               |             |
| At 31 December 2005                 | 340,520,633          | 66,660,997                    | 407,181,630 |
| Total equity                        |                      |                               |             |
| <b>Income statement</b>             |                      |                               |             |
| For the year ended 31 December 2005 |                      |                               |             |
| Share of results of associates      | 2,320,547            | (761,070)                     | 1,559,477   |
| Taxation                            | (6,838,529)          | 761,070                       | (6,077,459) |

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.4 Changes in Estimates

The revised FRS 116: Property, Plant and Equipment requires the review of the residual value and remaining useful life of an item of property, plant and equipment at least at each financial year end. The Group has not revised the residual values of its property, plant and equipment as management is of the view that the current estimates are reasonable.

### 2.5 Significant Accounting Estimates and Judgements

#### (a) Critical Judgements Made in Applying Accounting Policies

The following are the 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:-

Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on FRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.5 Significant Accounting Estimates and Judgements (Contd.)

#### (b) 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 discussed below.

##### (i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill as at 31 December 2006 was RM23,811,003 (2005 : RM23,829,682). Further details are disclosed in Note 8.

##### (ii) Property development

The Group recognises property development revenue and expenses in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

A 10% difference in the estimated total property development revenue or costs would result in approximately 1% variance in the Group's revenue, 1% variance in the Group's cost of sales and 4% variance in the Group's profit before taxation.



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.5 Significant Accounting Estimates and Judgements (Contd.)

#### (b) Key Sources of Estimation Uncertainty (Contd.)

##### (iii) Deferred tax asset

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 losses and 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. The total carrying value of recognised capital allowances of the Group was RM3,099,822 (2005: RM Nil) and the unrecognised tax losses and capital allowances of the Group was RM14,371,226 (2005: RM17,334,796).

##### (iv) Depreciation of property, plant and equipments

The cost of property, plant and equipments are depreciated on a straight-line basis over the asset's useful life. Management estimates the useful life of plant and machinery to be 5 to 10 years while 20 to 50 years for building, based on the level of expected usage. Management also estimates that these assets will have minimal residual values at the end of its useful life. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

## 3. PROPERTY, PLANT AND EQUIPMENT

| Group                                      | Land and<br>buildings*<br>RM | Plant and<br>machinery<br>RM | Other<br>assets**<br>RM | Total<br>RM       |
|--|------------------------------|------------------------------|-------------------------|-------------------|
| <b>At 31 December 2006</b>                 |                              |                              |                         |                   |
| <b>Cost</b>                                |                              |                              |                         |                   |
| At 1 January 2006                          | 100,556,155                  | 2,678,600                    | 11,402,269              | 114,637,024       |
| Additions                                  | -                            | 61,244                       | 991,119                 | 1,052,363         |
| Written off                                | -                            | (32,315)                     | (175)                   | (32,490)          |
| Reclassified as held for sale<br>(Note 12) | (4,406,912)                  | -                            | (180,816)               | (4,587,728)       |
| At 31 December 2006                        | 96,149,243                   | 2,707,529                    | 12,212,397              | 111,069,169       |
| <b>Accumulated depreciation</b>            |                              |                              |                         |                   |
| At 1 January 2006                          | 13,817,638                   | 2,244,032                    | 8,891,265               | 24,952,935        |
| Depreciation charge for the year           | 1,296,654                    | 146,877                      | 772,170                 | 2,215,701         |
| Written off                                | -                            | (32,315)                     | (175)                   | (32,490)          |
| Reclassified as held for sale<br>(Note 12) | (267,777)                    | -                            | (47,599)                | (315,376)         |
| At 31 December 2006                        | 14,846,515                   | 2,358,594                    | 9,615,661               | 26,820,770        |
| <b>Net carrying amount</b>                 | <b>81,302,728</b>            | <b>348,935</b>               | <b>2,596,736</b>        | <b>84,248,399</b> |

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

| Group                            | Land and<br>buildings*<br>RM | Plant and<br>machinery<br>RM | Other<br>assets**<br>RM | Total<br>RM       |
|----------------------------------|------------------------------|------------------------------|-------------------------|-------------------|
| <b>At 31 December 2005</b>       |                              |                              |                         |                   |
| <b>Cost</b>                      |                              |                              |                         |                   |
| At 1 January 2005                | 100,556,155                  | 2,552,778                    | 9,997,619               | 113,106,552       |
| Additions                        | -                            | 127,412                      | 1,147,013               | 1,274,425         |
| Disposals                        | -                            | (1,590)                      | (2,021)                 | (3,611)           |
| Adjustments                      | -                            | -                            | 259,658                 | 259,658           |
| At 31 December 2005              | 100,556,155                  | 2,678,600                    | 11,402,269              | 114,637,024       |
| <b>Accumulated depreciation</b>  |                              |                              |                         |                   |
| At 1 January 2005                | 12,520,984                   | 2,080,119                    | 7,916,999               | 22,518,102        |
| Depreciation charge for the year | 1,296,654                    | 165,026                      | 836,045                 | 2,297,725         |
| Disposals                        | -                            | (1,113)                      | (2,021)                 | (3,134)           |
| Adjustments                      | -                            | -                            | 140,242                 | 140,242           |
| At 31 December 2005              | 13,817,638                   | 2,244,032                    | 8,891,265               | 24,952,935        |
| <b>Net carrying amount</b>       | <b>86,738,517</b>            | <b>434,568</b>               | <b>2,511,004</b>        | <b>89,684,089</b> |

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

## \*Land and buildings

| Group                                      | Freehold<br>land<br>RM | Long term<br>leasehold<br>land<br>RM | Buildings<br>RM   | Total<br>RM        |
|--|------------------------|--------------------------------------|-------------------|--------------------|
| <b>At 31 December 2006</b>                 |                        |                                      |                   |                    |
| <b>Cost</b>                                |                        |                                      |                   |                    |
| At 1 January 2006                          | 24,922,500             | 27,276,741                           | 48,356,914        | 100,556,155        |
| Reclassified as held for sale<br>(Note 12) | (1,679,998)            | -                                    | (2,726,914)       | (4,406,912)        |
| At 31 December 2006                        | <u>23,242,502</u>      | <u>27,276,741</u>                    | <u>45,630,000</u> | <u>96,149,243</u>  |
| <b>Accumulated depreciation</b>            |                        |                                      |                   |                    |
| At 1 January 2006                          | -                      | 3,261,599                            | 10,556,039        | 13,817,638         |
| Depreciation charge for the year           | -                      | 329,516                              | 967,138           | 1,296,654          |
| Reclassified as held for sale<br>(Note 12) | -                      | -                                    | (267,777)         | (267,777)          |
| At 31 December 2006                        | <u>-</u>               | <u>3,591,115</u>                     | <u>11,255,400</u> | <u>14,846,515</u>  |
| <b>Net carrying amount</b>                 | <u>23,242,502</u>      | <u>23,685,626</u>                    | <u>34,374,600</u> | <u>81,302,728</u>  |
| <b>At 31 December 2005</b>                 |                        |                                      |                   |                    |
| <b>Cost</b>                                |                        |                                      |                   |                    |
| At 1 January/31 December 2005              | <u>24,922,500</u>      | <u>27,276,741</u>                    | <u>48,356,914</u> | <u>100,556,155</u> |
| <b>Accumulated depreciation</b>            |                        |                                      |                   |                    |
| At 1 January 2005                          | -                      | 2,932,083                            | 9,588,901         | 12,520,984         |
| Depreciation charge for the year           | -                      | 329,516                              | 967,138           | 1,296,654          |
| At 31 December 2005                        | <u>-</u>               | <u>3,261,599</u>                     | <u>10,556,039</u> | <u>13,817,638</u>  |
| <b>Net carrying amount</b>                 | <u>24,922,500</u>      | <u>24,015,142</u>                    | <u>37,800,875</u> | <u>86,738,517</u>  |

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

**\*\*Other assets**

|  | Equipment,<br>furniture<br>and fittings<br>RM | Motor<br>vehicles<br>RM | Refurbishment<br>and<br>renovation<br>RM | Total<br>RM       |
|--|---|-------------------------|--|-------------------|
| <b>Group</b>                               |   |                         |  |                   |
| <b>At 31 December 2006</b>                 |   |                         |  |                   |
| <b>Cost</b>                                |   |                         |  |                   |
| At 1 January 2006                          | 9,222,256                                     | 1,748,699               | 431,314                                  | 11,402,269        |
| Additions                                  | 979,016                                       | -                       | 12,103                                   | 991,119           |
| Written off                                | -   | -                       | (175)                                    | (175)             |
| Reclassified as held for sale<br>(Note 12) | (180,816)                                     | -                       | -  | (180,816)         |
| At 31 December 2006                        | <u>10,020,456</u>                             | <u>1,748,699</u>        | <u>443,242</u>                           | <u>12,212,397</u> |
| <b>Accumulated depreciation</b>            |   |                         |  |                   |
| At 1 January 2006                          | 7,010,667                                     | 1,647,749               | 232,849                                  | 8,891,265         |
| Depreciation charge for the year           | 701,354                                       | 15,137                  | 55,679                                   | 772,170           |
| Written off                                | -   | -                       | (175)                                    | (175)             |
| Reclassified as held for sale<br>(Note 12) | (47,599)                                      | -                       | -  | (47,599)          |
| At 31 December 2006                        | <u>7,664,422</u>                              | <u>1,662,886</u>        | <u>288,353</u>                           | <u>9,615,661</u>  |
| <b>Net carrying amount</b>                 | <u>2,356,034</u>                              | <u>85,813</u>           | <u>154,889</u>                           | <u>2,596,736</u>  |

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

**\*\*Other assets (Contd.)**

| Group                            | Equipment,<br>furniture<br>and fittings<br>RM | Motor<br>vehicles<br>RM | Refurbishment<br>and<br>renovation<br>RM | Total<br>RM       |
|----------------------------------|---|-------------------------|--|-------------------|
| <b>At 31 December 2005</b>       |   |                         |  |                   |
| <b>Cost</b>                      |   |                         |  |                   |
| At 1 January 2005                | 7,817,135                                     | 1,748,699               | 431,785                                  | 9,997,619         |
| Additions                        | 1,145,463                                     | -                       | 1,550                                    | 1,147,013         |
| Disposals                        | -   | -                       | (2,021)                                  | (2,021)           |
| Adjustments                      | 259,658                                       | -                       | -  | 259,658           |
| At 31 December 2005              | <u>9,222,256</u>                              | <u>1,748,699</u>        | <u>431,314</u>                           | <u>11,402,269</u> |
| <b>Accumulated depreciation</b>  |   |                         |  |                   |
| At 1 January 2005                | 6,198,221                                     | 1,488,739               | 230,039                                  | 7,916,999         |
| Depreciation charge for the year | 672,204                                       | 159,010                 | 4,831                                    | 836,045           |
| Disposals                        | -   | -                       | (2,021)                                  | (2,021)           |
| Adjustments                      | 140,242                                       | -                       | -  | 140,242           |
| At 31 December 2005              | <u>7,010,667</u>                              | <u>1,647,749</u>        | <u>232,849</u>                           | <u>8,891,265</u>  |
| <b>Net carrying amount</b>       | <u>2,211,589</u>                              | <u>100,950</u>          | <u>198,465</u>                           | <u>2,511,004</u>  |

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

| Company                          | Long term<br>leasehold<br>land and<br>building<br>RM | Equipment,<br>furniture<br>and fittings<br>RM | Motor<br>vehicles<br>RM | Total<br>RM       |
|----------------------------------|--|---|-------------------------|-------------------|
| <b>At 31 December 2006</b>       |  |   |                         |                   |
| <b>At cost</b>                   |  |   |                         |                   |
| At 1 January 2006                | 11,934,000   | 81,316  | 231,841                 | 12,247,157        |
| Additions                        | -  | 19,926  | -                       | 19,926            |
| At 31 December 2006              | <u>11,934,000</u>                                    | <u>101,242</u>                                | <u>231,841</u>          | <u>12,267,083</u> |
| <b>Accumulated depreciation</b>  |  |   |                         |                   |
| At 1 January 2006                | 1,278,646  | 54,729  | 214,724                 | 1,548,099         |
| Depreciation charge for the year | 142,072  | 10,588  | 17,113                  | 169,773           |
| At 31 December 2006              | <u>1,420,718</u>                                     | <u>65,317</u>                                 | <u>231,837</u>          | <u>1,717,872</u>  |
| <b>Net carrying amount</b>       | <u>10,513,282</u>                                    | <u>35,925</u>                                 | <u>4</u>                | <u>10,549,211</u> |
| <b>At 31 December 2005</b>       |  |   |                         |                   |
| <b>At cost</b>                   |  |   |                         |                   |
| At 1 January 2005                | 11,934,000   | 64,891  | 231,841                 | 12,230,732        |
| Additions                        | -  | 16,425  | -                       | 16,425            |
| At 31 December 2005              | <u>11,934,000</u>                                    | <u>81,316</u>                                 | <u>231,841</u>          | <u>12,247,157</u> |
| <b>Accumulated depreciation</b>  |  |   |                         |                   |
| At 1 January 2005                | 1,136,574  | 49,793  | 189,556                 | 1,375,923         |
| Depreciation charge for the year | 142,072  | 4,936   | 25,168                  | 172,176           |
| At 31 December 2005              | <u>1,278,646</u>                                     | <u>54,729</u>                                 | <u>214,724</u>          | <u>1,548,099</u>  |
| <b>Net carrying amount</b>       | <u>10,655,354</u>                                    | <u>26,587</u>                                 | <u>17,117</u>           | <u>10,699,058</u> |

### 3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

- (a) Net book values of property, plant and equipment held under hire purchase and finance lease arrangements are as follows:

|                                   | Group         |               | Company  |               |
|-----------------------------------|---------------|---------------|----------|---------------|
|                                   | 2006          | 2005          | 2006     | 2005          |
|                                   | RM            | RM            | RM       | RM            |
| Other assets:                     |               |               |          |               |
| Equipment, furniture and fittings | 666,000       | -             | -        | -             |
| Motor vehicles                    | 45,268        | 91,793        | -        | 17,117        |
|                                   | <u>45,268</u> | <u>91,793</u> | <u>-</u> | <u>17,117</u> |

