

ANNUAL REPORT 2006



Menang Corporation (M) Berhad

Company No. 5383-K . Incorporated in Malaysia

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## Corporate Information

### BOARD OF DIRECTORS

*Group Executive Chairman*  
**YBhg Dato' Abdul Mokhtar Ahmad**

*Group Managing Director/Group Chief Executive Officer*  
**YBhg Dato' Shun Leong Kwong**

*Deputy Group Managing Director*  
**Dr. Christopher Shun Kong Leng, CFP®, RFP™**

*Non-Executive Group Deputy Chairman*  
**YBhg Datin Mariam Eusoff**

*Independent Non-Executive Directors*  
**Mr Chiam Tau Meng**  
**Mr Too Kok Leng**

### SECRETARY

**Mr Ng Ah Wah**  
(MIA No. 10366)

### REGISTERED OFFICE

8th Storey South Block  
Wisma Selangor Dredging  
142-A Jalan Ampang  
50450 Kuala Lumpur  
Tel: (603) 2161 3366  
Fax: (603) 2161 3393

### REGISTRAR

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

### AUDITORS

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

### PRINCIPAL BANKERS

AmBank (M) Berhad  
Bank Islam Malaysia Berhad  
Malayan Banking Berhad  
RHB Bank Berhad  
United Overseas Bank (Malaysia) Bhd

### SOLICITORS

**Cheah Teh & Su**  
17th Floor Wisma Denmark  
86 Jalan Ampang  
50450 Kuala Lumpur

**Rahman Too & Co**  
5, Jalan Wolff  
70000 Seremban  
Negeri Sembilan Darul Khusus

### STOCK EXCHANGE LISTING

**Main Board of the  
Bursa Malaysia Securities Berhad**

## Notice Of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Forty Third (43rd) Annual General Meeting ("AGM") of the Company will be held at the Meeting Room, Kelab Sultan Sulaiman, Jalan Dewan Sultan Sulaiman, 50300 Kuala Lumpur on Friday, 29 June 2007 at 10.00 a.m. for the transaction of the following businesses:

### ORDINARY BUSINESS

1. To receive and adopt the Directors' Report, Audited Financial Statements and the Auditors' Report for the financial year ended 31 December 2006. *(Ordinary Resolution 1)*
2. To approve the payment of Directors' fees of RM30,000.00 for the financial year ended 31 December 2006. *(Ordinary Resolution 2)*
3. To re-elect the following Directors who retire by rotation in accordance with Article 112 of the Articles of Association of the Company and being eligible, offer themselves for re-election :
  - (a) Datin Mariam Eusoff *(Ordinary Resolution 3)*
  - (b) Dr. Christopher Shun Kong Leng, CFP®, RFP™ *(Ordinary Resolution 4)*
4. To re-appoint Messrs BDO Binder as Auditors of the Company for the ensuing year and to authorise the Board of Directors to fix their remuneration. *(Ordinary Resolution 5)*

### SPECIAL BUSINESS

To consider and if thought fit, to pass the following Ordinary/Special Resolutions :

5. **Authority to issue shares pursuant to Section 132D of the Companies Act, 1965** *(Ordinary Resolution 6)*

"**THAT** pursuant to Section 132D of the Companies Act, 1965 and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next AGM and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being, **AND THAT** the Directors be and are also empowered to obtain the approval for the listing and quotation of the additional shares so issued on the Bursa Malaysia Securities Berhad."
6. **Proposed Renewal of General Mandate for Substantial Property Transactions Involving Directors pursuant to Section 132E of the Companies Act, 1965** *(Ordinary Resolution 7)*

"**THAT** pursuant to Section 132E of the Companies Act, 1965, authority be and is hereby given to the Company or its related corporations to enter into arrangements or transactions with the Directors of the Company or any person connected with such Directors (within the meaning of Section 122A, Companies Act, 1965) whereby the Company or its related corporations may acquire from or dispose to such Directors or connected persons non-cash assets including but not limited to services, land, development properties, capital equipment and machineries and/or any other assets or products of the Company or its related corporations provided that such acquisitions or disposals are on commercial terms and in the ordinary course of business, such authority will continue to be in force until conclusion of the next Annual General Meeting."
7. **Proposed Amendments to the Articles of Association of the Company** *(Special Resolution)*

"**THAT** the Proposed Amendments to the Articles of Association of the Company as contained in the Appendix I attached to the Circular to Shareholders dated 6 June 2007 be and are hereby approved **AND THAT** the Directors of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take steps as may be considered necessary to give full effect to the Proposed Amendments to the Articles of Association of the Company."

## Notice Of Annual General Meeting (Cont'd)

8. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965 and the Articles of Association of the Company.

**NOTICE IS ALSO HEREBY GIVEN THAT** a Depositor shall be eligible to attend this meeting only in respect of :

- (a) Shares deposited into the Depositor's Securities Account before 12.30 p.m. on 20 June 2007 (in respect of shares which are exempted from mandatory deposit);
- (b) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 20 June 2007 (in respect of ordinary transfers);
- (c) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

**NG AH WAH** (MIA No. 10366)  
Company Secretary

Kuala Lumpur  
6 June 2007

### NOTES:

1. *A member of the Company entitled to attend and vote at the abovementioned meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.*
2. *The Proxy form must be signed by the appointer or his/her attorney duly authorised in writing or in the case of a corporate member, the instrument appointing a proxy shall be under its Common Seal or under the hand of a duly authorised officer or attorney.*
3. *Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.*
4. *Any alteration to the instrument appointing a proxy must be initialed. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 8th Storey, South Block, Wisma Selangor Dredging, 142-A Jalan Ampang, 50450 Kuala Lumpur not less than 48 hours before the time fixed for the meeting or any adjournment thereof.*
5. *Explanatory Notes on Special Business:*
  - (i) *Ordinary Resolution 6 – Authority to Allot and Issue Shares*  
*The proposed Ordinary Resolution 6, if passed, will empower the Directors to issue shares in the capital of the Company up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority unless revoked or varied by the Company at a general meeting will expire at the next Annual General Meeting.*
  - (ii) *Ordinary Resolution 7 – Proposed Renewal of General Mandate for Substantial Property Transactions involving Directors pursuant to Section 132E of the Companies Act, 1965*  
*Section 132E of the Companies Act, 1965 prohibits a company or its subsidiaries from entering into any arrangement or transaction with its directors or persons connected with such directors in respect of the acquisition from or disposal to such directors or connected persons any non-cash assets of the "requisite value" without prior approval of the Company in general meeting. According to the Act, a non-cash asset is considered to be of the "requisite value" if, at the time of the arrangement or transaction for the acquisition or disposal of the asset, its value is greater than Ringgit Malaysia Two Hundred and Fifty Thousand (RM250,000.00) or ten per centum (10%) of the net assets of the Company, subject to minimum of Ringgit Malaysia Ten Thousand (RM10,000.00).*  
*The proposed Ordinary Resolution 7, if passed, will authorise the Company or its related corporations to acquire from or dispose to such Directors or connected persons non-cash assets including but not limited to services, land, development properties, capital equipment and machineries and/or any other assets or products of the Company or its related corporations which may fall within the definition of "requisite value", provided that such acquisitions or disposals are on commercial terms and in the ordinary course of business.*
  - (iii) *Special Resolution - Proposed Amendments to the Articles of Association of the Company will bring the Articles of Association of the Company in line with the amendments to Bursa Malaysia Securities Berhad Listing Requirements.*

## Statement Accompanying Notice Of Annual General Meeting

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

### 1. **Names of Directors who are standing for re-election**

Directors who are standing for re-election pursuant to the Article 112 of the Articles of Association at the Forty Third Annual General Meeting of the Company are as follows:

- (a) Datin Mariam Eusoff; and
- (b) Dr. Christopher Shun Kong Leng, CFP®, RFP™

The details of the Directors standing for re-election at the forthcoming Forty Third Annual General Meeting are set out in the Directors' Profile on pages 6 to 8 of the Annual Report.

### 2. **Attendance of Directors at Board Meetings held during the financial year ended 31 December 2006**

A total of five (5) Board of Directors' Meetings were held during the financial year ended 31 December 2006 and the details are set out in the Statement of Corporate Governance on page 17 of the Annual Report.

### 3. **Venue, Date and Time of the Meeting**

The Forty Third Annual General Meeting of Menang Corporation (M) Berhad will be held at the Meeting Room, Kelab Sultan Sulaiman, Jalan Dewan Sultan Sulaiman, 50300 Kuala Lumpur on Friday, 29 June 2007 at 10.00 a.m.

## Directors' Profile

### **Dato' Abdul Mokhtar Ahmad**

*Group Executive Chairman*

Dato' Abdul Mokhtar Ahmad, a Malaysian, aged 67, was appointed to the Board of Menang on 23 May 1989. He spent the early part of his working career in the government service. In 1972, he left for the private sector when he joined Syarikat Pembinaan Raya Sdn Bhd (popularly known as Raya) as General Manager. He soon made his mark and rose to be its Managing Director. Under his sound management and administrative control, Raya has successfully constructed many high-rise buildings in the heart of Kuala Lumpur city, such as the 34-storey Menara Bumiputra, the 22-storey Bangunan Bank Rakyat, the 24-storey Angkasa Raya and the 26-storey Bangunan Sri Mara and acted as the local consultant to the South Korean main contractor of Malayan Banking Berhad's 58-storey Head Office building known as Menara Maybank.

Currently, Dato' Abdul Mokhtar Ahmad is the Group Executive Chairman of Menang (Non-Independent Director).

### **Dato' Shun Leong Kwong**

*Group Managing Director/Group Chief Executive Officer*

Dato' Shun Leong Kwong, a Malaysian, aged 68, was appointed to the Board of Menang on 29 June 1989. He had many years of senior banking experience in Citibank Malaysia and Overseas Chinese Banking Corporation Malaysia. He left the banking industry in 1982 to venture into private enterprise. Combining the skills and exposures which he acquired from the banking experience, he expanded rapidly in his private enterprise, concentrating on real estate. He holds a B.A. Econs. (Hons) from the University of Malaya.

Currently, Dato' Shun is the Group Managing Director/Group Chief Executive Officer of Menang Group of Companies (Non-Independent Director). He is actively involved in monitoring the implementation of the strategy and overseeing the operations of the Group.

Dato' Shun is the father of Dr. Christopher Shun Kong Leng, CFP®, RFP™.

### **Dr. Christopher Shun Kong Leng, CFP®, RFP™**

*Deputy Group Managing Director*

Dr. Christopher Shun Kong Leng, CFP®, RFP™, a Malaysian, aged 41, graduated from Boston University with a *Bachelor of Science in Business Administration with Summa Cum Laude* and *Bachelor of Arts in Economics with Magna Cum Laude* in May 1987. He pursued a Merchant Banking career with Hill Samuel Bank, London from 1987 to 1989. In 1991, he obtained his *Master of Science in Management* from the MIT Sloan School of Management, U.S.A. He subsequently joined Bankers Trust London as a Merger and Acquisition Associate. He was awarded the *Advanced Postgraduate Diploma in Management Consultancy* (Adv.Dip.C) from Henley Management College, United Kingdom in April 2000. He secured the *Certified Financial Planner (CFP®)* qualification by examination in February 2003. He was awarded the designation *Registered Financial Planner (RFP™)* on 18 July 2006.

He completed his *Doctor of Business Administration (D.B.A)* from Henley Management College, Brunel University, United Kingdom in 2004 wherein his Doctoral Dissertation secured the prestigious 7th placing in the European Doctoral Association for Management and Business Administration (EDAMBA) whose membership includes the top 60 Universities in Europe. Subsequently, Dr. Christopher Shun has been invited to undertake practitioner research at the Wharton School of Finance at the University of Pennsylvania, U.S.A.

Dr. Christopher Shun is the only Malaysian Public Company Director to have obtained an approval from the Securities Commission as a qualified licensed Financial Planner on 16 August 2005.

Dr. Christopher Shun was appointed to the Board of Menang on 25 February 1991 and was made Executive Director on 1 April 1991 (Non-Independent Director). Subsequently, he was appointed as Group Executive Director on 1 January 1992 and he was promoted to Deputy Group Managing Director on 1 July 2005. As Deputy Group Managing Director, he administers the operations, finance and personnel of the Group. He also spearheads corporate planning/financial services under the Menang Group of Companies. He is also a member of the Audit Committee and Remuneration Committee of the Company.

Dr. Christopher Shun is the son of Dato' Shun Leong Kwong.

## Directors' Profile (Cont'd)

**Datin Mariam Eusoff***Non-Executive Group Deputy Chairman*

Datin Mariam Eusoff, a Malaysian, aged 61, started her career as a lecturer at the Institut Teknologi Mara in 1969 before she joined Citibank NA, Malaysia in 1973 where she was Manager in the Public Sector Lending Division. In 1977, she was recruited by Bank Bumiputra Malaysia Berhad to head the International Banking Department covering foreign currency lending, overseas branch operations as well as correspondent banking. She was appointed on 1 July 1989 as Managing Director of Maztri Padu Sdn Bhd, the privatised developer for Kelana Jaya Urban Centre. She holds a B.A. (Hons) from the University of Malaya and a Master degree in Communications from the University of Washington, U.S.A.

Datin Mariam was appointed to the Board of Menang on 25 February 1991 and was subsequently appointed as Group Executive Director of Menang on 1 January 1992 (Non-Independent Director) and later became the Non-Executive Group Deputy Chairman on 1 July 2005. She was the alternate chairperson of the Group Management Committee in the absence of the Group Executive Chairman. As Non-Executive Group Deputy Chairman, she supervises legal, corporate and public communications of the Group. One of her principal responsibilities is in strategic planning and implementation of new property projects besides providing general administration of Group operations.

**Mr Chiam Tau Meng***Independent Non-Executive Director*

Mr Chiam Tau Meng, a Malaysian, aged 54, graduated with a Bachelor of Commerce Degree majoring in Accountancy from University of Otago, Dunedin, New Zealand in 1976. He was admitted as an Associate Chartered Accountant of the Institute of Chartered Accountants of New Zealand in 1980. He is also a Chartered Accountant of the Malaysian Institute of Accountants.

He started his career in 1976 as a Finance Manager of Tolley Industries Ltd (New Zealand) and in 1979, he joined Malaysian Containers (1974) Berhad as a Finance Manager cum Company Secretary. In 1984, he joined Menang Corporation (M) Berhad as a General Manager of Corporate Services.

In 1989, he joined Bee Hin Holdings Sdn Bhd as General Manager-Corporate Finance in charge of the reconstruction scheme under Section 176 of the Companies Act, 1965 on Kuala Lumpur Industries Berhad.

In 1992, he joined the management consultancy practice of an international accounting organisation and in 1994, he set up his own consulting practice namely CTM Consulting.

He was appointed as an Independent Non-Executive Director of Menang on 21 October 2005. He is the Chairman of the Audit Committee and the Nominating Committee and a Member of the Remuneration Committee of Menang. He also sits on the Board of the following companies listed on the Bursa Malaysia Securities Berhad :-

Meda Inc. Berhad	(Independent & Non-Executive)
Comintel Corporation Berhad	(Independent & Non-Executive)
LCL Corporation Berhad	(Non-Independent & Non-Executive)



## Directors' Profile (Cont'd)

### Mr Too Kok Leng

*Independent Non-Executive Director*

Mr Too Kok Leng, a Malaysian, aged 48, holds a B.A (Hons) in Law and was admitted to the Malaysian Bar in 1983. He started his own practice in 1988 and was practising under the name and style of Rahman, Too & Co. in Seremban and Kuala Lumpur. He specialised in the corporate and banking fields rendering legal advice to several banks and public listed companies. He has since ventured into his own private business in property and other related activities.

Mr Too was appointed as an Independent Non-Executive Director of Menang on 1 August 1995. He is also the Chairman of the Remuneration Committee and member of the Audit Committee and Nominating Committee of the Company.

#### **Notes:**

**1. Family relationship with Director and/or major shareholder**

*Save as hereinabove disclosed, none of the Directors has any family relationship with the other directors and/or major shareholders of Menang Corporation (M) Berhad.*

**2. Conflict of Interest**

*None of the Directors has any conflict of interest in the Company except for those transactions disclosed in Note 35 to the financial statements.*

**3. Conviction for Offence**

*None of the Directors has been convicted of any offence within the past ten (10) years.*

**4. Other Directorship of Public Companies**

*None of the Directors hold any directorship in any public listed company except for Mr Chiam Tau Meng who has been appointed as Directors of Meda Inc. Berhad, LCL Corporation Berhad and Comintel Corporation Bhd on 28 December 2001, 5 December 2003 and 28 December 2006, respectively.*

**5. Securities Holdings in the Company**

*Details of the Directors' securities holdings in the Company, and its subsidiaries are set out on pages 84 to 88 of the Annual Report.*

## Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2006.

### FINANCIAL REVIEW

The Group continued to consolidate throughout fiscal year 2006. The property market outside the Klang Valley, such as in Seremban, remained weak and slow moving. Sales and pricing continued to be tough amidst an environment of rising cost of materials and wages. Working capital loans and bridge financing from banks were hard to come by. Compared to the preceding year the Group's results showed improvement and recorded an after tax loss of RM9.549 million. The Group's loss for the previous year was RM17.253 million.

### CORPORATE DEVELOPMENTS

- I. On 1 June 2006, Menang Corporation (M) Berhad (Menang) disposed of its entire 49% equity in Hicom Menang Properties Sdn Bhd for a total cash consideration of RM7,595,000.00. The disposal has no effect on the share capital, the net assets per share and the earnings per share of the Group. It provided some liquidity for the Group.
- II. Our joint venture with OSK Properties Sdn Bhd continued to be active in 2006. Most of the single and double storey linked houses were sold. However, the 88 units of Semi-Detached houses were slow in sales. The contract for the 36 units of shop offices was tendered out. During the year, aggressive marketing campaigns were launched and would continue to be launched to improve the take-up rate in a sluggish environment.
- III. On 27 February 2007, Menang sold 49% equity interest in Menang Construction (M) Sdn Bhd (Menang Construction) to Asas Teknik Sdn Bhd. Asas Teknik is a bumiputra company with extensive business contacts and would positively enhance Menang Construction's business prospects.
- IV. On 12 March 2007, Menang entered into a strategic Collaboration Agreement with Sinohydro Corporation (M) Sdn Bhd (SINO) to bid for and procure infrastructure and construction projects and to engage in related activities such as financing and trading of building and construction materials, both within and outside Malaysia.

SINO is part of the Sino-hydro Corporation Group of China (SINO Group). SINO Group is a comprehensive, transnational corporation and state-run enterprise. It is among the largest hydraulics and hydro-electricity construction enterprises in China. It also constructs highways, dams and airports outside China. We expect positive developments from this Collaboration Agreement.

