

MULTI-PURPOSE HOLDINGS BERHAD (24217-M)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2006

MULTI-PURPOSE HOLDINGS BERHAD
(Incorporated in Malaysia)

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MULTI-PURPOSE HOLDINGS BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activities of the Group consist of:

- investment holding and trading
- operation of general insurance business
- provision of leasing, hire purchase, factoring and general loan financing services
- operation and management of a licensed four digit numbers forecast betting game
- operation of hotels and of a golf club
- securities broking and dealing
- designing and construction of railway and related activities
- property development
- provision of share registration and management services
- printing activities
- provision of computer software and other related services

The principal activities of the Company are that of investment holding and the provision of management services.

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

RESULTS

	Group RM'000	Company RM'000
Profit for the year	168,904	43,254
Attributable to:		
Equity holders of the Company	159,921	43,254
Minority interests	8,983	-
	<u>168,904</u>	<u>43,254</u>

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

RESULTS (CONTD.)

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements.

DIVIDEND

The Directors do not recommend the payment of a dividend in respect of the financial year ended 31 December 2006.

DIRECTORS

The Directors of the Company in office since the date of the last report and the date of this report are:

Datuk Razman Md. Hashim bin Che Din Md. Hashim

Dato' Surin Upatkoon

Mr Ng Kok Cheang

Mr Vijeyaratnam a/l V. Thamothearam Pillay

Mr Lim Tiong Chin

Encik Sahibudeen bin Abdul Kader

Dato' Wong Puan Wah

(Appointed on 25 January 2007)

Dato' Tham Ka Hon

(Resigned on 16 June 2006)

In accordance with Article 81 of the Company's Articles of Association, Mr Lim Tiong Chin and Mr Ng Kok Cheang retire at the forthcoming Annual General Meeting and, being eligible, they offer themselves for re-election.

In accordance with Article 88 of the Company's Articles of Association, Dato' Wong Puan Wah retires at the forthcoming Annual General Meeting and, being eligible, he offers himself for re-election.

DIRECTORS' BENEFITS

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

DIRECTORS' BENEFITS (CONTD.)

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 4(a) to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except:

Name of Director	Nature of Arrangement
Dato' Surin Upatkoon	<p>Arrangement between a company where the Director has a substantial financial interest and Multi-Purpose Holdings Berhad for the provision of management and share registration services on usage basis.</p> <p>During the financial year ended 31 December 2006, total professional fees paid and payable is RM 286,265 (2005: RM335,052).</p>
Mr Vijeyaratnam a/ V. Thamotheeram Pillay	<p>Arrangement between a company where the Director has a substantial financial interest and Multi-Purpose Holdings Berhad for the provision of consultancy services on usage basis.</p> <p>During the financial year ended 31 December 2006, total professional fees paid and payable is RM425,250 (2005: RM367,500).</p>
Mr Lim Tiong Chin	<p>Tenancy agreement between a company where the Director has a substantial financial interest and A.A. Anthony Securities Sdn. Bhd. for the rental of office space.</p> <p>During the financial year ended 31 December 2006, total rental paid and payable is RM480,000 (2005: RM400,000).</p>

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares and warrants in the Company during the financial year were as follows:

DIRECTORS' INTERESTS (CONTD.)

	Number of Ordinary Shares of RM1.00 Each/Warrants			
	1.1.2006	Acquired	Sold	31.12.2006
Shares in the Company				
Deemed Interest:				
Dato' Surin Upatkoon*	300,259,848	-	(300,259,848)	-
Dato' Surin Upatkoon#	9,950,100	301,926,848	(1,590,154)	310,286,794
Deemed Interest:				
Mr Lim Tiong Chin*	300,259,848	-	(300,259,848)	-
Mr Lim Tiong Chin#	-	311,876,948	(1,590,154)	310,286,794
Warrants 2004/2009 in the Company				
Deemed Interest:				
Dato' Surin Upatkoon*	37,996,170	-	(37,996,170)	-
Dato' Surin Upatkoon#	-	133,058,681	(159,545)	132,899,136
Deemed Interest:				
Mr Lim Tiong Chin*	37,996,170	-	(37,996,170)	-
Mr Lim Tiong Chin#	-	133,058,681	(159,545)	132,899,136

* Deemed interest by virtue of Section 6A(4) of the Companies Act, 1965 held through Quantum Aspects Sdn. Bhd.

Deemed interest by virtue of Section 6A(4) of the Companies Act, 1965 held through Casi Management Sdn. Bhd.

Dato' Surin Upatkoon and Mr. Lim Tiong Chin, by virtue of their interests in shares in the Company are also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

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

SIGNIFICANT EVENTS

(a) Share buy-back

At the Annual General Meeting held on 22 June 2006, the shareholders of the Company renewed their approval granted at the Annual General Meeting held on 20 June 2005 that the Company be authorised to purchase and/or hold ordinary shares of RM1.00 each in the Company, subject to the Companies Act, 1965, the Memorandum and Articles of Association of the Company and the listing requirements of Bursa Malaysia Securities Berhad, provided that the maximum number of shares which may be purchased and/or held by the Company at any point in time shall not exceed 10% of the total issued and paid-up share capital of the Company and the maximum amount of funds to be allocated by the Company for the proposed share buy-back shall not exceed the sum of the share premium account of the Company.

(b) Proposed General Offer ("GO") by the Company on the remaining Magnum Corporation Berhad ("Magnum") ordinary shares not held by the Company and Parties Acting in Concert with the Company

On 27 November 2006 and 14 December 2006, the Company through open market and married deal, acquired 128,517,700 and 17,912,500 Magnum shares respectively for a total consideration of RM337.59 million resulting in the Company effectively holding 50.12% Magnum shares and Magnum became a subsidiary of the Company.

On 15 December 2006, CIMB Investment Bank Berhad (formerly known as Commerce International Merchant Bankers Berhad) and Newfields Advisors Sdn. Bhd. on behalf of the Company gave notice to acquire all the remaining ordinary shares of RM0.50 each in Magnum (excluding Magnum shares held as treasury shares) not already owned by the Company and Parties Acting in Concert with it at the price of RM2.30 per share.

As at 31 December 2006, the Company through the GO, acquired another 4,229,514 Magnum shares resulting in its shareholding in Magnum increased to 50.41%.

Upon completion of the GO on 15 January 2007, the Company successfully acquired another 5,491,439 shares resulting in effective holding of 50.79% of Magnum.

Subsequent to the GO, the Company further acquired 42,350,000 Magnum shares resulting in an effective shareholding of 53.76% of Magnum to date.

(c) Proposed General Offer by Magnum on the remaining Magnum 4D Berhad ("M4D") ordinary shares not held by Magnum and Parties Acting in Concert with Magnum

SIGNIFICANT EVENTS (CONTD.)

- (c) On 24 November 2006, CIMB Investment Bank Berhad (formerly known as Commerce International Merchant Bankers Berhad) and Newfields Advisors Sdn. Bhd. on behalf of Magnum sent a notice to Magnum 4D Berhad ("M4D"), 72.09% owned subsidiary as at 31 December 2005 for the acquisition of all remaining shares of RM1.00 each in M4D not already owned by the Company and Parties Acting in Concert with Magnum for a cash consideration of RM3.00 per share ("Offer"). On 15 December 2006, the offer document in relation to the Offer was posted to all shareholders of M4D and the Offer completed on 12 February 2007.

Total acceptance received and verified were 25,367,682 shares, equivalent to 15.22% of the total issued and paid up share capital of M4D. As at 12 February 2007, the total number of M4D Shares beneficially held by the Company was 157,863,519 share equivalent to 94.72% of the total issued and paid up share capital of M4D.

The public shareholding spread of M4D had fallen below 10%. Subsequently, as advised by Bursa Malaysia Berhad, M4D was removed from the Official List of Bursa Securities on 26 March 2007 in accordance with paragraph 8.15(5) of the Listing Requirements.

- (d) Award of a tender for the overhaul of 10 electric multiple unit ("EMU") class 81, 20 EMU class 82 and 20 EMU class 83 by Keretapi Tanah Melayu Berhad ("KTMB")

During the year, MKR Consortium Sdn Bhd ("MKR"), a subsidiary company of the Company, was awarded a tender by the Ministry of Transport, Federal Government of Malaysia ("the Ministry of Transport") to undertake a project for the overhaul of 10 EMU class 81, 20 EMU class 82 and 20 EMU class 83 for KTMB for a total sum of RM 170.0 million.

The tender for the Project awarded is subject to the receipt of an advance cash payment of RM17.0 million, which was received by MKR on 22 February 2007, and a formal contract agreement to be entered into between MKR and the Ministry of Transport in due course. The Project shall be completed within a period of 33 months.

The Project presents a good opportunity for the Group to venture into the business of railway construction and development.

SUBSEQUENT EVENTS

- (a) Disposal of ordinary shares held in Sarawak Energy Berhad ("SEB") (formerly known as Sarawak Enterprise Corporation Berhad)

The Company disposed of 88,000,000 ordinary shares in SEB, representing approximately 5.79% equity interest in SEB through direct business transactions for a total cash consideration of RM164.56 million. These transactions were transacted on 15 January 2007 and 16 January 2007.

SUBSEQUENT EVENTS (CONTD.)

(b) Consolidation by the Company of its shareholdings in Magnum

On 3 April 2007, the Company acquired from Multi-Purpose (Guernsey) Limited ("MPGL"), a wholly-owned subsidiary of the Company, its entire shareholding in Magnum comprising 66,650,000 ordinary shares in Magnum for a consideration of RM128.39 million. The consideration was paid by way of setting off the amount owing by MPGL to the Company.

On 3 April 2007, the Company acquired from Maringo Holdings Sdn. Bhd. ("MHSB"), a wholly-owned subsidiary of the Company, its entire shareholding in Magnum comprising 48,980,850 ordinary shares of RM0.50 each in Magnum for a consideration of RM82.23 million. The consideration was paid by way of setting off the amount owing by MHSB to the Company.

(c) Subsequent to the balance sheet date, the Company purchased the Nominal Value of RM34.5 million of the said Exchangeable Bonds from the open market for a total consideration of RM35.57 million.

OTHER STATUTORY INFORMATION

(a) Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:

- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and**
- (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.**

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

- (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and**
- (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.**

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

OTHER STATUTORY INFORMATION (CONTD.)

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

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 27 April 2007

Dato' Surin Upatkoorn

Ng Kok Cheang

MULTI-PURPOSE HOLDINGS BERHAD
(Incorporated in Malaysia)

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

We, Dato' Surin Upatkoon and Ng Kok Cheang, being two of the Directors of Multi-Purpose Holdings Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 12 to 104 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 27 April 2007.

Dato' Surin Upatkoon

Ng Kok Cheang

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

I, Dato' Surin Upatkoon, being the Director primarily responsible for the financial management of Multi-Purpose Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 12 to 104 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Dato' Surin Upatkoon
at Kuala Lumpur in the Federal Territory
on 27 April 2007

Dato' Surin Upatkoon

Before me,

24217-M

**REPORT OF THE AUDITORS TO THE MEMBERS OF
MULTI-PURPOSE HOLDINGS BERHAD
(Incorporated in Malaysia)**

We have audited the financial statements set out on pages 12 to 104. These financial statements are the responsibility of the Company's Directors.