- (b) During the year, the property, plant and equipment of the Group and of the Company were acquired by means of:

|                            | Group            |                  | Company       |               |
|----------------------------|------------------|------------------|---------------|---------------|
|                            | 2006             | 2005             | 2006          | 2005          |
|                            | RM               | RM               | RM            | RM            |
| Cash payments              | 386,363          | 1,274,425        | 19,926        | 16,425        |
| Finance lease arrangements | 666,000          | -                | -             | -             |
|                            | <u>1,052,363</u> | <u>1,274,425</u> | <u>19,926</u> | <u>16,425</u> |

- (c) Included in the property, plant and equipment of the Group and of the Company are the following costs of fully depreciated assets which are still in use:

|                                   | Group            |                  | Company        |                |
|-----------------------------------|------------------|------------------|----------------|----------------|
|                                   | 2006             | 2005             | 2006           | 2005           |
|                                   | RM               | RM               | RM             | RM             |
| Plant and machinery               | 1,854,104        | 1,650,442        | -              | -              |
| Other assets:                     |                  |                  |                |                |
| Equipment, furniture and fittings | 5,368,757        | 4,884,375        | 41,518         | 41,088         |
| Motor vehicles                    | 973,521          | 844,230          | 231,841        | 106,000        |
|                                   | <u>8,196,382</u> | <u>7,379,047</u> | <u>273,359</u> | <u>147,088</u> |



## 4. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

## (a) Land Held for Property Development

| Group  | Freehold<br>land<br>RM | Port<br>facilities*<br>RM | Total<br>RM        |
|--|------------------------|---------------------------|--------------------|
| <b>At 31 December 2006</b>   |                        |                           |                    |
| <b>Cost</b>  |                        |                           |                    |
| At 1 January 2006  | 33,295,004             | 88,172,669                | 121,467,673        |
| Additions  | -                      | 162,234                   | 162,234            |
| Written off  | -                      | (8,886)                   | (8,886)            |
| At 31 December 2006  | <u>33,295,004</u>      | <u>88,326,017</u>         | <u>121,621,021</u> |
| <b>Accumulated costs recognised<br/>as expense in income statement</b> |                        |                           |                    |
| At 1 January 2006  | -                      | 12,596,024                | 12,596,024         |
| Administrative expenses  | -                      | 1,512,173                 | 1,512,173          |
| At 31 December 2006  | <u>-</u>               | <u>14,108,197</u>         | <u>14,108,197</u>  |
| <b>Carrying amount at 31 December 2006</b>                             | <u>33,295,004</u>      | <u>74,217,820</u>         | <u>107,512,824</u> |
| <b>At 31 December 2005</b>   |                        |                           |                    |
| <b>Cost</b>  |                        |                           |                    |
| At 1 January 2005  | 37,116,286             | 87,471,931                | 124,588,217        |
| Additions  | -                      | 726,952                   | 726,952            |
| Transfer to property development cost<br>(Note 4(b))                   | (3,821,282)            | -                         | (3,821,282)        |
| Written off  | -                      | (26,214)                  | (26,214)           |
| At 31 December 2005  | <u>33,295,004</u>      | <u>88,172,669</u>         | <u>121,467,673</u> |
| <b>Accumulated costs recognised<br/>as expense in income statement</b> |                        |                           |                    |
| At 1 January 2005  | -                      | 11,322,778                | 11,322,778         |
| Administrative expenses  | -                      | 1,273,246                 | 1,273,246          |
| At 31 December 2005  | <u>-</u>               | <u>12,596,024</u>         | <u>12,596,024</u>  |
| <b>Carrying amount at 31 December 2005</b>                             | <u>33,295,004</u>      | <u>75,576,645</u>         | <u>108,871,649</u> |

## 4. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS (CONTD.)

## (a) Land Held for Property Development (Contd.)

\*The development of port facilities comprises the following:

| Group                               | Long term<br>leasehold<br>portland<br>RM | Port<br>structure<br>RM | Port<br>equipment<br>RM | Total<br>RM       |
|-------------------------------------|--|-------------------------|-------------------------|-------------------|
| <b>At 31 December 2006</b>          |  |                         |                         |                   |
| <b>Cost</b>                         |  |                         |                         |                   |
| At 1 January 2006                   | 14,753,610                               | 64,414,774              | 9,004,285               | 88,172,669        |
| Additions                           | -  | 146,000                 | 16,234                  | 162,234           |
| Written off                         | (8,886)                                  | -                       | -                       | (8,886)           |
| At 31 December 2006                 | 14,744,724                               | 64,560,774              | 9,020,519               | 88,326,017        |
| <b>Accumulated depreciation</b>     |  |                         |                         |                   |
| At 1 January 2006                   | 1,402,489                                | 4,677,032               | 6,516,503               | 12,596,024        |
| Depreciation charge for<br>the year | 149,000                                  | 1,010,000               | 353,173                 | 1,512,173         |
| At 31 December 2006                 | 1,551,489                                | 5,687,032               | 6,869,676               | 14,108,197        |
| <b>Net carrying amount</b>          | <b>13,193,235</b>                        | <b>58,873,742</b>       | <b>2,150,843</b>        | <b>74,217,820</b> |
| <b>At 31 December 2005</b>          |  |                         |                         |                   |
| <b>Cost</b>                         |  |                         |                         |                   |
| At 1 January 2005                   | 14,652,768                               | 64,412,180              | 8,406,983               | 87,471,931        |
| Additions                           | 121,407                                  | 8,243                   | 597,302                 | 726,952           |
| Written off                         | (20,565)                                 | (5,649)                 | -                       | (26,214)          |
| At 31 December 2005                 | 14,753,610                               | 64,414,774              | 9,004,285               | 88,172,669        |
| <b>Accumulated depreciation</b>     |  |                         |                         |                   |
| At 1 January 2005                   | 1,253,407                                | 3,887,032               | 6,182,339               | 11,322,778        |
| Depreciation charge for<br>the year | 149,082                                  | 790,000                 | 334,164                 | 1,273,246         |
| At 31 December 2005                 | 1,402,489                                | 4,677,032               | 6,516,503               | 12,596,024        |
| <b>Net carrying amount</b>          | <b>13,351,121</b>                        | <b>59,737,742</b>       | <b>2,487,782</b>        | <b>75,576,645</b> |

#### 4. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS (CONTD.)

##### (a) Land Held for Property Development (Contd.)

- (i) In accordance with financing procedure under Bai Bithaman Ajil, a subsidiary has agreed to enter into an asset purchase agreement dated 22 November 2004 with a bank to sell the port structure at RM60,000,000. Subsequent to the execution of this agreement, the said subsidiary entered into an asset sale agreement dated 22 November 2004 with the bank to repurchase the port structure at RM99,937,500 (Note 17).
- (ii) Included in port facilities of the Group are motor vehicles held under hire purchase arrangements at net book value of RM477,727 (2005 : RM802,574).
- (iii) During the year, the port facilities of the Group were acquired by means of:

|               | Group   |         |
|---------------|---------|---------|
|               | 2006    | 2005    |
|               | RM      | RM      |
| Cash payments | 162,234 | 394,952 |
| Hire purchase | -       | 332,000 |
|               | 162,234 | 726,952 |

## 4. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS (CONTD.)

## (b) Property Development Costs

|  | Group               |                      | Company             |                   |
|--|---------------------|----------------------|---------------------|-------------------|
|  | 2006<br>RM          | 2005<br>RM           | 2006<br>RM          | 2005<br>RM        |
| Property development costs<br>at 1 January:                |                     |                      |                     |                   |
| Freehold land  | 79,699,184          | 73,402,892           | 29,463,454          | 25,510,242        |
| Leasehold land   | 16,457,908          | 16,457,908           | -                   | -                 |
| Development costs  | 199,493,257         | 202,875,870          | 25,504,560          | 15,815,693        |
|  | <u>295,650,349</u>  | <u>292,736,670</u>   | <u>54,968,014</u>   | <u>41,325,935</u> |
| Costs incurred during the year:                            |                     |                      |                     |                   |
| Freehold land  | 9,025,430           | 3,953,212            | 11,708,140          | 3,953,212         |
| Development costs  | 22,678,191          | 28,669,619           | 3,627,006           | 9,688,867         |
|  | <u>31,703,621</u>   | <u>32,622,831</u>    | <u>15,335,146</u>   | <u>13,642,079</u> |
| Reversal of costs arising from<br>completed phases:        |                     |                      |                     |                   |
| Freehold land  | (2,433,353)         | (1,478,202)          | -                   | -                 |
| Development costs  | (67,495,732)        | (31,930,170)         | -                   | -                 |
|  | <u>(69,929,085)</u> | <u>(33,408,372)</u>  | <u>-</u>            | <u>-</u>          |
| Reversal of costs arising from<br>completed sale of lands: |                     |                      |                     |                   |
| Freehold land  | (6,370,428)         | -                    | -                   | -                 |
| Development costs  | (6,151,675)         | -                    | -                   | -                 |
|  | <u>(12,522,103)</u> | <u>-</u>             | <u>-</u>            | <u>-</u>          |
| Costs recognised as an expense<br>in income statement:     |                     |                      |                     |                   |
| At 1 January   | (133,342,800)       | (143,123,660)        | -                   | -                 |
| Costs recognised in income<br>statement (Note 23)          | (43,747,401)        | (23,627,512)         | (15,911,346)        | -                 |
| Reversal of costs arising from<br>completed phases         | 69,929,085          | 33,408,372           | -                   | -                 |
| Reversal of costs arising from<br>completed sale of lands  | 12,522,103          | -                    | -                   | -                 |
| At 31 December   | <u>(94,639,013)</u> | <u>(133,342,800)</u> | <u>(15,911,346)</u> | <u>-</u>          |

## 4. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS (CONTD.)

## (b) Property Development Costs (Contd.)

|   | Group              |                    | Company           |                   |
|---|--------------------|--------------------|-------------------|-------------------|
|   | 2006               | 2005               | 2006              | 2005              |
|   | RM                 | RM                 | RM                | RM                |
| Transfers:                                |                    |                    |                   |                   |
| From land held for property development   | -                  | 3,821,282          | -                 | -                 |
| To inventories                            | (8,803,721)        | (122,062)          | -                 | -                 |
|   | <u>(8,803,721)</u> | <u>3,699,220</u>   | <u>-</u>          | <u>-</u>          |
| Property development costs at 31 December | <u>141,460,048</u> | <u>162,307,549</u> | <u>54,391,814</u> | <u>54,968,014</u> |

(i) Included in property development costs of the Group incurred during the financial year is:

|                                 | Group         |                |
|---------------------------------|---------------|----------------|
|                                 | 2006          | 2005           |
|                                 | RM            | RM             |
| Interest on overdraft (Note 25) | <u>10,280</u> | <u>477,164</u> |

(ii) Titles of certain land costing RM20,206,944 (2005 : RM21,006,944) have yet to be issued to certain subsidiaries.

(iii) Included in freehold land of the Group is land amounting to RM2,556,944 (2005 : RM2,556,944) being pledged to a bank for banking facilities granted to a subsidiary as referred to in Note 15.

## 5. INVESTMENTS IN SUBSIDIARIES

|                          | Company          |                  |
|--------------------------|------------------|------------------|
|                          | 2006             | 2005             |
|                          | RM               | RM               |
| Unquoted shares, at cost |                  |                  |
| Ordinary shares          | 1,602,511        | 1,602,511        |
| Preference shares        | 5,100,000        | 5,100,000        |
|                          | <u>6,702,511</u> | <u>6,702,511</u> |

(a) Details of the subsidiaries are as follows:

| Name of Subsidiaries                        | Country of Incorporation | Equity Interest Held (%) |      | Principal Activities  |
|---|--------------------------|--------------------------|------|---|
|   |                          | 2006                     | 2005 |   |
| Magni D'Corp Sdn. Bhd.                      | Malaysia                 | 100                      | 100  | Property investment   |
| PCB Development Sdn. Bhd.                   | Malaysia                 | 100                      | 100  | Investment holding and real property development                |
| Premium Meridian Sdn. Bhd.                  | Malaysia                 | 100                      | 100  | Property development and project management                     |
| Taipan Merit Sdn. Bhd.                      | Malaysia                 | 100                      | 100  | Investment holding  |
| Trans Bid Sdn. Bhd.                         | Malaysia                 | 51                       | 51   | Distribution, operation and management of water supply services |
| Amsit Corporation Sdn. Bhd.*                | Malaysia                 | 100                      | 100  | Investment holding, construction and development                |
| <b>Held by PCB Development Sdn. Bhd.</b>    |                          |                          |      |   |
| PCB Trading & Manufacturing Sdn. Bhd.       | Malaysia                 | 100                      | 100  | Trading and manufacture of building materials                   |
| PCB Transportation Travel & Tours Sdn. Bhd. | Malaysia                 | 100                      | 100  | Provision of transport and travel services                      |

## 5. INVESTMENTS IN SUBSIDIARIES (CONTD.)

| Name of Subsidiaries                             | Country of Incorporation | Equity Interest Held (%) |                    | Principal Activities   |
|--|--------------------------|--------------------------|--------------------|--|
|  |                          | 2006                     | 2005               |  |
| <b>Held by Taipan Merit Sdn. Bhd.</b>            |                          |                          |                    |  |
| Lumut Maritime Terminal Sdn. Bhd.*               | Malaysia                 | 50 plus<br>1 share       | 50 plus<br>1 share | Development of an integrated privatised project encompassing ownership and operations of multipurpose port facilities, operation and maintenance of a bulk terminal sales and rental of port related land and other ancillary activities |
| Cash Hotel Sdn. Bhd.                             | Malaysia                 | 61.16                    | 61.16              | Hotelier, restaurateur and property developer  |
| <b>Held by Lumut Maritime Terminal Sdn. Bhd.</b> |                          |                          |                    |  |
| LMT Capital Sdn. Bhd.*                           | Malaysia                 | 100                      | 100                | Issuance and redemption of Redeemable Preference Shares. The Redeemable Preference Shares were fully redeemed in 2003. The company is currently dormant  |
| <b>Held by Cash Hotel Sdn. Bhd.</b>              |                          |                          |                    |  |
| Silveritage Corporation Sdn. Bhd.                | Malaysia                 | 100                      | 100                | Development of tourism projects  |
| <b>Held by Silveritage Corporation Sdn. Bhd.</b> |                          |                          |                    |  |
| Cash Complex Sdn. Bhd.                           | Malaysia                 | 50.48                    | 50.48              | Investment holding   |

\*Audited by firms of auditors other than Ernst & Young

The directors are of the opinion that the fair values of the subsidiaries are not less than their carrying values as at 31 December 2006. The Company and its ultimate holding corporation will continue to assist in the development of the projects undertaken by the respective subsidiaries as and when required.