- V.
  - a) On 13 March 2007, our 51% subsidiary, Menang Construction accepted a letter of award for the construction contract valued at RM260 million on the proposed Kolej Universiti Kejuruteraan Utara Malaysia.
  - b) On 28 March 2007, pursuant to Collaboration Agreement dated 12 March 2007, our 51% subsidiary, Menang Construction will be jointly working with SINO on the construction of 10,000 units of residential apartment at Hashtgard, Iran estimated at USD 200 million.
  - c) On 16 April 2007, Menang Construction accepted the offer of sub-contracts from YBS Tenaga Sdn Bhd for the construction and completion of the Proposed Implementation of Development Project of 600 units of walk-up low cost residential apartments, 460 units of walk-up low medium cost residential apartment, 1,296 units of walk-up medium cost residential apartments and 20 units of shops together with the relevant infrastructure works at Inanam, Kota Kinabalu Sabah at a contract sum of RM117.0 million.

The above three projects are subject to finalisation of detailed contracts. Barring unforeseen circumstances, these projects will boost sales, turnover, enhance cash flows and contribute to bottom line.

## Chairman's Statement (Cont'd)

### APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to my fellow members on the Board, management and staff of the Group for their contribution and dedication in this long and difficult year.

I would also wish to extend my sincere appreciation to our shareholders, the various governmental bodies and regulatory authorities, bankers and customers for their continued support.

### **DATO' ABDUL MOKHTAR AHMAD**

Executive Chairman

18 May 2007  
Kuala Lumpur

## Audit Committee Report

- CHAIRMAN** : **Mr. Chiam Tau Meng**  
(Independent Non-Executive Director)
- MEMBERS** : **Mr Too Kok Leng**  
(Independent Non-Executive Director)
- Dr. Christopher Shun Kong Leng, CFP®, RFP™**  
(Deputy Group Managing Director)

### TERMS OF REFERENCE

#### Constitution

The Audit Committee of the Company comprising a majority of Independent Non-Executive Directors has been established since 22 March 1994.

#### Objective

The primary objectives of the Audit Committee are :

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

The appointment of a properly constituted Audit Committee is an important step to assist the Board of Directors in raising the standard of Corporate Governance and observance of good Corporate Governance practices.

#### Composition

1. The Audit Committee shall be appointed by the directors from amongst themselves and this fulfils the following requirements:
  - (a) the Audit Committee shall comprise of no fewer than three (3) members;
  - (b) a majority of the Audit Committee must be independent directors;
  - (c) the Chairman of the Audit Committee shall be an independent director; and
  - (d) at least one (1) member of the Audit Committee:
    - (i) must be a member of the Malaysian Institute of Accountants ("MIA"); or
    - (ii) if he is not a member of the MIA, he must have at least three (3) years' working experience and:
      - (aa) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
      - (bb) 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.
2. No alternate director shall be appointed as a member of the Audit Committee.

## Audit Committee Report (Cont'd)

3. In the event of any vacancy in the Audit Committee resulting in the non-compliance of subparagraph 15.10(1) of the Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements, the Company must fill the vacancy within three (3) months.
4. The Board of Directors of the Company must review the terms of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether such audit committee and members have carried out their duties in accordance with their terms of reference.

### Secretary to the Audit Committee

The Company Secretary shall be the Secretary to the Audit Committee.

### Meetings

1. The Audit Committee shall meet at least four (4) times a year or more frequently as circumstances require with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.
2. The majority of members present must be independent directors to form a quorum.
3. The Group Accountant and representative of external auditors shall normally attend the meeting.
4. The Committee may ask members of management or others to attend the meetings and provide pertinent information as necessary.
5. The Company must ensure that other directors and employees attend any particular Audit Committee meeting only at the audit committee's invitation, specific to the relevant meeting.
6. The Committee shall meet with the external auditors without the executive Board at least once a year.
7. The Committee actions shall be reported to the Board of Directors with such recommendations as the Committee deemed appropriate.

### Procedure of Audit Committee

The Audit Committee may regulate its own procedure, in particular:

- (a) the calling of meetings;
- (b) the notice to be given of such meetings;
- (c) the voting and proceedings of such meetings;
- (d) the keeping of minutes; and
- (e) the custody, production and inspection of such minutes.

### Authority

The Audit Committee was appointed under Chapter 15, Part C, paragraph 15.10 of the Bursa Securities Listing Requirements. The Committee is given the authority to investigate any activity of the Company and its subsidiaries within its terms of reference, the resources which it needs to do so and full access to information of the Company. The Committee shall obtain independent/external professional advice and to invite outsiders with relevant experience to attend, if necessary and all employees shall be directed to co-operate as required by members of the Committee.

## Audit Committee Report (Cont'd)

### Functions and Duties

The function of the Audit Committee are as follows:

1. To consider the appointment of the external auditors, the audit fee and any questions of resignation or dismissal and on whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment;
2. To discuss with the external auditors before the audit commences, the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved;
3. To review:
  - (a) with the external auditors, their audit plan;
  - (b) with the external auditors, the overall scope of the external audit and discuss the results of their examination and their evaluation of the internal control system;
  - (c) with the external auditors, the audit report;
  - (d) the assistance given by the employees of the Company to the external auditors;
  - (e) the quarterly results and year end financial statements of the Company, prior to the approval by the board of directors, focusing particularly on :
    - (i) any changes in or implementation of major accounting policies and practices;
    - (ii) significant adjustments arising from the audit and unusual events;
    - (iii) the going concern assumption;
    - (iv) compliance with accounting standards, other statutory and legal requirements;
  - (f) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of control that raises questions of management integrity;
  - (g) the external and internal auditor's management letter and management's response;
4. To discuss problems and reservations arising from the interim and final audits and any other matters the auditors may wish to discuss;
5. To do the following where an internal audit function exists:
  - (a) to review the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry on its work;
  - (b) to review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - (c) to review any appraisal or assessments of the performance of members of the internal audit function;
  - (d) to approve any appointments or terminations of senior staff members of the internal audit function;
  - (e) to inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his/her reasons for resignation;
6. To consider the major findings of internal investigations and management's response;

## Audit Committee Report (Cont'd)

7. To report promptly such matter to the Bursa Securities where the audit committee is of the view that a matter reported by it to the Board of Directors of the Company has not been satisfactorily resolved resulting in a breach of the Listing Requirements; and
8. To consider other topics as defined by the Board.

### NUMBER OF MEETINGS AND DETAILS OF ATTENDANCE

Four (4) Audit Committee meetings were held on 22 February 2006, 10 May 2006, 21 August 2006 and 29 November 2006 during the financial year ended 31 December 2006. The attendance record of each member during the financial year is as follows:

Audit Committee Members	Date of Meetings Held/Attended				Total Meetings Attended
	22.02.2006	10.05.2006	21.08.2006	29.11.2006	
Mr Chiam Tau Meng	√	√	√	√	4/4
Mr Too Kok Leng	√	√	√	√	4/4
Dr. Christopher Shun Kong Leng, CFP®, RFP™	√	√	√	√	4/4

During the year, the external auditors have attended two(2) meetings, i.e. on 22 February 2006 and 29 November 2006.

### ACTIVITIES

A summary of the activities undertaken by the Audit Committee in discharging their duties and responsibilities during the financial year were as follows:

- (i) Reviewed the external auditors' scope of work and their audit plan for the year;
- (ii) Reviewed with the external auditors the results of their audit, the audit report, the management letter, including management's response and internal control recommendations in respect of control weaknesses noted in the course of their audit;
- (iii) Reviewed the audited financial statements before recommending it for Board's approval;
- (iv) Reviewed and recommended the audit fees payable to the external auditors for the Board's approval;
- (v) Reviewed the Company's compliance with the Listing Requirements of the Bursa Securities, applicable approved accounting standards issued by the Malaysian Accounting Standards Board ("MASB") and other relevant legal and regulatory requirements;
- (vi) Reviewed the quarterly unaudited financial results, announcements and audited financial statements of the Company prior to submission for the Board's consideration and approval to ensure that the audited financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards approved by the MASB;
- (vii) Reviewed the internal audit function and risk management needs, programme and plan for the financial year under review and annual assessment of the internal audit function and risk management performance;
- (viii) Reviewed the audit reports presented by internal audit function and risk management on findings and recommendations with regard to system and controls weaknesses noted in the course of their audit and management's responses thereto and ensuring material findings are adequately addressed by management;

**Audit Committee Report** (Cont'd)

- (ix) Reviewed the Company's status of compliance with the provisions set out under the Malaysian Code on Corporate Governance for the purpose of preparing the Corporate Governance Statement pursuant to the requirement of paragraph 15.26 of the Bursa Malaysia Securities Berhad Revamped Listing Requirements before recommending them to the Board action plans and the prescribed corporate governance principles and best practices under the Code; and
- (x) Reviewed and verified the allocation of Employees Share Option Scheme ("ESOS") made in the financial year ended 31 December 2005 and confirmed that the allocation complied with the allocation criteria determined by the ESOS Committee and in accordance with the ESOS Bye-Laws.

**INTERNAL AUDIT FUNCTION**

The Company had outsourced the internal audit function to CGRM Infocomm Sdn Bhd ("CGRM"), appointed in mid-2006. The principal role of CGRM is to undertake independent regular and systematic reviews of the system of internal controls so as to provide reasonable assurance that such systems continued to operate satisfactorily and effectively. It is the responsibility of CGRM to provide the Audit Committee with independent and objective reports on the extent of compliance of the various operating units within the Group's established policies and procedures as well as relevant statutory requirements.

Further details of the activities of Internal Audit Function are set out in the Statement on Internal Control on page 22 of the Annual Report.

**STATEMENT BY THE AUDIT COMMITTEE IN RELATION TO ESOS ALLOCATION**

The Audit Committee confirms that the criteria of allocation of ESOS has been made in accordance with the Company's ESOS Bye-Laws.



## Corporate Governance Statement

### INTRODUCTION

The Board of Directors ("the Board") of Menang Corporation (M) Berhad ("Menang" or "the Company") fully subscribes to the principles and recommendations embodied in the Malaysian Code on Corporate Governance ("the Code") and appreciates the importance of adopting high standards of corporate governance within the Group. As such, the Board strives to adopt the substance behind corporate governance prescriptions and not merely the form. The Board is thus fully committed to the maintenance of high standards of corporate governance by ensuring full application of all the principles and best practices set out in Parts 1 and 2 of the Code.

The Board is pleased to provide the following statement, which outlines how the Group has applied the principles laid down in the Code. Except of matters specifically identified, the Board has complied with the best practices set out in the Code throughout the financial year ended 31 December 2006.

### A. DIRECTORS

#### A1. The Board

##### Board Responsibilities / Principle Duties

The Board takes full responsibility for the overall performance of the Company and Menang Group by setting the vision and objectives, establishing goals for management and monitoring its achievement, directing the policies, strategic action plans and ultimately the enhancement of long term shareholders value. The Board focuses mainly on the following specific areas:

- The strategic action plans for the Group
- Evaluation of Company's business performance
- Identifying and management of principal risks
- Succession planning for senior management
- Developing and implementing an investor relations programme and shareholder communications policy
- Reviewing adequacy and integrity of Company's internal control systems and management information systems

##### Composition of the Board

The Board is made up of six (6) members, comprising the Group Executive Chairman, the Group Managing Director/Group Chief Executive Officer, Deputy Group Managing Director, Non-Executive Group Deputy Chairman and two (2) Independent Non-Executive Directors.

##### Board Committee

The Board of Directors delegates certain responsibilities to the Board Committees in order to enhance business and operational efficiency. Currently, the Company has three(3) committees namely Audit, Nomination and Remuneration Committees to assist the Board in the execution of its duties. These three(3) committees consist of members from the Board. All the committees have their own written terms of reference and operating procedures. They report directly to the Board, the outcome of the Committee meetings as well as their recommendations.

##### Meeting

The Board meets at least four(4) times a year at quarterly intervals with additional meetings for particular matter convened as and when necessary. Five(5) Board meetings were held during the financial year to deliberate upon and considered a variety of matters including Group's financial results, issues of strategy, performance and resources, strategic decisions, business plan and direction of the Group.

## Corporate Governance Statement (Cont'd)

The attendance record of each Director is as follows:

	No. of Meetings Attended/Held
<b><i>Executive Directors</i></b>	
Dato' Abdul Mokhtar Ahmad	5/5
Dato' Shun Leong Kwong	5/5
Datin Mariam Eusoff	5/5
Dr. Christopher Shun Kong Leng, CFP®, RFP™	5/5
<b><i>Non-Executive Directors</i></b>	
Mr Chiam Tau Meng	5/5
Mr Too Kok Leng	5/5

## A2. Board Balance

The current Board composition of three(3) Executive Directors, one(1) Non-Independent Non-Executive Director and two(2) Independent Non-Executive Directors complies with Para 15.02 of the Bursa Malaysia Securities Berhad Listing Requirements which requires at least two(2) Directors or one-third (1/3) of the Board, whichever is higher, are independent directors.

The Directors, with their different backgrounds and specializations, equipped with a wide range of knowledge and experience and with the support of the management team responsible for implementing the policies and decisions of the Board, overseeing the operations and managing the Group's business and resources.

There is a balance in the Board membership with the presence of the Independent Non-Executive Directors who are calibre and individuals of credibility with vast varied experience. Both the Independent Non-Executive Directors are independent of management and free of any relationship which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company.

The Independent Non-Executive Directors are actively involved in various Board committees. They bring to bear objective and independent assessment and opinion to the decision making of the Board and provide a capable check and balance for the Executive Directors. Together with the Executive Directors who have intimate knowledge of the business, they provide an effective blend of entrepreneurship, business and professional expertise in general management and areas of the industries the Group is involved in.

The role of the Group Executive Chairman and the Group Managing Director/Group Chief Executive Officer are separate and each has a clearly accepted division of responsibilities to ensure that there is a balance of power and authority. The Board has identified Mr Chiam Tau Meng as the Senior Independent Non-Executive Director of the Board to whom concerns may be conveyed. The specific areas of responsibilities of each director is shown in the Directors' profile on pages 6 to 8 of the Annual Report.

The Board is represented by a significant shareholder.

The Board is satisfied that the current composition fairly reflects the investment of minority shareholders in the Company through the representation of the two(2) Independent Non-Executive Directors.

## A3. Supply of Information

All the Board members have full and timely access to all information within the Group. Board papers are distributed prior to the Board Meeting to enable the Directors to obtain relevant information and have sufficient time to deliberate on the issues to be raised at the meeting so as to discharge their duties diligently.

## Corporate Governance Statement (Cont'd)

The Board papers which include the agenda and reports covering amongst others, areas of strategic, financial, operational, regulatory compliance matters that require the Board's approval.

Detailed periodic briefings on industry outlook, company performance and previews are also conducted for the Directors to ensure that the Board is well informed on the latest market and industry trends and development.

The Board or the individual director has unfettered access to the advice and services of the Company Secretary who ensure effective functioning of the Board and compliance of applicable rules and regulations. In the event that the Company Secretary fails to fulfill his/her duties effectively, the terms of appointment permits his/her removal and appointment of a successor by the Board as a whole.

The Board of Directors, whether as a full board or in their individual capacities, is entitled to obtain independent professional advice or opinion where necessary and in appropriate circumstances, in furtherance of their duties at the Group's expense.

### **A4. Appointment to the Board**

The Nomination Committee of the Company comprises exclusively of Independent Non-Executive Directors with the responsibility of recommending a suitable candidate with the necessary skills, experience and competences to be filled in the Board and Board Committees. Any new nomination received is put to the full Board for assessment and endorsement on an ongoing basis. The Company Secretary will ensure that all appointments are properly made and that all necessary information is obtained, as well as legal and regulatory obligations are met.

During the year, the Nomination Committee had implemented a process to assess the performance and contribution of each Director and effectiveness of the Board as a whole and at the same time had reviewed the required mix of skills and experience of the Board. The Committee also keeps under review the Board structure, size and composition as well as considering the Board's succession planning.

There is a formal training programme for new directors as it is the Company's policy to appoint to the Board individuals of sufficient calibre and experience to carry out the necessary duties of a director. The Board is mindful of the code of best practice in this regard and will review the necessity for formal training from time to time.

All the Directors have successfully completed the Mandatory Accreditation Programme prescribed by the Bursa Malaysia Securities Berhad ("Bursa Securities"). The Directors will continue to undergo relevant courses and seminars accredited by Bursa Securities under the Continuing Education Programme for directors of public listed companies to keep abreast with industry, regulatory and compliance issues, trends and best practices.

Trainings and seminars attended by Directors in 2006 comprised the following :-

- Practical Aspects in Conducting General Meetings of PLCs
- Advance Practice Management in Estate Planning Advisory Practice
- Behavioral Finance : Understanding the Psychology of Investing
- Using Psychology to Enhance Financial Services Business
- National Accountants Conference
- Hedge Fund For Top Management
- Risk Management

### **A5. Re-election**

In accordance with the Company's Articles of Association, all the Directors who are appointed by the Board are subject to retirement and are eligible for re-election by the shareholders at the next Annual General Meeting ("AGM") held following their appointments. There was no new appointment made during the financial year.

The articles also provide that at least one-third (1/3) of the Directors shall retire from the office at each AGM and shall be eligible to offer themselves for re-election provided always that all Directors including the Managing Director shall retire from office and stand for re-election at least once every three(3) years.

## Corporate Governance Statement (Cont'd)

**B. DIRECTORS' REMUNERATION**

The Remuneration Committee of the Company comprises the following Directors:

Mr Too Kok Leng	- Independent Non-Executive Director (Chairman)
Mr Chiam Tau Meng	- Independent Non-Executive Director
Dr. Christopher Shun Kong Leng, CFP®, RFP™	- Deputy Group Managing Director

The Remuneration Committee responsible for recommending the remuneration packages of the Executive Directors in accordance with the Company's policy and with reference to external benchmark reports to the full Board for consideration and approval. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by them. The Board as a whole determines the remuneration of the Non-Executive Directors with the individual director affected abstaining from discussion and determination of his/her own remuneration package.

The remuneration package is necessary to attract, retain and motivate Directors of the quality required to manage the business of the Company and to align the interest of the Directors with those of the shareholders.

The details of the remuneration for Directors received / receivable from the Company during the financial year are as follows:

- (a) aggregate remuneration of Directors categorised into appropriate components:

	<b>Fees RM'000</b>	<b>Salaries RM'000</b>	<b>Bonus &amp; Incentives RM'000</b>	<b>Benefits -in-Kind RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
Executive Directors	15.000	36.000	9.000	123.065	2.850	185.915
Non-Executive Directors	15.000	132.000	-	17.700	1.440	166.140

- (b) The number of Directors whose total remuneration falls within the following bands:

<b>Range of remuneration (RM)</b>	<b>Number of Directors Executive</b>	<b>Non-Executive</b>
Not more than 50,000	1	1
50,001 to 100,000	2	2

**C. SHAREHOLDERS**

The Company recognises the importance of accountability to its shareholders through an effective and constructive communication policy that enables both the board and management to communicate effectively with its shareholders, stakeholders and the public generally about performance, corporate governance and other matters affecting shareholders' interest. The Company reaches out to its shareholders through its distribution of the annual reports and other explanatory circulars. Each year, the Company strives to produce a comprehensive annual report which is not only informative with facts and figures but also reader-friendly. Timely announcement are made to the public with regards to the Company's corporate proposal, financial results and other required announcements.