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

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

In our opinion:

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

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**REPORT OF THE AUDITORS TO THE MEMBERS OF
MULTI-PURPOSE HOLDINGS BERHAD (CONTD.)
(Incorporated in Malaysia)**

We have considered the financial statements and the Auditors' Reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 38 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

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

Ernst & Young
AF: 0039
Chartered Accountants

Lee Seng Huat
No.2518/12/07(J)
Partner

Kuala Lumpur, Malaysia
27 April 2007

MULTI-PURPOSE HOLDINGS BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000 (Restated)	2006 RM'000	2005 RM'000
Revenue	3	451,627	165,657	87,369	67,707
Cost of sales		(208,615)	-	-	-
Gross profit		243,012	165,657	87,369	67,707
Other operating income		54,696	49,555	20,424	26,609
Administrative expenses		(59,288)	(42,201)	(11,345)	(9,684)
Other expenses		(129,615)	(322,688)	(9,395)	(200,813)
Operating profit/(loss)	4	108,805	(149,677)	87,053	(116,181)
Finance costs	5	(32,445)	(31,597)	(26,319)	(26,142)
Share of profits of associates and jointly controlled entities		118,379	71,336	-	-
Profit/(loss) before taxation		194,739	(109,938)	60,734	(142,323)
Income tax expense	6	(25,835)	(4,104)	(17,480)	(14,490)
Profit/(loss) for the year		168,904	(114,042)	43,254	(156,813)
Attributable to:					
Equity holders of the Company		159,921	(114,484)	43,254	(156,813)
Minority interests		8,983	442	-	-
		168,904	(114,042)	43,254	(156,813)
Earnings per share attributable to equity holders of the Company (sen)					
Basic, for profit/(loss) of the year	7	16.8	(12.0)		
Diluted, for profit of the year	7	13.8	*		

* anti-dilutive

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

MULTI-PURPOSE HOLDINGS BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS AS AT 31 DECEMBER 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000 (Restated)	2006 RM'000	2005 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	8	429,898	227,652	195,905	198,481
Land held for property development	9	20,000	-	-	-
Investment properties	10	369,483	18,469	-	-
Subsidiary companies	11	-	-	1,811,539	732,559
Associated companies	12	122,375	966,522	-	729,274
Jointly controlled entities	13	10,406	-	-	-
Other investments	14	664,588	322,704	286,881	305,466
Goodwill on consolidation	15	547,639	29,206	-	-
Deferred tax assets	28	-	373	-	-
		<u>2,164,389</u>	<u>1,564,926</u>	<u>2,294,325</u>	<u>1,965,780</u>
Current Assets					
Inventories	16	8,257	-	-	-
Investment in money market fund	17	21,119	-	-	-
Receivables	18	647,402	346,633	43,491	25,308
Tax recoverable		19,346	10,448	4,905	4,892
Short term deposits and investments	19	1,003,723	357,650	9,878	1,640
Cash and bank balances		61,517	10,749	2,118	1,754
		<u>1,761,364</u>	<u>725,480</u>	<u>60,392</u>	<u>33,594</u>
Non-current assets classified as held for sale	20	242,933	-	-	-
TOTAL ASSETS		<u>4,168,686</u>	<u>2,290,406</u>	<u>2,354,717</u>	<u>1,999,374</u>

MULTI-PURPOSE HOLDINGS BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS AS AT 31 DECEMBER 2006 (CONTD.)

	Note	Group		Company	
		2006 RM'000	2005 RM'000 (Restated)	2006 RM'000	2005 RM'000
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	24	953,867	953,867	953,867	953,867
Share premium		803,211	829,074	803,211	803,211
Other reserves	25	44,733	35,584	-	-
Accumulated losses		(403,189)	(560,846)	(747,788)	(791,041)
Shareholders' equity		1,398,622	1,257,679	1,009,290	966,037
Minority interests		1,302,191	110,782	-	-
Total equity		<u>2,700,813</u>	<u>1,368,461</u>	<u>1,009,290</u>	<u>966,037</u>
Non-current liabilities					
Amount due to a subsidiary company	26	-	-	369,870	361,819
Borrowings	23	356,612	45,000	356,612	45,000
Exchangeable Bonds 2003/2008	27	300,000	300,000	300,000	300,000
Deferred tax liabilities	28	16,064	-	-	-
Reserves for unexpired risks	29	53,613	47,187	-	-
Provision for retirement benefits	30	1,753	-	-	-
		<u>728,042</u>	<u>392,187</u>	<u>1,026,482</u>	<u>706,819</u>
Current liabilities					
Payables	21	342,398	153,232	153,613	141,518
Provisions for liabilities	22	87,215	77,900	-	-
Borrowings	23	297,118	298,544	165,332	185,000
Tax payable		13,100	82	-	-
		<u>739,831</u>	<u>529,758</u>	<u>318,945</u>	<u>326,518</u>
Total liabilities		<u>1,467,873</u>	<u>921,945</u>	<u>1,345,427</u>	<u>1,033,337</u>
TOTAL EQUITY AND LIABILITIES		<u>4,168,686</u>	<u>2,290,406</u>	<u>2,354,717</u>	<u>1,999,374</u>

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

MULTI-PURPOSE HOLDINGS BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006

	Share Capital RM'000	Non-Distributable Share Premium RM'000	Other Reserves RM'000 (Note 25)	Losses RM'000	Minority Interests RM'000	Total RM'000
Group						
At 1 January 2005						
As previously stated	953,867	827,507	33,688	(455,955)	110,340	1,469,447
Prior year adjustments arising from adopting:						
- FRS 116 (Note 2.1 (f))	-	-	-	9,194	-	9,194
- FRS 140 (Note 2.1 (f))	-	-	-	399	-	399
At 1 January 2005 (restated)	953,867	827,507	33,688	(446,362)	110,340	1,479,040
Issue of new ordinary shares by an associate	-	1,567	-	-	-	1,567
Loss for the year (restated)	-	-	-	(114,484)	442	(114,042)
Exchange differences arising from translation of foreign currency financial statements	-	-	17	-	-	17
Exchange differences arising from translation of foreign currency financial statements attributed to an associate	-	-	8,145	-	-	8,145
Goodwill on consolidation attributed to an associate	-	-	(6,266)	-	-	(6,266)
At 31 December 2005	953,867	829,074	35,584	(560,846)	110,782	1,368,461

MULTI-PURPOSE HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTD.)

	Non-Distributable			Accumulated Losses	Minority Interests	Total
	Share Capital	Share Premium	Other Reserves			
	RM'000	RM'000	RM'000 (Note 25)	RM'000	RM'000	RM'000
Group						
At 1 January 2006						
As previously stated	953,867	829,074	35,584	(570,458)	110,782	1,358,849
Prior year adjustments arising from adopting:						
- FRS 116 (Note 2.1 (f))	-	-	-	9,200	-	9,200
- FRS 140 (Note 2.1 (f))	-	-	-	412	-	412
At 1 January 2006 (restated)	953,867	829,074	35,584	(560,846)	110,782	1,368,461
Transfer within reserves	-	-	9,160	(9,160)	-	-
Transfer from associated company	-	-	-	-	1,182,426	1,182,426
Profit for the year	-	-	-	159,921	8,983	168,904
Exchange differences arising from translation of foreign currency financial statements	-	-	(11)	-	-	(11)
Cancellation of treasury shares in subsidiary	-	(25,863)	-	6,896	-	(18,967)
At 31 December 2006	953,867	803,211	44,733	(403,189)	1,302,191	2,700,813

MULTI-PURPOSE HOLDINGS BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTD.)

Company	Share Capital RM'000	Non- Distributable Share Premium RM'000	Accumulated Losses RM'000	Total RM'000
At 1 January 2005	953,867	803,211	(634,228)	1,122,850
Loss for the year	-	-	(156,813)	(156,813)
At 31 December 2005	<u>953,867</u>	<u>803,211</u>	<u>(791,041)</u>	<u>966,037</u>
At 1 January 2006	953,867	803,211	(791,041)	966,037
Profit for the year	-	-	43,253	43,253
At 31 December 2006	<u>953,867</u>	<u>803,211</u>	<u>(747,788)</u>	<u>1,009,290</u>

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

MULTI-PURPOSE HOLDINGS BERHAD
(Incorporated in Malaysia)

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

	2006	2005
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	194,739	(109,938)
Adjustments for:		
Depreciation	9,207	8,491
Interest expense	32,445	31,597
Accretion of discounts less amortisation of premiums	(176)	(147)
Amortisation of goodwill	-	5,120
Increase in reserves for unexpired risks	6,426	180
Provision for bad and doubtful debts	5,712	9,764
Share of profits of associated companies and jointly controlled entities	(118,379)	(71,336)
Loss/(gain) on disposal of:		
- property, plant and equipment	(88)	16
- other and short term investments	(12,379)	3,941
Gain on termination of Sale and Purchase Agreement to acquire interest in jointly controlled asset	-	(5,285)
Realised loss on foreign exchange	32	303
Interest income	(10,709)	(6,411)
Investment income	-	(3,988)
Dividend income on quoted shares and unit trusts	(66,794)	(2,011)
Property, plant and equipment written off	-	54
Impairment losses on property, plant and equipment	864	5,572
Provision for impairment losses on other and short term investments	20,969	183,706
Retirement benefits contribution	350	288
Write back of provision for doubtful debts to loan debtors	(1,544)	-
Write back of provision for impairment losses for other and short term investments	(8,310)	-
Bad debts written off	3	25
Bad debts recovered	(1,477)	-
Fair value adjustments of investment properties	187	-
Effect of currency translation	-	17
Operating profit before working capital changes	<u>51,078</u>	<u>49,958</u>

MULTI-PURPOSE HOLDINGS BERHAD
(Incorporated in Malaysia)

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTD.)

	2006	2005
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)		
Operating profit before working capital changes	51,078	49,958
Changes in working capital:		
Inventories	(8,257)	-
Receivables	358,782	(65,207)
Payables	302,127	52,783
Monies held in trust	(35,156)	(26,087)
Provision for outstanding insurance claims	9,315	12,196
Cash generated from operations	<u>677,889</u>	<u>23,643</u>
Income tax (paid)/refunded	(19,555)	11,250
Retirement benefits paid	(617)	-
Net cash generated from operating activities	<u>657,717</u>	<u>34,893</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from disposal of:		
- property, plant and equipment	827	167
- other and short term investments	115,178	194,165
Purchase of:		
- additional shares in associated companies	(399,118)	(96,856)
- withdrawal of investment fund	5,000	-
- property, plant and equipment	(7,390)	(23,536)
- other and short term investments	636	(135,016)
Receipt from termination of Sale and Purchase Agreement to acquire interest in jointly controlled asset	-	50,208
Investment income received	-	2,871
Net dividend received from:		
- associated companies	44,888	38,025
- quoted shares and unit trusts	3,203	1,919
Interest received	10,709	6,411
Interest paid	(32,445)	(31,597)
Net cash (used in)/generated from investing activities	<u>(258,512)</u>	<u>6,761</u>

MULTI-PURPOSE HOLDINGS BERHAD
(Incorporated in Malaysia)

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTD.)

	Note	2006 RM'000	2005 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Net drawdown/(repayment) of borrowings		301,944	(12,500)
Net cash generated from/(used) in financing activities		<u>301,944</u>	<u>(12,500)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		701,149	29,154
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>157,019</u>	<u>127,865</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>858,168</u>	<u>157,019</u>

Cash and cash equivalents comprise the following:

Cash and bank balances		61,517	10,749
Deposits with financial institutions	19	829,155	211,070
Bank overdrafts	23	<u>(4,378)</u>	<u>(19,544)</u>
		886,294	202,275
Less: Client's monies held in trust		(24,349)	(42,063)
Remisiers' deposits held in trust		<u>(3,777)</u>	<u>(3,193)</u>
		<u>858,168</u>	<u>157,019</u>

Included in cash and bank balances and deposits with financial institutions are client's monies held in trust and remisiers' deposits held in trust amounting to RM24,349,000 (2005: RM42,063,000) and RM3,777,000 (2005: RM3,193,000) respectively.

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

MULTI-PURPOSE HOLDINGS BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

	2006	2005
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	60,734	(142,323)
Adjustments for:		
Depreciation	4,930	4,937
Gain on disposal of property, plant and equipment	(47)	(10)
Loss/(gain) on disposal of other investments	(10,610)	3,361
Provision for impairment losses on other investments	-	174,616
Provision for doubtful debts:		
- loans to subsidiary companies	-	13,967
- trade debtors	-	145
Interest income	(7,512)	(7,348)
Investment income	(62,475)	(45,073)
Interest expense	27,029	26,142
Operating profit before working capital changes	<u>12,049</u>	<u>28,414</u>
Changes in working capital:		
Receivables	(18,183)	5,619
Payables	7,930	(265)
Subsidiary companies indebtedness	4,161	49,441
Cash generated from operations	<u>5,957</u>	<u>83,209</u>
Net income tax refunded	-	7,432
Net cash generated from operating activities	<u>5,957</u>	<u>90,641</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,354)	(17,202)
Purchase of additional shares in associated company	(399,118)	(96,856)
Purchase of other investments	-	(52)
Proceeds from disposal of:		
- property, plant and equipment	49	10
- other investments	29,196	23,638
Investment income received	44,982	32,452
Interest received	7,512	366
Interest paid	(27,029)	(26,142)
Net cash used in investing activities	<u>(346,762)</u>	<u>(83,786)</u>

MULTI-PURPOSE HOLDINGS BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTD.)