## 6. INVESTMENTS IN ASSOCIATES

|                                     | Group             |                   | Company           |                   |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                     | 2006<br>RM        | 2005<br>RM        | 2006<br>RM        | 2005<br>RM        |
| At cost:                            |                   |                   |                   |                   |
| Quoted shares in Malaysia           | 20,000,000        | 20,000,000        | 20,000,000        | 20,000,000        |
| Unquoted shares in Malaysia         | 3,992,793         | 3,992,793         | 3,992,793         | 3,992,793         |
|                                     | <u>23,992,793</u> | <u>23,992,793</u> | <u>23,992,793</u> | <u>23,992,793</u> |
| Share of post acquisition profits   | 2,325,339         | 1,322,627         | -                 | -                 |
|                                     | <u>26,318,132</u> | <u>25,315,420</u> | <u>23,992,793</u> | <u>23,992,793</u> |
| Less: Accumulated impairment losses | -                 | -                 | (608,000)         | -                 |
|                                     | <u>26,318,132</u> | <u>25,315,420</u> | <u>23,384,793</u> | <u>23,992,793</u> |
| Market value of quoted shares*      | <u>13,766,667</u> | <u>11,900,000</u> | <u>13,766,667</u> | <u>11,900,000</u> |

The Group's interest in the associates is analysed as follows:

|                                   | 2006<br>RM        | 2005<br>RM        |
|-----------------------------------|-------------------|-------------------|
| Share of net assets               | 23,521,868        | 22,519,156        |
| Share of goodwill in an associate | 2,796,264         | 2,796,264         |
|                                   | <u>26,318,132</u> | <u>25,315,420</u> |

Details of the associates are as follows:

| Name of Associates   | Country of Incorporation | Equity Interest Held (%) |       | Principal Activities  |
|--|--------------------------|--------------------------|-------|---|
|  |                          | 2006                     | 2005  |   |
| Asia Brands Corporation Berhad (formerly known as Audrey International (M) Bhd.) | Malaysia                 | 22.06                    | 22.06 | Investment holding and provision of management services   |
| Konsortium LPB Sdn. Bhd.**   | Malaysia                 | 12.19                    | 12.19 | To construct, operate and manage the operation of the privatised project West Coast Highway for a 30-year concession period |

\* The directors are of the opinion that the investment in an associate whose shares are quoted shall be held for long term with no intention of disposal below cost and the market value is not reflective of the associate's net tangible assets.



## 6. INVESTMENTS IN ASSOCIATES (CONTD.)

\*\* Although the Group currently holds less than 20% of the voting power in Konsortium LPB Sdn. Bhd. ("KLPB"), the Group exercises significant influence by virtue of its contractual right to appoint two directors to the Board of this associate and equity interest of 20% if the Group subscribes to its entitlement before KLPB signs the concession agreement with the relevant authorities

The financial statements of Asia Brands Corporation Berhad (formerly known as Audrey International (M) Bhd.) ("ABC") and Konsortium LPB Sdn. Bhd. ("KLPB"), which have financial year ends of 31 March and 31 January respectively to conform with their respective holding company's financial year end are not coterminous with those of the Group. For the purpose of applying the equity method of accounting, the financial statements of ABC for the period ended 31 December 2006 and KLPB for the year ended 31 January 2007 have been used. Appropriate adjustments have been made in the financial statements of KLPB for the length of the reporting periods and the effects of significant transactions between 31 December 2006 and that date.

The summarised financial information of the associates are as follows:

|                               | 2006<br>RM        | 2005<br>RM        |
|-------------------------------|-------------------|-------------------|
| <b>Assets and liabilities</b> |                   |                   |
| Current assets                | 25,732,353        | 25,357,241        |
| Non-current assets            | 7,056,112         | 6,945,075         |
| Total assets                  | <u>32,788,465</u> | <u>32,302,316</u> |
| Current liabilities           | 8,872,164         | 9,523,514         |
| Non-current liabilities       | 394,433           | 259,646           |
| Total liabilities             | <u>9,266,597</u>  | <u>9,783,160</u>  |
| <b>Results</b>                |                   |                   |
| Revenue                       | 32,023,840        | 30,869,440        |
| Profit for the year           | <u>1,422,713</u>  | <u>1,559,477</u>  |

## 7. OTHER INVESTMENTS

|  | Group     |           | Company   |           |
|--|-----------|-----------|-----------|-----------|
|  | 2006      | 2005      | 2006      | 2005      |
|  | RM        | RM        | RM        | RM        |
| <b>Current</b>                             |           |           |           |           |
| At cost:                                   |           |           |           |           |
| Quoted unit trusts in Malaysia             | 3,306,189 | -         | -         | -         |
| Market value of quoted unit trusts         | 3,378,925 | -         | -         | -         |
| <b>Non-current</b>                         |           |           |           |           |
| At cost:                                   |           |           |           |           |
| Unquoted shares in Malaysia                | 25,000    | 25,000    | 25,000    | 25,000    |
| Less: Allowance for diminution<br>in value | (25,000)  | (25,000)  | (25,000)  | (25,000)  |
|  | -         | -         | -         | -         |
| Quoted shares in Malaysia                  | 4,622,500 | 4,622,500 | 4,622,500 | 4,622,500 |
| Less: Allowance for diminution<br>in value | (628,660) | -         | (628,660) | -         |
|  | 3,993,840 | 4,622,500 | 3,993,840 | 4,622,500 |
| Market value of quoted shares              | 3,993,840 | 3,568,570 | 3,993,840 | 3,568,570 |

## 8. INTANGIBLE ASSETS

|   | Goodwill<br>RM    | Negative<br>Goodwill<br>RM | Total<br>RM       |
|---|-------------------|----------------------------|-------------------|
| <b>Group</b>  |                   |                            |                   |
| <b>Cost</b>   |                   |                            |                   |
| At 1 January 2005   | 42,577,403        | (853,433)                  | 41,723,970        |
| Additions   | 18,679            | -                          | 18,679            |
| <b>At 31 December 2005/1 January 2006</b>                   | <b>42,596,082</b> | <b>(853,433)</b>           | <b>41,742,649</b> |
| Effects of adopting FRS 3 (Note 2.3 (a)(i) & (ii))          | (18,766,400)      | 853,433                    | (17,912,967)      |
| <b>At 1 January 2006 (as restated)/31 December 2006</b>     | <b>23,829,682</b> | <b>-</b>                   | <b>23,829,682</b> |
| <br><b>Accumulated amortisation and impairment</b>          |                   |                            |                   |
| At 1 January 2005   | 16,601,763        | (435,535)                  | 16,166,228        |
| Amortisation (Note 24)                                      | 2,164,637         | (71,885)                   | 2,092,752         |
| <b>At 31 December 2005/1 January 2006</b>                   | <b>18,766,400</b> | <b>(507,420)</b>           | <b>18,258,980</b> |
| Effects of adopting FRS 3 (Note 2.3 (a)(i) & (ii))          | (18,766,400)      | 507,420                    | (18,258,980)      |
| <b>At 1 January 2006 (as restated)</b>                      | <b>-</b>          | <b>-</b>                   | <b>-</b>          |
| Impairment loss recognised in<br>income statement (Note 24) | 18,679            | -                          | 18,679            |
| <b>At 31 December 2006</b>                                  | <b>18,679</b>     | <b>-</b>                   | <b>18,679</b>     |
| <br><b>Net carrying amount</b>                              |                   |                            |                   |
| At 31 December 2005   | 23,829,682        | (346,013)                  | 23,483,669        |
| At 31 December 2006   | 23,811,003        | -                          | 23,811,003        |

## 9. INVENTORIES

|                      | Group             |                  |
|----------------------|-------------------|------------------|
|                      | 2006<br>RM        | 2005<br>RM       |
| At cost:             |                   |                  |
| Completed properties | 9,635,721         | 122,062          |
| Food and beverage    | 133,889           | 143,194          |
| Sundry supplies      | 84,142            | 79,570           |
| Tools and spares     | 3,025,427         | 2,526,197        |
|                      | <b>12,879,179</b> | <b>2,871,023</b> |

## 10. TRADE AND OTHER RECEIVABLES

|   | Group              |                    | Company            |                   |
|---|--------------------|--------------------|--------------------|-------------------|
|   | 2006<br>RM         | 2005<br>RM         | 2006<br>RM         | 2005<br>RM        |
| <b>Current</b>  |                    |                    |                    |                   |
| <b>Trade receivables</b>  |                    |                    |                    |                   |
| Third parties   | 26,966,718         | 23,582,272         | 5,885,476          | -                 |
| Companies in which certain directors of certain subsidiaries have or deemed to have substantial interests | 3,099,838          | 3,110,903          | -                  | -                 |
| Former corporate shareholder of a subsidiary  | -                  | 10                 | -                  | -                 |
| Related party   | 6,184,592          | 6,412,520          | -                  | -                 |
| Accrued billings in respect of property development costs   | 27,858,152         | 27,357,096         | -                  | -                 |
|   | <u>64,109,300</u>  | <u>60,462,801</u>  | <u>5,885,476</u>   | <u>-</u>          |
| Less: Allowance for doubtful debts  | (682,172)          | (88,638)           | -                  | -                 |
| Trade receivables, net  | <u>63,427,128</u>  | <u>60,374,163</u>  | <u>5,885,476</u>   | <u>-</u>          |
| <b>Other receivables</b>  |                    |                    |                    |                   |
| Amount due from related parties:  |                    |                    |                    |                   |
| Ultimate holding corporation  | 3,172,305          | 880,902            | 146,395            | 118,630           |
| Subsidiaries  | -                  | -                  | 351,271            | 38,339            |
| Fellow subsidiaries   | 96,674,755         | 92,862,661         | 96,674,755         | 92,862,661        |
|   | <u>99,847,060</u>  | <u>93,743,563</u>  | <u>97,172,421</u>  | <u>93,019,630</u> |
| Dividend receivable   | -                  | -                  | -                  | 2,194,501         |
| Deposits  | 109,922            | 125,121            | 250                | 250               |
| Prepayments   | 305,873            | 198,075            | 6,776              | 6,776             |
| Other receivables   | 3,155,832          | 8,697,696          | -                  | 1,201,641         |
|   | <u>103,418,687</u> | <u>102,764,455</u> | <u>97,179,447</u>  | <u>96,422,798</u> |
|   | <u>166,845,815</u> | <u>163,138,618</u> | <u>103,064,923</u> | <u>96,422,798</u> |
| <b>Non-current</b>  |                    |                    |                    |                   |
| Other receivables   |                    |                    |                    |                   |
| Amount due from subsidiaries  | -                  | -                  | 214,923,303        | 221,049,191       |

**10. TRADE AND OTHER RECEIVABLES (CONTD.)****(a) Trade receivables**

Included in trade receivables of the Group and of the Company are amounts of RM7,545,616 (2005 : RM6,350,454) and RM4,200,000 (2005 : RM Nil) respectively payable by means of contra for works performed as negotiated by the subsidiary.

The Group's and the Company's normal trade credit terms range from 30 to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposure to a single debtor or to groups of debtors.

**(b) Other receivables (Current)**

The amounts due from related parties of the Group and of the Company are unsecured, interest free and have no fixed terms of repayment.

Included in the amounts due from fellow subsidiaries of the Group and of the Company are advances together with accrued interest amounting to RM94,149,539 (2005 : RM90,338,446) which are unsecured, bear interest rates of 3% (2005 : 7.15% to 7.2%) per annum, and have no fixed terms of repayment. The amounts due from fellow subsidiaries of the Group and of the Company have been long outstanding. Based on the information available at the date of the financial statements, the directors are of the opinion that these amounts are fully recoverable after making necessary assessment.

Included in other receivables of the Group is stakeholder's placement of RM1,000,000 (2005 : RM1,000,000) which is refundable in full and was paid to secure the purchase of an investment in quoted shares which is pending the finalisation of share sale agreement.

Included in other receivables of the Group is an amount owing from Tabung Usahawan Bumiputera of RM600,000 (2005 : RM4,038,522). The amount is unsecured, interest free and has no fixed terms of repayment.

The Group has no other significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

**(c) Other receivables (Non-current)**

The amounts due from subsidiaries are unsecured, interest free and not repayable or due within the next twelve months except for an amount due from a subsidiary totalling to RM3,575,000 (2005 : RM3,575,000) which bears an interest rate of 7.2% (2005 : 7.2%) per annum.

## 11. CASH AND BANK BALANCES

|                              | Group             |                   | Company          |                  |
|------------------------------|-------------------|-------------------|------------------|------------------|
|                              | 2006              | 2005              | 2006             | 2005             |
|                              | RM                | RM                | RM               | RM               |
| Cash in hand and at bank     | 14,532,117        | 12,900,423        | 228,163          | 77,565           |
| Deposits with licensed banks | 56,616,035        | 37,053,715        | 6,100,000        | 4,000,000        |
|                              | <u>71,148,152</u> | <u>49,954,138</u> | <u>6,328,163</u> | <u>4,077,565</u> |

Included in the deposits with licensed banks of the Group are amounts of RM457,582 (2005 : RM2,444,000) pledged for guarantees and other bank facilities granted to certain subsidiaries as referred to in Note 15.

The average interest rates of the deposits with licensed banks during the financial year range between 2.0% to 3.65% (2005 : 2.2% to 3.3%) per annum and the maturities of the deposits as at 31 December 2006 were between 1 day to 365 days (2005 : 1 day to 365 days).

Cash deposited in the designated disbursement account of a subsidiary amounting to RM8,007,951 (2005 : RM5,380,733) are not available for use by the Group as these amounts are reserved for the redemption of Bai Bithaman Ajil Islamic Debt Securities ("BalDS") as disclosed in Note 17.

## 12. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

On 27 June 2006, a wholly owned subsidiary, PCB Development Sdn. Bhd. ("PCBD") entered into an agreement to dispose a building and as at 31 December 2006, the disposal of the building is still pending approval from the relevant authority.