All shareholders are encouraged to attend the Company's Annual General Meeting and to participate in the proceedings. Shareholders' suggestions received during the Annual General Meetings are reviewed and considered for implementation wherever possible. The shareholders are given every opportunity to enquire, raise questions and seek clarification on the business and performance of the Group. These would give investors a better appreciation of the Company's objectives, its potential problems, the quality of its management, enhance better understanding of corporate strategies while also making the Company aware of the expectations and concerns of the shareholders. This process helps to create a more stable shareholders base.

## Corporate Governance Statement (Cont'd)

### **D. ACCOUNTABILITY AND AUDIT**

#### **D1. Financial Reporting**

The Board aims to present a balanced, clear and meaningful assessment of the Group's financial positions and prospects in all their reports to the shareholders, investors and regulatory authorities. This assessment is primarily provided in the Annual Report through the Chairman's Statement and the Statement by Directors to enhance shareholders' understanding of the business operations of the Group.

The quarterly results announcements on these results also reflect the Board's commitment to give regular updated assessments on the Group's performances.

#### **D2. Internal Control**

The information on the Group's internal control is presented in the Statement on Internal Control on pages 21 to 23 of the Annual Report.

#### **D3. Relationship with the Auditors**

The Board through its Audit Committee maintains a formal and transparent arrangement with the Company's external auditors. A summary of activities of the Audit Committee during the financial year are included in the Audit Committee Report as detailed on pages 11 to 15 of the Annual Report.

## Statement On Internal Control

### 1. INTRODUCTION

The Malaysian Code on Corporate Governance stipulates that the Board of Directors of listed companies should maintain a sound system of internal controls to safeguard shareholder's investments and the Group's assets. The Board of Directors is taking appropriate initiatives to further strengthen the transparency, accountability and efficiency of the Company's operations. The Statement of Internal Control is prepared under the requirement of Paragraph 15.27(b) of the Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements and in accordance with the "Statement on Internal Control: Guidance for Directors of Public Listed Companies" issued jointly by the Institute of Internal Auditors and Bursa Malaysia Securities Berhad. The Board of Directors is pleased to report to the shareholders on the state of internal control of the Company during the year under review.

### 2. RESPONSIBILITY FOR RISK AND INTERNAL CONTROLS

The Board of Directors and the senior management recognize the importance of ensuring a sound system of internal controls and effective risk management practices are in place in the organization. The Board acknowledges its overall responsibility for maintaining the Company's system of internal control and had established processes for identifying, evaluating and managing the significant risks faced by the Company. The Board of Directors endeavors to maintain an adequate system of internal controls organization-wide with consistent integrity designed to manage rather than to eliminate risk to achieve business objectives. However, it is recognized that evaluation and implementation of the system can only provide reasonable assurance of the Group achieving its objectives. The system will not provide absolute assurance against any material loss occurrence. The Board of Directors confirms that the system of internal controls with the key elements highlighted in Parts 5 and 6 of this statement were in place during the financial year. The system is subject to regular reviews by the Board of Directors. However, material joint venture and associated company have not been dealt with as part of the Group for purposes of applying the above guidance as the joint venture and associated company have their own systems of internal controls in place. However, the Board of Directors does have regular Board and operations meetings with the joint venture and associated company to monitor these investments.

### 3. RISK MANAGEMENT FRAMEWORK

The Group has outsourced its Internal Audit function to CGRM Infocomm Sdn Bhd (Company No. 528644-W) ("CGRM"). CGRM was appointed as the Internal Auditor of the Group to replace BDO Governance Advisory Sdn Bhd in view of the introduction of the MIA Bye-Laws on Professional Ethics which prohibits the provision of Internal and External audit services by the same audit firm. The Group is still maintaining its risk management policy and framework incorporating the following activities :

- Identify the various risk factors (financial and non-financial) that can potentially have a significant impact on Menang's success and continuity.
- Establish a risk coverage policy and rank of these risks according to its relative weight.
- Assess each of these risks (using the risk factors and relative weight) on Menang's main business lines, i.e. property development.
- Establish an overall risk profile in order of priority.
- Establish an overall audit plan that covers all risks areas
- Conduct reviews of control activities on high-risk areas.
- Evaluate the control activities and give an opinion on the systems of internal controls.
- Monitor changes in business conditions and operating style.
- Evaluate changes against risks identified earlier and internal control systems.

## Statement On Internal Control (Cont'd)

### 4. INTERNAL AUDIT FUNCTION

CGRM, an independent Internal Audit services provider, was appointed in mid-2006 to support the Audit Committee, and by extension, the Board, by providing an independent assurance on the effectiveness of the Group's system of internal control.

In particular, CGRM appraises and contributes towards improving the Group's risk assessment and control systems and reports to the Audit Committee on a periodic basis. To date, two(2) reviews have been conducted.

The internal audit work plan is risk-based and reflects the Group's major business activities identified by the risk management framework. This plan is reviewed and approved by the Audit Committee. The scope of CGRM's function covered the audit of all business units and operations except those of the joint venture and associate companies.

The Internal Audit reviews were conducted in accordance to the Standards for the Professional Practice of Internal Auditing (SPPIA) issued by the Institute of Internal Auditors Inc. and the principles of the COSO (Committee of the Sponsoring Organisations of the Treadway Commission) framework, a globally accepted internal control and governance model.

### 5. INTERNAL CONTROL SYSTEMS

An embedded control system is designed to facilitate achievement of the Group's business objectives. It comprises the underlying control environment, risk assessment, control activities, information and communication as well as monitoring systems.

The organisational structure has a positive tone and good leadership as well as defined lines of responsibility, delegation of authority and segregation of duties.

Procedural guidelines are in place and communicated to all levels of the organisation.

The functional limits of authority for revenue and capital expenditure for all operating units serve to facilitate the approval process whilst keeping potential exposures in check.

The Group has in place a comprehensive budgeting process for all operating units.

Pertinent information is identified, captured and utilised at all levels of the Group. These are distributed in a form and time frame that supports the achievement of financial reporting objectives.

Close independent appraisals by the Management, Audit Committee, Internal and External Auditors ensure ongoing compliance with policies, procedures, standards and legislations whilst assessing the effectiveness of the Group's system of financial, compliance and operational controls. Frequent monitoring of performance is undertaken to identify major variances and Management action that has been taken or to be taken.

Besides primary ownership over the effectiveness of the Group's internal control systems, the Board recognises its responsibility over the principal risks of various aspects of the Group's business. For long-term viability of the Group, it is crucial to achieve a critical balance between risks incurred and potential returns.

### 6. OTHER KEY ELEMENTS OF INTERNAL CONTROL

The following are other key elements of the Group's internal control systems :

- Regular information provided to management on key business indicators, such as sales performance, staff turnover and cash flow performance.
- Centralized procurement function that ensures approval procedures are adhered to as well as to leverage on the Group's purchasing power.

## Statement On Internal Control (Cont'd)

- The Corporate Centre coordinates the process for the Group for the coming year wherein the budgets are approved at operating unit level and ultimately by the Board of Directors.
- Quarterly performance reports that provide the Management and the Board of Directors with comprehensive information on financial performance and key business indicators.
- The Management monitors the quarterly results of the Group against budget and in the event of major variances, Management will take appropriate action.
- Management accounts and reports are prepared monthly for the effective monitoring and decision making.
- The business operation and management accounts including financial accounts are discussed at the scheduled monthly management meeting.
- The Management monitors the progress on the property operations i.e. the core business of the Group at the operation cum site meeting with the external consultants on a fortnightly basis.
- The hands-on involvement of the Executive Directors in the operations and financial of the Group enables most issues to be effectively resolved on a timely basis.
- The Audit Committee meets at least four(4) times a year and reviews the effectiveness of the Group's system of internal controls.

All these functions provide their respective degree of assurance to the operations and existence of the system of the internal control.

## 7. CONCLUSION

A number of internal control weaknesses were identified during the financial year ended 31 December 2006. The control weaknesses identified have been, or are being, addressed to ensure the integrity of internal controls. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require mention in the Group's annual report. The Management of the Company continues to take measures to strengthen the internal control environment. The development of the system of internal control is an ongoing process and the Board maintains an ongoing commitment to strengthen the Group's internal control environment and processes.



## Other Compliance Statements

### 1. UTILISATION OF PROCEEDS

There were no proceeds raised from any proposal during the financial year.

### 2. SHARE BUY-BACKS

There were no Share Buy-Backs during the financial year.

### 3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

There were no Warrants, Redeemable Convertible Secured Loan Stocks or Employee Share Option Scheme exercised during the financial year.

### 4. AMERICAN DEPOSITORY RECEIPT("ADR")/GLOBAL DEPOSITORY RECEIPT ("GDR")

There were no ADR/GDR programme sponsored by the Company during the financial year.

### 5. SANCTIONS AND/OR PENALTIES

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

### 6. NON-AUDIT FEES

There were no non-audit fees paid to external auditors during the financial year.

### 7. VARIATION IN RESULTS

There were no variance between the results of the financial year and the unaudited results previously announced.

### 8. PROFIT GUARANTEE

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

## Other Compliance Statements (Cont'd)

## 9. MATERIAL CONTRACTS

The material contracts entered into by the Company and its subsidiaries involving directors and major shareholders' interest: -

- a) which were still subsisting as at 31 December 2006.

Date	Parties involved	General Nature	Cash Consideration	Relation between the director or major shareholder and contracting parties
02.06.2005	Tanco Land Sdn Bhd ("TLSB")  Pelangi Citapadu (M) Sdn Bhd ("PCSB")  and  Menang Development (M) Sdn Bhd ("MDSB")	To novate the Sale and Purchase Agreement between TLSB and PCSB to MDSB to purchase six (6) pieces of land from TLSB	RM9,000,000.00 plus accrued interest	Maymerge (M) Sdn Bhd ("Maymerge") is the substantial shareholder or ultimate substantial shareholder of Menang Corporation (M) Berhad ("MCB"), MDSB and PCSB.  Dato' Abdul Mokhtar Ahmad, Dato' Shun Leong Kwong and Datin Mariam Eusoff are the directors of Maymerge, MCB, MDSB and PCSB.

- b) which were entered into since the end of the previous financial year

Nil.

## 10. REVALUATION POLICY ON LANDED PROPERTIES

The Company revalues its landed properties every five (5) years and a shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

## 11. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE NATURE

There were no recurrent related party transactions of a revenue nature during the financial year.

## Statement Of Directors' Responsibilities

In Respect Of The Audited Financial Statements

The Directors are required to ensure that financial statements for each financial year are properly drawn up in accordance with the provisions of the Companies Act, 1965 and approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs and results of the Group and the Company for the financial year then ended.

In preparing the financial statements, the Directors have :

- adopted suitable accounting policies and then apply them consistently;
- made judgements and estimates that are prudent and reasonable; and
- ensured all applicable accounting standards have been followed.

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

The Directors have a general responsibility for taking such reasonable steps as are reasonably open to them :-

- (a) to safeguard the assets of the Group and the Company; and
- (b) to prevent and detect fraud and other irregularities.

*This statement is made in accordance with a resolution of the Board of Directors dated 8 May 2007.*

# FINANCIAL STATEMENTS

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## Directors' Report

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2006.

### PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, letting out of properties and the provision of management services. The principal activities of the subsidiary companies are stated in Note 9 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

### RESULTS

	Group RM'000	Company RM'000
Net (loss)/profit for the financial year	(9,549)	7,026

### DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors also do not recommend any dividend payment in respect of the current financial year.

### RESERVES AND PROVISIONS

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

### ISSUE OF SHARES AND DEBENTURES

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

### OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the year apart from the issue of warrants and options pursuant to the Employees' Share Option Scheme.

#### ***Warrants 2001/2011***

The Warrants are in registered form and constituted by a Deed Poll and entitle the registered holder to subscribe for one (1) new ordinary share of RM1.00 each in the Company at a price of RM1.00 per ordinary share for every warrant held. The conversion ratio is subject to the aforesaid Deed Poll and can be exercised at any time during the five-year subscription period expiring on 15 October 2006. On 30 June 2006, pursuant to the Extraordinary General Meeting and the Meeting of the Warrant holders in relation to the Warrants Extension, the Warrants have been extended by an additional five (5) years, from 16 October 2006 up to and including 15 October 2011. The other terms and conditions of the original deed poll dated 17 May 2001 shall remain unchanged. As at the date of the Report, none of the warrants has been exercised.

#### ***Employees' Share Option Scheme ("ESOS")***

At an Extraordinary General Meeting held on 15 January 2002, the Company's shareholders approved the establishment of an Employees' Share Option Scheme to eligible Executive Directors and employees of the Group whereby;

- (i) not more than fifty per cent (50%) of the ordinary shares available under the ESOS should be allocated, in aggregate, to Executive Directors and senior management; and

## Directors' Report (Cont'd)

**OPTIONS GRANTED OVER UNISSUED SHARES (Continued)**

- (ii) not more than ten per cent (10%) of the ordinary shares available under the ESOS should be allocated to any individual Executive Director or Eligible Employee, who either singly or collectively through his/her associates hold twenty per cent (20%) or more of the issued and paid-up share capital of the Company.

The options offered under ESOS to take up unissued ordinary shares of RM1.00 each and the subscription prices are as follows:

Exercise period	Subscription price RM	- Number of options over ordinary shares of RM1.00 each -			
		Balance as at 1.1.2006	Offered and accepted	Lapsed due to resignation	Balance as at 31.12.2006
25.1.2002 - 23.1.2007	1.00	12,595,000	—	(122,000)	12,473,000
4.3.2002 - 23.1.2007	1.00	38,000	—	(38,000)	—
2.5.2002 - 23.1.2007	1.00	10,000	—	—	10,000
7.11.2002 - 23.1.2007	1.00	312,000	—	—	312,000
10.1.2003 - 23.1.2007	1.00	257,000	—	(111,000)	146,000
18.2.2003 - 23.1.2007	1.00	21,000	—	(21,000)	—
25.2.2004 - 23.1.2007	1.00	671,000	—	(50,000)	621,000
7.1.2005 - 23.1.2007	1.00	1,753,000	—	—	1,753,000
21.2.2005 - 23.1.2007	1.00	465,000	—	(293,000)	172,000
		16,122,000	—	(635,000)	15,487,000

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the list of employees and their option holdings which is less than 1,000,000 ordinary shares of RM1.00 each.

The name of employees who have been granted options above 1,000,000 ordinary shares of RM1.00 each are as follows:

Name	- Number of options over ordinary shares of RM1.00 each -			
	Balance as at 1.1.2006	Offered and accepted	Exercised	Balance as at 31.12.2006
Brigadier General (Ret) Dato' Abdul Latif Bin Ahmad	1,000,000	—	—	1,000,000
Ho Mun Leong	1,000,000	—	—	1,000,000
Soon Yuow Kong	1,000,000	—	—	1,000,000

The salient features of the ESOS are as follows:

- (i) the maximum number of ordinary shares to be issued and allotted by the Company under the ESOS as approved by the Securities Commission shall not exceed ten percent (10%) of the total issued and paid-up share capital of the Company at any point in time during the duration of the ESOS;
- (ii) Executive Directors and eligible employees are those who have been confirmed in writing as employees of the Group on or prior to the date of the offer;
- (iii) the option is personal to the grantee and shall not be transferred, assigned or disposed of by the grantee save and except in the event of the death of the grantee as provided under Bye-Law 14.6;
- (iv) no offer shall be made to any Executive Director of the Company unless such offer and the related allotment of shares have previously been approved by the shareholders of the Company in general meeting;

## Directors' Report (Cont'd)

### OPTIONS GRANTED OVER UNISSUED SHARES (Continued)

- (v) the subscription price at which the employees are offered to take up shares under the ESOS is either at a discount of not more than ten percent (10%) from the weighted average market price of the shares as shown in the daily official list issued by Bursa Malaysia Securities Berhad for five (5) market days immediately preceding the date of offer or at par value of the shares of the Company of RM1.00, whichever is higher;
- (vi) the options granted may be exercised at any time within the option period and the option may be fully exercised after the acceptance under Bye-Law 10.1; and
- (vii) the options granted may be exercised in full or in lesser number of ordinary shares provided that the number shall be in multiples of 1,000 shares.

The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company within the Group.

On 26 December 2006, the Company has extended its existing ESOS which expiring on 23 January 2007 for another five(5) years effective from 24 January 2007 up to and including 23 January 2012 in accordance with the provision of the Company's ESOS Bye-Law.

### DIRECTORS

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

Y. Bhg. Dato' Abdul Mokhtar Ahmad  
 Y. Bhg. Dato' Shun Leong Kwong  
 Y. Bhg. Datin Mariam Eusoff  
 Dr. Christopher Shun Kong Leng, CFP®, RFP™  
 Too Kok Leng  
 Chiam Tau Meng

In accordance with Article 112 of the Company's Articles of Association, Y. Bhg. Datin Mariam Eusoff and Dr. Christopher Shun Kong Leng, CFP®, RFP™ retire from the Board by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

### DIRECTORS' INTERESTS

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

Shares in the Company	- Number of ordinary shares of RM1.00 each -			
	Balance as at 1.1.2006	Bought	Sold	Balance as at 31.12.2006
<b>Direct interests:</b>				
- Y. Bhg. Dato' Shun Leong Kwong	9,400	-	-	9,400
- Y. Bhg. Datin Mariam Eusoff	4,200	-	-	4,200
- Dr. Christopher Shun Kong Leng, CFP®, RFP™	1,964,100	3,106,400	-	5,070,500
<b>Indirect interests:</b>				
- Y. Bhg. Dato' Abdul Mokhtar Ahmad	118,557,830	-	-	118,557,830
- Y. Bhg. Dato' Shun Leong Kwong	118,564,130	-	-	118,564,130
- Y. Bhg. Datin Mariam Eusoff	118,557,830	-	-	118,557,830
- Dr. Christopher Shun Kong Leng, CFP®, RFP™	6,300	-	(6,300)	-

## Directors' Report (Cont'd)

## DIRECTORS' INTERESTS (Continued)

Warrants holdings in the Company	Balance as at 1.1.2006	- Number of Warrants 2001/2011 -		Balance as at 31.12.2006
		Bought	Sold	
Direct interests:				
- Dr. Christopher Shun Kong Leng, CFP®, RFP™	782,000	-	(782,000)	-
ESOS in the Company	Balance as at 1.1.2006	- Number of options over ordinary shares of RM1.00 each -		Balance as at 31.12.2006
		Offered and accepted	Exercised	
Y. Bhg. Dato' Abdul Mokhtar Ahmad	1,000,000	-	-	1,000,000
Y. Bhg. Dato' Shun Leong Kwong	1,000,000	-	-	1,000,000
Y. Bhg. Datin Mariam Eusoff	1,000,000	-	-	1,000,000
Dr. Christopher Shun Kong Leng, CFP®, RFP™	1,000,000	-	-	1,000,000

Y. Bhg. Dato' Abdul Mokhtar Ahmad, Y. Bhg. Dato' Shun Leong Kwong, Y. Bhg. Datin Mariam Eusoff and Dr. Christopher Shun Kong Leng, CFP®, RFP™ are deemed to have interest in the shares of the subsidiaries of the Group by virtue of their interest in the Company as disclosed above.