	Note	2006 RM'000	2005 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Net loan from a subsidiary company		57,463	271
Net drawdown/(repayment) of borrowings		290,612	(20,500)
Net cash generated from/(used in) financing activities		<u>348,075</u>	<u>(20,229)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		7,270	(13,374)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>3,394</u>	<u>16,768</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>10,664</u>	<u>3,394</u>

Cash and cash equivalents comprise the following:

Cash and bank balances		2,118	1,754
Bank overdraft	23	(1,332)	-
Deposits with financial institutions	19	9,878	1,640
		<u>10,664</u>	<u>3,394</u>

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

MULTI-PURPOSE HOLDINGS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

1. CORPORATE INFORMATION

The principal activities of the Group and of the Company are as disclosed in the Directors' Report.

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

The registered office of the Company is located at 39th Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 April 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities. At the beginning of the current financial year, the Group and the Company had adopted new and revised Financial Reporting Standards ("FRS") which are mandatory for financial periods beginning on or after 1 January 2006.

The financial statements of the Group and of the Company have also been prepared on a historical basis, except for freehold land included within property, plant and equipment and investment properties that have been measured at their fair values.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

(b) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Subsidiaries and Basis of Consolidation (Contd.)

(i) Subsidiaries (Contd.)

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

(ii) Basis of Consolidation

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(c) Associates

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

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated 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.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(c) Associates (Contd.)

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

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

During the financial year Magnum Corporation Berhad ("Magnum") has become a subsidiary of the Company.

(d) Jointly Controlled Entities

The Group has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investments in jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting as described in Note 2(c).

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

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

(e) Intangible Assets

(i) Goodwill

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) Intangible Assets (Contd.)

(ii) Other Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives as follows:

They are also assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

	Years
Gaming management rights	7
Stock exchange trading rights	10

They are also assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

(f) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Freehold land is not depreciated. Leasehold land is depreciated over the period of the lease which is 85 years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) Property, Plant and Equipment and Depreciation (Contd.)

Freehold land has an unlimited useful life and therefore is not depreciated. Buildings-in-progress are also not depreciated as these assets are not available for use. Leasehold land is depreciated over the period of the respective leases.

Freehold land and buildings are stated at revalued amount, which is the fair value at the date of the revaluation less any accumulated impairment losses. Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. Revaluations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from that which would be determined using fair values at the balance sheet date. Any revaluation surplus is credited to the revaluation reserve included within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in profit or loss. Upon disposal or retirement of an asset, any revaluation reserve relating to the particular asset is transferred directly to retained earnings.

Properties are stated at cost or directors' valuation which is based on a valuation by professional valuers in 1980 using the open market values on an existing use basis, less accumulated depreciation. The freehold land and buildings of the Group have not been revalued since the last revaluation exercise. Accordingly, the valuation of the revalued assets has not been updated and they continue to be stated at their last revalued amounts less depreciation as allowed under the transitional provisions of the International Accounting Standard 16 (Revised), Property, Plant and Equipment, issued by the Malaysian Accounting Standards Board.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

	%
Freehold buildings	2.0 - 5.0
Leasehold buildings	2.0
Leasehold improvement	12.5
Plant and machinery, etc.	10.0 - 33.3
Fixtures and fittings	5.0 - 20.0
Motor vehicles	20.0
Computer equipment	12.5 - 30.0

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) Property, Plant and Equipment and Depreciation (Contd.)

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

(g) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

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. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

(h) Investments

Malaysian Government Securities, Cagamas Papers and unquoted bonds are stated at cost adjusted for the amortisation of premiums or accretion of discounts calculated on an effective yield basis, from the date of purchase to maturity dates. The amortisation of premiums and accretion of discounts are charged or credited to income statement/revenue account.

Quoted investments and unit trusts are stated at the lower of cost and market value on the aggregate portfolio basis by category of investments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(h) Investments (Contd.)

However, where there is a permanent diminution in value of a specific investment, specific allowance for diminution in value of quoted investments will be made if the market value has been less than 80% of its cost at all times during the preceding 24 months, by writing down the cost of that quoted investment to the average median price for each month during that 24 months period.

Unquoted investments are stated at cost less provision for any impairment.

Increases or decreases in the carrying amount of investments are recognised in the income statement/revenue account. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement/revenue account.

(i) Impairment of Assets

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash generating unit ("CGU") to which the asset belongs to.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**(j) Cash and Cash Equivalents**

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank and deposits at call which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(k) Provision for Liabilities

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

(l) Dividend Income

Dividend income is recognised on a declared basis when the shareholder's right to receive payment is established.

(m) General Insurance Underwriting Results

The general insurance underwriting results are determined for each class of business after taking into account, inter alia, reserves for unexpired risks, claims incurred and additional reserves.

(n) Premium Income

Premium income, other than those of inward treaty business, is recognised on the date on which the premium receivable in respect of an insurance policy is first recorded in the books and for inward treaty business on the date of receipt of the statement of accounts. Premium in respect of risks incepted for which billings or policies have not been raised as of the balance sheet date are accrued at that date.

(o) Provision for Claims

Provision is made for the estimated cost of all claims together with related expenses less reinsurance recoveries, in respect of claims notified but not settled at the balance sheet date. Provision is also made for the cost of claims together with related expenses incurred but reported at balance sheet date, using a mathematical method of estimation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(p) Income Tax

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

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

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

(q) Employee Benefits

(i) Short Term Benefits

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

(ii) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(q) Employee Benefits (Contd.)

(ii) Defined Contribution Plans (Contd.)

Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

In addition to the contributions made to the statutory Employees' Provident Fund, the Group and the Company contribute at an approved rate to a funded scheme for eligible employees based on a defined benefit plan. This fund is known as the Multi-Purpose Group Retirement Scheme ("MPGRS") and was established pursuant to a trust deed in 1984.

Contributions made are charged to the income statement.

The financial position of MPGRS is subject to review by an actuary not less than once in every 3 years and in the event of a deficit, the Trustees of MPGRS may request the Group and the Company, subject to the consent of the Director-General of Inland Revenue being obtained, to make such further contributions as recommended by the actuary for the purpose of reducing or eliminating the said deficit.

The latest actuarial valuation of the liabilities of MPGRS was carried out based on the financial position as at 31 December 2004.

The Directors have assessed and are of the opinion that a valuation using the Projected Unit Credit Method will have no material effect on the financial statements.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date which is within the framework of a Voluntary Separation Scheme ("VSS") or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as a liability and an expense when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan for the VSS without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after balance sheet date are discounted to present value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(r) Land Held for Property Development

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

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

(s) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Dividend income

Dividend income from subsidiary companies is included in the income statement of the Company when the right to receive payment is established.

Dividend income from associated companies is included in the income statement of the Company when received.

Dividend income arising on shares is taken to the income statement as and when received.

(ii) Interest income

Interest income is recognised on an accrual basis.

For the credit subsidiaries, income on hire purchase and finance lease transactions is computed on the 'sum of digits' method and interest income from housing, mortgage and other loans is recognised on the reducing balance basis. When an account is classified as non-performing, recognition of interest income is suspended until it is realised on a cash basis. Customers' accounts are classified as non-performing where repayments are in arrears for more than six months.

For the stockbroking subsidiary, when the receivable is classified as non-performing account under the Rules of Bursa Malaysia Securities Berhad, interest income from non-performing account will be suspended until it is realised on cash basis, except for margin accounts where interest will be suspended until the account is classified as performing again.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(s) Revenue Recognition (Contd.)

(ii) Interest income (Contd.)

Client's accounts are classified as non-performing under the following circumstances:

Type of account	Criteria
Contra losses	When the account remains outstanding for 16 calendar days or more from the date of contra transaction
Type of account	Criteria
Overdue purchase contracts	When the account remains outstanding from T + 3 market days onwards
Margin accounts	When the value of collateral has fallen below 130% of the outstanding balance

(iii) Brokerage income

Brokerage income is recognised upon execution of contracts.

(iv) Insurance premium income

Insurance premium income, other than those of inward treaty business is recognised on the date on which the premium receivable in respect of an insurance policy is first recorded in the books and for inward treaty business on the date of receipt of the statement of accounts. Premium in respect of risks incepted for which billings or policies have not been raised as of the balance sheet date are accrued at that date.

(v) Rental income

Rental income is recognised on an accrual basis.

(vi) Loan arrangement fees and commissions

Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled.

Commitment fees and guarantee fees are recognised as income based on time apportionment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(s) Revenue Recognition (Contd.)

(vii) Revenue from gaming activities

Revenue from gaming activities is recognised based on ticket sales in respect of draw days within the financial year.

(viii) Sale of goods

Revenue relating to sale of goods is recognised net of sales taxes and discounts upon the transfer of risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ix) Revenue from services

Revenue from services rendered is recognised net of service taxes and discounts as and when the services are performed.

(x) Commission on securities

Commissions on securities dealings are recognised on trade date basis.

(t) Impairment of Non-Financial Assets

The carrying amounts of the Group's assets, other than investment properties, inventories, deferred tax assets and non-current assets (or disposal groups) held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(t) Impairment of Non-Financial Assets (Contd.)

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

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

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

(u) Inventories

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

Cost is determined using the first in, first out method. The cost of raw materials comprises costs of purchase. The costs of finished goods comprise costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity. Cost of ticket stock, computer spares and stores is determined on the weighted average basis.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(v) Foreign Currencies

(i) Foreign currency transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined. All exchange rate differences are taken to the income statement.

(ii) Foreign entities

Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the assets and liabilities, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are recognised in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Group and translated at the exchange rate ruling at the date of the transaction.

The principal exchange rates used for each respective unit of foreign currency ruling at the balance sheet date are as follows:

	2006	2005
	RM	RM
1 US Dollar	3.533	3.780
100 Hong Kong Dollar	45.445	48.750
100 Philippines Peso	7.195	7.125
100 Yuan Renminbi	45.263	46.849
100 Thai Baht	-	9.214
100 Indonesia Rupiah	0.039	0.039

(w) Assets on Lease

The 'financing' method of accounting is adopted for leasing transactions. Under this method, investment in leased assets is taken up as a receivable, at an amount equal to the net investment in the lease.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(x) General Insurance Underwriting Results, Reserves for Unexpired Risks and Provision for Claims

The general insurance underwriting results are determined for each class of business after taking into account, inter alia, reserves for unexpired risks, claims incurred and additional reserves.

The reserves for unexpired risks ("RUR") represent the portion of net premium less the related net acquisition costs, not yet earned at the balance sheet date. RUR is computed based on the month of booking of the premiums as follows:

- (i) 25% method for marine and aviation cargo, and transit business.
- (ii) 1/24th method for all classes of general business within Malaysia.
- (iii) 1/8th method for all classes of overseas inward treaty business.

Provision is made for the estimated costs of all claims together with related expenses less reinsurance recoveries, in respect of claims notified but not settled at the balance sheet date. Provision is also made for the cost of claims together with related expenses incurred but not reported at balance sheet date, using a mathematical method of estimation.

(y) Financial Instruments

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

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

(i) Other Non-Current Investments

Non-current investments other than investments in subsidiaries, associates and jointly controlled entities are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**(y) Financial Instruments (Contd.)****(ii) Marketable Securities**

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are credited or charged to the income statement. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is charged or credited to the income statement.

(iii) Receivables

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

(iv) Payables

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

(v) Interest Bearing Loans and Borrowings

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

(vi) Equity Instruments

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

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

The consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(z) Non-current Assets (or Disposal Groups) Held for Sale and Discontinued Operation

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

Immediately before classification as held for sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets or disposal groups (other than investment properties, deferred tax assets, employee benefits assets and financial assets) are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

2.1 Changes in Accounting Policies, Effects and Changes in Comparatives Arising from Adoption of New and Revised FRSs

On 1 January 2006, the Group and the Company adopted the following FRSs mandatory for financial periods beginning on or after 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 Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments 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 138	Intangible Assets
FRS 140	Investment Property

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.1 Changes in Accounting Policies, Effects and Changes in Comparatives Arising from Adoption of New and Revised FRSs (Contd.)

Except for the changes in accounting policies and their effects as discussed below, the new and revised FRS do not have any other significant impact on the financial statements of the Group and of the Company :

(a) FRS 2 : Share Based Payments

Prior to 1 January 2006, no compensation expense was recognised in profit or loss for share options granted. The Group and the Company recognised an increase in share capital and share premium when the options were exercised. Upon the adoption of FRS 2, the total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period.

The Group has applied FRS 2 in accordance with its transitional provisions which allow this change in accounting policy to be applied to share options that were granted after 31 December 2004 but had not yet vested on 1 January 2006. As all the share options granted before 31 December 2005 are vested before 1 January 2006, no retrospective adjustment is required. The compensation expense relating to share options granted after 1 January 2006 is recognised in profit or loss with a corresponding increase in equity (option reserve).