The disposal of the building is due to be completed within 1 year of the agreement. As at 31 December 2006, the related carrying amounts of this asset of PCBD have been presented on the consolidated balance sheet as non-current asset held for sale.

|  | Group            |          |
|--|------------------|----------|
|  | 2006             | 2005     |
|  | RM               | RM       |
| <b>Assets</b>                          |                  |          |
| Property, plant and equipment (Note 3) | <u>4,272,352</u> | <u>-</u> |

**13. SHARE CAPITAL**

|                       | Number of Ordinary<br>Shares of RM1 Each |                    | Amount             |                    |
|-----------------------|--|--------------------|--------------------|--------------------|
|                       | 2006                                     | 2005               | 2006<br>RM         | 2005<br>RM         |
| Authorised            | <u>500,000,000</u>                       | <u>500,000,000</u> | <u>500,000,000</u> | <u>500,000,000</u> |
| Issued and fully paid | <u>100,000,000</u>                       | <u>100,000,000</u> | <u>100,000,000</u> | <u>100,000,000</u> |

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

**14. RETAINED EARNINGS**

As at 31 December 2006, the Company has tax exempt profits available for distribution of tax exempt dividends of approximately RM1,134,000 (2005 : RM1,134,000)

The Company has sufficient tax exempt profits and tax credit under Section 108 of the Income Tax Act 1967 to frank the payment of dividends amounting to approximately RM17,741,000 (2005 : RM14,585,000) out of its retained earnings. If the balance of the retained earnings of approximately RM27,327,000 (2005 : RM27,449,000) were to be distributed as dividends prior to there being sufficient tax credit, the Company would have a Section 108 shortfall of approximately RM10,107,000 (2005 : RM10,675,000).

## 15. BORROWINGS

|   | Group              |                    | Company           |                   |
|---|--------------------|--------------------|-------------------|-------------------|
|   | 2006<br>RM         | 2005<br>RM         | 2006<br>RM        | 2005<br>RM        |
| <b>Short Term Borrowings</b>                                  |                    |                    |                   |                   |
| Secured:  |                    |                    |                   |                   |
| Bank overdrafts   | 2,391,791          | 4,886,765          | -                 | -                 |
| Term loan   | 2,585,008          | -                  | -                 | -                 |
| Hire purchase and finance lease liabilities (Note 16)         | 239,630            | 189,139            | -                 | 6,450             |
| Bai Bithaman Ajil Islamic Debt Securities ("BalDS") (Note 17) | 5,000,000          | -                  | -                 | -                 |
|   | <u>10,216,429</u>  | <u>5,075,904</u>   | <u>-</u>          | <u>6,450</u>      |
| Unsecured:  |                    |                    |                   |                   |
| Revolving credits   | 80,602,764         | 80,602,764         | 80,602,764        | 80,602,764        |
|   | <u>90,819,193</u>  | <u>85,678,668</u>  | <u>80,602,764</u> | <u>80,609,214</u> |
| <b>Long Term Borrowings</b>                                   |                    |                    |                   |                   |
| Secured:  |                    |                    |                   |                   |
| Term loan   | -                  | 2,585,008          | -                 | -                 |
| Hire purchase and finance lease liabilities (Note 16)         | 720,810            | 303,846            | -                 | -                 |
| Bai Bithaman Ajil Islamic Debt Securities ("BalDS") (Note 17) | 55,000,000         | 60,000,000         | -                 | -                 |
|   | <u>55,720,810</u>  | <u>62,888,854</u>  | <u>-</u>          | <u>-</u>          |
| <b>Total Borrowings</b>                                       |                    |                    |                   |                   |
| Bank overdrafts   | 2,391,791          | 4,886,765          | -                 | -                 |
| Revolving credits   | 80,602,764         | 80,602,764         | 80,602,764        | 80,602,764        |
| Term loan   | 2,585,008          | 2,585,008          | -                 | -                 |
|   | <u>85,579,563</u>  | <u>88,074,537</u>  | <u>80,602,764</u> | <u>80,602,764</u> |
| Hire purchase and finance lease liabilities (Note 16)         | 960,440            | 492,985            | -                 | 6,450             |
| BalDS (Note 17)   | 60,000,000         | 60,000,000         | -                 | -                 |
|   | <u>146,540,003</u> | <u>148,567,522</u> | <u>80,602,764</u> | <u>80,609,214</u> |



## 15. BORROWINGS (CONTD.)

|   | Group             |                   | Company           |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | 2006              | 2005              | 2006              | 2005              |
|   | RM                | RM                | RM                | RM                |
| Maturity of borrowings (excluding hire purchase and finance lease and BaIDS): |                   |                   |                   |                   |
| Within one year   | 85,579,563        | 85,489,529        | 80,602,764        | 80,602,764        |
| Between one and two years   | -                 | 2,585,008         | -                 | -                 |
|   | <u>85,579,563</u> | <u>88,074,537</u> | <u>80,602,764</u> | <u>80,602,764</u> |

The revolving credits of the Group and of the Company are utilised by a fellow subsidiary.

The term loan of the Group is expected to be repaid by way of redemption proceeds from disposal of development properties of a subsidiary.

The applicable interest rates during the financial year for borrowings, excluding hire purchase and finance lease and BaIDS, were as follows:

|                   | Group       |             | Company     |             |
|-------------------|-------------|-------------|-------------|-------------|
|                   | 2006        | 2005        | 2006        | 2005        |
|                   | %           | %           | %           | %           |
| Bank overdrafts   | 7.75 - 8.55 | 7.75 - 8.40 | -           | -           |
| Revolving credits | 7.30 - 7.80 | 6.04 - 7.30 | 7.30 - 7.80 | 6.04 - 7.30 |
| Term loan         | 6.40 - 8.40 | 6.40 - 8.40 | -           | -           |

The bank overdrafts and the term loan of the Group are secured and supported by the following;

- freehold land of a subsidiary as referred to in Note 4;
- deposits with licensed banks of a certain subsidiary as referred to in Note 11; and
- corporate guarantees from the Company.

## 16. HIRE PURCHASE AND FINANCE LEASE LIABILITIES

|   | Group            |                | Company    |              |
|---|------------------|----------------|------------|--------------|
|   | 2006<br>RM       | 2005<br>RM     | 2005<br>RM | 2004<br>RM   |
| Future minimum payments:  |                  |                |            |              |
| Not later than 1 year   | 310,992          | 229,489        | -          | 6,634        |
| Later than 1 year and not later than 5 years                              | 826,145          | 361,387        | -          | -            |
|   | <u>1,137,137</u> | <u>590,876</u> | <u>-</u>   | <u>6,634</u> |
| Less: Finance charges   | (176,697)        | (97,891)       | -          | (184)        |
|   | <u>960,440</u>   | <u>492,985</u> | <u>-</u>   | <u>6,450</u> |
| Analysis of present value of hire purchase and finance lease liabilities: |                  |                |            |              |
| Amount due within 12 months   | 239,630          | 189,139        | -          | 6,450        |
| Amount due after 12 months  | 720,810          | 303,846        | -          | -            |
|   | <u>960,440</u>   | <u>492,985</u> | <u>-</u>   | <u>6,450</u> |

The hire purchase payables of the Group and of the Company bear interest at the balance sheet date of between 3.70% to 6.75% (2005 : 3.75% to 6.75%) per annum.

## 17. BAI BITHAMAN AJIL ISLAMIC DEBT SECURITIES ("BaIDS")

|                         | Group             |                   |
|-------------------------|-------------------|-------------------|
|                         | 2006<br>RM        | 2005<br>RM        |
| Primary bonds (Note 15) | 60,000,000        | 60,000,000        |
| Secondary bonds         | 30,937,500        | 35,437,500        |
|                         | <u>90,937,500</u> | <u>95,437,500</u> |
| Less: Secondary bonds   | (30,937,500)      | (35,437,500)      |
|                         | <u>60,000,000</u> | <u>60,000,000</u> |

## 17. BAI BITHAMAN AJIL ISLAMIC DEBT SECURITIES ("BaIDS") (CONTD.)

|   | 2006                   |                          | 2005                   |                          |
|---|------------------------|--------------------------|------------------------|--------------------------|
|   | Primary<br>Bonds<br>RM | Secondary<br>Bonds<br>RM | Primary<br>Bonds<br>RM | Secondary<br>Bonds<br>RM |
|   | Maturity of BaIDS:     |                          |                        |                          |
| Not later than 1 year                           | 5,000,000              | 4,500,000                | -                      | 4,500,000                |
| Later than 1 year and not<br>later than 5 years | 15,000,000             | 15,375,000               | 15,000,000             | 16,500,000               |
| Later than 5 years                              | 40,000,000             | 11,062,500               | 45,000,000             | 14,437,500               |
|   | <u>55,000,000</u>      | <u>26,437,500</u>        | <u>60,000,000</u>      | <u>30,937,500</u>        |
|   | <u>60,000,000</u>      | <u>30,937,500</u>        | <u>60,000,000</u>      | <u>35,437,500</u>        |

Pursuant to the financing procedure under the Syariah principle of Bai Bithaman Ajil, a subsidiary has entered into an asset sale and re-purchase agreement on 22 November 2004 under which a bank has agreed to grant the subsidiary BaIDS facility with an aggregate face value of RM60 million. The BaIDS are constituted by a Trust Deed dated 22 November 2004 between the subsidiary and the Trustee for the holders of the BaIDS.

The BaIDS are of negotiable value, non-interest bearing secured Primary Bonds together with non-detachable Secondary Bonds. The Primary Bonds were issued in 10 series, with maturities between 2007 to 2017.

Each series of BaIDS comprise Primary BaIDS with a face value of between RM5 million and RM10 million each, to which shall be attached an appropriate number of Secondary Bonds, the face value of which represents the semi-annual profit of the bonds. The Secondary Bonds are redeemable every 6 months commencing from the issue date and the last of which shall be payable on the maturity date. The face value of the Secondary Bonds are computed based on the profit rates of 7.5% per annum.

The BaIDS are secured by way of:

- (i) an assignment of the subsidiary's rights under the operations and maintenance agreements ("OMA") with Lekir Bulk Terminal Sdn Bhd ("LBT");
- (ii) a charge over a Designated Account of the subsidiary into where only the Fixed Project Consideration received from LBT under the OMA will be paid; and
- (iii) a Power of Attorney from the subsidiary for the appointment by the security trustee for the BaIDS, of a competent port operator as a sub-contractor of the subsidiary to fulfill in the event of non-performance by the subsidiary under the OMA.

## 17. BAI BITHAMAN AJIL ISLAMIC DEBT SECURITIES ("BaIDS") (CONTD.)

The major covenants of the BaIDS are as follows:

### Positive Covenants

The subsidiary shall:

- (i) maintain a debt to equity ratio of not exceeding 70:30;
- (ii) maintain all insurance necessary for its business as required under the OMA;
- (iii) cause and ensure that the current shareholders remain unchanged unless with the prior consent of the Trustee; and
- (iv) perform and carry out all and any of its obligations under the OMA.

### Negative Covenants

The subsidiary shall not without the prior written consent of the Trustee:

- (i) reduce its authorised and/or issued ordinary shares save and except for redemption of preference share capital and any decrease in its issued capital resulting from purchases of its own shares;
- (ii) incur, assume, guarantee or permit to exist any debt that will in aggregate exceed its Debt to Equity Ratio of 70:30;
- (iii) save for the Leasehold Industrial Land, dispose of any such assets which will materially and adversely affect its business operations;
- (iv) amend the OMA so as to affect the Fixed Project Consideration; and
- (v) declare, pay dividends or make any distribution to equity investors or payment on any subordinated debt if an event default has occurred or the proceeds accounts is at any time less than the profit and principal payment due within the next six months.

**18. RETIREMENT BENEFITS**

**GROUP**  
**2006**                      **2005**  
**RM**                              **RM**

The amounts recognised in the balance sheet are determined as follows:

|  |                  |                |
|--|------------------|----------------|
| Present value of unfunded defined benefits obligations | 1,859,027        | 1,053,181      |
| Unrecognised actuarial losses                          | (174,114)        | (181,806)      |
| Unrecognised past service costs                        | (251,666)        | -              |
| Unrecognised transition obligations                    | (80,146)         | (160,292)      |
| Net liability  | <u>1,353,101</u> | <u>711,083</u> |
| Analysed as:   |                  |                |
| Current  | 118,646          | 16,207         |
| Non-current  | 1,234,455        | 694,876        |
|  | <u>1,353,101</u> | <u>711,083</u> |

The amounts recognised in the income statements are as follows:

|  |                |                |
|--|----------------|----------------|
| Current service cost                   | 124,256        | 61,679         |
| Interest cost                          | 89,573         | 53,295         |
| Actuarial loss recognised              | 7,692          | -              |
| Past service cost recognised           | 443,393        | -              |
| Transition obligation recognised       | 80,146         | 80,146         |
| Expense recognised in income statement | <u>745,060</u> | <u>195,120</u> |

Movements in the net liability in the current year were as follows:

|  |                  |                |
|--|------------------|----------------|
| At 1 January                           | 711,083          | 513,223        |
| Amounts recognised in income statement | 745,060          | 195,120        |
| Underprovision in prior year           | -                | 80,146         |
| Contributions paid                     | (103,042)        | (77,406)       |
| At 31 December                         | <u>1,353,101</u> | <u>711,083</u> |

Principal actuarial assumption used:

|                                   | <b>2006</b> | <b>2005</b> |
|-----------------------------------|-------------|-------------|
|                                   | %           | %           |
| Discount rate                     | 5.8         | 5.8         |
| Expected rate of salary increases | 5.0         | 5.0         |

## 19. DEFERRED TAX

|  | Group            |                  |
|--|------------------|------------------|
|  | 2006             | 2005             |
|  | RM               | RM               |
| At 1 January                                       | 3,697,000        | 1,913,954        |
| Recognised in income statement (Note 26)           | 308,000          | 1,783,046        |
| At 31 December                                     | <u>4,005,000</u> | <u>3,697,000</u> |
| Presented after appropriate offsetting as follows: |                  |                  |
| Deferred tax assets                                | (1,612,633)      | (720,000)        |
| Deferred tax liabilities                           | 5,617,633        | 4,417,000        |
|  | <u>4,005,000</u> | <u>3,697,000</u> |

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

## Deferred Tax Assets of the Group:

|                                | Provision for<br>liquidated<br>damages<br>RM | Retirement<br>benefits<br>RM | Unabsorbed<br>capital<br>allowances<br>RM | Total<br>RM        |
|--------------------------------|--|------------------------------|---|--------------------|
| At 1 January 2006              | (720,000)                                    | -                            | -   | (720,000)          |
| Recognised in income statement | 299,000                                      | (354,681)                    | (836,952)                                 | (892,633)          |
| At 31 December 2006            | <u>(421,000)</u>                             | <u>(354,681)</u>             | <u>(836,952)</u>                          | <u>(1,612,633)</u> |
| At 1 January 2005              | (1,353,268)                                  | (143,702)                    | (1,950,904)                               | (3,447,874)        |
| Recognised in income statement | 633,268                                      | 143,702                      | 1,950,904                                 | 2,727,874          |
| At 31 December 2005            | <u>(720,000)</u>                             | <u>-</u>                     | <u>-</u>                                  | <u>(720,000)</u>   |

## 19. DEFERRED TAX (CONTD.)

## Deferred Tax Liabilities of the Group:

|                                | Property,<br>plant and<br>equipment<br>RM |
|--------------------------------|---|
| At 1 January 2006              | 4,417,000                                 |
| Recognised in income statement | 1,200,633                                 |
| At 31 December 2006            | <u>5,617,633</u>                          |
| At 1 January 2005              | 5,361,828                                 |
| Recognised in income statement | (944,828)                                 |
| At 31 December 2005            | <u>4,417,000</u>                          |

Deferred tax assets have not been recognised in respect of the following items:

|   | Group             |                   |
|---|-------------------|-------------------|
|   | 2006              | 2005              |
|   | RM                | RM                |
| Unutilised business losses                        | 4,966,435         | 4,774,007         |
| Unabsorbed capital allowances                     | 9,404,791         | 12,560,789        |
| Other taxable temporary differences               | (2,447,935)       | (3,754,328)       |
|   | <u>11,923,291</u> | <u>13,580,468</u> |
| Potential deferred tax benefit @ 27% (2005 : 28%) | <u>3,219,289</u>  | <u>3,802,531</u>  |

The availability of the unutilised business losses and unabsorbed capital allowances for offsetting against future taxable profits of the subsidiaries in which those items arose are subject to no substantial changes in shareholdings of the subsidiaries under Section 44 (5A) & (5B) of Income Tax Act 1967. Deferred tax assets have not been recognised in respect of these items as there is no assurance that future taxable income will be sufficient to allow the benefit to be realised.