None of the other directors holding office at 31 December 2006 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company have received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which he has a substantial financial interest, other than certain directors who are deemed to derive a benefit by virtue of their interests in companies which provided services to certain companies in the Group in the ordinary course of business as disclosed in Note 35 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the issuance of Redeemable Convertible Secured Loan Stocks as disclosed in Note 21 to the financial statements and directors' entitlement to subscribe for new ordinary shares in the Company under ESOS of the Company.

## OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

## (I) As At The End Of The Financial Year

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



## Directors' Report (Cont'd)

### OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (Continued)

#### (II) From The End Of The Financial Year To The Date Of This Report

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

#### (III) As At The Date Of This Report

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

### SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

On 2 June 2005, Menang Development (M) Sdn. Bhd. ("MDSB") entered into a Novation Agreement ("the said Novation Agreement") with Tanco Land Sdn. Bhd. ("TLSB") and Pelangi Citapadu (M) Sdn. Bhd. ("PCSB") to novate the Sales and Purchase Agreement dated 9 October 2002 from PCSB to MDSB to acquire six pieces of land in Mukim of Rasah, District of Seremban, Negeri Sembilan Darul Khusus measuring approximately 40.1 acres ("Tanco Land") for a total cash consideration of RM9,000,000 including accrued interest.

On 30 December 2005, MDSB entered into a Supplemental Agreement ("the said Supplemental Agreement") with TLSB and PCSB to extend the completion date of the said Novation Agreement for three (3) months commencing from:

- (a) the validation order being obtained from the High Court under section 176(10C) of the Companies Act, 1965 for the said Novation Agreement and the said Supplemental Agreement; or
- (b) the restraining order granted by High Court under section 176(10) of the Companies Act, 1965 to Tanco Land lapses;

whichever shall be earlier provided always that the period in which item (a) or (b) occurs shall be within six (6) months from 30 December 2005 that is the date of the said Supplemental Agreement.

On 30 June 2006, the restraining order was lapsed and pursuant to the said Supplemental Agreement, the completion date was 30 September 2006. However, on 9 April 2007, MDSB entered into a Second Supplemental Agreement to extend its completion date from 1 October 2006 to 31 March 2008.

## **EVENT SUBSEQUENT TO BALANCE SHEET DATE**

On 27 February 2007, the Company disposed of its equity interest of 490,000 ordinary shares of RM1.00 each in Menang Construction (M) Sdn. Bhd., representing 49% of the issued and paid-up capital for a total cash consideration of RM392,861.

## **AUDITORS**

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

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

**Dato' Abdul Mokhtar Ahmad**  
Director

**Dato' Shun Leong Kwong**  
Director

Kuala Lumpur  
23 April 2007

## Statement By Directors

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

In the opinion of the directors, the financial statements set out on pages 36 to 81 have been drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards in Malaysia so as to give a true and fair view of:

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

**On behalf of the Board,**

**Dato' Abdul Mokhtar Ahmad**  
Director

**Dato' Shun Leong Kwong**  
Director

Kuala Lumpur  
23 April 2007

## Statutory Declaration

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

I, **Ng Kim Fong**, being the officer primarily responsible for the financial management of **Menang Corporation (M) Berhad**, do solemnly and sincerely declare that the financial statements set out on pages 36 to 81 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly )  
declared by the abovenamed at )  
Kuala Lumpur this 23 April 2007 )

**Ng Kim Fong**

Before me:

**Soh Ah Kau, AMN** (No. W315)  
Commissioner for Oaths  
26, Jalan Beremi  
50200 Kuala Lumpur

## Report Of The Auditors

TO THE MEMBERS OF MENANG CORPORATION (M) BERHAD

We have audited the financial statements set out on pages 36 to 81.

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

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

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

In our opinion:

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

and

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

We have considered the financial statements and auditors' reports of the subsidiary companies of which we have not acted as auditors, as indicated in Note 9 to the financial statements, being financial statements that are included in the consolidated financial statements.

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

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

**BDO Binder**  
AF: 0206  
Chartered Accountants

**Ng Chee Hoong**  
2278/10/08 (J)  
Partner

Kuala Lumpur  
23 April 2007

**Balance Sheets**

As at 31 December 2006

ASSETS	NOTE	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Non-current assets					
Property, plant and equipment	6	1,301	1,531	342	348
Investment properties	7	54,698	114,820	12,439	106,709
Land held for property development	8	165,751	111,200	–	–
Investment in subsidiary companies	9	–	–	85,525	85,638
Investment in associated company	10	–	8,966	–	5,023
Other investment	11	2	2	–	–
Total non-current assets		221,752	236,519	98,306	197,718
Current assets					
Development properties	12	64,373	62,252	–	–
Inventories	13	6,190	7,939	–	–
Trade receivables	14	250	210	–	–
Other receivables, deposits and prepayments	15	3,290	1,450	326	52
Amounts owing by subsidiary companies	16	–	–	150,604	46,215
Tax recoverable		–	–	896	713
Cash and bank balances		883	844	7	1
Total current assets		74,986	72,695	151,833	46,981
TOTAL ASSETS		296,738	309,214	250,139	244,699

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

# Balance Sheets (Cont'd)

As at 31 December 2006

		Group		Company	
	NOTE	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserve attributable to equity holders</b>					
Share capital	17	267,107	267,107	267,107	267,107
Reserves	18	(86,369)	(76,820)	(43,103)	(50,129)
<b>Total equity</b>		<b>180,738</b>	<b>190,287</b>	<b>224,004</b>	<b>216,978</b>
<b>Non-current liabilities</b>					
Borrowings	19	115	31,027	10	18
Redeemable Convertible Secured Loan Stocks	21	–	11,625	–	11,625
Deferred tax liabilities	22	2,732	2,732	–	–
<b>Total non-current liabilities</b>		<b>2,847</b>	<b>45,384</b>	<b>10</b>	<b>11,643</b>
<b>Current liabilities</b>					
Trade payables	23	612	1,258	–	–
Other payables and accruals	24	18,750	21,921	2,427	3,495
Amounts owing to subsidiary companies	25	–	–	8,129	8,150
Borrowings	19	82,166	50,364	3,944	4,433
Redeemable Convertible Secured Loan Stocks	21	11,625	–	11,625	–
<b>Total current liabilities</b>		<b>113,153</b>	<b>73,543</b>	<b>26,125</b>	<b>16,078</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>296,738</b>	<b>309,214</b>	<b>250,139</b>	<b>244,699</b>

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

## Income Statements

For the financial year ended 31 December 2006

		Group		Company	
	NOTE	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Revenue	26	18,643	21,697	9,573	17,168
Cost of sales	27	(15,447)	(19,629)	–	–
Gross profit		3,196	2,068	9,573	17,168
Other operating income		1,055	718	4,545	1,570
Administration expenses		(11,220)	(9,985)	(1,938)	(2,206)
Other operating expenses		(1,077)	(2,776)	(1,353)	(3,534)
(Loss)/Profit before operations		(8,046)	(9,975)	10,827	12,998
Finance costs		(8,853)	(8,506)	(1,309)	(1,819)
Share of results in an associated company		7,350	1,228	–	–
(Loss)/Profit before tax	28	(9,549)	(17,253)	9,518	11,179
Tax expense	29	–	–	(2,492)	(6,024)
Net (loss)/profit for the financial year		(9,549)	(17,253)	7,026	5,155
<b>Attributable to:</b>					
Equity holders of the Company		(9,549)	(17,253)	7,026	5,155
<b>Earnings per share attributable to equity holders of the Company</b>					
Loss per share (sen)	30	(3.57)	(6.46)		

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

## Statement Of Changes In Equity

For the financial year ended 31 December 2006

Group	----- Attributable to Equity Holders -----			
	Share capital RM'000	Capital reserve RM'000	Accumulated losses RM'000	Total RM'000
Balance as at 31 December 2004	267,107	960	(60,527)	207,540
Net loss for the financial year	–	–	(17,253)	(17,253)
Balance as at 31 December 2005	267,107	960	(77,780)	190,287
Net loss for the financial year	–	–	(9,549)	(9,549)
Balance as at 31 December 2006	267,107	960	(87,329)	180,738
<b>Company</b>				
Balance as at 31 December 2004	267,107	960	(56,244)	211,823
Net profit for the financial year	–	–	5,155	5,155
Balance as at 31 December 2005	267,107	960	(51,089)	216,978
Net profit for the financial year	–	–	7,026	7,026
Balance as at 31 December 2006	267,107	960	(44,063)	224,004

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



## Cash Flow Statements

For the financial year ended 31 December 2006

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
(Loss)/Profit before tax	(9,549)	(17,253)	9,518	11,179
Adjustments for:				
Allowance for doubtful debts	–	–	1,094	294
Bad debts written off	–	4	–	–
Deferred liability charges	2,485	2,485	–	–
Depreciation of property, plant and equipment:-				
- the Group and of the Company	424	485	145	147
- joint venture	7	4	–	–
Dividend income	–	–	(9,555)	(17,150)
Impairment losses on investment in subsidiaries	–	–	113	3,093
Interest expenses	6,368	6,020	1,308	1,819
Interest income	(137)	(102)	(1,267)	(1,569)
Gain on disposal of investment properties	(677)	(80)	(677)	–
Gain on disposal of property, plant and equipment	(61)	(8)	(61)	–
Gain on disposal of land held for property development	–	(720)	–	–
Loss/(Gain) on disposal of investment in an associated companies	400	–	(2,541)	–
Share of results in an associated company	(7,350)	(1,228)	–	–
Property, plant and equipment written off	12	334	–	–
Operating loss before working capital changes	(8,078)	(10,059)	(1,923)	(2,187)
Decrease in inventories	1,749	110	–	–
Increase in trade receivables	(40)	(31)	–	–
Increase in other receivables, deposits and prepayments	(82)	(386)	(29)	(2)
Decrease in trade payables	(646)	(129)	–	–
Increase/(Decrease) in other payables and accruals	45	1,945	(361)	187
(Decrease)/Increase in amounts owing to corporate shareholders	(1,821)	1,396	–	–
(Decrease)/Increase in amounts owing to directors	(1,182)	1,725	(202)	180
Cash used in operations	(10,055)	(5,429)	(2,515)	(1,822)
Interest received	137	102	–	–
Net cash used in operating activities	(9,918)	(5,327)	(2,515)	(1,822)

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

**Cash Flow Statements** (Cont'd)

For the financial year ended 31 December 2006

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions in development property	(1,836)	-	-	-
Proceeds from disposal of land held for property development	1,708	9,174	-	-
Proceeds from disposal of development property	646	-	-	-
Purchase of investment properties	(41)	-	-	-
Dividend received from associated company	6,880	12,348	6,880	12,348
Proceeds from disposal of property, plant and equipment	61	31	61	-
Purchase of property, plant and equipment	(206)	(31)	(139)	(1)
Proceeds from disposal of an associated company	7,278	-	7,278	-
Proceeds from disposal of investment properties	1,840	1,000	22	-
Advances to subsidiary companies	-	-	(10,556)	(4,650)
Interest received	-	-	-	1,569
Net cash from investing activities	16,330	22,522	3,546	9,266
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Deferred liability charges paid	(100)	(1,079)	-	-
Drawdown of term loan	1,936	4,090	-	-
Interest paid	(394)	(4,985)	(234)	(1,102)
Payment of hire-purchase liabilities	(181)	(175)	(15)	(32)
Repayment of term loans	(6,979)	(11,679)	(100)	(2,627)
Redemption of Redeemable Convertible Secured Loan Stocks	-	(2,216)	-	(2,216)
Repayment to subsidiary companies	-	-	(21)	(18)
Withdrawal of fixed deposit	-	22	-	22
Net cash used in financing activities	(5,718)	(16,022)	(370)	(5,973)
NET INCREASE IN CASH AND CASH EQUIVALENTS	694	1,173	661	1,471
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	(340)	(1,513)	(1,183)	(2,654)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (NOTE 31)	354	(340)	(522)	(1,183)

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

## Notes To The Financial Statements

31 December 2006

### 1. GENERAL INFORMATION

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

The registered office and principal place of business of the Company are located at 8th Storey, South Block, Wisma Selangor Dredging, 142-A, Jalan Ampang, 50450 Kuala Lumpur.

The financial statements are presented in Ringgit Malaysia (RM), which is also the functional currency of the Group and of the Company.

### 2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Board of Directors recognises the importance of financial risk management in the overall management of the Group's businesses. A sound risk management system will not only mitigate financial risk but will also be able to create opportunities if risk elements are properly managed.

The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders while minimising potential adverse effects on the performance of the Group. Financial risk management is carried out through risk reviews, internal control systems and adherence to the Group's financial risk management policies, which are set out as follows:

#### ***Liquidity risk***

The Group is actively managing its operating cash flow to suit the debt maturity profile so as to ensure all commitments and funding needs are met. As part of the overall liquidity management, it is the Group's policy to ensure continuity in servicing its cash obligations in the future by way of measures and forecasts its cash commitments and to maintain sufficient levels of cash or cash equivalents to meet its working capital requirements. In addition, the Group also maintains credit facilities sufficient to meet its operational needs.

#### ***Credit risk***

There were no significant concentrations of credit risk. The maximum exposure to credit risk for the Group and the Company was represented by the carrying amount of each financial asset.

#### ***Interest rate risk***

The Group and the Company has no interest bearing financial liabilities, except for the secured term loans and Redeemable Convertible Secured Loan Stocks, bank overdraft facilities and amount owing to corporate shareholders and subsidiary companies as disclosed in the financial statements.

Interest rates on Redeemable Convertible Secured Loan Stocks and amount due to corporate shareholders is fixed. Those for term loans and bank overdraft, interest rate vary with reference to the base lending rate of the financial institutions.

Interest earning financial assets of the Company is mainly amounts due by subsidiaries that attract interest income. However, the fluctuation in interest rate, if any, is not expected to have a material impact on the results of the Company.

### 3. PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, letting out of properties and the provision of management services. The principal activities of the subsidiary companies are stated in Note 9 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## Notes To The Financial Statements (Cont'd)

31 December 2006

**4. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

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

From 1 January 2006, the Group and the Company adopted the following new and revised FRSs issued by the Malaysian Accounting Standards Board ("MASB") that is relevant to the Group and Company operations and effective for the financial period beginning 1 January 2006:-

FRS 2	Share-based Payment
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	Investment in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings per Share
FRS 136	Impairment of Assets
FRS 140	Investment Property

The adoption of these new and revised FRS that are relevant do not give rise to significant effects on the financial statements of the Group and of the Company.

The principal effects of the changes in accounting policies resulting from the new/revised FRS are discussed below:

**(a) FRS 101: Presentation of Financial Statement**

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 presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit and loss for the year. A similar requirement is also applicable to the statement of changes in equity. FRS 101 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 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 have no impact on the Group's financial statements.

**(b) FRS 140: Investment Property**

The investment properties are stated at valuation and not depreciated. Upon the adoption of FRS 140, investment properties are now stated at cost following the cost model.

The Group has applied FRS 140 prospectively in accordance with the transitional provisions. The change in accounting policy has had no impact on amounts reported for 2006 and prior periods.

## Notes To The Financial Statements (Cont'd)

31 December 2006



### 4. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Continued)

#### (c) **FRS 128: Investments in Associates**

In accordance with FRS 128, the summarised financial information which include aggregate amounts of assets, liabilities, revenue and profit or loss of the associated company are now disclosed in Note 10 to the financial statements. This information was not disclosed in previous years.

The Group has not adopted the following FRS which have effective dates as follows:

- (i) FRS 117 - Leases (effective for accounting periods beginning on or after 1 October 2006)
- (ii) FRS 124 - Related Party Disclosures (effective for accounting periods beginning on or after 1 October 2006)
- (iii) Amendment to FRS 119<sub>2004</sub> - Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosure (effective for accounting periods beginning on or after 1 January 2007)
- (iv) FRS 6 - Exploration for and Evaluation of Mineral Resources (effective for accounting periods beginning on or after 1 January 2007)
- (v) FRS 139 - Financial Instruments: Recognition and Measurement for which the MASB has yet to announce the effective date.
- (vi) Amendment to FRS 121 - The Effects of Changes in Foreign Exchange Rates - Net Investment in A Foreign Operation (effective for accounting periods beginning on or after 1 July 2007)

By virtue of the exemption in paragraph 103AB and FRS 139 and paragraph 22A of FRS 124, the impact of applying FRS 139 and FRS 124 on its financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108 is not disclosed.

The amendments to FRS 119<sub>2004</sub>, will affect the format and extent of disclosures presentation of financial statements, revised FRS 117 requires classification of leasehold land as prepaid lease payments, amendments to FRS 121 will not have any impact to the Group as it does not have foreign operation and FRS 6 will not have any impact as the Group does not carry out exploration for and evaluation of mineral resources.

### 5. SIGNIFICANT ACCOUNTING POLICIES

#### 5.1 **Basis of accounting**

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the significant accounting policies and on the basis of accounting principles applicable to a going concern.

As at 31 December 2006, the Group has net current liabilities of RM38,167,000 (2005: RM848,000) which indicate that the Group may be unable to meet its liabilities as and when they fall due. Currently, the Group is embarking on a rationalisation programme of assets disposal.

The continuation of the Group as a going concern is dependent upon the successful disposal of the assets. The directors are of the opinion that, barring any unforeseen circumstances, the Group will be able to implement the rationalisation programme and therefore the preparation of financial statements of the Group on a going concern basis is appropriate.

Should the going concern basis of preparing the financial statements of the Group be inappropriate, adjustments will have to be made to reclassify non-current asset and non-current liabilities as current assets and current liabilities respectively, to restate the carrying value of the assets to their recoverable amounts and to provide for further liabilities which may arise.

## 5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 5.2 Key sources of estimation uncertainty

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

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:

**(a) *Deferred tax assets***

Deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. This involves judgement regarding the future financial performance together with future tax planning strategies.

**(b) *Fair value of Investment Properties***

Investment properties which comprise of freehold land are stated at cost less accumulated impairment losses, if any. For disclosure purposes, the investment property of the Company was appraised by the director based on a valuation by an independent firm of professional valuer based on open market value in 2004.

**(c) *Useful lives of Property, Plant and Equipment***

The company estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition the estimation of the useful lives of property, plant and equipment are based on internal evaluation and experience with similar assets. It is possible that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimates useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

### 5.3 Basis of consolidation

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

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

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

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

## Notes To The Financial Statements (Cont'd)

31 December 2006

**5. SIGNIFICANT ACCOUNTING POLICIES (Continued)****5.3 Basis of consolidation (Continued)**

Identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. If the cost of acquisition is less than the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, the Group will:

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

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

The gain or loss on disposal of a subsidiary, which is the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary, is recognised in the consolidated income statement.

Minority interest represent that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, 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 that date.

**5.4 Property, plant and equipment and depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

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

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

Building and office lots	2%
Plant and machinery	10% - 25%
Motor vehicles	20%
Furniture, fittings and equipment	10% - 25%
Site office, renovations and signboards	10% - 20%

Depreciation of property, plant and equipment commences when it is available for use and does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

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.