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

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

(i) Goodwill

Prior to 1 January 2006, goodwill was written off immediately against capital reserves. With the adoption of FRS 3, the Group will cease writing off goodwill from 1 January 2006. Goodwill is now carried at cost less accumulated impairment losses and is tested for impairment annually. Any impairment loss is recognised in profit or loss and subsequent reversal is not allowed.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.1 Changes in Accounting Policies, Effects and Changes in Comparatives Arising from Adoption of New and Revised FRSs (Contd.)

(b) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets (Contd.)

(i) Goodwill (Contd.)

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2005 or prior periods. There is also no impact on the consolidated balance sheet as at 31 December 2006 and consolidated income statement for the year ended 31 December 2006. This change has no impact on the Company's financial statements.

(ii) Excess of Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as negative goodwill)

Under FRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisitions, after reassessment, is now recognised immediately in profit or loss.

The change has had no impact on amounts reported for 2005 or prior periods. There is also no impact on the consolidated balance sheet as at 31 December 2006 and consolidated income statement for the year ended 31 December 2006. This change has no impact on the Company's financial statements.

(iii) Accounting for acquisitions

Prior to 1 January 2006, the Group did not recognise separately the acquiree's contingent liabilities at the acquisition date as part of allocating the cost of a business combination. Upon the adoption of FRS 3, contingent liabilities are now separately recognised, provided their fair values can be measured reliably. In addition, the Group was previously allowed to recognise restructuring provisions in connection with an acquisition regardless of whether the acquiree had recognised such provisions. Upon the adoption of FRS 3, the Group is now permitted to recognise such provisions only when the acquiree has, at the acquisition date, an existing liability for restructuring recognised in accordance with FRS 137.

The change did not materially affect the financial statements of the Group and the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.1 Changes in Accounting Policies, Effects and Changes in Comparatives Arising from Adoption of New and Revised FRSs (Contd.)

(c) FRS 101: Presentation of Financial Statements

Prior to 1 January 2006, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity. Upon the adoption of the revised FRS 101, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the statement of changes in equity. The revised FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the year, showing separately the amounts attributable to equity holders of the Company and to minority interests.

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

(d) FRS 116 : Property, Plant and Equipment

Prior to 1 January 2006, all properties were stated as investment properties in accordance with MASB 17 General Insurance Business. Investment properties were not depreciated and were carried at cost less any accumulated impairment losses. Upon the adoption of FRS 116, self-occupied properties are reclassified as property, plant and equipment and depreciated accordingly. This is considered a change in accounting policy and depreciation is accounted for retrospectively.

In addition, significant parts of building equipment e.g. lifts and elevators were not depreciated separately. Upon the adoption of FRS 116, each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The impact arising from this change is not significant.

The effects of the adoption of FRS 116 on financial statements are set out in Note 2.1 (f).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.1 Changes in Accounting Policies, Effects and Changes in Comparatives Arising from Adoption of New and Revised FRSs (Contd.)

(e) FRS 140 : Investment Properties

Prior to 1 January 2006, all properties were not depreciated and were stated at cost less any accumulated impairment losses in accordance with MASB 17 General Insurance Business. Investment properties were not depreciated. Upon the adoption of FRS 140, properties held to earn rentals or for capital appreciation or both are classified as investment properties and are stated at cost less accumulated depreciation and any accumulated impairment losses.

This is considered a change in accounting policy and depreciation is accounted for retrospectively. The effects of the adoption of FRS 140 on financial statements are set out in Note 2.1 (f).

(f) Summary of effects and changes arising from adoption of new and revised FRSs

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

	As Previously Stated RM'000	Prior Year Adjustment RM'000	As Restated RM'000
Investment properties (Note 10)	13,141	412	13,553
Property, plant and equipment (Note 8)	360,100	9,200	369,300

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Standards and Interpretations Issued but Not Yet Effective

As at the date of authorisation of these financial statements, the following FRS, amendments to FRS and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

FRS, Amendments to FRS and Interpretations	Effective for financial periods beginning on or after
FRS 117 - Leases	
FRS 124 - Related Party Transactions	1 October 2006
FRS 6: Exploration for and Evaluation of Mineral Resources	1 October 2006
Amendments to FRS 119 ₂₀₀₄ : Employee Benefits - Actuarial Gains or Losses, Group Plans and Disclosures	1 January 2007
Amendments to FRS 121: The effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 January 2007
IC Interpretation 1: Changes in Existing Decommissioning, Restoration & Similar Liabilities	1 July 2007
IC Interpretation 2: Members' Shares in Co-operative Entities & Similar Instruments	1 July 2007
IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration & Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6: Liabilities arising from Participating in a Specific Market – Waste Electrical & Electronic Equipment	1 July 2007
IC Interpretation 7: Applying the Restatement Approach under IAS 29 ₂₀₀₄ Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8: Scope of FRS 2	1 July 2007
FRS 139 - Financial Instruments: Recognition and Measurement	Effective date deferred

The previous FRS, amendments to FRS and Interpretations are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application except for the following:

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Standards and Interpretations Issued but Not Yet Effective (Contd.)

(i) FRS 117: Leases

Leasehold land held for own use are currently classified as property, plant and equipment and are stated at cost less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 will result in a change in the accounting policy relating to the classification of leases of land and buildings. Leases of land and buildings will be classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings will be considered separately for the purposes of lease classification. Leasehold land held for own use will be classified as operating lease and where necessary, the minimum lease payments or the up-front payments made will be allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and will be amortised on a straight-line basis over the lease term.

The unamortised amount of leasehold land as at 31 December 2006 will be retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions. The reclassification of leasehold land as prepaid lease payments will be accounted for retrospectively and certain comparatives will be restated. There will be no effects on the consolidated income statement for the year ended 31 December 2007 and the Company's financial statements. The Group will apply this amendment from financial periods beginning 1 January 2007.

(ii) Amendment to FRS 119₂₀₀₄: Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures

This amendment introduces the option of an alternative recognition approach for actuarial gains and losses arising from post-employment defined benefit plans. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment will only impact the format and extent of disclosures presented in the financial statements. The Group will apply this amendment from financial periods beginning 1 January 2007.

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 124 and FRS 139.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Estimates

The revised FRS 116: Property, Plant and Equipment requires the review of the residual value and remaining useful life of an item of property, plant and equipment at least at each financial year end. The Company revised the residual value of the hotel properties with effect from 1 January 2006. The revisions were accounted for prospectively as a change in accounting estimates.

2.4 Significant Accounting Estimates and Judgements

(a) Critical Judgements Made in Applying Accounting Policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

(i) Classification between investment properties and property, plant and equipment

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

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

In addition, the Group has reclassified certain freehold land and leasehold land as investment properties because it is the Group's intention to hold these properties in long term for capital appreciation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Significant Accounting Estimates and Judgements (Contd.)

(a) Critical Judgements Made in Applying Accounting Policies (Contd.)

(ii) Classification of inventories

Inventories are assets held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

During the financial year, the Company has temporarily rent out the units but has decided to treat them as inventories because it is the Company's intention to sell off the condominium units should there be potential purchasers.

(b) Key Sources of Estimation Uncertainty

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

(i) Impairment of goodwill

The Group determines whether goodwill and brands are impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill and brands are allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(ii) Deferred tax assets

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

3. REVENUE

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Gross premium	247,150	228,567	-	-
Less: Reinsurance	(114,531)	(110,493)	-	-
Net insurance premium	132,619	118,074	-	-
Brokerage income	16,222	10,187	-	-
Interest, contra service charges and rollover fees	11,958	12,522	-	-
Interest income on loans and advances	401	849	-	-
Investment income:				
- Gross dividends from:				
- associate quoted in Malaysia	-	-	53,395	41,250
- other investments				
- quoted in Malaysia	9,431	3,828	9,080	3,823
- unquoted in Malaysia	500	160	-	-
Rental income	17,591	16,815	18,693	17,937
Sale of four digit forecast tickets	236,697	-	-	-
Hotel services	985	-	-	-
IT consulting	82	-	-	-
Golf operation	42	-	-	-
Others	25,099	3,222	6,201	4,697
	<u>451,627</u>	<u>165,657</u>	<u>87,369</u>	<u>67,707</u>

4. OPERATING PROFIT/(LOSS)

The following amounts have been included in arriving at profit/(loss) before tax:

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Depreciation (Note 8)	9,207	8,491	4,928	4,937
Directors' remuneration (Note 4 (a))	10,453	4,740	3,737	1,541
Auditors' remuneration (Note 4 (b))	361	344	70	65
Amortisation of goodwill	-	5,120	-	-
Rental of land and buildings	2,706	1,168	62	66
Hire of plant and machinery	179	149	-	-

Loss from operations is stated after charging:

4. OPERATING PROFIT/(LOSS) (CONTD.)

The following amounts have been included in arriving at profit/(loss) before tax:

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Loss from operations is stated after charging:				
Provision for impairment losses on other and short term investments	20,969	183,706	-	174,616
Retirement benefits contribution to approved scheme	350	288	40	43
Realised loss on foreign exchange	162	207	-	7
Loss on disposal of investments:				
- other and short term investments	-	3,941	-	3,361
Loss on disposal of property, plant and equipment	25	16	-	-
Provision for doubtful debts:				
- loans to subsidiary companies	-	-	-	13,967
- loan debtors	5,250	9,619	-	-
- trade debtors	462	145	-	145
Retrenchment cost	20	-	20	-
Staff costs (Note 4 (c))	41,716	28,590	6,416	4,747
Bad debts written off	3	25	-	-
Property, plant and equipment written off	-	54	-	-
Impairment losses on property, plant and equipment (Note 8)	864	5,572	-	-
Fund management charges	256	79	-	-
Fair value adjustments of investment properties	187	-	-	-

And crediting:

Accretion of discounts less amortisation of premiums	(176)	(147)	-	-
Income from rent of land and buildings	(643)	(613)	(102)	(65)
Bad debts recovered	(1,477)	-	-	-
Dividend income on:				
- associates quoted shares	(62,345)	-	(53,395)	-
- quoted shares	(4,398)	(2,011)	(9,080)	-
- money market fund	(51)	-	-	-

4. OPERATING PROFIT/(LOSS) (CONTD.)

The following amounts have been included in arriving at profit/(loss) before tax:

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
And crediting:				
Gain on disposal of property, plant and equipment	(113)	-	(49)	(10)
Gain on disposal of investments:				
- other and short term investments	(12,379)	-	(10,610)	-
Interest income on:				
- loan to subsidiary companies	-	-	(7,272)	(7,157)
- short term deposits	(5,740)	(3,670)	(240)	(138)
- other corporations	-	(53)	-	(53)
- others	(4,969)	(2,688)	-	-
Gain on termination of Sale and Purchase Agreement to acquire interest in jointly controlled asset	-	(5,285)	-	-
Realised gain on foreign exchange	(130)	(132)	-	-
Share of profit received from jointly controlled entity	-	(16,642)	-	(16,642)
Write back of provision for doubtful debts to loan debtors	(1,544)	-	-	-
Write back of provision for impairment losses for other and short term investments	(8,310)	-	-	-
	<u>(8,310)</u>	<u>-</u>	<u>-</u>	<u>-</u>

(a) Directors' remuneration

Directors of the Company:

- fees	570	252	520	252
- emoluments	5,754	2,347	3,162	1,248
- benefits-in-kind	84	70	55	41
	<u>6,408</u>	<u>2,669</u>	<u>3,737</u>	<u>1,541</u>

4. OPERATING PROFIT/(LOSS) (CONTD.)

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
(a) Directors' remuneration (Contd.)				
Other Directors:				
- fees	206	164	-	-
- emoluments	3,696	1,816	-	-
- benefits-in-kind	143	91	-	-
	<u>4,045</u>	<u>2,071</u>	<u>-</u>	<u>-</u>
Total	<u>10,453</u>	<u>4,740</u>	<u>3,737</u>	<u>1,541</u>
(b) Auditors' remuneration				
Auditors of the Company:				
- statutory audit	<u>326</u>	<u>286</u>	<u>70</u>	<u>65</u>
Other auditors:				
- statutory audit	<u>35</u>	<u>58</u>	<u>-</u>	<u>-</u>
	<u>361</u>	<u>344</u>	<u>70</u>	<u>65</u>
(c) Staff costs				
Wages and salaries	33,106	23,751	5,697	3,887
Short term accumulating compensated absences	-	9	-	9
Pension costs - defined contribution/benefit plans	7,431	2,617	376	448
Other staff related expenses	1,179	2,213	343	403
	<u>41,716</u>	<u>28,590</u>	<u>6,416</u>	<u>4,747</u>