## 20. TRADE AND OTHER PAYABLES

|   | Group      |            | COMPANY    |            |
|---|------------|------------|------------|------------|
|   | 2006<br>RM | 2005<br>RM | 2006<br>RM | 2005<br>RM |
| <b>Current</b>                                |            |            |            |            |
| Trade payables                                |            |            |            |            |
| Third parties                                 | 3,733,927  | 6,341,068  | -          | -          |
| <b>Other payables</b>                         |            |            |            |            |
| Amount due to related parties:                |            |            |            |            |
| Ultimated holding corporation                 | 262,265    | 49,938     | -          | -          |
| Subsidiary                                    | -          | -          | 240,000    | -          |
| Fellow subsidiaries                           | 339,356    | 402,356    | 312,356    | 402,356    |
| Other related parties                         | 3,253,492  | 3,487,482  | 652,442    | 532,442    |
|   | 3,855,113  | 3,939,776  | 1,204,798  | 934,798    |
| Deposits received                             | 1,531,456  | 9,412,302  | 3,314,288  | 7,163,684  |
| Advances from purchasers                      | 2,829,723  | 2,775,821  | -          | -          |
| Tender deposits received from<br>contractors  | 174,686    | 155,986    | -          | -          |
| Accruals                                      | 3,726,914  | 4,995,666  | 924,074    | 179,033    |
| Amount payable for the<br>purchase of land    | 20,170,768 | 21,729,596 | 18,040,569 | 17,989,323 |
| Funds for Operations and<br>Maintenance (O&M) | 7,512,022  | 7,296,505  | -          | -          |
| Sundry payables                               | 17,312,061 | 9,619,000  | 1,533      | 1,533      |
|   | 57,112,743 | 59,924,652 | 23,485,262 | 26,268,371 |
|   | 60,846,670 | 66,265,720 | 23,485,262 | 26,268,371 |
| <b>Non-current</b>                            |            |            |            |            |
| Amount due to subsidiary                      | -          | -          | 1,216,277  | 1,217,358  |

**(a) Trade payables**

The normal trade credit terms granted to the Group range from 7 to 90 days.

**(b) Other payables (Current)**

The amounts due to related parties of the Group and of the Company are unsecured, interest free and have no fixed terms of repayment.

The Funds for Operations and Maintenance (O&M) represent advances from Lekir Bulk Terminal Sdn. Bhd. ("LBT") to a subsidiary for expenses and sole purposes of procuring parts/tools and equipment as stipulated under Clause 6.7 of the Operations and Maintenance Agreement dated 30 June 2000 between the subsidiary and LBT.



**20. TRADE AND OTHER PAYABLES (CONTD.)****(b) Other payables (Current) (Contd.)**

Included in sundry payables of the Group is an amount of RM1,011,161 (2005 : RM1,011,161) representing the balance of amount due arising from the acquisition of certain properties. The amount will be classified as Class B preference shares of the subsidiary when approval from the relevant authorities is obtained.

**(c) Other payables (Non-current)**

The amount due to a subsidiary is unsecured, interest free and not repayable or due within the next twelve months.

**21. PROVISION FOR LIABILITIES**

|                              | Group            |                  |
|------------------------------|------------------|------------------|
|                              | 2006             | 2005             |
|                              | RM               | RM               |
| At 1 January                 | 2,570,596        | 4,830,772        |
| Additional provision         | 22,635           | 1,487,211        |
| Overprovision in prior years | (51,535)         | (1,124,498)      |
|                              | <u>2,541,696</u> | <u>5,193,485</u> |
| Payments made                | (939,527)        | (2,622,889)      |
| At 31 December               | <u>1,602,169</u> | <u>2,570,596</u> |

Provision is with regard to liquidated damages in respect of projects undertaken by a subsidiary. The provision is recognised for expected liquidated damages claims based on the terms of the applicable sale and purchase agreements.

**22. REVENUE**

|   | Group              |                   | Company           |                  |
|---|--------------------|-------------------|-------------------|------------------|
|   | 2006<br>RM         | 2005<br>RM        | 2006<br>RM        | 2005<br>RM       |
| Dividend income (gross)   |                    |                   |                   |                  |
| Quoted shares in Malaysia   | 73,960             | 463,803           | 657,293           | 463,803          |
| Unquoted shares in Malaysia   |                    |                   |                   |                  |
| - subsidiary  | -                  | -                 | 3,570,000         | 2,194,501        |
| Development properties  |                    |                   |                   |                  |
| Sale of development properties  | 10,150,271         | 17,660,049        | -                 | -                |
| Profit from joint development project   | 1,873,036          | -                 | -                 | -                |
| Sale of developed land  | 57,384,708         | 9,671,679         | 19,295,550        | -                |
| Sale of completed housing stocks  | 252,000            | -                 | -                 | -                |
| Hotel related operations  | 14,577,190         | 13,758,343        | -                 | -                |
| Management fees   | -                  | -                 | 132,000           | 132,000          |
| Port services   | 47,243,902         | 43,404,063        | -                 | -                |
| Proceeds received from bus fare collections and provision of charter services | 56,921             | 25,700            | -                 | -                |
| Project management fees   | 513,958            | 209,086           | -                 | -                |
| Rental income   | 2,307,286          | 2,310,380         | 2,180,750         | 2,023,550        |
| Sale of goods   | 223,534            | 178,710           | -                 | -                |
|   | <u>134,656,766</u> | <u>87,681,813</u> | <u>25,835,593</u> | <u>4,813,854</u> |

**23. COST OF SALES**

|  | Group             |                   | COMPANY           |            |
|--|-------------------|-------------------|-------------------|------------|
|  | 2006<br>RM        | 2005<br>RM        | 2006<br>RM        | 2005<br>RM |
| Property development costs (Note 4(b)) | 43,747,401        | 23,627,512        | 15,911,346        | -          |
| Cost of inventories sold               | 214,062           | -                 | -                 | -          |
|  | <u>43,961,463</u> | <u>23,627,512</u> | <u>15,911,346</u> | <u>-</u>   |
| Cost of goods sold                     | 6,057,235         | 5,113,789         | -                 | -          |
| Cost of services rendered              | 17,693,176        | 17,374,427        | -                 | -          |
|  | <u>67,711,874</u> | <u>46,115,728</u> | <u>15,911,346</u> | <u>-</u>   |

**24. PROFIT FROM OPERATIONS**

Profit from operations is stated after charging/(crediting):

|  | Group      |             | Company    |            |
|--|------------|-------------|------------|------------|
|  | 2006<br>RM | 2005<br>RM  | 2006<br>RM | 2005<br>RM |
| Allowance for doubtful debts                                     | 563,534    | 27,519      | -          | -          |
| Amortisation of goodwill arising<br>on consolidation             | -          | 2,164,637   | -          | -          |
| Amortisation of negative goodwill                                | -          | (71,885)    | -          | -          |
| Auditors' remuneration   |            |             |            |            |
| Statutory audits   | 74,200     | 69,600      | 18,000     | 16,500     |
| Other services   | 5,000      | 5,000       | 5,000      | 5,000      |
| Bad debt written off   | 6,041      | -           | -          | -          |
| Directors' remuneration*   |            |             |            |            |
| Directors of the Company:  |            |             |            |            |
| Fees   | 126,000    | 111,895     | 126,000    | 111,895    |
| Other emoluments   | 193,192    | 179,820     | 17,000     | 15,800     |
| Other directors:   |            |             |            |            |
| Fees   | 61,333     | 24,000      | -          | -          |
| Employees Provident Fund   | 22,680     | 21,000      | -          | -          |
| Other emoluments   | 247,000    | 207,200     | -          | -          |
| Depreciation**   | 3,727,874  | 3,570,971   | 169,773    | 172,176    |
| Development expenditure<br>written off                           | 8,886      | 26,214      | -          | -          |
| Impairment loss on goodwill                                      | 18,679     | -           | -          | -          |
| Impairment loss on investment<br>in an associate                 | -          | -           | 608,000    | -          |
| Allowance for diminution in value<br>of other quoted investments | 628,660    | -           | 628,660    | -          |
| Interest on late payment   | 903,922    | 1,242,370   | 713,998    | 985,991    |
| Provision for liquidated damages                                 |            |             |            |            |
| - current year   | 22,635     | 1,487,211   | -          | -          |
| - overprovision in prior years                                   | (51,535)   | (1,124,498) | -          | -          |
| Provision for retirement benefits                                | 745,060    | 275,266     | -          | -          |
| Rental of port equipment   | 3,445,501  | 3,740,911   | -          | -          |
| Rental of premises   | 466,462    | 398,960     | 321,502    | 325,160    |
| Staff costs***   | 10,345,944 | 11,056,633  | 615,547    | 630,874    |
| Bad debt recovered   | (10,000)   | -           | -          | -          |

**24. PROFIT FROM OPERATIONS (CONTD.)**

Profit from operations is stated after charging/(crediting) (Contd.):

|   | Group       |             | Company     |             |
|---|-------------|-------------|-------------|-------------|
|   | 2006<br>RM  | 2005<br>RM  | 2006<br>RM  | 2005<br>RM  |
| Dividend income from<br>quoted investment | (6,189)     | -           | -           | -           |
| Interest income                           | (1,959,174) | (1,486,086) | (1,422,254) | (1,122,998) |
| Rental income                             | (2,023,550) | (2,075,805) | (2,180,750) | (2,023,550) |

\* The estimated monetary value of other benefits not included in the above received by a director of the Group and of the Company is RM10,200 (2005 : RM6,600).

The number of directors of the Company whose total remuneration during the year fall within the following bands are as follows:

|                          | Number of directors |      |
|--------------------------|---------------------|------|
|                          | 2006                | 2005 |
| Non-executive directors: |                     |      |
| Below RM50,000           | 5                   | 5    |
| RM50,001 - RM100,000     | -                   | -    |
| RM100,001 - RM150,000    | -                   | -    |
| RM150,001 - RM200,000    | -                   | 1    |
| RM200,001 - RM250,000    | 1                   | -    |

\*\* A portion of the expenses is charged to property development costs whereby profits are recognised in the Income Statement based on the percentage of completion method (Note 4).

\*\*\* Staff costs (excluding directors' remuneration) comprised:

|   | Group             |                   | Company        |                |
|---|-------------------|-------------------|----------------|----------------|
|   | 2006<br>RM        | 2005<br>RM        | 2006<br>RM     | 2005<br>RM     |
| Salaries and wages                        | 9,323,824         | 9,952,298         | 579,124        | 596,268        |
| Employees Provident Fund<br>contributions | 911,241           | 960,261           | 35,840         | 34,154         |
| Social Security Fund<br>contributions     | 91,531            | 80,463            | 583            | 452            |
| Other staff related expenses              | 19,348            | 63,611            | -              | -              |
|   | <u>10,345,944</u> | <u>11,056,633</u> | <u>615,547</u> | <u>630,874</u> |

**25. FINANCE COSTS**

|   | Group            |                  | Company        |                |
|---|------------------|------------------|----------------|----------------|
|   | 2006<br>RM       | 2005<br>RM       | 2006<br>RM     | 2005<br>RM     |
| BalDS financing cost  | 4,500,000        | 4,517,466        | -              | -              |
| Interest on overdraft   | 252,419          | 523,082          | -              | -              |
| Interest on term loan   | 37,894           | 223,694          | -              | -              |
| Interest on hire purchase and<br>finance lease liabilities            | 6,464            | 11,166           | 184            | 666            |
| Interest on revolving credit  | 516,986          | 705,973          | 516,986        | 705,973        |
|   | <u>5,313,763</u> | <u>5,981,381</u> | <u>517,170</u> | <u>706,639</u> |
| Less: Amount capitalised in<br>property development<br>costs (Note 4) | (10,280)         | (477,164)        | -              | -              |
|   | <u>5,303,483</u> | <u>5,504,217</u> | <u>517,170</u> | <u>706,639</u> |

**26. TAXATION**

|   | Group             |                  | Company          |                |
|---|-------------------|------------------|------------------|----------------|
|   | 2006<br>RM        | 2005<br>RM       | 2006<br>RM       | 2005<br>RM     |
| Current tax:  |                   |                  |                  |                |
| Tax expense for the year  | 11,362,735        | 4,452,153        | 2,670,000        | 553,819        |
| (Over)/under provision in<br>prior years                            | (1,002,720)       | (157,740)        | (15,107)         | 30,260         |
|   | <u>10,360,015</u> | <u>4,294,413</u> | <u>2,654,893</u> | <u>584,079</u> |
| Deferred tax (Note 18):   |                   |                  |                  |                |
| Relating to origination and<br>reversal of temporary<br>differences | 372,234           | 1,783,046        | -                | -              |
| Over provision in prior years                                       | (64,234)          | -                | -                | -              |
|   | <u>308,000</u>    | <u>1,783,046</u> | <u>-</u>         | <u>-</u>       |
| Tax expense for the year  | <u>10,668,015</u> | <u>6,077,459</u> | <u>2,654,893</u> | <u>584,079</u> |

Domestic income tax is calculated at the statutory tax rate of 28% of the assessable profit for the year. The income tax applicable to some of the subsidiaries is calculated at Malaysian statutory tax rate of 20% on the first RM500,000 for assessable profit for the year and where applicable, 28% for assessable profit in excess of RM500,000. The statutory tax rate will be reduced to 27% from the current year's rate of 28%, effective year of assessment 2007 and to 26% effective year of assessment 2008. The computation of deferred tax as at 31 December 2006 has reflected these changes.