## Notes To The Financial Statements (Cont'd)

31 December 2006

**5. SIGNIFICANT ACCOUNTING POLICIES (Continued)****5.5 Assets acquired under hire-purchase agreements**

Assets acquired under hire-purchase arrangements which transfer substantially all the risks and rewards of ownership to the Group and the Company are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

Finance charges are allocated to the income statement over the period of the agreements to give a constant periodic rate of charge on the remaining hire-purchase liabilities.

**5.6 Investment properties**

Investment properties are properties which are held to earn rentals or for capital appreciation or for both. Such properties are measured initially at cost, including transactions costs. Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses. Freehold land is not depreciated.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both.

The adoption of FRS 140 has resulted in a change in accounting policy for investment properties. Until 31 December 2005, the Group recognised investment properties using the revaluation method. In accordance with FRS 140, the carrying amount of investment properties can be stated either using cost or fair value method. The Group has adopted the cost method in measuring investment properties with effect from 1 January 2006.

The effect of this change in accounting policy, including the reclassification of any amount held in revaluation surplus for investment properties, are accounted in accordance with FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors.

**5.7 Land held for property development**

Land held for property development, stated at cost less impairment losses, if any, is classified as non-current assets when no development work has been carried out or where development activities are not expected to be completed within the normal operating cycle and is stated at cost less accumulated impairment losses, if any.

Land held for property development is reclassified as development properties under current assets at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the Group's normal operating cycle.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Where the Group had previously recorded the land at revalued amount, it continues to retain this amount as its surrogate cost as allowed by FRS 201<sup>2004</sup> Property Development Activities.

**5.8 Development properties**

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

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



## Notes To The Financial Statements (Cont'd)

31 December 2006

### 5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 5.8 Development properties (Continued)

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

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

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

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

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

#### 5.9 Investments

##### (i) *Subsidiary companies*

Subsidiary companies are those companies over which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from its activities.

Investment in subsidiary companies, which is eliminated on consolidation, is stated in the Company's financial statements at cost less impairment losses, if any unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). On disposal of such investments the difference between net disposal proceeds and their carrying amounts is included in profit and loss.

##### (ii) *Associated companies*

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 unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). 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 profit or loss. 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.

The Group's share of results and reserves of the associated companies acquired or disposed of are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal. The Group's share of results of associated companies is based on the latest audited financial statements made up to 31 March 2006 in relation to Hicom Menang Properties Sdn. Bhd.. The results of Hicom Menang Properties Sdn. Bhd. have been equity accounted based on audited and management financial statements made up to 31 March 2006 and 31 May 2006 respectively.

## 5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 5.9 Investments (Continued)

#### (ii) *Associated companies (Continued)*

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

#### (iii) *Joint venture*

A joint venture is a contracted agreement whereby the Group and other parties have control over an economic activity.

In respect of their interest in jointly controlled assets, the Group and the Company recognise in their financial statements their share of the jointly controlled assets, classified according to the nature of the assets, any liabilities which they have incurred, their share of any liabilities incurred jointly with the other venturers in relation to the joint venture, any income from the sale or use of their share of the output of the joint venture together with their share of any expenses incurred by the joint venture, and any expenses which they have incurred in respect of their interest in the joint venture.

Unrealised profits or losses arising from transactions between the Group and its joint venturers are recognised only to the extent of that portion of the gain or loss which is attributable to the interests of the other venturers. Unrealised losses are recognised in full when the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

The Group's interest in jointly controlled assets and liabilities arising from its joint venture arrangement has been accounted for in the financial statements using the line-by-line reporting format for proportionate consolidation.

#### (iv) *Long term investments and portfolio investments*

Long term investments, other than in subsidiaries, associate and joint venture, are stated at cost less allowance for diminution in value, if any.

### 5.10 Inventories

#### (i) *Development properties*

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined on a specific identification basis and includes land, all direct building costs and other related development costs.

#### (ii) *Other inventories*

Cost of other inventories is stated at the lower of cost and net realisable value. Cost is determined on weighted average cost basis.

### 5.11 Receivables

Receivables are carried at anticipated realisable values. Known bad debts are written off and allowance is made for any receivables considered to be doubtful of collection, if any.

Receivables are not held for trading purposes.

## Notes To The Financial Statements (Cont'd)

31 December 2006

### 5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 5.12 Impairment of assets

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

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

A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

The impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount.

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

#### 5.13 Payables

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

#### 5.14 Provisions

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

#### 5.15 Employee benefits

##### 5.15.1 Short term employee benefits

Wages, salaries and social security contributions are recognised as an expense in the financial year when employees have rendered their services to the Group and the Company.

Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

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

## Notes To The Financial Statements (Cont'd)

31 December 2006

**5. SIGNIFICANT ACCOUNTING POLICIES (Continued)****5.15 Employee benefits (Continued)****5.15.2 Defined contribution plan**

The Group makes contributions to a statutory provident fund and recognises the contribution payable:

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

**5.15.3 Equity compensation benefits**

Under the Employee Share Options Scheme of the Group, which is an equity-settled share issued compensation plan, allows eligible employees to acquire share of the Company.

For options granted prior to 31 December 2004, no compensation cost or obligation is recognised in the income statement when the share options are granted.

When the options are exercised, equity is increased by the amount of the proceeds received. This is in accordance with the transitional provision of FRS 2 Share-based Payment.

The Company has neither options granted after 31 December 2004 and had not yet vested as at 1 January 2006, nor options granted after 1 January 2006.

FRS 2 requires the total fair value of share options granted to employees, measured at grant date, to be recognised as an expense in the income statement over the vesting periods of the grant with a corresponding increase in equity.

FRS 2 will apply to the Company's new grants of options in the future.

**5.16 Income tax**

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

**5.16.1 Current tax expense**

Current tax expense includes all domestic taxes which are based on taxable profits for the financial year. Current tax also includes other taxes such as real property gains taxes payable on disposal of properties, if any. The Group's liability for the current tax is calculated using the tax rates that have been enacted or substantively enacted at the balance sheet date.

**5.16.2 Deferred tax**

Deferred tax, which includes deferred tax liabilities and assets, is provided for under the liability method in respect of all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base including unabsorbed tax losses and unutilised capital allowances. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

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

## Notes To The Financial Statements (Cont'd)

31 December 2006

### 5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 5.17 Revenue recognition

##### (i) *Revenue from property development*

Revenue from property development activities is recognised based on the stage of completion measured by reference to the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs and on the number of units sold.

Where the financial outcome of a property 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 the development units 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 immediately in the income statement.

##### (ii) *Revenue from construction contracts*

Revenue from construction contracts is recognised in the income statement based on stage of completion. The stage of completion of a construction contract is based on the proportion that contract costs incurred for work performed to date bear to the estimated total contract cost.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date.

When the outcome of a construction contract cannot be estimated reliably, contract revenue are recognised only to the extent of contract costs incurred that it is probable to be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When costs incurred plus attributable profits or less foreseeable losses, if any, exceed progress billings, the balance is shown as amounts due from customers for contract works. When progress billings exceed costs incurred plus attributable profits or less foreseeable losses, if any, the balance is shown as amounts due to customers for contract works.

##### (iii) *Revenue from sale of properties*

Revenue from sale of properties is recognised upon signing of the sale and purchase agreement.

##### (iv) *Revenue from recreational facilities*

Revenue from recreational facilities consists of the following:

###### (a) *Registration fees and card sales*

Revenue from registration fees and card sales are recognised upon signing of the membership agreement.

###### (b) *Food and beverages and tournament fees*

Revenue from food and beverages and tournament fees received are recognised upon the sale of goods and services rendered.

**5. SIGNIFICANT ACCOUNTING POLICIES (Continued)****5.17 Revenue recognition (Continued)****(v) Dividend income**

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

**(vi) Management fees**

Management fee is recognised on an accrual basis.

**(vii) Rental income**

Revenue from property investment is recognised based on rental received and receivable from letting of properties.

**(viii) Interest income**

Interest income is recognised in the income statement based on accrual basis.

**(ix) Other income**

Income from hire-purchase, factoring and loan facilities is recognised on the sum of digits method.

**5.18 Cash and cash equivalents**

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

**5.19 Segment information**

Segment information is presented in respect of the Group's business segments. The primary format, business segment, is based on the Group's management and internal reporting structure. No geographical segmental information is presented as the business segments are operated in Malaysia only.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

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

**5.20 Financial instruments****5.20.1 Financial instruments recognised on the balance sheet****(a) Ordinary shares**

Ordinary shares are recorded at the nominal value and are classified as equity.

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

## Notes To The Financial Statements (Cont'd)

31 December 2006



### 5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 5.20 Financial instruments (Continued)

##### 5.20.1 Financial instruments recognised on the balance sheet (Continued)

###### (b) *Loan stock*

*8% Redeemable Convertible Secured Loan Stocks 2002/2007 ("RCLS")*

The Company is required to redeem the loan stocks at the maturity date unless converted by the holders. As such, these loan stocks are classified as financial liability.

###### (c) *Other borrowings*

Other interest bearing borrowings are recorded at the amount of proceeds received, net of transaction cost.

###### (d) *Other financial instruments*

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

##### 5.20.2 Financial instruments not recognised on the balance sheet

There are no financial instruments not recognised on the balance sheet.

#### 5.21 Borrowing costs

Interest, losses and gains relating to a financial instrument, or a component part classified as a financial liability is reported as finance cost in the income statement.

Cost incurred on borrowings to finance the acquisition, construction or production of a qualifying asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to the income statement.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

#### 5.22 Rounding of amounts

Unless otherwise indicated, the amounts shown in these financial statements have been rounded to the nearest thousand.

## Notes To The Financial Statements (Cont'd)

31 December 2006

## 6. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.1.2006 RM'000	Additions RM'000	Disposals RM'000	Written off RM'000	Reclassi- fication RM'000	Balance as at 31.12.2006 RM'000
<b>2006</b>						
<b>At cost</b>						
Freehold land	–	–	–	–	–	–
Buildings	699	–	–	–	–	699
Plant and machinery	695	–	–	(12)	380	1,063
Plant and machinery acquired under hire-purchase	426	–	–	–	(380)	46
Motor vehicles	1,271	169	–	–	77	1,517
Motor vehicles acquired under hire-purchase	611	–	(141)	–	(77)	393
Furniture, fittings and equipment	2,488	35	(8)	(8)	–	2,507
Site office and signboards	304	2	–	–	–	306
Renovations	201	–	–	–	–	201
	6,695	206	(149)	(20)	–	6,732

	Balance as at 1.1.2006 RM'000	Charge for the financial year RM'000	Disposals RM'000	Written off RM'000	Reclassi- fication RM'000	Balance as at 31.12.2006 RM'000
<b>Accumulated depreciation</b>						
Buildings	303	14	–	–	–	317
Plant and machinery	643	14	–	(4)	217	870
Plant and machinery acquired under hire-purchase	178	64	–	–	(217)	25
Motor vehicles	1,244	61	–	–	77	1,382
Motor vehicles acquired under hire-purchase	451	94	(141)	–	(77)	327
Furniture, fittings and equipment	1,879	155	(8)	(4)	–	2,022
Site office and signboards	265	22	–	–	–	287
Renovations	201	–	–	–	–	201
	5,164	424	(149)	(8)	–	5,431



## Notes To The Financial Statements (Cont'd)

31 December 2006

## 6. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	Balance as at 1.1.2005 RM'000	Additions RM'000	Disposals/ Written off RM'000	Reclassi- fication RM'000	Balance as at 31.12.2005 RM'000
<b>2005</b>					
<b>At cost</b>					
Freehold land	10	–	–	(10)	–
Buildings	1,177	–	(488)	10	699
Plant and machinery	684	11	–	–	695
Plant and machinery acquired under hire-purchase	426	–	–	–	426
Motor vehicles	1,261	–	(60)	70	1,271
Motor vehicles acquired under hire-purchase	681	–	–	(70)	611
Furniture, fittings and equipment	2,472	20	(4)	–	2,488
Site office and signboards	304	–	–	–	304
Renovations	201	–	–	–	201
	7,216	31	(552)	–	6,695

	Balance as at 1.1.2005 RM'000	Charge for the financial year RM'000	Disposals/ Written off RM'000	Reclassi- fication RM'000	Balance as at 31.12.2005 RM'000
<b>Accumulated depreciation</b>					
Buildings	444	13	(154)	–	303
Plant and machinery	557	86	–	–	643
Plant and machinery acquired under hire-purchase	120	58	–	–	178
Motor vehicles	1,210	29	(37)	42	1,244
Motor vehicles acquired under hire-purchase	371	122	–	(42)	451
Furniture, fittings and equipment	1,729	154	(4)	–	1,879
Site office and signboards	243	22	–	–	265
Renovations	200	1	–	–	201
	4,874	485	(195)	–	5,164

Company	Balance as at 1.1.2006 RM'000	Additions RM'000	Disposal RM'000	Balance as at 31.12.2006 RM'000
<b>2006</b>				
<b>At cost</b>				
Motor vehicles	405	130	–	535
Motor vehicles acquired under hire-purchase	204	–	(141)	63
Furniture, fittings and equipment	1,017	9	(8)	1,018
Renovations	27	–	–	27
	1,653	139	(149)	1,643

## Notes To The Financial Statements (Cont'd)

31 December 2006

## 6. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Balance as at 1.1.2006 RM'000	Charge for the financial year RM'000	Disposal RM'000	Balance as at 31.12.2006 RM'000
<b>2006</b>				
<b>Accumulated depreciation</b>				
Motor vehicles	391	40	–	431
Motor vehicles acquired under hire-purchase	192	12	(141)	63
Furniture, fittings and equipment	695	93	(8)	780
Renovations	27	–	–	27
	1,305	145	(149)	1,301

Company	Balance as at 1.1.2005 RM'000	Additions RM'000	Reclassi- fication RM'000	Balance as at 31.12.2005 RM'000
<b>2005</b>				
<b>At cost</b>				
Motor vehicles	335	–	70	405
Motor vehicles acquired under hire-purchase	274	–	(70)	204
Furniture, fittings and equipment	1,016	1	–	1,017
Renovations	27	–	–	27
	1,652	1	–	1,653

	Balance as at 1.1.2005 RM'000	Charge for the financial year RM'000	Reclassi- fication RM'000	Balance as at 31.12.2005 RM'000
<b>Accumulated depreciation</b>				
Motor vehicles	335	14	42	391
Motor vehicles acquired under hire-purchase	193	41	(42)	192
Furniture, fittings and equipment	603	92	–	695
Renovations	27	–	–	27
	1,158	147	–	1,305

## Notes To The Financial Statements (Cont'd)

31 December 2006

## 6. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Net book value</b>				
Freehold land	–	–	–	–
Buildings	382	396	–	–
Plant and machinery	193	52	–	–
Plant and machinery acquired under hire-purchase	21	248	–	–
Motor vehicles	135	27	104	14
Motor vehicles acquired under hire-purchase	66	160	–	12
Furniture, fittings and equipment	485	609	238	322
Site office and signboards	19	39	–	–
Renovations	–	–	–	–
	1,301	1,531	342	348

Certain freehold land and buildings of the Group with net book value amounting to RM381,665 (2005: RM395,500) are pledged to secure term loan facilities granted to the Group.

## 7. INVESTMENT PROPERTIES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Freehold land, at cost</b>				
Balance as at 1 January	117,238	118,989	90,757	92,379
Less: Disposals	(57,035)	(1,751)	(86,432)	(1,622)
Balance as at 31 December	60,203	117,238	4,325	90,757
<b>Development expenditure</b>				
Balance as at 1 January	22,098	24,278	15,952	16,015
Additions	41	45	9	45
Less: Disposals	(3,728)	(2,225)	(7,847)	(108)
Balance as at 31 December	18,411	22,098	8,114	15,952
	78,614	139,336	12,439	106,709
<b>Less: Accumulated impairment losses</b>				
Balance as at 1 January	24,516	25,344	–	–
Reversal arising from disposal	(600)	(828)	–	–
Balance as at 31 December	(23,916)	(24,516)	–	–
	54,698	114,820	12,439	106,709

## Notes To The Financial Statements (Cont'd)

31 December 2006

**7. INVESTMENT PROPERTIES (Continued)**

Certain freehold land amounting to approximately RM15,146,000 (2005: RM15,828,000) have been charged to secure term loans and bank overdraft facilities granted to the Group as disclosed in Note 19.

The investment properties of the Group and of the Company were appraised by independent firms of professional valuer based on open market value in 2004. These properties are classified as investment properties so as to reflect the management's intention of holding these properties for investment purposes and for capital appreciation. Based on the prevailing market information that is currently available and the property survey report compiled by independent professional valuers, the directors are of the view that the fair values of the investment properties held at the balance sheet date are not significantly different from the carrying amount shown in the financial statements at the balance sheet date.

**8. LAND HELD FOR PROPERTY DEVELOPMENT**

	<b>Group</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Freehold land, at cost</b>		
Balance as at 1 January	120,962	121,842
Additions during the financial year	56,504	–
Add: Reclassify from investment properties	–	4,677
Less: Transfer to development properties (Note 12)	(2,146)	(2,735)
Disposals during the financial year	(1,364)	(2,822)
Balance as at 31 December	173,956	120,962
<b>Leasehold land, at cost</b>		
Balance as at 1 January	9,765	12,207
Less: Disposals during the financial year	–	(2,442)
Balance as at 31 December	9,765	9,765
<b>Development expenditure</b>		
Balance as at 1 January	10,510	13,251
Additions during the financial year	2,496	–
Add: Reclassify from investment properties	–	425
Less: Transfer to development properties (Note 12)	(595)	(777)
Disposals during the financial year	(344)	(2,389)
Balance as at 31 December	12,067	10,510
	195,788	141,237
<b>Less: Accumulated impairment losses</b>		
Balance as at 1 January	30,037	28,737
Adjustment on disposal	–	1,300
Balance as at 31 December	(30,037)	(30,037)
	165,751	111,200

Certain freehold land amounting to approximately RM76,970,000 (2005: RM76,970,000) are pledged to financial institutions to secure term loans and bank overdraft facilities granted to the Company and the Group.

The long term leasehold land consist of parcels of land in Klang, Selangor, Malaysia which are held for long term property development. Certain leasehold land amounting to approximately RM6,242,000 (2005: RM6,242,000) are pledged to secure term loan facilities granted to the Group.