5. FINANCE COSTS

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Interest expenses on:				
- bank loans and overdrafts	16,466	16,563	11,319	11,142
- exchangeable bonds	15,000	15,000	15,000	15,000
- others	979	34	-	-
	<u>32,445</u>	<u>31,597</u>	<u>26,319</u>	<u>26,142</u>

6. INCOME TAX EXPENSE

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Malaysian income tax	24,805	4,895	17,480	14,490
Overprovided in prior years:				
Malaysian income tax	98	(2,016)	-	-
	<u>24,903</u>	<u>2,879</u>	<u>17,480</u>	<u>14,490</u>
Deferred tax (Note 28):				
Relating to origination and reversal of temporary differences	1,116	1,189	-	-
Relating to changes in tax rates	(2)	-	-	-
Underprovided in prior years	(182)	36	-	-
	<u>932</u>	<u>1,225</u>	<u>-</u>	<u>-</u>
	<u>25,835</u>	<u>4,104</u>	<u>17,480</u>	<u>14,490</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2005: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	2006	2005
	RM'000	RM'000
Group		
Profit/(loss) before taxation	<u>194,739</u>	<u>(109,938)</u>
Taxation at Malaysian statutory tax rate of 28% (2005: 28%)	54,527	(30,783)
Effect of different tax rates in other countries	(40)	-
Effect of different tax rate for qualified small and medium enterprises	(285)	(48)
Tax recoveries	(11)	(3)

6. INCOME TAX EXPENSE (CONTD.)

	2006	2005
	RM'000	RM'000
Group (Contd.)		
Effect of income not subject to tax	(36,076)	(4,714)
Effect of expenses not deductible for tax purposes	2,743	38,202
Effect of utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(7,696)	(1,954)
Effect of change in tax rate on deferred tax	823	-
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	12,249	5,384
Deferred tax recognised at different tax rate	(20)	-
Under/(over)provision of tax expense in prior years:		
Company and subsidiary companies	98	(2,016)
(Over)/underprovision of deferred tax in the prior years:		
Company and subsidiary companies	(477)	36
Tax expense for the year	<u>25,835</u>	<u>4,104</u>

Company

Profit/(loss) before taxation	<u>60,734</u>	<u>(142,323)</u>
Taxation at Malaysian statutory tax rate of 28% (2005: 28%)	17,005	(39,850)
Effect of income not subject to tax	-	(3)
Effect of expenses not deductible for tax purposes	475	54,343
Tax expense for the year	<u>17,480</u>	<u>14,490</u>

Tax savings during the financial year arising from:

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Utilisation of current year tax losses	-	1,452	-	-
Utilisation of previously unrecognised tax losses	-	180	-	-
	<u>-</u>	<u>1,632</u>	<u>-</u>	<u>-</u>

7. PROFIT/(LOSS) PER SHARE

(a) Basic

Basic profit/(loss) per share is calculated by dividing the profit/(loss) for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2006	2005
Profit/(loss) attributable to ordinary equity holders of the Company (RM'000)	159,921	(114,484)
Weighted average number of ordinary shares in issue ('000)	953,867	953,867
Basic earnings/(loss) per share (sen)	<u>16.8</u>	<u>(12.0)</u>

(b) Diluted

For the purpose of calculating diluted earnings per share, the net profit/(loss) for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of the assumed exercise of the 199,999,854 warrants 2004/2009 into new ordinary shares in the Company.

	2006	2005
Profit/(loss) attributable to ordinary equity holders of the Company (RM'000)	159,921	(114,484)
Weighted average number of ordinary shares in issue ('000)	953,867	953,867
Effect of dilution:		
Warrants 2004/2009	<u>200,000</u>	<u>200,000</u>
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>1,153,867</u>	<u>1,153,867</u>
Diluted earnings/(loss) per share (sen)	<u>13.8</u>	<u>(9.9)</u>

8. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land RM'000	Long Term Leasehold Land RM'000	Buildings on Leasehold and Freehold Land RM'000	Plant and Equipment RM'000	Work-in- Progress RM'000	Computer Equipment and Software RM'000	Total RM'000
At 31 December 2006							
Cost/Valuation							
At 1 January 2006 (restated)	22,620	-	235,316	82,839	815	18,510	360,100
Acquisition of subsidiary	141,501	6,696	109,574	60,025	9,894	54,863	382,553
Additions	-	-	-	1,955	3,728	1,707	7,390
Disposals	-	-	-	35	-	(9,376)	(9,341)
Write-offs	-	-	-	(17)	-	(1,015)	(1,032)
At 31 December 2006	164,121	6,696	344,890	144,837	14,437	64,689	739,670
Accumulated Depreciation and Impairment Losses							
At 1 January 2006	-	-	52,022	74,260	-	15,366	141,648
Acquisition of subsidiary	28,989	3,582	33,108	47,742	-	54,454	167,875
Depreciation charge for the year (Note 4)	-	8	4,687	2,908	-	1,604	9,207
Impairment losses for the year (Note 4)	555	-	309	-	-	-	864
Disposals	-	-	-	(163)	-	(8,439)	(8,602)
Write-offs	-	-	-	(13)	-	(1,207)	(1,220)
At 31 December 2006	29,544	3,590	90,126	124,734	-	61,778	309,772
Net carrying amount							
At cost	134,577	3,106	247,919	20,103	14,437	2,911	423,053
At valuation	-	-	6,845	-	-	-	6,845
At 31 December 2006	134,577	3,106	254,764	20,103	14,437	2,911	429,898

8. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Group (Contd.)	Freehold Land RM'000	Long Term Leasehold Land RM'000	Buildings on Leasehold and Freehold Land RM'000	Plant and Equipment RM'000	Work-in- Progress RM'000	Computer Equipment and Software RM'000	Total RM'000
At 31 December 2005							
Cost/Valuation							
At 1 January 2005	23,968	462	250,379	82,839	815	18,510	376,973
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-
At 31 December 2005	23,968	462	250,379	82,839	815	18,510	376,973
Reclassification to investment properties	(1,348)	(462)	(15,063)	-	-	-	(16,873)
Effects of adopting FRS 116 (Note 2.1(f))	9,200	-	-	-	-	-	9,200
At 31 December 2005 (restated)	31,820	-	235,316	82,839	815	18,510	369,300

8. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Group (Contd.)	Freehold Land RM'000	Long Term Leasehold Land RM'000	Buildings on Leasehold and Freehold Land RM'000	Plant and Equipment RM'000	Work-in- Progress RM'000	Computer Equipment and Software RM'000	Total RM'000
Accumulated Depreciation and Impairment Losses							
At 1 January 2005	-	21	45,176	74,546	-	15,438	135,181
Depreciation charge for the year (Note 4)	-	5	4,980	2,291	-	1,215	8,491
Impairment losses for the year (Note 4)	-	-	5,572	-	-	-	5,572
Disposals	-	-	-	(1,760)	-	(157)	(1,917)
Write-offs	-	-	-	(817)	-	(1,130)	(1,947)
At 31 December 2005	-	26	55,728	74,260	-	15,366	145,380
Reclassification to investment properties	-	(26)	(3,706)	-	-	-	(3,732)
At 31 December 2005 (restated)	-	-	52,022	74,260	-	15,366	141,648
Net carrying amount							
At 31 December 2005 (restated)	31,820	-	183,294	8,579	815	3,144	227,652

8. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Company	Work-in -progress RM'000	Freehold Land RM'000	Building on Freehold Land RM'000	Plant and Equipment RM'000	Computer Equipment and Software RM'000	Total RM'000
Cost						
At 1 January 2006	-	23,620	219,985	64,762	421	308,788
Additions	1273	-	-	1,038	43	2,354
Disposals	-	-	-	(421)	-	(421)
Write-offs	-	-	-	-	-	-
At 31 December 2006	1,273	23,620	219,985	65,379	464	310,721
Accumulated Depreciation						
At 1 January 2006	-	-	46,225	63,724	358	110,307
Depreciation charge for the year (Note 4)	-	-	4,400	484	44	4,928
Disposals	-	-	-	(419)	-	(419)
Write-offs	-	-	-	-	-	-
At 31 December 2006	-	-	50,625	63,789	402	114,816
Net carrying amount						
At 31 December 2006	1,273	23,620	169,360	1,590	62	195,905

8. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Company (Contd.)	Work-in -progress RM'000	Freehold Land RM'000	Building on Freehold Land RM'000	Plant and Equipment RM'000	Computer Equipment and Software RM'000	Total RM'000
Cost						
At 1 January 2005	-	23,620	203,011	65,247	1,445	293,323
Additions	-	-	16,974	152	76	17,202
Disposals	-	-	-	(584)	-	(584)
Write-offs	-	-	-	(53)	(1,100)	(1,153)
At 31 December 2005	-	23,620	219,985	64,762	421	308,788
Accumulated Depreciation						
At 1 January 2005	-	-	41,825	63,860	1,422	107,107
Depreciation charge for the year (Note 4)	-	-	4,400	501	36	4,937
Disposals	-	-	-	(584)	-	(584)
Write-offs	-	-	-	(53)	(1,100)	(1,153)
At 31 December 2005	-	-	46,225	63,724	358	110,307
Net carrying amount						
At 31 December 2005	-	23,620	173,760	1,038	63	198,481

- (a) The freehold land and building with carrying amount of RM6,845,000 of a subsidiary was revalued by the directors in 1980 based on professional appraisal by an independent valuer using open market values on an existing use basis.
- (b) The freehold land and building of the Company with carrying amount of RM192,980,000 are pledged as securities for term loan facility granted to the Company.

9. LAND HELD FOR PROPERTY DEVELOPMENT

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Freehold land, at cost				
At 1 January	-	-	-	-
Acquisition of subsidiary	20,000	-	-	-
Disposal	-	-	-	-
At 31 December	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

The land titles in respect of a freehold land stated at cost of RM20,000,000 (2005: RM20,000,000) have not been transferred to the subsidiary concerned.

10. INVESTMENT PROPERTIES

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
At 1 January	18,469	13,141	-	-
Effects of adopting FRS 140 (Note 2.1(f))	-	412	-	-
Reclassification from other investment	-	4,916	-	-
Acquisition of subsidiary	351,014	-	-	-
At 31 December	<u>369,483</u>	<u>18,469</u>	<u>-</u>	<u>-</u>

11. SUBSIDIARY COMPANIES

	Company	
	2006	2005
	RM'000	RM'000
Unquoted shares, at cost	683,706	683,706
Shares quoted in Malaysia, at cost	1,128,391	-
Less: Accumulated impairment losses	<u>(279,478)</u>	<u>(279,478)</u>
	<u>1,532,619</u>	<u>404,228</u>
Loans to subsidiary companies, unsecured	893,157	942,568
Less: Provision for doubtful loans	<u>(614,237)</u>	<u>(614,237)</u>
	<u>278,920</u>	<u>328,331</u>
	<u>1,811,539</u>	<u>732,559</u>
Market value of quoted shares	<u>1,439,495</u>	<u>-</u>

11. SUBSIDIARY COMPANIES (CONTD.)

The Company has agreed to provide continued financial support to certain subsidiary companies for a period of twelve months from 1 January 2007, to enable them to meet their obligations as and when they fall due during this period.

As at 31 December 2006, 81,967,000 (2005: 81,967,000) shares in Magnum have been placed with the Shares Trustee pursuant to the terms of the Trust Deed as disclosed in Note 27 to the financial statements.

The loans are long term with no fixed term of repayment and are interest-free, except for a loan to a subsidiary company of RM296.6 million (2005: RM293.6 million) which bears interest at a rate of 2.5% (2005: 0.8%) per annum and a loan to another subsidiary company of RM115,700 (2005: RM45.2 million) which bears interest at a rate of 2.5% to 7.2% (2005: 7.2%) per annum.

Details of the subsidiaries are disclosed in Note 38 to the financial statements.

12. ASSOCIATED COMPANIES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Shares quoted outside Malaysia, at cost	220,769	652,548	-	729,274
Unquoted shares outside Malaysia, at cost	109	-	-	-
Share of post-acquisition reserves	11,297	313,974	-	-
Less: Accumulated impairment loss	(109,800)	-	-	-
	<u>122,375</u>	<u>966,522</u>	<u>-</u>	<u>729,274</u>
Market value of quoted shares outside Malaysia	<u>53,225</u>	<u>1,033,438</u>	<u>-</u>	<u>813,739</u>

The Group's interest in the associated companies are analysed as follows:

	Group	
	2006 RM'000	2005 RM'000
Share of net assets	96,124	731,573
Premium on acquisition	26,251	234,949
	<u>122,375</u>	<u>966,522</u>

13. JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Unquoted shares at cost	36,836	-	-	-
Less:				
Share of loss of jointly controlled entities	(3,949)	-	-	-
Accumulated amortisation	(7,555)	-	-	-
Accumulated impairment losses	(14,926)	-	-	-
	<u>10,406</u>	<u>-</u>	<u>-</u>	<u>-</u>

Details of the jointly controlled entities are disclosed in Note 38 of the financial statements.