## 26. TAXATION (CONTD.)

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

|  | 2006<br>RM        | 2005<br>RM        |
|--|-------------------|-------------------|
| <b>Group</b>   |                   |                   |
| Profit before taxation   | <u>43,019,824</u> | <u>15,283,289</u> |
| Taxation at applicable tax rate                                      | 12,045,550        | 4,492,420         |
| Expenses not deductible for tax purposes                             | 271,172           | 1,081,034         |
| Income not subject to tax  | -                 | (15,327)          |
| Other items  | 1,489             | (90,000)          |
| Utilisation of previously unrecognised unabsorbed capital allowances | (583,242)         | -                 |
| Deferred tax assets not recognised during the year                   | -                 | 767,072           |
| Over provision of deferred tax in prior years                        | (64,234)          | -                 |
| Over provision of current tax in prior years                         | (1,002,720)       | (157,740)         |
| Tax expense for the year   | <u>10,668,015</u> | <u>6,077,459</u>  |
| <b>Company</b>   |                   |                   |
| Profit before taxation   | <u>7,128,870</u>  | <u>2,240,880</u>  |
| Taxation at applicable tax rate                                      | 1,996,084         | 627,446           |
| Income not subject to tax  | -                 | (614,460)         |
| Expenses not deductible for tax purposes                             | 673,916           | 540,833           |
| (Over)/under provision of current tax in prior years                 | (15,107)          | 30,260            |
| Tax expense for the year   | <u>2,654,893</u>  | <u>584,079</u>    |

**27. EARNINGS PER SHARE**

The basic earnings per share amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

|   | Group              |                    |
|---|--------------------|--------------------|
|   | 2006               | 2005               |
| Profit attributable to ordinary equity holders of the Company | <u>19,579,711</u>  | <u>4,169,090</u>   |
| Weighted average number of ordinary shares in issue           | <u>100,000,000</u> | <u>100,000,000</u> |
| Basic earnings per share (sen) for:                           |                    |                    |
| Profit for the year   | <u>19.58</u>       | <u>4.17</u>        |

## 28. DIVIDEND

|  | Dividend in respect of Year |                  |                  | Dividends<br>Recognised in Year |                  |
|--|-----------------------------|------------------|------------------|---------------------------------|------------------|
|  | 2006                        | 2005             | 2004             | 2006                            | 2005             |
|  | RM                          | RM               | RM               | RM                              | RM               |
| Final dividend for 2004:   |                             |                  |                  |                                 |                  |
| 2% less 28% taxation, on<br>100,000,000 ordinary shares<br>(1.44 sen per ordinary share)   | -                           | -                | 1,440,000        | -                               | 1,440,000        |
| Final dividend for 2005:   |                             |                  |                  |                                 |                  |
| 2% less 28% taxation, on<br>100,000,000 ordinary shares<br>(1.44 sen per ordinary share)   | -                           | 1,440,000        | -                | 1,440,000                       | -                |
| <b>Proposed for approval at AGM<br/>(not recognised as at<br/>31 December):</b>            |                             |                  |                  |                                 |                  |
| Final dividend for 2006:   |                             |                  |                  |                                 |                  |
| 2.5% less 27% taxation, on<br>100,000,000 ordinary shares<br>(1.83 sen per ordinary share) | 1,825,000                   | -                | -                | -                               | -                |
|  | <u>1,825,000</u>            | <u>1,440,000</u> | <u>1,440,000</u> | <u>1,440,000</u>                | <u>1,440,000</u> |

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year ended 31 December 2006 of 2.5% less 27% taxation on 100,000,000 ordinary shares, amounting to a dividend payable of RM1,825,000 (1.83 sen net per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders will be accounted for in equity as an appropriation of retained earnings in the next financial year ending 31 December 2007.



## 29. SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant related party transactions of the Group and of the Company for the year are as follows:

|   | Group       |             | Company     |             |
|---|-------------|-------------|-------------|-------------|
|   | 2006<br>RM  | 2005<br>RM  | 2006<br>RM  | 2005<br>RM  |
| <b>Transactions with the ultimate holding corporation</b> |             |             |             |             |
| <i>Perbadanan Kemajuan Negeri Perak</i>                   |             |             |             |             |
| Advances paid   | -           | 793,535     | -           | 754,146     |
| Disbursements   | 324,046     | 105,168     | 94,516      | 151,319     |
| Management fee expense                                    | 296,000     | 176,000     | 296,000     | 176,000     |
| Project expenditure                                       | 2,520,455   | 1,424,000   | 1,304,000   | 1,424,000   |
| Rental payable  | 321,502     | 325,160     | 321,502     | 325,160     |
| Project management income                                 | (3,480,093) | (81,652)    | -           | -           |
| Rental income   | (2,023,550) | (2,023,550) | (2,023,550) | (2,023,550) |
| Repayment of advances                                     | (37,437)    | (1,378,671) | (20,234)    | (1,685,853) |
| <b>Transactions with subsidiaries</b>                     |             |             |             |             |
| <i>Magni D'Corp Sdn. Bhd.</i>                             |             |             |             |             |
| Repayment of advances                                     | -           | -           | 1,081       | 877         |
| <i>Premium Meridian Sdn. Bhd.</i>                         |             |             |             |             |
| Repayment of advances                                     | -           | -           | 10,000      | 60,000      |
| <i>Cash Hotel Sdn. Bhd.</i>                               |             |             |             |             |
| Advances paid   | -           | -           | 240,000     | 500,000     |
| <i>PCB Development Sdn. Bhd.</i>                          |             |             |             |             |
| Accounting fees   | -           | -           | (18,000)    | (18,000)    |
| Advances paid   | -           | -           | (157,200)   | (683,109)   |
| Interest income   | -           | -           | (257,400)   | (257,400)   |
| Management fee income                                     | -           | -           | (132,000)   | (132,000)   |
| Repayment of advances                                     | -           | -           | 7,680,496   | 561,412     |

## 29. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTD.)

|   | Group       |             | Company     |             |
|---|-------------|-------------|-------------|-------------|
|   | 2006        | 2005        | 2006        | 2005        |
|   | RM          | RM          | RM          | RM          |
| <b>Transactions with subsidiaries (Contd.)</b>  |             |             |             |             |
| <i>Trans Bid Sdn. Bhd.</i>  |             |             |             |             |
| Advances paid   | -           | -           | (1,624)     | (1,951)     |
| <i>Taipan Merit Sdn. Bhd.</i>   |             |             |             |             |
| Advances paid   | -           | -           | (8)         | (1,228)     |
| <i>Amsit Corporation Sdn. Bhd.</i>  |             |             |             |             |
| Payment of deposits   | -           | -           | 500,000     | 1,250,000   |
| <b>Transactions with fellow subsidiaries<br/>(subsidiaries of the ultimate holding corporation)</b> |             |             |             |             |
| <i>Kuda Sejati Sdn. Bhd.</i>  |             |             |             |             |
| Interest income   | (664,486)   | (705,972)   | (664,486)   | (705,972)   |
| Advances paid   | (3,900,817) | (1,803,788) | (3,900,817) | (1,803,788) |
| Repayment of advances   | (346,790)   | (16,020)    | 753,210     | -           |

## 29. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTD.)

## Transactions with related parties

A corporate shareholder of a subsidiary, Lumut Maritime Terminal Sdn. Bhd., and a company in which certain directors of the subsidiary, Amin bin Halim Rasip and Harun bin Halim Rasip, have substantial interests:

|                        | Group   |         | Company |      |
|------------------------|---------|---------|---------|------|
|                        | 2006    | 2005    | 2006    | 2005 |
|                        | RM      | RM      | RM      | RM   |
| <i>Integrax Bhd.</i>   |         |         |         |      |
| Management fee expense | 600,000 | 600,000 | -       | -    |

A former corporate shareholder of a subsidiary, Lumut Maritime Terminal Sdn. Bhd., and a company in which certain directors of the subsidiary, Amin bin Halim Rasip and Harun bin Halim Rasip, have substantial interests:

|                                       | Group     |           | Company |      |
|---------------------------------------|-----------|-----------|---------|------|
|                                       | 2006      | 2005      | 2006    | 2005 |
|                                       | RM        | RM        | RM      | RM   |
| <i>Halim Rasip Holdings Sdn. Bhd.</i> |           |           |         |      |
| Advances paid                         | (120,000) | (100,000) | -       | -    |

Companies in which certain directors, Amin bin Halim Rasip and Harun bin Halim Rasip, of a subsidiary, Lumut Maritime Terminal Sdn. Bhd., have substantial interests:

|   | Group        |              | Company |      |
|---|--------------|--------------|---------|------|
|   | 2006         | 2005         | 2006    | 2005 |
|   | RM           | RM           | RM      | RM   |
| <i>Perak Freight Services Sdn. Bhd.</i> |              |              |         |      |
| Port revenue                            | -            | (492,392)    | -       | -    |
| <i>Perak Haulage Sdn. Bhd.</i>          |              |              |         |      |
| Port services payable                   | 383,550      | 608,820      | -       | -    |
| <i>Lekir Bulk Terminal Sdn. Bhd.</i>    |              |              |         |      |
| Port services receivable                | (23,840,144) | (21,602,754) | -       | -    |

## 29. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTD.)

## Transactions with related parties (Contd.)

Companies in which certain directors, Amin bin Halim Rasip and Harun bin Halim Rasip, of a subsidiary, Lumut Maritime Terminal Sdn. Bhd., have substantial interests:

|                                 | Group       |             | Company    |            |
|---------------------------------|-------------|-------------|------------|------------|
|                                 | 2006<br>RM  | 2005<br>RM  | 2006<br>RM | 2005<br>RM |
| <i>Radikal Rancak Sdn. Bhd.</i> |             |             |            |            |
| Port services receivable        | (6,369,945) | (6,102,646) | -          | -          |

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

Account balances with significant related parties of the Group and of the Company at year end are as follows:

|   | Group      |            | Company    |            |
|---|------------|------------|------------|------------|
|   | 2006<br>RM | 2005<br>RM | 2006<br>RM | 2005<br>RM |
| <b>Account balances with the ultimate holding corporation</b> |            |            |            |            |
| <i>Perbadanan Kemajuan Negeri Perak</i>                       |            |            |            |            |
| Receivables   | 3,172,305  | 880,902    | 146,395    | 118,630    |
| Payables  | (262,265)  | (49,938)   | -          | -          |

## Account balances with subsidiaries

## Receivables:

|                                   |   |   |             |             |
|-----------------------------------|---|---|-------------|-------------|
| PCB Development Sdn. Bhd.         | - | - | 103,444,115 | 110,560,011 |
| Premium Meridian Sdn. Bhd.        | - | - | 10,298,527  | 9,308,527   |
| Taipan Merit Sdn. Bhd.            | - | - | 101,180,661 | 101,180,653 |
| Trans Bid Sdn. Bhd.               | - | - | 28,446      | 26,822      |
| Silveritage Corporation Sdn. Bhd. | - | - | 11,517      | 11,517      |
| Amsit Corporation Sdn. Bhd.       | - | - | 311,308     | -           |

## Payables:

|                           |   |   |             |             |
|---------------------------|---|---|-------------|-------------|
| Cash Hotel Sdn. Bhd.      | - | - | (240,000)   | -           |
| Magni D' Corp Sdn. Bhd.   | - | - | (1,216,277) | (1,217,358) |
| Amsit Corporation Sdn Bhd | - | - | (2,500,000) | (2,000,000) |

## 29. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTD.)

|   | Group            |                  | Company          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2006             | 2005             | 2006             | 2005             |
|   | RM               | RM               | RM               | RM               |
| <b>Account balances with fellow subsidiaries (subsidiaries of ultimate holding corporation)</b> |                  |                  |                  |                  |
| <b>Receivables:</b>   |                  |                  |                  |                  |
| Cherry Blossom Sdn. Bhd.  | 2,233,295        | 2,233,295        | 2,233,295        | 2,233,295        |
| Kuda Sejati Sdn. Bhd.   | 94,149,539       | 90,337,445       | 94,149,539       | 90,337,445       |
| Perak Industrial Resources Sdn. Bhd.  | 291,921          | 291,921          | 291,921          | 291,921          |
|   | <u>291,921</u>   | <u>291,921</u>   | <u>291,921</u>   | <u>291,921</u>   |
| <b>Payables:</b>  |                  |                  |                  |                  |
| Cherry Blossom Sdn. Bhd.  | -                | (233,990)        | -                | -                |
| Kuda Sejati Sdn. Bhd.   | (27,000)         | (1,127,000)      | -                | -                |
| Teliti Permai Sdn. Bhd.   | (312,356)        | (402,356)        | (312,356)        | (402,356)        |
|   | <u>(312,356)</u> | <u>(402,356)</u> | <u>(312,356)</u> | <u>(402,356)</u> |

A former corporate shareholder of a subsidiary, Lumut Maritime Terminal Sdn. Bhd., and a company in which certain directors of the subsidiary, Amin bin Halim Rasip and Harun bin Halim Rasip, have substantial interests:

|                                       | Group              |                    | Company          |                  |
|---------------------------------------|--------------------|--------------------|------------------|------------------|
|                                       | 2006               | 2005               | 2006             | 2005             |
|                                       | RM                 | RM                 | RM               | RM               |
| <b>Halim Rasip Holdings Sdn. Bhd.</b> |                    |                    |                  |                  |
| Payables                              | (3,253,492)        | (3,331,733)        | (652,442)        | (532,442)        |
|                                       | <u>(3,253,492)</u> | <u>(3,331,733)</u> | <u>(652,442)</u> | <u>(532,442)</u> |

Companies in which certain directors, Amin bin Halim Rasip and Harun bin Halim Rasip, of a subsidiary, Lumut Maritime Terminal Sdn. Bhd., have substantial interests:

|   | Group            |                  | Company  |          |
|---|------------------|------------------|----------|----------|
|   | 2006             | 2005             | 2006     | 2005     |
|   | RM               | RM               | RM       | RM       |
| <b>Perak Freight Services Sdn. Bhd.</b> |                  |                  |          |          |
| Receivables                             | 3,099,838        | 3,195,310        | -        | -        |
|   | <u>3,099,838</u> | <u>3,195,310</u> | <u>-</u> | <u>-</u> |

**30. CAPITAL COMMITMENTS**

|                                    | Group             |                  | Company       |               |
|------------------------------------|-------------------|------------------|---------------|---------------|
|                                    | 2006              | 2005             | 2006          | 2005          |
|                                    | RM                | RM               | RM            | RM            |
| Authorised but not contracted for: |                   |                  |               |               |
| Investments in unquoted shares     | -                 | 5,400,000        | -             | -             |
| Property, plant and equipment      | 11,512,000        | 3,063,000        | 10,000        | 50,000        |
|                                    | <u>11,512,000</u> | <u>8,463,000</u> | <u>10,000</u> | <u>50,000</u> |

**31. CONTINGENT LIABILITIES**

|  | Company          |                  |
|--|------------------|------------------|
|  | 2006             | 2005             |
|  | RM               | RM               |
| <b>Unsecured:</b>  |                  |                  |
| Guarantees given to banks in respect of facilities granted to a subsidiary | <u>4,346,000</u> | <u>6,984,000</u> |

**32. SIGNIFICANT AND RECURRING EVENTS**

- (a) On 15 January 1996, a subsidiary, Cash Hotel Sdn. Bhd. ("CHSB") entered into an agreement with Keris Properties Sdn. Bhd. ("KP") to jointly develop the land held by CHSB by way of mixed development of condominiums and office blocks with minimum guaranteed profits of RM18,000,000. Due to the economic downturn in 1997, the proposed development has been deferred.