## Notes To The Financial Statements (Cont'd)

31 December 2006

## 9. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2006	2005
	RM'000	RM'000
Unquoted shares, at cost	222,034	222,034
Less: Accumulated impairment losses	(136,509)	(136,396)
	85,525	85,638

The details of the subsidiary companies are as follows:

Name of company	Country of incorporation	Interest in equity held by				Principal activities
		Company		Subsidiary companies		
		2006 %	2005 %	2006 %	2005 %	
Subsidiaries						
Menang Development (M) Sdn. Bhd.	Malaysia	100	100	–	–	Property development
Menang Leasing and Credit (M) Sdn. Bhd.	Malaysia	100	100	–	–	Leasing and hire-purchase
Menang Management Services (M) Sdn. Bhd.	Malaysia	100	100	–	–	Management services
Menang Properties (M) Sdn. Bhd.	Malaysia	100	100	–	–	Property investment
Menang Aquatics Sdn. Bhd.	Malaysia	100	100	–	–	Investment holding and under-taking of landscaping projects
Menang Construction (M) Sdn. Bhd.	Malaysia	100	100	–	–	Property construction
Equitiplus Sdn. Bhd.	Malaysia	100	100	–	–	Investment holding
Hitung Panjang Sdn. Bhd.*	Malaysia	100	100	–	–	Investment holding
Temeris Holdings Sdn. Bhd.	Malaysia	100	100	–	–	Property investment
Menang Industries (M) Sdn. Bhd.	Malaysia	100	100	–	–	Dormant
Menang Plantations (M) Sdn. Bhd.	Malaysia	100	100	–	–	Dormant
Seremban 3 Paradise Valley Golf Resort Sdn. Bhd.*	Malaysia	100	100	–	–	Operating recreational facilities

## Notes To The Financial Statements (Cont'd)

31 December 2006

## 9. INVESTMENT IN SUBSIDIARY COMPANIES (Continued)

Name of company	Country of incorporation	Interest in equity held by				Principal activities
		Company 2006 %	Company 2005 %	Subsidiary companies 2006 %	Subsidiary companies 2005 %	
Subsidiary company of Hitung Panjang Sdn. Bhd.						
Maztri Padu Sdn. Bhd.*	Malaysia	50	50	50	50	Property development
Subsidiary company of Menang Leasing and Credit (M) Sdn. Bhd.						
Menang Finservices (M) Sdn. Bhd.	Malaysia	–	–	100	100	Licensed money-lender
Subsidiary company of Menang Land (M) Sdn. Bhd.						
Menang Saujana Sdn. Bhd.	Malaysia	49.50	49.50	50.50	50.50	Property development
Subsidiary company of Menang Aquatics Sdn. Bhd.						
Menang Greens Sdn. Bhd.	Malaysia	–	–	100	100	Landscaping and turf farming
Subsidiary companies of Equitiplus Sdn. Bhd.						
Harapan Akuarium (M) Sdn. Bhd.	Malaysia	–	–	100	100	Investment holding and investment trading
Menang Equities (M) Sdn. Bhd.	Malaysia	–	–	100	100	Investment holding and investment trading
Subsidiary company of Temeris Holdings Sdn. Bhd.						
Temeris Resorts Development Sdn. Bhd.	Malaysia	–	–	100	100	Property development
Subsidiary companies of Menang Development (M) Sdn. Bhd.						
Menang Land (M) Sdn. Bhd.	Malaysia	0.02	0.02	99.98	99.98	Investment holding
Twin Version Sdn. Bhd.*	Malaysia	–	–	100	100	Investment holding
Charisma Cheer Sdn. Bhd.*	Malaysia	–	–	100	100	Investment holding

\* Subsidiary companies not audited by BDO Binder.

## Notes To The Financial Statements (Cont'd)

31 December 2006

## 9. INVESTMENT IN SUBSIDIARY COMPANIES (Continued)

**Acquisition of subsidiary company**

In the previous financial year, the Company increased its investment in its 100% owned subsidiary, Seremban 3 Paradise Valley Golf Resort Sdn. Bhd., by subscribing to an additional 3,099,998 ordinary shares of RM1.00 each at par via debt capitalisation.

There is no effect on the additional investment made in the previous financial year in the Group's financial results and financial position at the end of the previous financial year.

## 10. INVESTMENT IN AN ASSOCIATED COMPANY

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Unquoted shares, at cost	5,023	5,023	5,023	5,023
Share of post-acquisition profits (net of dividend received)	4,413	3,943	–	–
Disposal during the year	(9,436)	–	(5,023)	–
	–	8,966	–	5,023

	Company	
	2006 RM'000	2005 RM'000
Represented by:		
Group's share of net assets	–	8,966

The detail of the associated company is as follows:

Name of company	Country of Incorporation	Effective ownership interest		Principal activities
		2006 %	2005 %	
Hicom Menang Properties Sdn. Bhd.	Malaysia	–	49	Property development and rental of car park buildings

The summarised financial information of the associated are as follows:

	31.5.2006* RM'000	31.12.2005 RM'000
<b>Assets and liabilities</b>		
Non-current assets	176	1,036
Current assets	25,488	29,795
Total assets	25,664	30,831
Non-current liabilities	–	–
Current liabilities	6,659	12,786
Total liabilities	6,659	12,786

## Notes To The Financial Statements (Cont'd)

31 December 2006

## 10. INVESTMENT IN AN ASSOCIATED COMPANY (Continued)

	1.1.2006 to 31.5.2006* RM'000	1.1.2005 to 31.12.2005 RM'000
<b>Results</b>		
Revenue	35,500	8,810
Profit after tax	14,999	2,488

\* Date of disposal

## 11. OTHER INVESTMENT

	Group 2006 RM'000	2005 RM'000
Shares quoted in Malaysia, at cost	2	2
Market value of quoted shares	6	3

The fair value of quoted investment at the balance sheet date approximate their market values.

## 12. DEVELOPMENT PROPERTIES

	Group 2006 RM'000	2005 RM'000
<b>Freehold land, at cost</b>		
Balance as at 1 January	56,217	44,386
Add: Transfer from investment properties	–	9,096
Transfer from land held for property development (Note 8)	2,146	2,735
Less: Disposal during the financial year	(469)	–
Balance as at 31 December	57,894	56,217
<b>Development expenditure</b>		
Balance as at 1 January	6,035	4,736
Addition during the financial year	2,909	343
Add: Transfer from investment properties	–	179
Transfer from land held for property development (Note 8)	595	777
Less: Disposal during the financial year	(177)	–
Over accrual of premium on land conversion	(2,883)	–
Balance as at 31 December	6,479	6,035
	64,373	62,252



## Notes To The Financial Statements (Cont'd)

31 December 2006

## 13. INVENTORIES

	Group	
	2006 RM'000	2005 RM'000
<b>At cost</b>		
Completed properties	6,024	7,769
Plants and shrubs	156	156
Food and beverages	10	14
	<hr/> 6,190	<hr/> 7,939

Certain completed properties amounting to approximately RM1,499,000 (2005: RM1,499,000) have been charged to secure term loan facility granted to the Group.

## 14. TRADE RECEIVABLES

The credit terms of trade receivables range from 30 to 60 days from date of invoice.

## 15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENT

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Other receivables	2,746	856	272	–
Deposits	390	390	19	19
Prepayments	154	204	35	33
	<hr/> 3,290	<hr/> 1,450	<hr/> 326	<hr/> 52

Included in other receivables of the Group at balance sheet date are amount owing by third party of RM1,513,000 in respect of the disposal of entire equity interest in an associated company.

## 16. AMOUNTS OWING BY SUBSIDIARY COMPANIES

	Company	
	2006 RM'000	2005 RM'000
Amounts owing by subsidiary companies	195,954	90,471
Less: Allowance for doubtful debts	(45,350)	(44,256)
	<hr/> 150,604	<hr/> 46,215

The amounts owing by subsidiary companies represent advances and payments made on behalf which are unsecured, interest-free and have no fixed terms of repayment except for amounts of approximately RM184 million (2005: RM79 million) which bear interest ranging from 0.5% to 0.9% (2005: 0.5% to 4.0%) per annum.

## Notes To The Financial Statements (Cont'd)

31 December 2006

## 17. SHARE CAPITAL

	Group and Company			
	2006		2005	
	Number of shares '000	RM'000	Number of shares '000	RM'000
Ordinary shares of RM1.00 each:				
Authorised	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid	267,107	267,107	267,107	267,107

17.1 There was no exercise by the registered holders of the warrants to subscribe for new ordinary shares in the Company during the financial year.

17.2 Upon issuance of the Redeemable Convertible Secured Loan Stocks ("RCLS"), as disclosed in Note 21 to the financial statements, the two Scheme Creditors have the rights to convert as at 31 December 2006, 11,625,449 RCLS at a conversion ratio of one (1) new ordinary share of RM1.00 each in the Company for every RM1.00 nominal value of RCLS as per terms and conditions stipulated under the loan stock agreement dated 13 March 2002.

17.3 The Employees' Share Option Scheme ("ESOS") of the Company was approved by the Securities Commission ("SC") on 1 November 2001 and subsequently approved by shareholders at an Extraordinary General Meeting on 15 January 2002. The ESOS shall be in force for a period of 5 years effective from 24 January 2002 to 23 January 2007.

On 26 December 2006, the Company has decided to extend its existing ESOS which is expiring on 23 January 2007 for another five (5) years effective from 24 January 2007 up to and including 23 January 2012.

The details of options granted to subscribe for shares which were outstanding as at 31 December 2006 are as follows:

Exercise period	Subscription price RM	- Number of options over ordinary shares of RM1.00 each -			
		Balance as at 1.1.2006	Offered and accepted	Lapsed due to resignation	Balance as at 31.12.2006
25.1.2002 - 23.1.2007	1.00	12,595,000	-	(122,000)	12,473,000
4.3.2002 - 23.1.2007	1.00	38,000	-	(38,000)	-
2.5.2002 - 23.1.2007	1.00	10,000	-	-	10,000
7.11.2002 - 23.1.2007	1.00	312,000	-	-	312,000
10.1.2003 - 23.1.2007	1.00	257,000	-	(111,000)	146,000
18.2.2003 - 23.1.2007	1.00	21,000	-	(21,000)	-
25.2.2004 - 23.1.2007	1.00	671,000	-	(50,000)	621,000
7.1.2005 - 23.1.2007	1.00	1,753,000	-	-	1,753,000
21.2.2005 - 23.1.2007	1.00	465,000	-	(293,000)	172,000
		16,122,000	-	(635,000)	15,487,000

## Notes To The Financial Statements (Cont'd)

31 December 2006

**17. SHARE CAPITAL (Continued)**

The consideration is payable in full on application.

The salient features of the ESOS are as follows:

- (i) the maximum number of ordinary shares to be issued and allotted by the Company under the ESOS as approved by the SC shall not exceed ten percent (10%) of the total issued and paid-up share capital of the Company at any point in time during the duration of the ESOS;
- (ii) Executive Directors and eligible employees are those who have been confirmed in writing as employees of the Group on or prior to the date of the offer;
- (iii) the option is personal to the grantee and shall not be transferred, assigned or disposed of by the grantee save and except in the event of the death of the grantee as provided under Bye-Law 14.6;
- (iv) no offer shall be made to any executive director of the Company unless such offer and the related allotment of shares have previously been approved by the shareholders of the Company in general meeting;
- (v) the subscription price at which the employees are offered to take up shares under the ESOS is either at a discount of not more than ten percent (10%) from the weighted average market price of the shares as shown in the daily official list issued by Bursa Malaysia Securities Berhad for five (5) market days immediately preceding the date of offer or at par value of the shares of the Company of RM1.00, whichever is higher;
- (vi) the options granted may be exercised at any time within the option period and the option may be fully exercised after the acceptance under Bye-Law 10.1; and
- (vii) the options granted may be exercised in full or in lesser number of ordinary shares provided that the number shall be in multiples of 1,000 shares.

**18. RESERVES**

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Non-distributable:				
Capital reserve arising from warrants issue	960	960	960	960
Distributable:				
Accumulated losses	(87,329)	(77,780)	(44,063)	(51,089)
	(86,369)	(76,820)	(43,103)	(50,129)

The Warrants issue relates to the balance of the amount from the issuance of 40,070,400 new warrants 2001/2011 at an issue price of RM0.10 per warrant under the Restructuring Scheme in previous years.

## Notes To The Financial Statements (Cont'd)

31 December 2006

## 19. BORROWINGS (INTEREST BEARING)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Current liabilities</b>				
Term loans - secured				
- Al-Bai Bithaman Ajil loan	39,151	5,922	-	-
- Other term loans	42,419	43,078	3,407	3,234
	81,570	49,000	3,407	3,234
Bank overdraft - secured	529	1,184	529	1,184
Hire-purchase creditors	67	180	8	15
	82,166	50,364	3,944	4,433
<b>Non-current liabilities</b>				
Term loans - secured				
- Al-Bai Bithaman Ajil loan	-	30,844	-	-
Hire-purchase creditors	115	183	10	18
	115	31,027	10	18
	82,281	81,391	3,954	4,451
<b>Total borrowings</b>				
Al-Bai Bithaman Ajil loan (Note 19.1)	39,151	36,766	-	-
Other term loans (Note 19.2)	42,419	43,078	3,407	3,234
Bank overdraft - secured (Note 19.3)	529	1,184	529	1,184
Hire-purchase creditors (Note 20)	182	363	18	33
	82,281	81,391	3,954	4,451

The maturity profile and the exposure of borrowings of the Group and of the Company as at balance sheet date (excluding hire-purchase liabilities) are as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Repayable as follows:				
Current liabilities:				
- not later than one year	82,099	50,184	3,936	4,418
Non-current liabilities				
- later than one year and not later than five years	-	30,844	-	-
	82,099	81,028	3,936	4,418

## Notes To The Financial Statements (Cont'd)

31 December 2006

## 19. BORROWINGS (INTEREST BEARING) (Continued)

## Terms and debt repayment schedule

- 19.1 The Al-Bai Bithaman Ajil facility is repayable within 7 years from drawdown date and was due in full in 2003. Negotiation to restructure the facility has been ongoing and offer letters were received from the financial institution dated 30 August 2000, 6 June 2001 and 29 December 2004 respectively. The facility are now currently under negotiation with the financial institutions for settlement arrangement pending disposal of the development properties charged to the facility.

The total profit of the loan for the whole duration is RM11,759,634 (2005: RM11,759,634). Subsequent to 2003, the Group has accrued profit on the Al-Bai Bithaman Ajil facility of which during the financial year, an amount of approximately RM2.485 million (2005: RM2.485 million) was charged to the income statement.

The Al-Bai Bithaman Ajil facility is secured by way of legal charges over certain land held for property development of a subsidiary company and corporate guarantee by the Company. The term loan is subject to a profit equivalent to yield rate of 9.13% (2005: 11%) per annum.

- 19.2 The other term loans comprise the following:-

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Term loan I	10,300	9,342	—	—
Term loan II	28,712	30,502	—	—
Term loan III	1,141	1,134	1,141	1,134
Term loan IV	2,266	2,100	2,266	2,100
	42,419	43,078	3,407	3,234

The term loan I and II is payable in full by 28 April 2006. The term loan I and II are now currently under negotiation with the financial institutions for settlement arrangement pending disposal of land held for property development and investment properties charged to the term loan I and II.

The term loan III is payable in full as at 31 December 2006. The term loan III is now currently under negotiation with the financial institution for settlement arrangement pending disposal of certain properties charged to the term loan III.

The term loan IV is payable in full as at 31 December 2006. The term loan IV is now currently under negotiation with the bank for settlement arrangement pending disposal of certain properties charged to the term loan IV.

On 15 March 2007, the bank through its solicitor has served a writ of summon and statement of claims against the Company to recover the term loan IV which has been defaulted.

No expected loss on major operational impact are anticipated from this claim as the Company's underlying securities for the term loan IV is far in excess of the indebtedness amount.

These term loans with financial institutions are secured by way of charges on certain properties of the Company and a subsidiary company. The interest rate charged ranges from 8.75% to 9.70% (2005: 8.50% to 9.70%) per annum.

The Company had received the letter of demand on 29 September 2006 in respect of Term loan I and II and it is currently under negotiation with the financial institution for settlement arrangement.

- 19.3 The bank overdrafts of the Group and of the Company are secured by way of legal charge over certain properties of subsidiary companies. The interest rate charged is 10.25% (2005: 9.75%) per annum.

## Notes To The Financial Statements (Cont'd)

31 December 2006

## 20. HIRE-PURCHASE CREDITORS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Minimum hire-purchase payments:				
- not later than one year	82	203	11	19
- later than one year and not later than five years	145	227	13	24
	227	430	24	43
Less: Future interest charges	(45)	(67)	(6)	(10)
Present value of hire-purchase and liabilities	182	363	18	33
Repayable as follows:				
Current liabilities				
- not later than one year	67	180	8	15
Non-current liabilities:				
- later than one year and not later than five years	115	183	10	18
	182	363	18	33

## 21. REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS

	Group and Company	
	2006 RM'000	2005 RM'000
Balance as at 1 January	11,625	13,841
Repayments during the financial year	-	(2,216)
Balance as at 31 December	11,625	11,625

The Redeemable Convertible Secured Loan Stocks ("RCLS") have been issued to the Scheme Creditors on 13 March 2002 pursuant to the Schemes of Arrangement of the Restructuring Scheme in 2002.

The Schemes of Arrangement comprise, inter alia, the following main features:

- The issuance of 36,935,860 8% 5-year RCLS by the Company to two of the Scheme Creditors on the basis of RM1.00 of debt for RM1.00 in nominal value of RCLS. The RCLS issued is conditional upon a Put and Call Options Agreement between a substantial shareholder, Maymerge (M) Sdn. Bhd. ("Maymerge") with the two Scheme Creditors; and
- Rescheduling the terms of repayment of the debt outstanding with the third Scheme Creditor which is not participating in the RCLS Issue.

Maymerge entered into the Put and Call Options Agreement with these Scheme Creditors on 13 December 2001. Y. Bhg. Dato' Abdul Mokhtar Ahmad, Y. Bhg. Dato' Shun Leong Kwong and Y. Bhg. Datin Mariam Eusoff, who are also directors and substantial shareholders of Maymerge are deemed to have interests in the RCLS issued by virtue of the Put and Call Options.

## Notes To The Financial Statements (Cont'd)

31 December 2006

**21. REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS (Continued)**

The two Scheme Creditors entered into a Loan Stocks Agreement with the Company on 13 December 2001 for the RCLS Loan Covenant. The Loan Stocks Agreement has imposed, inter alia, the following covenants to the Company:

- (a) The Company should procure that, except with the written consent of the Scheme Creditors and so long as any of the RCLS remains outstanding, neither the Company nor its subsidiaries will borrow any sum or sums if the borrowings thereof would have the effect that the total borrowings exceed or would exceed one point two five (1.25) times the amount of Shareholders' Funds of the Group as disclosed by the latest Group balance sheet.
- (b) The Company may declare dividends provided such dividends declared shall not exceed 30% of the profit after tax of the Group for that financial year on a non-cumulative basis as reflected in its latest audited financial statements, and there are no losses reported for that financial year and no overdue interest which is unpaid on any of the RCLS pursuant to the Agreement.

The RCLS have the following salient features:

- (a) Prior to conversion of the RCLS to ordinary shares or their redemption, the holders of the RCLS will be entitled *pari passu* to interest at 8.0% per annum payable semi-annually.
- (b) Conversion rights

Each registered holder of the RCLS shall have a right to convert at the Conversion Ratio such amount of RCLS into fully paid-up ordinary shares in the Company on the basis of RM1.00 in nominal value of RCLS for one (1) new ordinary share of RM1.00 each in the Company at any time during the conversion period.

The new ordinary shares to be issued from the conversion of the RCLS shall rank *pari passu* with all existing ordinary shares of the Company.

Unless converted, the RCLS will be redeemable in accordance with the terms set out below.