14. OTHER INVESTMENTS

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Shares quoted in Malaysia, at cost	1,669,961	898,941	497,199	529,905
Less: Accumulated impairment losses	<u>(1,343,984)</u>	<u>(577,767)</u>	<u>(210,318)</u>	<u>(224,439)</u>
	<u>325,977</u>	<u>321,174</u>	<u>286,881</u>	<u>305,466</u>
Federal Government securities, at cost	13,524	-	-	-
Less: Accumulated impairment losses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>13,524</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transferable subscription rights and warrants quoted in Malaysia, at cost	<u>54,284</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>54,284</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unit trust quoted in Malaysia, at cost	<u>1,088</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,088</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unquoted loan stocks in Malaysia, at cost	183	183	-	-
Less: Accumulated impairment losses	<u>(183)</u>	<u>(183)</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

14. OTHER INVESTMENTS (CONTD.)

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Investment Management					
Funds	(a)	284,540	-	-	-
Less: Accumulated impairment losses		(92,651)	-	-	-
		<u>191,889</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unquoted shares in Malaysia, at cost		72,223	1,530	-	-
Less: Accumulated impairment loss		(5,800)	-	-	-
		<u>66,423</u>	<u>1,530</u>	<u>-</u>	<u>-</u>
Unquoted shares outside Malaysia		17,718	-	-	-
Less: Accumulated impairment Losses		(7,001)	-	-	-
		<u>10,717</u>	<u>-</u>	<u>-</u>	<u>-</u>
Shares quoted outside Malaysia, at cost		12,257	-	-	-
Less: Accumulated impairment losses		(11,571)	-	-	-
		<u>686</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>664,588</u>	<u>322,704</u>	<u>286,881</u>	<u>305,466</u>
Market value of quoted shares		814,191	326,869	376,388	310,027
Market value of quoted transferable subscription rights warrants		70,642	-	-	-
Market value of unit trust		848	-	-	-
		<u>885,681</u>	<u>326,869</u>	<u>376,388</u>	<u>310,027</u>

- (a) The Investment Management Funds of the Group are discretionary funds with a principal sum of RM267,938,000 (2005: RM272,938,000) and are managed by external investment management companies in accordance with the terms of Investment Management Agreements.

14. OTHER INVESTMENTS (CONTD.)

As at the year end, the funds were invested as follows:

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Quoted securities in corporations, at cost	113,548	-	-	-
Unquoted securities in corporations, at cost	169,880	-	-	-
Cash deposits with licensed bank	361	-	-	-
Cash deposits with finance company	-	-	-	-
Cash deposits with discount house	301	-	-	-
Cash and bank balances	450	-	-	-
	<u>284,540</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less: Accumulated impairment losses				
- quoted securities in corporations	(27,311)	-	-	-
- unquoted securities in corporations	(65,340)	-	-	-
	<u>191,889</u>	<u>-</u>	<u>-</u>	<u>-</u>
Market value of quoted securities in corporations	<u>91,302</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Directors are of the opinion that accumulated impairment losses of RM168,749,000 (2005: RM228,660,000) for the Group is adequate to take into account the extent of any permanent diminution in value of the investments of the Group which may have arisen.

14. OTHER INVESTMENTS (CONTD.)

- (b) Certain Malaysian quoted shares with a total cost of RM167.8 million (2005: RM167.8 million) were pledged to banks as security for banking facilities granted to the Group, as disclosed in Note 23 to the financial statements.
- (c) The Directors are of the opinion that the prevailing provision made is adequate to take into account any impairment losses of the investments which may have arisen.

15. GOODWILL ON CONSOLIDATION

	Group	
	2006	2005
	RM'000	RM'000
Cost		
At 1 January	101,566	101,566
Increase in shareholdings of subsidiary	30,699	-
Increase in shareholdings of subsidiary, previously an associated company	487,734	-
	<u>619,999</u>	<u>101,566</u>
Accumulated amortisation and impairment		
At 1 January	72,360	67,240
Amortisation for the year	-	5,120
At 31 December	<u>72,360</u>	<u>72,360</u>
Net carrying amount		
At 31 December	<u>547,639</u>	<u>29,206</u>

16. INVENTORIES

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
At cost:				
Finished goods	5,904	-	-	-
Raw materials	726	-	-	-
Consumables and spares	436	-	-	-
	<u>7,066</u>	<u>-</u>	<u>-</u>	<u>-</u>

16. INVENTORIES (CONTD.)

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
At net realisable value:				
Finished goods	257	-	-	-
Consumables and spares	934	-	-	-
	<u>1,191</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total	 <u>8,257</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>

17. INVESTMENT IN MONEY MARKET FUND

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Money market fund in Malaysia, at cost	<u>21,119</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>21,119</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Market value of money market fund	 <u>21,119</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>

18. RECEIVABLES

	Note	Group		Company	
		2006	2005	2006	2005
		RM'000	RM'000	RM'000	RM'000
Loans and advances		1,802,303	1,007,665	-	-
Less: Interest-in-suspense		(1,137,069)	(762,985)	-	-
Provision for doubtful debts		(331,041)	(141,425)	-	-
Security deposit		<u>(1,673)</u>	<u>(1,673)</u>	<u>-</u>	<u>-</u>
		<u>332,520</u>	<u>101,582</u>	<u>-</u>	<u>-</u>
 Amounts due from clients	(a)	178,997	156,968	-	-
Less: Interest and rollover fee in suspense		(2,021)	(1,131)	-	-
Provision for doubtful debts		<u>(11,979)</u>	<u>(16,769)</u>	<u>-</u>	<u>-</u>
		<u>164,997</u>	<u>139,068</u>	<u>-</u>	<u>-</u>

18. RECEIVABLES (CONTD.)

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Amounts due from dealers/brokers	13,147	24,377	-	-
	<u>13,147</u>	<u>24,377</u>	<u>-</u>	<u>-</u>
Outstanding premium including agents/brokers balances	38,274	33,091	-	-
Less: Provision for doubtful debts	(2,100)	(1,636)	-	-
	<u>36,174</u>	<u>31,455</u>	<u>-</u>	<u>-</u>
Amounts due from reinsurers/ceding companies and co-insurers	6,100	9,948	-	-
Less: Provision for doubtful debts	(462)	(390)	-	-
	<u>5,638</u>	<u>9,558</u>	<u>-</u>	<u>-</u>
Trade receivables	18,274	510	502	430
Less: Provision for doubtful debts	(848)	(271)	(268)	(191)
	<u>17,426</u>	<u>239</u>	<u>234</u>	<u>239</u>
Other receivables (b)	87,523	48,230	38,190	19,976
Less: Provision for doubtful debts	(10,493)	(12,713)	-	-
	<u>77,030</u>	<u>35,517</u>	<u>38,190</u>	<u>19,976</u>
Staff loans	470	654	7	9
Amounts due from subsidiary companies (c)	-	-	5,060	901
Amount due from associated company (d)	-	4,183	-	4,183
	<u>647,402</u>	<u>346,633</u>	<u>43,491</u>	<u>25,308</u>

18. RECEIVABLES (CONTD.)

- (a) The amounts due from clients represent amounts receivable from margin and non-margin clients, and outstanding purchase contracts entered into by the stockbroking subsidiary on behalf of these clients.

The trade credit term for non-margin clients is 3 market days in accordance with the Bursa Malaysia Fixed Delivery and Settlement System (“BMFDSS”) trading rules.

- (b) Included in other receivables are amounts due from remisiers of RM11,902,647 (2005: RM28,870,000), which are unsecured, have no fixed term of repayment and bear interest at 11.5% (2005: 11.5%) per annum.
- (c) The amounts due from subsidiary companies are unsecured, interest-free and have no fixed term of repayment.
- (d) The amount due from associated company is unsecured, interest-free and has no fixed term of repayment.

19. SHORT TERM DEPOSITS AND INVESTMENTS

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Short term deposits with:					
- licensed banks	(a)	592,143	137,092	4,878	640
- discount houses		142,765	51,911	5,000	1,000
- other financial institutions		94,247	22,067	-	-
		<u>829,155</u>	<u>211,070</u>	<u>9,878</u>	<u>1,640</u>
Short term investments:					
- Quoted corporations in Malaysia:					
- shares	(b)	67,278	91,617	-	-
- warrants	(c)	1,680	135	-	-
- Cagamas Papers		5,001	11,117	-	-
- Malaysian Government Securities		16,318	8,895	-	-
- Unit trusts	(d)	3,279	2,569	-	-
- Corporate bonds		79,007	32,247	-	-
- Irredeemable Convertible Loan Stocks		2,005	-	-	-
		<u>174,568</u>	<u>146,580</u>	<u>-</u>	<u>-</u>
		<u>1,003,723</u>	<u>357,650</u>	<u>9,878</u>	<u>1,640</u>

19. SHORT TERM DEPOSITS AND INVESTMENTS (CONTD.)

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Market value of securities:					
- Shares in quoted corporations		74,959	92,228	-	-
- Warrants		1,734	135	-	-
- Cagamas Papers		4,999	11,118	-	-
- Malaysian Government Securities		16,400	8,977	-	-
- Unit trusts		3,282	2,569	-	-
- Corporate bonds		79,964	32,735	-	-
- Irredeemable Convertible Loan Stocks		3,663	-	-	-

- (a) Included in deposits placed with licensed banks of the Group is an amount of RM6,900,000 (2005: RM2,551,000) which is pledged to banks as security for banking facilities granted to the Group as disclosed in Note 23 to the financial statements.

		Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
(b) Shares - quoted, at cost		68,438	114,103	-	-
Less: Accumulated impairment losses		(1,160)	(22,486)	-	-
		<u>67,278</u>	<u>91,617</u>	<u>-</u>	<u>-</u>
(c) Warrants - quoted, at cost		1,680	530	-	-
Less: Accumulated impairment losses		-	(395)	-	-
		<u>1,680</u>	<u>135</u>	<u>-</u>	<u>-</u>
(d) Unit trusts - quoted, at cost		3,279	2,613	-	-
Less: Accumulated impairment losses		-	(44)	-	-
		<u>3,279</u>	<u>2,569</u>	<u>-</u>	<u>-</u>

- (e) Certain quoted shares with a carrying market value of RM1,673,000 (2005: RM11,453,000) are pledged to banks as security for banking facilities granted to a subsidiary company, as disclosed in Note 23 to the financial statements.

19. SHORT TERM DEPOSITS AND INVESTMENTS (CONTD.)

(f) The following table provides information on the interest rate range at the balance sheet date and the maturity or repricing periods, whichever is earlier.

	← 31.12.2006 →				
	Within 1 year RM'000	1-5 years RM'000	More than 5 years RM'000	Total carrying RM'000	Interest rate %
Malaysian Government Securities	5,149	11,169	-	16,318	4.55
Cagamas Papers	5,001	-	-	5,001	4.25
Corporate bonds	-	62,060	16,947	79,007	5.03
Short term deposits	<u>829,155</u>	<u>-</u>	<u>-</u>	<u>829,155</u>	<u>2.4 - 3.25</u>
	← 31.12.2005 →				
	Within 1 year RM'000	1-5 years RM'000	More than 5 years RM'000	Total carrying RM'000	Interest rate %
Malaysian Government Securities	-	8,895	-	8,895	3.7
Cagamas Papers	-	11,117	-	11,117	3.7
Corporate bonds	-	32,247	-	32,247	6.5
Short term deposits	<u>211,070</u>	<u>-</u>	<u>-</u>	<u>211,070</u>	<u>2.4 -3.0</u>

20. NON-CURRENT ASSETS HELD FOR SALE

The non-current assets classified as held for sale on the balance sheets as at 31 December 2006 of the Group is as follows:

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Assets:				
Property, plant and equipment	36,000	-	-	-
Land held for development	101,350	-	-	-
Other investments	105,583	-	-	-
Non-current assets classified as held for sale	<u>242,933</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Group has reclassified a freehold land in Penang and a land held for development as they meet the criteria in FRS 5 for classification as non-current assets held for sale. In addition, the Group also has certain quoted investments which have been identified for disposal as at the balance sheet date.