In prior years, CHSB had received RM10,000,000 and RM6,104,486 by means of contra of works performed. The balance of the contractual sum of RM1,895,514 due on the agreement entered into between CHSB with KP was fully settled in 2006.

- (b) On 1 August 2006, a subsidiary, Cash Hotel Sdn. Bhd. ("CHSB") entered into an agreement with Impiana Hotels And Resorts Management Sdn. Bhd. ("Impiana") for Impiana to manage the hotel operations for a period of seven years with an option to renew for another five years.

### 32. SIGNIFICANT AND RECURRING EVENTS (CONTD.)

- (c) On 27 June 2006, a subsidiary, PCB Development Sdn. Bhd. (“PCBD”) entered into Sale and Purchase Agreement with Smart K-Worker Professional Consortium Sdn Bhd (“SKPC”), for the sale of a piece of land held under HSD 98757 PT 167585 Mukim Hulu Kinta, Daerah Kinta, Perak measuring approximately in area 20,234 square metres together with a three storey Institutional Building for a total consideration of RM8,500,001. The sales is to be satisfied by way of cash of RM1.00 and issue of 5,000,000 fully paid ordinary shares (effectively a shareholding of 17.9%) and 1,538,462 preference shares in SKPC.

The principal activities of SKPC are developing, implementing and managing e-trainings for k-worker professionals as well as to promote the said business as the parties may mutually agree in writing. This agreement is conditional and shall only take effect upon SKPC having within one year from the date of the agreement obtained the written approval from Economic Planning Unit of the Prime Ministers’ Department and all other relevant government authorities. As at 31 December 2006, the required approvals are still pending.

On 27 June 2006, PCBD also entered into a Shareholder Agreement with Perak E-Organisations Sdn Bhd (“PEO”), a private limited liability company wholly owned by Perak State Economic Development Corporation, Multi Media Synergy Corporation Sdn Bhd (“MMSB”), a private limited liability company, primarily involved in the business developing e-Learning solutions, Bijak Inovasi Sdn Bhd (“BISB”), an investment holding company, MMSB Management Sdn Bhd (“MMSB”), a private limited liability company currently owned by staff at the management level of MMSB in SKPC, to regulate the relationship of the shareholders of SKPC to carry out the business.

### 33. SEGMENTAL INFORMATION

Segment information is presented in respect of the Group’s business segments. No geographical segment analysis is prepared as the Group’s business activities are predominantly located in Malaysia.

The Group is organised into four major business segments:

**(i) Hotel and Tourism**

Hospitality services in respect of the operation of hotels and development of tourism projects;

**(ii) Infrastructure**

Maritime services in respect of the development of an integrated privatised project and encompassing operations of multipurpose port facilities, operation and maintenance of a bulk terminal, sales and rental of port related land and other ancillary activities;

### 33. SEGMENTAL INFORMATION (CONTD.)

**(iii) Township Development**

The township development of real property and ancillary services; and

**(iv) Management services and others**

Provision of management services and other business segments which include property investment and distribution, none of which are of a sufficient size to be reported separately.

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on negotiated terms.



## 33. SEGMENTAL INFORMATION (CONTD.)

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

|                               | Hotel and<br>tourism<br>RM | Infrastructure<br>RM | Township<br>development<br>RM | Management<br>services<br>and others<br>RM | Eliminations<br>RM | Total<br>RM  |
|-------------------------------|----------------------------|----------------------|-------------------------------|--|--------------------|--------------|
| <b>31 December 2006</b>       |                            |                      |                               |  |                    |              |
| <b>Revenue</b>                |                            |                      |                               |  |                    |              |
| External revenue              | 18,233,962                 | 70,877,704           | 24,152,040                    | 21,393,060                                 | -                  | 134,656,766  |
| Inter-segment revenue         | -                          | -                    | -                             | 17,522,534                                 | (17,522,534)       | -            |
| Total revenue                 | 18,233,962                 | 70,877,704           | 24,152,040                    | 38,915,594                                 | (17,522,534)       | 134,656,766  |
| <b>Results</b>                |                            |                      |                               |  |                    |              |
| Segment results               | 2,141,331                  | 37,355,403           | 3,717,804                     | 20,898,778                                 | (17,212,722)       | 46,900,594   |
| Finance costs                 | (4,682)                    | (4,533,855)          | (505,176)                     | (517,170)                                  | 257,400            | (5,303,483)  |
| Share of profit of associates | -                          | -                    | -                             | -  | -                  | 1,422,713    |
| Profit before taxation        | 2,136,649                  | 32,821,548           | 3,212,628                     | 20,381,608                                 | (16,955,322)       | 43,019,824   |
| Taxation                      | 274,714                    | (9,118,951)          | (32,123)                      | (6,266,382)                                | 4,474,727          | (10,668,015) |
| Profit for the year           |                            |                      |                               |  |                    | 32,351,809   |

33. SEGMENTAL INFORMATION (CONTD.)

|   | Hotel and<br>tourism<br>RM | Infrastructure<br>RM | Township<br>development<br>RM | Management<br>services<br>and others<br>RM | Eliminations<br>RM | Total<br>RM          |
|---|----------------------------|----------------------|-------------------------------|--|--------------------|----------------------|
| <b>31 December 2006 (Contd.)</b>  |                            |                      |                               |  |                    |                      |
| <b>Assets and liabilities</b>   |                            |                      |                               |  |                    |                      |
| Segment assets  | 63,596,267                 | 186,936,007          | 159,317,258                   | 518,049,393                                | (308,421,124)      | 619,477,801          |
| Investment in associates  |                            |                      |                               | 23,384,793                                 | 2,933,339          | 26,318,132           |
| Unallocated assets  |                            |                      |                               |  |                    | 1,234,217            |
| Total assets  |                            |                      |                               |  |                    | <u>647,030,150</u>   |
| Segment liabilities   | (6,906,692)                | (84,625,678)         | (136,003,551)                 | (208,520,728)                              | 225,714,706        | (210,341,943)        |
| Unallocated liabilities   |                            |                      |                               |  |                    | (7,724,459)          |
| Total liabilities   |                            |                      |                               |  |                    | <u>(218,066,402)</u> |
| <b>Other segment information</b>  |                            |                      |                               |  |                    |                      |
| Capital expenditure   | 991,811                    | 196,467              | 6,393                         | 19,926                                     | -                  | 1,214,597            |
| Depreciation  | 1,768,043                  | 1,611,501            | 178,555                       | 169,775                                    |                    | 3,727,874            |
| Impairment losses and diminution in value<br>recognised in income statement | -                          | -                    | -                             | 1,236,660                                  | (589,321)          | 647,339              |
| Other significant non-cash expenses:  |                            |                      |                               |  |                    |                      |
| Provisions  | 343,814                    | 234,647              | (28,900)                      | -  | -                  | 549,561              |
| Increase in liability for defined benefit plan                              | 745,060                    | -                    | -                             | -  | -                  | 745,060              |

## 33. SEGMENTAL INFORMATION (CONTD.)

## 31 December 2005

|                               | Hotel and<br>tourism<br>RM | Infrastructure<br>RM | Township<br>development<br>RM | Management<br>services<br>and others<br>RM | Eliminations<br>RM | Total<br>RM      |
|-------------------------------|----------------------------|----------------------|-------------------------------|--|--------------------|------------------|
| <b>Revenue</b>                |                            |                      |                               |  |                    |                  |
| External revenue              | 14,045,173                 | 46,045,742           | 25,103,545                    | 2,487,353                                  | -                  | 87,681,813       |
| Inter-segment revenue         | -                          | -                    | -                             | 9,406,503                                  | (9,406,503)        | -                |
| Total revenue                 | 14,045,173                 | 46,045,742           | 25,103,545                    | 11,893,856                                 | (9,406,503)        | 87,681,813       |
| <b>Results</b>                |                            |                      |                               |  |                    |                  |
| Segment results               | (94,460)                   | 19,285,606           | 1,601,020                     | 10,360,885                                 | (11,925,022)       | 19,228,029       |
| Finance costs                 | (26,636)                   | (4,559,097)          | (483,167)                     | (706,640)                                  | 271,323            | (5,504,217)      |
| Share of profit of associates | -                          | -                    | -                             | -  | -                  | 1,559,477        |
| Profit before taxation        | (121,096)                  | 14,726,509           | 1,117,853                     | 9,654,245                                  | (11,653,699)       | 15,283,289       |
| Taxation                      | 69,453                     | (3,966,104)          | (1,410,191)                   | (2,566,813)                                | 1,796,196          | (6,077,459)      |
| Profit after taxation         |                            |                      |                               |  |                    | <u>9,205,830</u> |

33. SEGMENTAL INFORMATION (CONTD.)

|  | Hotel and<br>tourism<br>RM | Infrastructure<br>RM | Township<br>development<br>RM | Management<br>services<br>and others<br>RM | Eliminations<br>RM | Total<br>RM          |
|--|----------------------------|----------------------|-------------------------------|--|--------------------|----------------------|
| <b>31 December 2005 (Contd.)</b>               |                            |                      |                               |  |                    |                      |
| <b>Assets and liabilities</b>                  |                            |                      |                               |  |                    |                      |
| Segment assets                                 | 63,157,431                 | 172,669,165          | 172,758,998                   | 511,382,182                                | (315,034,541)      | 604,933,235          |
| Investment in associates                       | -                          | -                    | -                             | 23,992,793                                 | 1,322,627          | 25,315,420           |
| Unallocated assets                             |                            |                      |                               |  |                    | 2,669,030            |
| Total assets                                   |                            |                      |                               |  |                    | <u>632,917,685</u>   |
| Segment liabilities                            | (8,841,086)                | (79,207,678)         | (149,499,908)                 | (211,508,922)                              | 230,942,673        | (218,114,921)        |
| Unallocated liabilities                        |                            |                      |                               |  |                    | (7,621,134)          |
| Total liabilities                              |                            |                      |                               |  |                    | <u>(225,736,055)</u> |
| <b>Other segment information</b>               |                            |                      |                               |  |                    |                      |
| Capital expenditure                            | 792,285                    | 748,011              | 444,656                       | 16,425                                     | -                  | 2,001,377            |
| Depreciation                                   | 1,815,955                  | 1,380,908            | 201,932                       | 172,176                                    | -                  | 3,570,971            |
| Amortisation                                   | (25,289)                   | -                    | -                             | -  | 2,118,041          | 2,092,752            |
| Other significant non-cash expenses:           |                            |                      |                               |  |                    |                      |
| Provisions                                     | 27,519                     | 26,214               | 362,713                       | -  | (2,879)            | 413,567              |
| Increase in liability for defined benefit plan | 275,266                    | -                    | -                             | -  | -                  | 275,266              |

### 34. COMPARATIVES

The following comparative amounts as at 31 December 2005 have been reclassified to conform with current year's presentation:

| Group                       | As previously<br>stated<br>RM | Adjustments<br>RM | As restated<br>RM |
|-----------------------------|-------------------------------|-------------------|-------------------|
| Balance sheet               |                               |                   |                   |
| Trade and other receivables | 170,435,123                   | (7,296,505)       | 163,138,618       |
| Cash and bank balances      | 42,657,633                    | 7,296,505         | 49,954,138        |
| Cash flow statement         |                               |                   |                   |
| Changes in working capital  |                               |                   |                   |
| Receivables                 | 38,224,814                    | 7,296,505         | 45,521,319        |
| Cash and cash equivalents   | 29,946,135                    | 7,296,505         | 37,242,640        |

### 35. FINANCIAL INSTRUMENTS

#### (a) Financial Risk Management Objectives and Policies

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

#### (i) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debts, as the Group had no substantial long-term interest-bearing assets as at 31 December 2006. The investment in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits or occasionally, in short term commercial papers which yield better returns than cash at bank.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

35. FINANCIAL INSTRUMENTS (CONTD.)

(a) Financial Risk Management Objectives and Policies (Contd.)

(i) Interest Rate Risk (Contd.)