- (c) Redemption of RCLS

The RCLS will be redeemable in part or in full at the option of the Company from the date of issue. In any event, any RCLS not redeemed or converted within two (2) years from the date of issue will be redeemable by the Company on the following basis:

End of year	Redemption Ratio of RCLS Issued
3	20%
4	30%
5	50%

In determining the number of RCLS to be redeemed at the end of the respective anniversary, the Company shall take into account the number of RCLS exercised under the Put and Call Options, converted or redeemed up to the end of the period.

- (d) Where the Company redeems only part of the RCLS outstanding whether at its option at any time during the redemption period or on the basis set out above after the lapse of two (2) years from the date of issue, the number of RCLS redeemed from each holder shall apply in proportion to the holding of each RCLS holder.

As at 31 December 2006, none of the 11,625,449 RCLS of RM1.00 each have been converted into ordinary shares of the Company.

On 13 March 2007, the Company has defaulted on its principal and interest obligation to its RCLS holder amounting to RM3,577,204. The RCLS are currently under negotiation with the holder for settlement arrangement and on 11 April 2007 settlement has been agreed for revised repayment schedule to be made in 3 tranches of RM1.2 million each on 30 June 2007, 30 September 2007 and 31 December 2007.

## Notes To The Financial Statements (Cont'd)

31 December 2006

### 22. DEFERRED TAX

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

	Group	
	2006 RM'000	2005 RM'000
Balance as at 1 January	2,732	3,356
Recognised in the income statement	–	(624)
Balance as at 31 December	2,732	2,732

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

	Group	
	2006 RM'000	2005 RM'000
Balance as at 1 January	2,732	3,356
Fair value adjustments on revaluation of land	–	(624)
Balance as at 31 December	2,732	2,732

- (c) The components of deferred tax liabilities as at the end of the financial year comprise tax effect of:

	Group	
	2006 RM'000	2005 RM'000
Fair value adjustments on revaluation of land	2,732	2,732

- (d) The amount of temporary differences for which no deferred tax assets has been recognised in the balance sheet is as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Unutilised tax losses	121,821	110,355	31,263	32,309
Unabsorbed capital allowances	1,214	1,220	–	480
Impairment losses on land held for property development	39,527	39,527	–	–
Others	641	498	–	–
	163,203	151,600	31,263	32,789

Deferred tax assets have not been recognised in respect of these items as it is not probable that future taxable profit will be available against which the deductible temporary differences can be utilised.



**Notes To The Financial Statements** (Cont'd)

31 December 2006

**23. TRADE PAYABLES**

	<b>Group</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Trade payables	408	575
Retention sum	204	683
	<b>612</b>	<b>1,258</b>

The credit terms of trade payables range from 30 to 60 days from date of invoice.

**24. OTHER PAYABLES AND ACCRUALS**

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Other payables	2,932	3,654	36	1,179
Accruals	13,519	12,843	2,099	1,684
Deposits	60	182	–	119
Amounts owing to corporate shareholders	649	2,470	–	–
Amounts owing to directors	1,590	2,772	292	513
	<b>18,750</b>	<b>21,921</b>	<b>2,427</b>	<b>3,495</b>

Included in other payables of the Group is third party loan amounted to RM2,640,000 (2005: RM2,200,000) which are secured against the Group's certain landed properties, bear interest at 2% (2005: 2%) per month and in the event extension of the third party loan is not approve, it is repayable by semi-annually of each subsequent drawdown of each tranche.

Included in accruals are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Conversion premium to convert Seremban 3 land from agriculture land to residential and commercial land	7,253	9,064	–	–
Interest payable on Redeemable Convertible Secured Loan Stocks	1,261	606	1,261	606

The amounts owing to corporate shareholders represent advances and payments made on behalf which are unsecured, bear interest at 9.65% (2005: 9.40%) per annum and repayable upon demand.

The amounts owing to directors represent salaries payable and advances from directors which are unsecured, interest-free and repayable upon demand.

**25. AMOUNTS OWING TO SUBSIDIARY COMPANIES**

The amounts owing to subsidiary companies represent advances and payments made on behalf which are unsecured, interest-free and repayable upon demand.

## Notes To The Financial Statements (Cont'd)

31 December 2006

## 26. REVENUE

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Sale of properties	17,827	20,202	–	–
Dividend income	–	–	9,555	17,150
Management fees	89	98	18	18
Income from recreational facilities	727	1,397	–	–
	18,643	21,697	9,573	17,168

## 27. COST OF SALES

	Group	
	2006 RM'000	2005 RM'000
Cost of properties sold	14,435	18,111
Cost of services	1,012	1,518
	15,447	19,629

## 28. (LOSS)/PROFIT BEFORE TAX

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
(Loss)/Profit before tax is arrived at after charging:				
Allowance for doubtful debts	–	–	1,094	294
Auditors' remuneration				
- current year	60	57	18	17
- under provision in prior year	1	1	–	–
Bad debts written off	–	4	–	–
Directors' remuneration				
- emoluments	1,616	1,648	181	184
- other emolument	423	456	–	20
- fees	30	29	30	29
Depreciation of property, plant and equipment:-				
- the Group/Company	424	485	145	147
- joint venture	7	4	–	–
Deferred liability charges (Note 19.1)	2,485	2,485	–	–
Interest expenses on:				
- Redeemable Convertible Secured Loan Stocks	930	987	930	987
- term loans	4,384	4,156	273	430
- bank overdrafts	90	283	90	283
- hire-purchase	25	37	5	8
- other loans	939	557	10	111
Property, plant and equipment written off	12	334	–	–
Rental expense payable to:				
- certain directors	26	–	–	–
- others	264	250	–	–
Rental of equipment	5	5	–	–
Impairment losses on investment in subsidiaries	–	–	113	3,093
Loss on disposal of associated company	400	–	–	–

## Notes To The Financial Statements (Cont'd)

31 December 2006

## 28. (LOSS)/PROFIT BEFORE TAX (Continued)

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
And crediting:				
Dividend income received from an associated company	–	–	9,555	17,150
Interest income:				
- from subsidiary companies	–	–	1,267	1,569
- others	137	102	–	–
Management fee receivable from subsidiary company	–	–	18	18
Rental income on buildings	158	176	–	–
Gain on disposal of investment properties	677	80	677	–
Gain on disposal of property, plant and equipment	61	8	61	–
Gain on disposal of associated company	–	–	2,541	–

The estimated monetary value of benefit-in-kind received by the directors otherwise than in cash from the Group and the Company amounted to RM140,765 and RM140,765 (2005: RM137,000 and RM137,000) respectively.

## 29. TAX EXPENSE

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Current year tax expense	–	–	2,936	4,802
(Over)/Under provision in prior year	–	–	(444)	1,222
	–	–	2,492	6,024

The numerical reconciliation between the average effective tax rate and the applicable tax rate of the Company are as follows:

	Company	
	2006	2005
	%	%
Applicable tax rate	28	28
Non-allowable expenses	8	15
Utilisation of previously unrecognised deferred tax assets	(5)	–
(Over)/Under provision in prior year	(5)	11
	26	54

Tax savings of the Group and of the Company are as follows:

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Arising from				
- utilisation of tax losses brought forward	293	1	293	–
- utilisation of capital allowance	134	2	134	–

Subject to agreement of the Inland Revenue Board, the Company has unutilised tax losses and unabsorbed capital allowances of approximately RM31,263,000 and RM Nil (2005: RM32,309,000 and RM480,000) respectively which are available for set off against future taxable income.

## Notes To The Financial Statements (Cont'd)

31 December 2006

## 30. LOSS PER SHARE

## (a) Loss per ordinary share

Loss per ordinary share of the Group is calculated by dividing the net loss for the financial year of approximately RM9,549,000 (2005: RM17,253,000) by the number of ordinary shares in issue during the financial year of approximately 267,107,000 (2005: 267,107,000).

	Group	
	2006 RM'000	2005 RM'000
Net loss for the financial year (RM'000)	9,549	17,253
Number of ordinary shares ('000)	267,107	267,107
Loss per ordinary share (sen)	3.57	6.46

## (b) Diluted loss per share

Under the FRS 133 on Earnings Per Share, the warrants of 40,070,400 issue (Note 17.1), exercise or options over shares under Employees' Share Option Scheme (Note 17.3) and the assumed conversion from the Redeemable Convertible Secured Loan Stock (Note 21) would be antidilutive, and the diluted loss per share figures are therefore not shown.

## 31. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Cash and bank balances	883	844	7	1
Bank overdrafts	(529)	(1,184)	(529)	(1,184)
	354	(340)	(522)	(1,183)

## 32. SEGMENT INFORMATION

## Business segments

The Group's operations comprise the following business segments:

Property development	:	Development of residential and commercial properties.
Project management and investment holding	:	Investment holding, letting out of properties and provision for management services.
Credit, leasing and trading	:	Licensed money lender and insurance agent, undertaking of landscaping projects and turf farming, and operating recreational facilities.

## Notes To The Financial Statements (Cont'd)

31 December 2006

## 32. SEGMENT INFORMATION (Continued)

	Project management and investment holding		Property development		Credit, leasing and trading		Eliminations		Consolidation	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Business segments</b>										
Revenue from external customers	89	98	17,827	20,202	727	1,397	-	-	18,643	21,697
Inter-segment revenue	9,573	17,168	-	-	2	1	(9,575)	(17,169)	-	-
<b>Total revenue</b>	<b>9,662</b>	<b>17,266</b>	<b>17,827</b>	<b>20,202</b>	<b>729</b>	<b>1,398</b>	<b>(9,575)</b>	<b>(17,169)</b>	<b>18,643</b>	<b>21,697</b>
<b>Segment results</b>	<b>(2,910)</b>	<b>(2,377)</b>	<b>(4,472)</b>	<b>(6,848)</b>	<b>(801)</b>	<b>(852)</b>	<b>-</b>	<b>-</b>	<b>(8,183)</b>	<b>(10,077)</b>
Interest expense									(8,853)	(8,506)
Interest income									137	102
Share of profit in an associated company	-	-	7,350	1,228	-	-	-	-	7,350	1,228
<b>Loss before tax</b>									<b>(9,549)</b>	<b>(17,253)</b>
Tax expense									-	-
<b>Net loss for the financial year</b>									<b>(9,549)</b>	<b>(17,253)</b>
<b>Segment assets</b>	<b>19,640</b>	<b>112,078</b>	<b>276,082</b>	<b>186,769</b>	<b>1,016</b>	<b>1,401</b>	<b>-</b>	<b>-</b>	<b>296,738</b>	<b>300,248</b>
Investment in an associated company	-	-	-	8,966	-	-	-	-	-	8,966
<b>Total assets</b>									<b>296,738</b>	<b>309,214</b>
<b>Segment liabilities</b>	<b>18,601</b>	<b>20,570</b>	<b>97,240</b>	<b>98,012</b>	<b>159</b>	<b>345</b>	<b>-</b>	<b>-</b>	<b>116,000</b>	<b>118,927</b>
Capital expenditure	139	1	54	3	13	27	-	-	206	31
Depreciation	146	149	143	197	142	143	-	-	431	489
Property, plant and equipment written off	-	-	-	334	12	-	-	-	12	334

## 33. CONTINGENT LIABILITIES - SECURED

	Company	
	2006	2005
	RM'000	RM'000
Guarantee and contingencies relating to borrowings of subsidiary companies	77,748	76,196

## 34. CAPITAL COMMITMENTS

	Group	
	2006	2005
	RM'000	RM'000
Capital expenditure in respect of purchase of land held for property development		
Contracted but not provided for	15,590	15,590

## Notes To The Financial Statements (Cont'd)

31 December 2006

## 35. RELATED PARTIES DISCLOSURE

## (a) Identities of related parties

The Company has related party relationships with its direct and indirect subsidiary companies.

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

- (i) Substantial shareholder of the Company, Titian Hartanah (M) Sdn. Bhd.
- (ii) Holding company of the substantial shareholder, Maymerge (M) Sdn. Bhd.

The shareholders of the Company had approved the renewal of general mandate at Annual General Meeting held on 30 June 2006 for substantial property transactions involving directors under Section 132E of the Companies Act, 1965.

## (b) Significant related party transactions and balances

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Transaction value</b>				
Advances (to)/from Maymerge (M) Sdn. Bhd.	(1,821)	1,396	–	–
Interest payable to Maymerge (M) Sdn. Bhd.	182	179	–	–
Interest on Redeemable Convertible Secured Loan Stock payable to Maymerge (M) Sdn. Bhd.	655	655	655	655
Purchase of property, plant and equipment from companies in which certain Directors' have financial interest				
- Pakatan Laksana (M) Sdn. Bhd.	50	–	50	–
- Pelangi Citapadu (M) Sdn. Bhd.	60	–	60	–
- Tanjung Alam Sdn. Bhd.	20	–	20	–
- Capital Sanctuary Sdn. Bhd.	35	–	–	–
<b>Subsidiary companies</b>				
Management fees receivable from Seremban 3 Paradise Valley Golf Resort Sdn. Bhd.	–	–	18	18
Interest income from:-				
- Temeris Holdings Sdn. Bhd.	–	–	154	153
- Temeris Resorts Development Sdn. Bhd.	–	–	90	90
- Menang Development (M) Sdn. Bhd.	–	–	1,023	1,326
Disposal of investment properties to:-				
- Charisma Cheer Sdn. Bhd.	–	–	–	1,730
- Menang Development (M) Sdn. Bhd.	–	–	93,805	–
<b>Associated company</b>				
Dividend income from Hicom Menang Properties Sdn. Bhd.	–	–	9,555	17,150

All the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are mutually agreed with the respective party.

## Notes To The Financial Statements (Cont'd)

31 December 2006

## 35. RELATED PARTIES DISCLOSURE (Continued)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Balance outstanding in respect of non-trade transactions</b>				
Advances owing to Maymerge (M) Sdn. Bhd.	649	2,470	–	–
Subsidiary companies				
- Advances owing to	–	–	8,129	8,150
- Advances owing by	–	–	195,954	90,471
Directors				
- remuneration, fees and advances	1,590	2,772	292	513

The remuneration paid and payable to the directors of the Company for the financial year, analysed into bands of RM50,000 are as follows:

	Number of Directors	
	Executive	Non-Executive
<b>Range of remuneration (RM)</b>		
50,000 and below	3	2
200,001 to 250,000	–	1

## 36. FINANCIAL INSTRUMENTS

In respect of interest-bearing financial assets and financial liabilities, the following table indicates their effective interest rates at the balance sheet date.

	Effective annual interest rate %
<b>2006</b>	
<b>Group</b>	
<b>Financial liabilities</b>	
Secured term loans	8.75 - 9.70
Redeemable Convertible Secured Loan Stocks	8.00
Advances from corporate shareholder	9.65
Secured overdraft	10.25
<b>Company</b>	
<b>Financial assets</b>	
Advance to subsidiary companies	0.5 - 0.9
<b>Financial liabilities</b>	
Secured term loans	8.75 - 9.70
Redeemable Convertible Secured Loan Stocks	8.00
Secured overdraft	10.25

## Notes To The Financial Statements (Cont'd)

31 December 2006

## 36. FINANCIAL INSTRUMENTS (Continued)

2005	Effective annual interest rate %
<b>Group</b>	
<b>Financial liabilities</b>	
Secured term loans	8.45 - 9.40
Redeemable Convertible Secured Loan Stocks	8.00
Advances from corporate shareholder	9.40
Secured overdraft	9.50
<b>Company</b>	
<b>Financial assets</b>	
Advance to subsidiary companies	0.50 - 4.00
<b>Financial liabilities</b>	
Secured term loans	8.45 - 9.45
Redeemable Convertible Secured Loan Stocks	8.00
Secured overdraft	9.50

**(a) Fair values**

The carrying amounts of financial assets and liabilities of the Group and of the Company maturing within the next twelve months at balance sheet date approximate their fair values.

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

- (i) The carrying amounts of financial assets and liabilities maturing within 12 months approximate their fair values due to the relatively short term maturity of these financial instruments.
- (ii) The fair values of quoted investment is based on quoted market prices at the balance sheet date.
- (iii) The fair values of the financial liabilities are estimated by discounting future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

**(b) Credit risk**

The Group has no major concentration of credit risk as at 31 December 2006.

In respect of the deposits, cash and bank balances placed with major financial institutions in Malaysia, the directors believe that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

## 37. MATERIAL LITIGATION

On 25 July 2006, the Group received a writ of summons dated 11 January 2006. The Plaintiff, Pasar Parit Berhad has instituted the legal action against the Company's subsidiary company, Maztri Padu Sdn. Bhd. ("Defendant") for the losses sustained due to failure of the Plaintiff in obtaining individual strata title as to date.

The case was transferred to the High Court at Shah Alam and the matter is still pending for hearing to be fixed on a later date.

The Directors are of the view that there is no material financial impact at the balance sheet date.



## Notes To The Financial Statements (Cont'd)

31 December 2006

### 38. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

On 2 June 2005, Menang Development (M) Sdn. Bhd. ("MDSB") entered into a Novation Agreement ("the said Novation Agreement") with Tanco Land Sdn. Bhd. ("TLSB") and Pelangi Citapadu (M) Sdn. Bhd. ("PCSB") to novate the Sales and Purchase Agreement dated 9 October 2002 from PCSB to MDSB to acquire six pieces of land in Mukim of Rasah, District of Seremban, Negeri Sembilan Darul Khusus measuring approximately 40.1 acres ("Tanco Land") for a total cash consideration of RM9,000,000 including accrued interest.

On 30 December 2005, MDSB entered into a Supplemental Agreement ("the said Supplemental Agreement") with TLSB and PCSB to extend the completion date of the said Novation Agreement for three (3) months commencing from:

- (a) the validation order being obtained from the High Court under section 176(10C) of the Companies Act, 1965 for the said Novation Agreement and the said Supplemental Agreement; or
- (b) the restraining order granted by High Court under section 176(10) of the Companies Act, 1965 to Tanco Land lapses;

whichever shall be earlier provided always that the period in which item (a) or (b) occurs shall be within six (6) months from 30 December 2005 that is the date of the said Supplemental Agreement.

On 30 June 2006, the restraining order was lapsed and pursuant to the said Supplemental Agreement, the completion date was 30 September 2006. However, on 9 April 2007, MDSB entered into a Second Supplemental Agreement to extend its completion date from 1 October 2006 to 31 March 2008.

### 39. EVENT SUBSEQUENT TO BALANCE SHEET DATE

On 27 February 2007, the Company disposed of its equity interest of 490,000 ordinary shares of RM1.00 each in Menang Construction (M) Sdn. Bhd., representing 49% of the issued and paid-up capital for a total cash consideration of RM392,861.

### 40. STAFF COSTS

The total staff costs recognised in the income statements are as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Directors' remuneration other than fees				
- emoluments	1,616	1,648	181	184
- other emoluments	423	456	-	20
Salaries and wages	2,882	3,115	663	620
Defined contribution plan	331	472	83	88
Other employee benefits	430	214	100	99
	<b>5,682</b>	<b>5,905</b>	<b>1,027</b>	<b>1011</b>

## Notes To The Financial Statements (Cont'd)

31 December 2006

**41. RECLASSIFICATION OF PRIOR YEAR COMPARATIVE**

Under FRS 101, the Group's share of results of associate company is now shown net of tax. Accordingly the comparative figure for the Group's share of result of the associate company has been restated.