21. PAYABLES

	Note	Group		Company	
		2006	2005	2006	2005
		RM'000	RM'000	RM'000	RM'000
Trade payables and bills payable	(a)	147,107	97,593	1,100	231
Amount due to reinsurers/ceding companies		20,219	16,882	-	-
Amount due to agents/brokers and insureds		5,668	7,284	-	-
Other payables and accruals		166,179	28,248	22,905	11,677
Amount due to Chang Ming Thien Foundation	(b)	3,225	3,225	3,225	3,225
Amount due to subsidiary company		-	-	126,383	126,385
		<u>342,398</u>	<u>153,232</u>	<u>153,613</u>	<u>141,518</u>

(a) Included in trade payables is an amount of RM34,787,000 (2005: RM66,667,000) representing amount payable to margin and non-margin clients, and outstanding sales contracts entered into by the stockbroking subsidiary on behalf of these clients.

The trade credit term for non-margin clients is 3 market days in accordance with the BM FDSS trading rules.

21. PAYABLES (CONTD.)

- (b) The sum of RM3.225 million as at the end of the financial year represents interest of RM3.225 million, being the balance out of a total amount of RM17.6 million payable to the Chang Ming Thien Foundation ("the Foundation") after the Company effected a partial payment of RM4.375 million in 1990 and a principal payment of RM10.0 million in 2002.

The principal amount of RM10.0 million arose from the outcome of Kuala Lumpur High Court Suit No. S1-22-564-91 filed in 1991 by the donor of the amount, General Holdings Sdn. Bhd. ("GHSB") seeking among other things, the return of the monies. The High Court had in September 2000 held inter alia that GHSB is entitled to have control and management of the trust monies of RM10.0 million. The Company appealed against the decision of the High Court and in February 2001, the Court of Appeal allowed the appeal and dismissed GHSB's claim. GHSB filed an application for leave to appeal to the Federal Court. The Federal Court had dismissed the application of GHSB for leave to appeal on 18 November 2002 and the Company paid RM10.0 million to the Foundation in 2002.

The Company has withheld payment to the Foundation of the interest of RM3.225 million, pending the outcome of an appeal by the Foundation to the revenue authorities for tax exemption and the outcome of the aforesaid application.

22. PROVISIONS FOR LIABILITIES

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Provision for outstanding insurance claims	180,484	165,117	-	-
Less: Recoverable from reinsurers	(93,269)	(87,217)	-	-
	<u>87,215</u>	<u>77,900</u>	<u>-</u>	<u>-</u>
The provision is analysed as follows:				
At 1 January	77,900	65,704	-	-
Net claims incurred	80,917	69,323	-	-
Gross claims paid less salvage	109,146	87,647	-	-
Less: Reinsurance recoveries	(37,544)	(30,520)	-	-
Net claims paid	<u>(71,602)</u>	<u>(57,127)</u>	<u>-</u>	<u>-</u>
At 31 December	<u>87,215</u>	<u>77,900</u>	<u>-</u>	<u>-</u>

23. BORROWINGS

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Short Term Borrowings					
Secured:					
Bank overdrafts	(a)	1,614	19,543	1,332	-
Revolving credits	(b)	208,740	184,000	80,000	90,000
Term loan	(c)	30,000	30,000	30,000	30,000
		<u>240,354</u>	<u>233,543</u>	<u>111,332</u>	<u>120,000</u>
Unsecured:					
Bank overdrafts	(a)	2,764	1	-	-
Revolving credits	(b)	54,000	65,000	54,000	65,000
		<u>56,764</u>	<u>65,001</u>	<u>54,000</u>	<u>65,000</u>
		<u>297,118</u>	<u>298,544</u>	<u>165,332</u>	<u>185,000</u>
Long Term Borrowings					
Secured:					
Term loan	(c)	<u>356,612</u>	<u>45,000</u>	<u>356,612</u>	<u>45,000</u>
Total Borrowings					
Bank overdrafts		4,378	19,544	1,332	-
Revolving credits		262,740	249,000	134,000	155,000
Term loan		386,612	75,000	386,612	75,000
		<u>653,730</u>	<u>343,544</u>	<u>521,944</u>	<u>230,000</u>
Maturity of borrowings:					
Within one year		297,118	298,544	165,332	185,000
More than 1 year and less than 2 years		-	30,000	-	30,000
More than 2 years and less than 5 years		356,612	15,000	356,612	15,000
		<u>653,730</u>	<u>343,544</u>	<u>521,944</u>	<u>230,000</u>

23. BORROWINGS (CONTD.)

- (a) The bank overdrafts bear interest at rates ranging from 6.75% to 7.25% (2005: 5.0% to 8.85%) per annum and are secured, where applicable, by the following:
- (i) certain quoted shares belonging to a subsidiary company and margin clients with a carrying market value of RM1,673,000 (2005: RM11,453,000) and RM90,416,000 (2005: RM86,598,000) respectively;
 - (ii) corporate guarantee by a subsidiary company; and
 - (iii) joint and several guarantee by the directors of a subsidiary company.
- (b) The revolving credits bear interest at rates ranging from 4.65% to 8.85% (2005: 4.25% to 8.85%) per annum and are secured, where applicable, by way of:
- (i) pledge of fixed deposit of a principal sum of RM2,350,000 whereby interest accrued is to be retained;
 - (ii) shares in the quoted subsidiary company;
 - (iii) quoted shares of clients of a securities broking and dealing subsidiary;
 - (iv) other quoted investments;
 - (v) bank guarantee, which is in turn secured by way of assignment of the freehold land and building of the Company;
 - (vi) corporate guarantee by the Company or a subsidiary company; or
 - (vii) joint and several guarantee by the directors of a subsidiary company.
- (c) The term loan bears interest at rates ranging from 4.25% to 4.45% (2005: 4.25%) per annum.

The term loan of the Company as at 31 December 2006 of RM356.6 million (2005: RM45 million) is secured by way of a bank guarantee which is in turn secured by way of assignment of the freehold land and building of the Company with carrying amount of RM192,980,000 (2005: RM197,380,000) and by way of pledge of quoted shares in the subsidiary company and other quoted investments.

24. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2006 '000	2005 '000	2006 RM'000	2005 RM'000
Authorised				
At 1 January/ 31 December	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
Issued and fully paid				
At 1 January/ 31 December	<u>953,867</u>	<u>953,867</u>	<u>953,867</u>	<u>953,867</u>

(a) Warrants 2004/2009

On 27 February 2004, the Company allotted 200,000,000 new Warrants 2004/2009 pursuant to the issue by the Company on 2 December 2003 of RM300 million nominal value of 5% Exchangeable Bonds 2003/2008 with detachable provisional rights to allotment of warrants. The Warrants 2004/2009 are constituted by a Deed Poll executed by the Company on 10 October 2003 for warrant holders. Each Warrant 2004/2009 entitles the registered holder to subscribe for one (1) new ordinary share of RM1.00 each in the Company at an exercise price of RM1.00 per new ordinary share during the exercise period commencing from 27 February 2004 until 26 February 2009. The exercise price may be subject to adjustment on the occurrence of certain events in accordance to the Deed Poll. The Warrants 2004/2009 are listed on the Main Board of Bursa Malaysia Securities Berhad.

As at 31 December 2006, the number of Warrants 2004/2009 remaining unexercised was 199,999,854 (2005: 199,999,854) out of a maximum number of 200,000,000 Warrants 2004/2009 detached from the RM300 million nominal value of 5% Exchangeable Bonds 2003/2008.

25. OTHER RESERVES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Capital reserve (Note (a))	44,744	35,584	-	-
Foreign exchange reserve	(11)	-	-	-
	<u>44,733</u>	<u>35,584</u>	<u>-</u>	<u>-</u>

- (a) In accordance with Article 138 of the Articles of Association of a subsidiary, the capital reserve arises from gain on disposal of investments transferred from retained profits. This reserve was also used to write off goodwill and the recognition of negative goodwill on consolidation relating to acquisition of subsidiaries in previous years.

26. AMOUNT DUE TO A SUBSIDIARY COMPANY

The amount due to a subsidiary company is unsecured, interest-free and not expected to be repaid within one year.

27. EXCHANGEABLE BONDS 2003/2008 (UNSECURED)

On 2 December 2003, the Company issued RM300,000,000 nominal value of 5% Exchangeable Bonds 2003/2008 ("Bonds").

The principal terms of the 5% Exchangeable Bonds 2003/2008 are as follows:

- (i) The Bonds have a maturity date of five (5) years from the date of issue.
- (ii) The Bonds bear a coupon rate of five (5)% per annum based on the nominal value of the Bonds, payable semi-annually in arrears.
- (iii) The Bonds will be redeemed on the maturity date at 100% of their nominal value unless previously redeemed, purchased and cancelled or exchanged.
- (iv) Each Bond will be, at the option of the bondholder (but subject to the discretion of the Company to either pay cash to redeem the Bonds or to exchange the Bonds for ordinary shares of RM0.50 in Magnum Corporation Berhad ("Magnum Shares")), exchangeable for Magnum Shares at an exchange price of RM3.66 at any time after the date of issue during the period commencing on the date of issue to and including thirty (30) days prior to the maturity date. The exchange price may be subject to adjustment on the occurrence of certain events in accordance to the Trust Deed.

In the event of an exchange, the Company has the option to redeem the Bonds via cash payment to the bondholder in lieu of Magnum Shares at a cash redemption amount equal to the five (5)-day volume-weighted average market price of Magnum Shares at the date of the exchange, but excluding the date of the exchange itself.

As at 31 December 2006, 81,967,000 (2005: 81,967,000) Magnum Shares have been placed with the Shares Trustee pursuant to the terms of the Trust Deed.

- (v) The Bonds constitute unsecured and unsubordinated obligations of the Company and rank pari passu and without any preference or priority among themselves. The payment obligations of the Company under the Bonds shall rank at least equally with all its other present and future unsecured and unsubordinated obligations.
- (vi) The Bonds are not listed on Bursa Malaysia Securities Berhad.

28. DEFERRED TAX ASSETS/LIABILITIES

	Group	
	2006	2005
	RM'000	RM'000
At 1 January	373	1,598
Recognised in income statement from acquisition of subsidiary	(15,505)	-
Recognised in income statement (Note 6)	(932)	(1,225)
At 31 December	<u>(16,064)</u>	<u>373</u>
Presented after appropriate offsetting as follows:		
Deferred tax assets (a)	433	1,595
Deferred tax liabilities (b)	(1,181)	(1,222)
Deferred tax assets from acquisition of subsidiary (c)	5,321	-
Deferred tax liabilities from acquisition of subsidiary (d)	(20,637)	-
	<u>(16,064)</u>	<u>373</u>

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

(a) Deferred Tax Assets of the Group:

	Unearned Premium Reserve RM'000	Allowance for Impairment in Value of Investments RM'000	Allowance for Provision for Doubtful Debts RM'000	Total RM'000
At 1 January 2006	-	1,255	340	1,595
Effect of changes in tax rate	-	-	(13)	(13)
Recognised in income statement	-	(1,255)	106	(1,149)
At 31 December 2006	<u>-</u>	<u>-</u>	<u>433</u>	<u>433</u>
At 1 January 2005	-	2,628	263	2,891
Recognised in income statement	-	(1,373)	77	(1,296)
At 31 December 2005	<u>-</u>	<u>1,255</u>	<u>340</u>	<u>1,595</u>

28. DEFERRED TAX ASSETS/LIABILITIES (CONTD.)**(b) Deferred Tax Liabilities of the Group:**

	Other Receivables RM'000	Unearned Premium Reserve RM'000	Accelerated Capital Allowances RM'000	Total RM'000
At 1 January 2006	(574)	(90)	(558)	(1,222)
Overprovision in prior years	-	178	3	181
Effect of changes in tax rate	24	1	19	44
Recognised in income statement	(104)	(92)	12	(184)
At 31 December 2006	<u>(654)</u>	<u>(3)</u>	<u>(524)</u>	<u>(1,181)</u>

	Other Receivables RM'000	Unearned Premium Reserve RM'000	Accelerated Capital Allowances RM'000	Total RM'000
At 1 January 2005	(498)	(128)	(667)	(1,293)
Recognised in income statement	(76)	38	109	71
At 31 December 2005	<u>(574)</u>	<u>(90)</u>	<u>(558)</u>	<u>(1,222)</u>

(c) Deferred Tax Assets of the Group arising from acquisition of subsidiary:

	Unabsorbed capital allowance RM'000	Provisions RM'000	Unutilised investment tax allowance RM'000	Total RM'000
At 1 January 2006	-	-	-	-
Acquisition of subsidiary	4,433	426	1,752	6,611
Recognised in income statement	593	(131)	(1,752)	(1,290)
At 31 December 2006	<u>5,026</u>	<u>295</u>	<u>-</u>	<u>5,321</u>

28. DEFERRED TAX ASSETS/LIABILITIES (CONTD.)**(d) Deferred Tax Liabilities of the Group arising from acquisition of subsidiary:**

	Investment Property RM'000	Property, Plant and Equipment RM'000	Receivables RM'000	Total RM'000
At 1 January 2006	-	-	-	-
Acquisition of subsidiary	(13,200)	(6,517)	(278)	(19,995)
Recognised in income statement	-	(685)	43	(642)
At 31 December 2006	<u>(13,200)</u>	<u>(7,202)</u>	<u>(235)</u>	<u>(20,637)</u>

29. RESERVES FOR UNEXPIRED RISKS

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
At 1 January	47,187	47,007	-	-
Increase during the year	6,426	180	-	-
At 31 December	<u>53,613</u>	<u>47,187</u>	<u>-</u>	<u>-</u>

30. PROVISION FOR RETIREMENT BENEFITS

The Group operates a funded, defined benefit scheme, Magnum Group Retirement Scheme ("Scheme"), for its eligible employees. Contributions to the Scheme are made to a separately administered fund.