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

At 31 December 2006

| Group                                       | Note | WAEIR<br>% | Within 1<br>year<br>RM | 1-2 years<br>RM | 2-3 years<br>RM | 3 - 4 years<br>RM | 4 - 5 years<br>RM | More than<br>5 years<br>RM |
|---|------|------------|------------------------|-----------------|-----------------|-------------------|-------------------|----------------------------|
| Fixed rate                                  |      |            |                        |                 |                 |                   |                   |                            |
| Amount due from fellow subsidiary           | 10   | 3.0        | 94,149,539             | -               | -               | -                 | -                 | -                          |
| Deposits with licensed banks                | 11   | 2.8        | 56,616,035             | -               | -               | -                 | -                 | -                          |
| Hire purchase and finance lease liabilities | 16   | 5.2        | (239,630)              | (302,858)       | (134,008)       | (143,702)         | (140,242)         | -                          |
| Bai Bithaman Ajil Islamic Debt Securities   | 17   | 7.5        | (5,000,000)            | -               | (5,000,000)     | (5,000,000)       | (5,000,000)       | (40,000,000)               |
| Floating rate                               |      |            |                        |                 |                 |                   |                   |                            |
| Bank overdrafts                             | 15   | 8.2        | (2,391,791)            | -               | -               | -                 | -                 | -                          |
| Revolving credits                           | 15   | 7.6        | (80,602,764)           | -               | -               | -                 | -                 | -                          |
| Term loans                                  | 15   | 7.4        | (2,585,008)            | -               | -               | -                 | -                 | -                          |

## 35. FINANCIAL INSTRUMENTS (CONTD.)

## (a) Financial Risk Management Objectives and Policies (Contd.)

## (i) Interest Rate Risk (Contd.)

| Company                           | Note | WAEIR<br>% | Within 1<br>year<br>RM | 1-2 years<br>RM | 2-3 years<br>RM | 3 - 4 years<br>RM | 4 - 5 years<br>RM | More than<br>5 years<br>RM |
|-----------------------------------|------|------------|------------------------|-----------------|-----------------|-------------------|-------------------|----------------------------|
|                                   |      |            |                        |                 |                 |                   |                   |                            |
| Fixed rate                        |      |            |                        |                 |                 |                   |                   |                            |
| Amount due from fellow subsidiary | 10   | 3.0        | 94,149,539             | -               | -               | -                 | -                 | -                          |
| Amount due from subsidiary        | 10   | 7.2        | 3,575,000              | -               | -               | -                 | -                 | -                          |
| Deposits with licensed banks      | 11   | 2.8        | 6,100,000              | -               | -               | -                 | -                 | -                          |
| Floating rate                     |      |            |                        |                 |                 |                   |                   |                            |
| Revolving credits                 | 15   | 7.6        | (80,602,764)           | -               | -               | -                 | -                 | -                          |

35. FINANCIAL INSTRUMENTS (CONTD.)

(a) Financial Risk Management Objectives and Policies (Contd.)

(i) Interest Rate Risk (Contd.)

At 31 December 2005

| Group                                       | Note | WAEIR % | Within 1 year RM | 1-2 years RM | 2-3 years RM | 3 - 4 years RM | 4 - 5 years RM | More than 5 years RM | Total RM     |
|---|------|---------|------------------|--------------|--------------|----------------|----------------|----------------------|--------------|
| <b>Fixed rate</b>                           |      |         |                  |              |              |                |                |                      |              |
| Amount due from fellow subsidiary           | 10   | 7.2     | 90,338,446       | -            | -            | -              | -              | -                    | 90,338,446   |
| Deposits with licensed banks                | 11   | 2.8     | 37,053,715       | -            | -            | -              | -              | -                    | 37,053,715   |
| Hire purchase and finance lease liabilities | 16   | 5.2     | (189,139)        | (125,010)    | (178,836)    | -              | -              | -                    | (492,985)    |
| Bai Bithaman Ajil Islamic Debt Securities   | 17   | 7.5     | -                | (5,000,000)  | -            | (5,000,000)    | (5,000,000)    | (45,000,000)         | (60,000,000) |
| <b>Floating rate</b>                        |      |         |                  |              |              |                |                |                      |              |
| Bank overdrafts                             | 15   | 8.1     | (4,886,765)      | -            | -            | -              | -              | -                    | (4,886,765)  |
| Revolving credits                           | 15   | 6.7     | (80,602,764)     | -            | -            | -              | -              | -                    | (80,602,764) |
| Term loans                                  | 15   | 7.4     | -                | (2,585,008)  | -            | -              | -              | -                    | (2,585,008)  |



## 35. FINANCIAL INSTRUMENTS (CONTD.)

## (a) Financial Risk Management Objectives and Policies (Contd.)

## (i) Interest Rate Risk (Contd.)

| Company                                     | Note | WAEIR<br>% | Within 1     |                 |                 |                   |                   | More than     |   | Total<br>RM  |
|---|------|------------|--------------|-----------------|-----------------|-------------------|-------------------|---------------|---|--------------|
|   |      |            | year<br>RM   | 1-2 years<br>RM | 2-3 years<br>RM | 3 - 4 years<br>RM | 4 - 5 years<br>RM | 5 years<br>RM |   |              |
| <b>Fixed rate</b>                           |      |            |              |                 |                 |                   |                   |               |   |              |
| Amount due from fellow subsidiary           | 10   | 7.2        | 90,338,446   | -               | -               | -                 | -                 | -             | - | 90,338,446   |
| Amount due from subsidiary                  | 10   | 7.2        | 3,575,000    | -               | -               | -                 | -                 | -             | - | 3,575,000    |
| Deposits with licensed banks                | 11   | 2.8        | 4,000,000    | -               | -               | -                 | -                 | -             | - | 4,000,000    |
| Hire purchase and finance lease liabilities | 16   | 4.9        | (6,450)      | -               | -               | -                 | -                 | -             | - | (6,450)      |
| <b>Floating rate</b>                        |      |            |              |                 |                 |                   |                   |               |   |              |
| Revolving credits                           | 15   | 6.7        | (80,602,764) | -               | -               | -                 | -                 | -             | - | (80,602,764) |

Interest on financial instruments subject to floating interest rates is contractually repriced at intervals of less than 6 months except for revolving credits and term loans which are repriced annually. Interest on financial instruments at fixed rates are fixed until the maturity of the instrument. The other financial instruments of the Group and of the Company that are not included in above tables are not subject to interest rate risks.

## 35. FINANCIAL INSTRUMENTS (CONTD.)

### (a) Financial Risk Management Objectives and Policies (Contd.)

#### (ii) Foreign Exchange Risk

The Group's sales transactions are mainly in Malaysian Ringgit and are thus not exposed to foreign exchange risk.

#### (iii) Liquidity Risk

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

#### (iv) Credit Risk

The Group's credit policy and guidelines assess, evaluate and monitor credit risk of trade receivables. Credit risk is controlled via credit worthiness checking, credit limits, credit term setting and approval and credit risk exception reporting. Trade receivables are monitored on an ongoing basis as well as case by case basis, especially for the purchasers of land.

The Group does not have any significant credit risk exposure to any individual customer or groups of customers. The maximum exposures to credit risk are represented by the carrying amounts of the financial assets and liabilities in the balance sheets.

## 35. FINANCIAL INSTRUMENTS (CONT'D)

## (b) Fair Values

The aggregate net fair values of financial assets and financial liabilities which are not carried at fair value on the balance sheets of the Group and of the Company are represented as follows:

|   | Group                 |                  | Company               |                  |
|---|-----------------------|------------------|-----------------------|------------------|
|   | Carrying amount<br>RM | Fair value<br>RM | Carrying amount<br>RM | Fair value<br>RM |
| <b>Financial Assets</b>                                 |                       |                  |                       |                  |
| <b>At 31 December 2006:</b>                             |                       |                  |                       |                  |
| Unquoted investment in associates                       | 3,992,793             | *                | 3,384,793             | *                |
| Quoted investments                                      | 27,300,029            | **               | 23,993,840            | **               |
| Due from related corporations and other related parties | 99,847,060            | ***              | 312,095,724           | ***              |
| Due to related corporations and other related parties   | 3,855,113             | ***              | 1,204,798             | ***              |
| Bai Bithaman Ajil Islamic Debt Securities ("BaIDS")     | 55,000,000            | #                | -                     | -                |
| Long term borrowings                                    | 720,810               | @                | -                     | @                |
| <b>At 31 December 2005:</b>                             |                       |                  |                       |                  |
| Unquoted investment in associates                       | 3,992,793             | *                | 3,992,793             | *                |
| Quoted investments                                      | 24,622,500            | **               | 24,622,500            | **               |
| Due from related corporations and other related parties | 93,743,563            | ***              | 314,068,821           | ***              |
| Due to related corporations and other related parties   | 3,939,776             | ***              | 934,798               | ***              |
| Bai Bithaman Ajil Islamic Debt Securities ("BaIDS")     | 60,000,000            | #                | -                     | -                |
| Long term borrowings                                    | 2,888,854             | @                | -                     | @                |

### 35. FINANCIAL INSTRUMENTS (CONTD.)

#### (b) Fair Values (Contd.)

- \* it is not practical to estimate the fair value of the unquoted investment because of the lack of quoted market price and the inability to estimate the fair value without incurring excessive costs. However, the Group and the Company believe that the carrying amount represents the recoverable value.
- \*\* the fair value of the quoted shares are disclosed in Note 6 and Note 7, which is determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.
- \*\*\* it is not practical to estimate the fair values of amounts due from/to related corporations, associates and other related parties due principally to a lack of fixed repayment term entered by the parties involved and without incurring excessive costs. However, the Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.
- # it is not practical to estimate the fair value of this financial liability representing the nominal amount of BalDS issued by the subsidiary. The liability is carried at its original cost of RM60,000,000 (2005 : RM60,000,000) in the balance sheet.

The main covenants of the BalDS is disclosed in Note 17.

- @ it is not practical to estimate the fair values of long term borrowings due to the inability to reliably estimate the discount rates without incurring excessive costs and lack of fixed repayment term in certain borrowings. However, the Group and the Company believe that the carrying amount approximates the fair values intrinsically.

In respect of cash and cash equivalents, trade and other receivables, trade and other payables and short term borrowings, the carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

## 35. FINANCIAL INSTRUMENTS (CONTD.)

## (b) Fair Values (Contd.)

The nominal/notional amounts and net fair value of financial instruments not recognised in the balance sheet of the Company as at year end of the financial year are:

|                             | Company<br>Nominal/<br>Notional<br>amount<br>RM | Net fair<br>value<br>RM |
|-----------------------------|---|-------------------------|
| <b>At 31 December 2006:</b> |   |                         |
| Contingent liabilities      | 4,346,000                                       | +                       |
|                             | <hr/>   | <hr/>                   |
| <b>At 31 December 2005:</b> |   |                         |
| Contingent liabilities      | 6,984,000                                       | +                       |
|                             | <hr/>   | <hr/>                   |

- + it is not practical to estimate the fair value of contingent liabilities reliably due to the uncertainties of timing, costs and eventual outcome.

# FORM OF PROXY

**PERAK CORPORATION BERHAD**  
(Incorporated in Malaysia) (210915-U)



I/We \_\_\_\_\_  
(FULL NAME IN BLOCK CAPITALS)

of \_\_\_\_\_  
(FULL ADDRESS)

being a member/members of **PERAK CORPORATION BERHAD**, hereby appoint \_\_\_\_\_

\_\_\_\_\_ (FULL NAME IN BLOCK CAPITALS)

of \_\_\_\_\_  
(FULL ADDRESS)

or failing him/her, \_\_\_\_\_

of \_\_\_\_\_

as my/our proxy to vote for me/us and on my/our behalf, at the **SIXTEENTH ANNUAL GENERAL MEETING** of the Company to be held at Dewan Persidangan, Tingkat 4, Wisma Wan Mohamed, Jalan Panglima Bukit Gantang Wahab, 30000 Ipoh, Perak Darul Ridzuan on Wednesday, 30 May 2007 at 12.00 noon or at any adjournment thereof in the manner indicated below:

| No. | RESOLUTIONS   | For | Against |
|-----|---|-----|---------|
| 1.  | To receive, consider and adopt the Audited Financial Statements for the year ended 31 December 2006 together with the Report of the Directors and Auditors thereon. |     |         |
| 2.  | To approve the payment of a first and final dividend of 2.5 sen per share less income tax for the year ended 31 December 2006.                                      |     |         |
| 3.  | To approve the increase in Directors' fees for the year ended 31 December 2006 and the payment of Directors' fees thereon.  |     |         |
| 4.  | To re-elect Dr Nawawi bin Mat Awin who retires in accordance with Article 80 of the Company's Articles of Association.  |     |         |
| 5.  | To re-elect Puan Noor Asmah bt Mohd Nawawi who retires in accordance with Article 80 of the Company's Articles of Association.                                      |     |         |
| 6.  | To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.   |     |         |
| 7.  | As special Business: Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature.  |     |         |
| 8.  | As special Business: Proposed Amendments to the Articles of Association of the Company.   |     |         |

(Please indicate with an "X" in the appropriate box above how you wish to cast your vote. If this form is returned without any indication as to how the proxy shall vote, the proxy shall vote or abstain as he/she thinks fit.)

Dated this \_\_\_\_\_ day of \_\_\_\_\_ in the year \_\_\_\_\_.

|                                |
|--------------------------------|
| Number of ordinary shares held |
|                                |

\_\_\_\_\_  
Signature/Seal

**Notes:**

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy/proxies who may but need not be a member/members of the Company to attend and vote in his/her stead and Section 149 (1)(b) of the Companies Act, 1965 shall not apply.
2. When a member appoints more than one proxy the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding to be represented by each proxy.
3. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 it may appoint at least one proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at D-3-7, Greentown Square, Jalan Dato' Seri Ahmad Said, 30450 Ipoh, Perak Darul Ridzuan at least forty-eight (48) hours before the time appointed for holding the Annual General Meeting or any adjournment thereof.
6. The registration for the above Meeting will commence on Wednesday, 30 May 2007 at 11.30 a.m.

First Fold

---



THE SECRETARY  
**PERAK CORPORATION BERHAD** Co. No. 210915-U  
D-3-7, Greentown Square,  
Jalan Dato' Seri Ahmad Said,  
30450 Ipoh, Perak Darul Ridzuan,  
Malaysia.

---

Second Fold

**Perak Corporation Berhad**  
[10915-U]

2nd Floor  
Wisma Wan Mohamad  
Jalan Panglima Bukit Gantang Wahab  
30000 Ipoh  
Perak Darul Ridzuan  
Malaysia

telephone  
(05) 242 7277  
(05) 242 7279  
(05) 242 7280

facsimile  
(05) 242 7290

email (finance)  
pkcorp@tm.net.my

email (general)  
pkcorp2@tm.net.my