The following income statements comparative figures have been reclassified to conform current year's presentation:

	<b>Group</b>	
	<b>As reclassified RM'000</b>	<b>As previously reported RM'000</b>
Administration expenses	9,985	4,922
Other operating expenses	2,776	7,839

**42. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS**

These financial statements were authorised for issue by the Board of Directors on 23 April 2007.

## List Of Properties Held

As at 31 December 2006

Location	Tenure	Area (Approximately)	Existing Usage/ Description	Age of Buildings	Net Book Value RM'000	Year of Acquisition/ Revaluation
Geran No. 27973 Lot No. 2596 Mukim of Bukit Raja Daerah Klang Selangor Darul Ehsan	Freehold Land	53,413 sf	Vacant Industrial Land for Future Development	N/A	461	1998
Geran No. 27974 Lot No. 2597 Mukim of Bukit Raja Daerah Klang Selangor Darul Ehsan	Freehold Land	55,347 sf	Vacant Industrial Land for Future Development	N/A	481	1998
Geran No. 27975 Lot No. 2615 Mukim of Bukit Raja Daerah Klang Selangor Darul Ehsan	Freehold Land	72,473 sf	Vacant Industrial Land for Future Development	N/A	541	1998
Geran No. 27976 Lot No. 2616 Mukim of Bukit Raja Daerah Klang Selangor Darul Ehsan	Freehold Land	63,516 sf	Vacant Industrial Land for Future Development	N/A	521	1998
Geran No. 27917 Lot No. 48 Mukim of Bukit Raja Daerah Klang Selangor Darul Ehsan	Freehold Land	82.90 acres	Vacant Industrial Land for Future Development	N/A	17,515	1998
HSD 97332 PT 25008 Mukim of Klang Daerah Klang Selangor Darul Ehsan	Leasehold 99 Years Expiry date - 2103	27.86 acres	Vacant Industrial Land for Future Development	N/A	2,516	1998
HSD 97333 PT 50718 Mukim of Klang Daerah Klang Selangor Darul Ehsan	Leasehold 99 Years Expiry date - 2103	41.25 acres	Vacant Industrial Land for Future Development	N/A	3,726	1998
Geran No. 21944 Lot No. 20 Mukim of Ulu Bernam Daerah Ulu Selangor Selangor Darul Ehsan	Freehold Land	46.50 acres	Vacant Industrial Land for Future Development	N/A	4,856	1998
Lot No. 663, GM 3689 Mukim of Ulu Bernam Daerah Ulu Selangor Selangor Darul Ehsan	Freehold Land	10.38 acres	Vacant Industrial Land for Future Development	N/A	1,086	1998
Lot No. 889, GM 3690 Mukim of Ulu Bernam Daerah Ulu Selangor Selangor Darul Ehsan	Freehold Land	10.13 acres	Vacant Industrial Land for Future Development	N/A	1,058	1998

## List Of Properties Held (Cont'd)

As at 31 December 2006

Location	Tenure	Area (Approximately)	Existing Usage/ Description	Age of Buildings	Net Book Value RM'000	Year of Acquisition/ Revaluation
Lot 237, GM 583 Mukim of Si Rusa Daerah Port Dickson Negeri Sembilan Darul Khusus	Freehold Land	4.20 acres	Vacant Service Apartments Land for Future Development	N/A	5,000	1998
Lot 1279, CT 6441 Mukim of Si Rusa Daerah Port Dickson Negeri Sembilan Darul Khusus	Freehold Land	3.93 acres	Vacant Hotel Resort Land for Future Development	N/A	4,673	1998
665 & 666 Jalan RJ 1/15 Rasah Jaya 70300 Seremban Negeri Sembilan Darul Khusus	Freehold Land	3,600 sf	3 1/2 Storey Office Lots	24 years	382	1998
92 units of Market Stalls Mukim of Rasah, Seremban	Freehold Land	12,511 sf	Vacant Market Stalls	20 years	250	1998
24 units of 3 Storey Office Mukim of Rasah, Seremban	Freehold Land	43,758 sf	Office Lots For Rental	9 years	5,774	1998
Rasah Jaya Mukim of Rasah, Seremban Negeri Sembilan Darul Khusus	Freehold Land	8.52 acres	On Going Mixed Development Land	N/A	15,495	1998
Seremban 3 Various subdivided lots Negeri Sembilan Darul Khusus	Freehold Land	583 acres	On Going Mixed Development Land	N/A	202,420	2001
Lot 868, Geran 17863 Mukim of Rasah, Seremban Negeri Sembilan Darul Khusus	Freehold Land	2.51 acres	Residential Development Land	N/A	753	2002
Lot 642, Geran 760 Mukim of Rasah, Seremban Negeri Sembilan Darul Khusus	Freehold Land	2.63 acres	Agricultural Land	N/A	942	2003
Lot 1570, Geran 3890 Mukim of Rantau, Seremban Negeri Sembilan Darul Khusus	Freehold Land	64.84 acres	Agricultural Land	N/A	5,101	2004
Lot 776, GM 33 Mukim of Rasah, Seremban Negeri Sembilan Darul Khusus	Freehold Land	11.75 acres	Vacant Commercial Land	N/A	7,601	2004
Lot 9555 & 9556, HS (D) 125699 & 125700 Mukim of Rasah, Seremban Negeri Sembilan Darul Khusus	Freehold Land	9.93 acres	Agricultural Land	N/A	1,729	2005
Lot 661, Geran No 587 Mukim of Si Rusa Daerah Port Dickson Negeri Sembilan Darul Khusus	Freehold Land	44,100 sf	Agricultural Land	N/A	1,129	2004
Lot 996, Geran No 591 Mukim of Si Rusa Daerah Port Dickson Negeri Sembilan Darul Khusus	Freehold Land	87,121 sf	Agricultural Land	N/A	2,230	2004

## Shareholders' Information

## ANALYSIS OF SHAREHOLDINGS AS AT 4 MAY 2007

## SHARE CAPITAL

<b>Authorised Share Capital</b>	:	RM1,000,000,000.00
<b>Issued and Paid-Up Capital</b>	:	RM267,107,000.00
<b>Class of Shares</b>	:	Ordinary Shares of RM1.00 each
<b>Voting Rights</b>	:	One vote per share

## DISTRIBUTION OF SHAREHOLDERS

Size of Shareholdings	No. of Holders	%	No. of Shares of RM1.00 each	%
Less than 100	160	0.77	2,138	0.00
100 to 1,000	10,843	51.91	5,604,616	2.10
1,001 to 10,000	8,219	39.34	29,895,231	11.19
10,001 to 100,000	1,496	7.16	46,336,600	17.35
100,001 to 13,355,349	171	0.82	70,346,485	26.34
13,355,350* and above	1	0.00	114,921,930	43.02
	<b>20,890</b>	<b>100.00</b>	<b>267,107,000</b>	<b>100.00</b>

\* 5% of issued shares = 13,355,350

**SUBSTANTIAL SHAREHOLDERS (Excluding bare trustee)  
(As per Register of Substantial Shareholders)**

Name	Direct No. of Shares Held	%	Indirect No. of Shares Held	%
Dato' Abdul Mokhtar Ahmad	–	–	114,945,130 *	43.03
Dato' Shun Leong Kwong	9,400	0.00	114,945,130 *	43.03
Datin Mariam Eusoff	4,200	0.00	114,945,130 *	43.03
Maymerge (M) Sdn Bhd	1,200	0.00	114,943,930 +	43.03
Titian Hartanah (M) Sdn Bhd	114,943,930 @	43.03	–	–

\* Indirect interest through Maymerge (M) Sdn Bhd (257143-M) and Titian Hartanah (M) Sdn Bhd (271634-U) by virtue of Section 6A(4)(c) of the Companies Act, 1965

+ Indirect interest through Titian Hartanah (M) Sdn Bhd (271634-U) by virtue of Section 6A (4)(c) of the Companies Act, 1965

@ Included in this figure, 114,921,930 shares held by bare trustee, AMSEC Nominees (Tempatan) Sdn Bhd (102918-T)

## Shareholders' Information (Cont'd)

**DIRECTORS' SHAREHOLDINGS****(As per Register of Directors' Shareholdings)**

Name	Direct No. of Shares Held	%	Indirect No. of Shares Held	%
Dato' Abdul Mokhtar Ahmad in				
The Company	–	–	114,945,130 *	43.03
Maymerge (M) Sdn Bhd	118,977,400	20.00	–	–
Titian Hartanah (M) Sdn Bhd	–	–	1,000,000	100.00
Dato' Shun Leong Kwong in				
The Company	9,400	0.00	114,945,130 *	43.03
Maymerge (M) Sdn Bhd	267,699,150	45.00	–	–
Titian Hartanah (M) Sdn Bhd	–	–	1,000,000	100.00
Datin Mariam Eusoff in				
The Company	4,200	0.00	114,945,130 *	43.03
Maymerge (M) Sdn Bhd	208,210,450	35.00	–	–
Titian Hartanah (M) Sdn Bhd	–	–	1,000,000	100.00
Dr. Christopher Shun Kong Leng, CFP®, RFP™ in The Company	2,003,000	0.75	–	–
Too Kok Leng	–	–	–	–
Chiam Tau Meng	–	–	–	–

\* Indirect interest through Maymerge (M) Sdn Bhd (257143-M) and Titian Hartanah (M) Sdn Bhd by virtue of Section 6A(4)(c) of the Companies Act, 1965

## Shareholders' Information (Cont'd)

## THIRTY LARGEST SHAREHOLDERS AS AT 4 MAY 2007

	Name	No. of Shares	%
1.	AMSEC Nominees (Tempatan) Sdn Bhd <i>AmBank (M) Berhad for Titian Hartanah (M) Sdn Bhd</i>	114,921,930	43.02
2.	HSBC Nominees (Asing) Sdn Bhd <i>Exempt An for Royal Bank of Canada (Asia) Limited (Client's Account)</i>	6,227,100	2.33
3.	OSK Nominees (Tempatan) Sdn Berhad <i>Pledged Securities Account for Foremillion (M) Sdn Bhd</i>	3,419,500	1.28
4.	Lim Seng Chee	2,403,500	0.90
5.	RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Goh Kheng Peow (CEB)</i>	2,367,000	0.89
6.	TA Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Toh May Fook</i>	2,300,000	0.86
7.	EB Nominees (Tempatan) Sendirian Berhad <i>Pledged Securities Account for Christopher Shun Kong Leng</i>	2,000,000	0.75
8.	M.I.T Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lau Hock Lee (MG 0035-313)</i>	1,800,000	0.67
9.	TA Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Goh Kheng Peow</i>	1,250,000	0.47
10.	CIMSEC Nominees (Asing) Sdn Bhd <i>Exempt An for CIMB-GK Securities Pte Ltd (Retail Clients)</i>	1,249,400	0.47
11.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for See Thoo Chan</i>	1,150,000	0.43
12.	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Kek Lian Lye</i>	1,042,800	0.39
13.	DB (Malaysia) Nominee (Asing) Sdn Bhd <i>Exempt An for EFG Bank</i>	1,003,000	0.38
14.	AMSEC Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Goh Kheng Peow</i>	1,000,000	0.37
15.	Malacca Equity Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for See Thoo Chan</i>	1,000,000	0.37
16.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Wong Pak Cheng</i>	954,400	0.36
17.	Ho Tau Tai	931,400	0.35
18.	Liew Sieu Fah	901,500	0.34
19.	AIBB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Wong Kie Yik</i>	900,000	0.34
20.	OSK Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Yap Kwok Ming</i>	770,000	0.29
21.	AIBB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lim Choo Tad</i>	730,700	0.27
22.	AIBB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Low Kong Teck</i>	700,000	0.26
23.	AIBB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Wong Ching Ping @ Wong Chin Ping</i>	651,000	0.24
24.	Toh May Fook	650,000	0.24
25.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for George Toh Kin Siang</i>	605,000	0.23
26.	Malacca Equity Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chong Yoon Huat</i>	600,000	0.22
27.	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Yee Eng King</i>	600,000	0.22
28.	AIBB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Hii Yu Ho</i>	568,000	0.21
29.	Inter-Pacific Equity Nominees (Asing) Sdn Bhd <i>OCBC Securities Private Limited for Allswell Foods Pte Ltd</i>	563,000	0.21
30.	Chua Khin Eng	550,100	0.21
		<b>153,809,330</b>	<b>57.58</b>

## Warrant Holders' Information

## ANALYSIS OF WARRANT HOLDINGS AS AT 4 MAY 2007

<b>No. of Warrants</b>	:	40,070,400
<b>Exercise Rights</b>	:	Each Warrant entitles the holder to subscribe for one (1) new ordinary share of RM1.00 each in the Company
<b>Exercise Period</b>	:	16 October 2001 to 15 October 2011
<b>Exercise Price</b>	:	The Exercise Price of each Warrant is RM1.00 for one (1) new ordinary share of RM1.00 each in the Company

## DISTRIBUTION OF WARRANT HOLDERS

Size of Warrant holdings	No. of Holders	%	No. of Warrants	%
Less than 100	1	0.07	69	0.00
100 to 1,000	470	30.86	408,832	1.02
1,001 to 10,000	695	45.63	3,917,699	9.78
10,001 to 100,000	334	21.93	10,688,400	26.67
100,001 to 2,003,519	22	1.44	5,279,500	13.18
2,003,520 * and above	1	0.07	19,775,900	49.35
	<b>1,523</b>	<b>100.00</b>	<b>40,070,400</b>	<b>100.00</b>

\* 5% of Warrants = 2,003,520

## DIRECTORS' INTEREST IN WARRANT

Name	Direct No. of Warrants Held	%	Indirect No. of Warrants Held	%
Dato' Abdul Mokhtar Ahmad	—	—	—	—
Dato' Shun Leong Kwong	—	—	—	—
Datin Mariam Eusoff	—	—	—	—
Dr. Christopher Shun Kong Leng, CFP®, RFP™	—	—	—	—
Too Kok Leng	—	—	—	—
Chiam Tau Meng	—	—	—	—



## Warrant Holders' Information (Cont'd)

## THIRTY LARGEST WARRANT HOLDERS AS AT 4 MAY 2007

	Name	No. of Warrants	%
1.	OSK Nominees (Tempatan) Sdn Berhad <i>Pledged Securities Account for Foremillion (M) Sdn Bhd</i>	19,775,900	49.35
2.	BHLB Trustee Berhad <i>Exempted - Trust Account for EPF Investment for Member Savings Scheme</i>	986,000	2.46
3.	Davinder Kaur A/P Gurcharan Singh	775,500	1.94
4.	Tang Kee Hiong	600,000	1.50
5.	Lee Chin Ling	200,000	0.50
6.	Tan Saw Ean	200,000	0.50
7.	Perbadanan Kemajuan Negeri Selangor	199,000	0.50
8.	Yap Soon Nam	167,000	0.42
9.	Chai Chun Leong	165,000	0.41
10.	Kwek Meng Huat	156,000	0.39
11.	Perbadanan Kemajuan Negeri Selangor	154,000	0.38
12.	Lai Chuai	150,000	0.37
13.	Mayban Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Kek Lian Lye</i>	150,000	0.37
14.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Chia Hong @ Gan Chia Hong (E-TMR)</i>	150,000	0.37
15.	Saw Chong Huat	150,000	0.37
16.	Perbadanan Kemajuan Negeri Selangor	147,000	0.37
17.	Boh Min Hai	140,000	0.35
18.	Ooi Chieng Sim	140,000	0.35
19.	Low It Tuan	135,000	0.34
20.	Chook Chee Wai	130,000	0.32
21.	MIDF SISMA Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chai Chun Leong (CTS-CCL0001)</i>	130,000	0.32
22.	Wong Chee Hoong	128,000	0.32
23.	Loi Teak Ping	127,000	0.32
24.	AIBB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Kek Lian Lye</i>	100,000	0.25
25.	Chan Choi Mah	100,000	0.25
26.	Chan Moon Thiam	100,000	0.25
27.	Chan Yoke Meng	100,000	0.25
28.	Lily Yeo	100,000	0.25
29.	Looi Eng Cheok	100,000	0.25
30.	Saw Leng Aik	100,000	0.25
	Total	<b>25,755,400</b>	<b>64.28</b>



**Menang Corporation (M) Berhad** (5383-K)  
Incorporated in Malaysia

**PROXY FORM**

I/We .....  
(Full Name in Capital Letters)

of .....  
(Full Address)

being a member(s) of **MENANG CORPORATION (M) BERHAD** hereby appoint .....  
..... NRIC No. ....  
(Full Name in Capital Letters)

of .....  
(Full Address)

or failing him the Chairman of the Meeting as \*my/our proxy to vote for \*me/us and on \*my/our behalf at the Forty Third Annual General Meeting of the Company to be held at Meeting Room, Kelab Sultan Sulaiman, Jalan Dewan Sultan Sulaiman, 50300 Kuala Lumpur on Friday, 29 June 2007 at 10.00 a.m. and at any adjournment thereof.

\*My/Our proxy(ies) is/are to vote as indicated below:

Resolutions	Ordinary Business	For	Against
Ordinary Resolution 1	Adoption of Audited Financial Statements and Reports		
Ordinary Resolution 2	Approval of Directors' Fees		
Ordinary Resolution 3	Re-election of Datin Mariam Eusoff as Director pursuant to Article 112		
Ordinary Resolution 4	Re-election of Dr. Christopher Shun Kong Leng, CFP®, RFP™ as Director pursuant to Article 112		
Ordinary Resolution 5	Re-appointment of Messrs BDO Binder as the Company's Auditors		
	<b>Special Business</b>		
Ordinary Resolution 6	Authorisation to issue shares pursuant to Section 132D of the Companies Act, 1965		
Ordinary Resolution 7	Proposed renewal of General Mandate for Substantial Property Transactions involving Directors pursuant to Section 132E of the Companies Act, 1965		
Special Resolution	Proposed Amendments to the Articles of Association of the Company		

Please indicate with (X) how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.

Dated this .....day of..... 2007

.....  
[Signature/Common Seal of Shareholder(s)]

Number of Shares Held

(\* Delete if not applicable)

**NOTES:**

- (1) A member of the Company entitled to attend and vote at the abovementioned meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
- (2) The Proxy form must be signed by the appointer or his/her attorney duly authorised in writing or in the case of a corporate member, the instrument appointing a proxy shall be under its Common Seal or under the hand of a duly authorised officer or attorney.
- (3) Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
- (4) Any alteration to the instrument appointing a proxy must be initialed. The instrument appointing a proxy must be deposited at the Company's Registered Office at 8<sup>th</sup> Storey, South Block, Wisma Selangor Dredging, 142-A Jalan Ampang, 50450 Kuala Lumpur not less than 48 hours before the time fixed for the meeting or any adjournment thereof.



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Stamp

The Company Secretary  
**Menang Corporation (M) Berhad** (5383-K)  
Box #2, Wisma Selangor Dredging  
8th Storey, South Block  
142-A Jalan Ampang  
50450 Kuala Lumpur

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