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

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
At 1 January	-	-	-	-
Recognised in income statement	2,370	-	-	-
Contributions paid	(617)	-	-	-
At 31 December	<u>1,753</u>	<u>-</u>	<u>-</u>	<u>-</u>

30. PROVISION FOR RETIREMENT BENEFITS (CONTD.)

Principal actuarial assumptions used:

	2006	2005
	%	%
Discount rate	7.00	7.00
Expected return on plan assets	3.00	3.00
Expected rate of salary increases	5.00	6.00

31. CAPITAL COMMITMENTS

- (a) On 21 October 1999, a subsidiary entered into conditional Put and Call Option Agreements with E&O Property Development Berhad ("E&O Property"), Magnum Corporation Berhad ("Magnum") and certain subsidiaries of Magnum 4D Berhad (collectively known as "Magnum 4D State Companies") to acquire the remaining 52,000,000 ordinary shares of RM1.00 each in MP Capital not already owned by a subsidiary representing 23.63% equity interest in MP Capital for a cash consideration of RM111.8 million plus holding cost calculated at 8% per annum within 24 months from the Unconditional Date. The agreements became unconditional on 23 June 2000.

On 21 June 2002, a subsidiary entered into supplemental agreements with Magnum and Magnum 4D State Companies whereby the parties mutually agreed to extend the call option period to 36 months from the Unconditional Date or such later date as the parties may agree upon in writing, and the put option period to three months from the expiry of 33 months from the Unconditional Date.

On 23 September 2002, a subsidiary paid to E&O Property a total sum of RM32,714,396, being the option price of RM32,391,370 plus interest of RM323,026 for the acquisition of 13,000,000 ordinary shares of RM1.00 each representing approximately 5.91% equity interest in MP Capital. Accordingly, the Put and Call Option to acquire approximately 5.91% equity interest in MP Capital from E&O Property was completed.

On 13 June 2003, A.A.Anthony Sdn. Bhd., Magnum and Magnum 4D State Companies mutually agreed to further extend the put and call option period for a further 12 months, i.e. from 23 June 2003 to 23 June 2004 ("2nd Extension Period"), with holding cost calculated at 6% per annum on the option price for the 2nd Extension Period.

31. CAPITAL COMMITMENTS (CONTD.)

(a) On 23 June 2004, A.A.Anthony Sdn. Bhd., Magnum and M4D State Companies mutually agreed to further extend the put and call option period for a further 36 months, i.e. from 24 June 2004 to 23 June 2007 ("3rd Extension Period"), with holding cost calculated at the following rates on the option price for the 3rd Extension Period:

- (i) 6% per annum during the first 24 months, i.e. from 24 June 2004 to 23 June 2006; and
- (ii) 7% per annum in the subsequent 12 months, i.e. from 24 June 2006 to 23 June 2007.

All other terms and conditions of the Put and Call Option Agreements and supplemental agreements entered into with Magnum and M4D State Companies shall remain the same.

The Put and Call Options with Magnum and Magnum 4D State Companies have not been exercised as at the date of this Report.

(b) Other capital commitments

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Approved and contracted for:				
Purchase of shares and warrants under share sales agreement	21,989	-	-	-
Purchase of shares under 'call' options agreement	12,172	-	-	-
Purchase of shares under 'put' options agreements	13,996	-	-	-
Property, plant and equipment	892	-	892	-
Underwriting commitment:				
Obligation under underwriting agreement relating to the public issue of a company	3,150	36	-	-
	<u>52,199</u>	<u>36</u>	<u>892</u>	<u>-</u>

32. CONTINGENT LIABILITIES

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Guarantees to financial institutions in respect of bank borrowings granted to subsidiary companies - secured	(a)	-	-	134,000	134,000
Litigation claim for alleged wrongful suspension of a remisier	(b)	5,823	5,823	-	-
Litigation claim for alleged mismanagement of the client's accounts	(b)	960	960	-	-
		<u>6,783</u>	<u>6,783</u>	<u>134,000</u>	<u>134,000</u>

(a) These are contingent liabilities in respect of the Company relating to:

- (i) quoted shares in the subsidiary company and other quoted investments pledged to secure banking facilities granted to certain subsidiary companies in the normal course of business; and
 - (ii) continued financial support to certain subsidiary companies.
- (b) In addition to the above, there are claims against the securities broking and dealing subsidiary for the alleged breach of Section 45A of Securities Industry Act, 1983, alleged failure of the production of documents and alleged non-compliance of a court order, of which the quantum of the claims cannot be reasonably ascertained.

Based on legal opinions obtained, the Directors are of the view that the likelihood of the above claims crystallising is remote.

- (c) In the normal course of business, the insurance and securities broking and dealing subsidiaries make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

32. CONTINGENT LIABILITIES (CONTD.)

- (d) On 18 March 1991, the Company was informed by the IRD of the liability to Share Transfer Tax amounting to RM15.15 million from the disposal in 1984, of the entire issued shares in the wholly-owned subsidiary, Goodrich General Industries Sdn Bhd which then held 24.29% of the issued and paid-up capital in United Malayan Banking Corporation Bhd (later known as Sime Bank Bhd and subsequently merged with RHB Bank Bhd). The Company had already obtained legal advice that the disposal is not caught by the provisions of the Share (Land Based Company) Transfer Tax Act, 1984, since the disposal was effected under the Agreement entered into before the Act came into force. The Company has accordingly filed the formal appeal to the IRD. However the Special Commissioners of Income Tax had on 2 November 1996 dismissed the Company's appeal. The Company being dissatisfied with the decision of the Special Commissioners, had on 8 November 1996 served a Notice of Appeal requiring the Special Commissioners to state a case for the opinion of the High Court.

The decision of the High Court was delivered on 9 August 1997 dismissing the appeal and affirming the decision of the Special Commissioners. The Company has filed an appeal to the Court of Appeal against the High Court decision. The Court of Appeal had on 10 February 2006 allowed the Company's appeal with costs. The decisions of the High Court and the Special Commissioners of Income Tax were side aside and the assessment of RM15.15 million imposed on the Company by the IRD under the Share (Land Based Company) Transfer Tax Act, 1984 was discharged.

33. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Subsidiary companies:				
Brokerage payable	-	-	351	362
Interest receivable on loans	-	-	7,272	7,157
Office rental income	-	-	1,272	1,122
Management fees receivable	-	-	2,024	1,479
Gross insurance premium payable	-	-	104	103
Associated companies:				
Brokerage receivable	644	781	-	-
Dividend income	-	-	53,394	41,250
Gross insurance premium receivable	2,390	2,806	-	-
Office rental income	1,747	2,001	1,747	1,797
Management fees receivable	4,134	3,167	4,134	3,167

33. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTD.)

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Affiliated companies:				
Gross insurance premium receivable	613	453	-	-
Insurance commission payable	80	66	-	-
Office rental income	193	193	193	193
Office rental payable	634	500	44	48
Professional fees payable	711	655	711	655

(i) The above transactions are entered into in the normal course of business based on negotiated and mutual terms.

(ii) Affiliated companies during the financial year refer to the following:

- Metra Management Sdn. Bhd., incorporated in Malaysia, which is a corporation in which a Director has a substantial financial interest.
- Ganda Pesona Sdn. Bhd., incorporated in Malaysia, which is a corporation in which a Director has a substantial financial interest.
- MWE Properties Sdn. Bhd., incorporated in Malaysia, which is a corporation in which a Director has a substantial financial interest.
- Heng Guan Sdn. Bhd., incorporated in Malaysia, which is a corporation in which a Director has a substantial financial interest.
- Wejay Consult Sdn. Bhd., incorporated in Malaysia, which is a corporation in which a Director has a substantial financial interest.

(iii) Related party transactions of a corporate nature are as disclosed in Significant Events.

34. SIGNIFICANT EVENTS

Significant Events are as disclosed in the Directors' Report.

35. SUBSEQUENT EVENTS

Subsequent events are as disclosed in the Directors' Report.

36. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board of Directors.

(b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debts and the Group's investments in marketable securities and other interest-bearing financial instruments. The investment in financial assets are mainly short term in nature and have been placed in fixed deposits or in short term commercial papers or invested in marketable securities which yield better returns than cash at bank.

The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. The Group's policy is to borrow principally on a floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall. The mix between fixed and floating rate borrowings are monitored and varied according to changes in interest rates to ensure that the Group's cost of financing is kept at the lowest possible. The Group does not hedge interest rate risks.

(c) Foreign Exchange Risk

The Group operates principally within Malaysia and has neither material financial assets nor liabilities that are denominated in foreign currencies as at 31 December 2006.

(d) Liquidity Risk

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

36. FINANCIAL INSTRUMENTS (CONTD.)**(e) Credit Risk**

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. A credit approval authority limit structure approved by the Board of Directors is in place for all lending activities of the Group. Receivables are monitored on an ongoing basis via the Group's management reporting procedures. Exposure to credit risks is also managed in part by obtaining collaterals from the debtors.

The Group does not have any significant or concentration of credit risk that may arise from exposures to a single debtor or to groups of related debtors.

(f) Fair Values

The carrying amounts of financial assets and financial liabilities of the Group and of the Company at the balance sheet date approximated their fair values except for the following:

		Group		Company	
	Note	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial Assets					
At 31 December 2006:					
Loans to subsidiary					
companies	11	-	-	278,920	#
Other investments:					
- quoted in Malaysia	14	325,977	812,803	286,881	310,027
- unquoted in Malaysia		66,423	*	-	-
- quoted outside Malaysia		686	10,326	-	-
- unquoted outside Malaysia		10,717	*	-	#
- quoted unit trust		1,088	848	-	-
Amounts due from					
subsidiary companies	18	-	-	5,060	#
Short term investments:					
- Equity securities in	19				
corporation					
- quoted		67,278	74,959	-	-
- Cagamas Papers		5,001	4,999	-	-
- Malaysian Government					
Securities		16,318	16,400	-	-

36. FINANCIAL INSTRUMENTS (CONTD.)

(f) Fair Values (Contd.)

		Group		Company	
	Note	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial Assets					
At 31 December 2006: (Contd.)					
Short term					
investments: (Contd.)	19				
- Corporate bonds		79,007	79,964	-	-
- Irredeemable Convertible Loan		2,005	3,663	-	-
At 31 December 2005:					
Loans to subsidiary companies					
	11	-	-	328,331	#
Other investments:					
- quoted	14	321,174	326,869	305,466	310,027
- unquoted		1,530	*	-	-
Amounts due from subsidiary companies					
	18	-	-	901	#
Amount due from associated company					
	18	4,183	#	4,183	#
Short term investments:					
- Equity securities in corporation					
- quoted		91,752	92,363	-	-
- Cagamas Papers		11,117	11,118	-	-
- Malaysian Government Securities		8,895	8,977	-	-
- Corporate bonds		32,247	32,735	-	-
Financial Liabilities					
At 31 December 2006:					
Amounts due to subsidiary companies	21 & 26	-	-	496,254	#
At 31 December 2005:					
Amounts due to subsidiary companies	21 & 26	-	-	488,204	#

36. FINANCIAL INSTRUMENTS (CONTD.)**(f) Fair Values (Contd.)**

- * It is not practicable to estimate the fair value of the Group's and the Company's non-current unquoted investments because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs. However, the Group and the Company believe that the carrying amounts represent the recoverable values.
- # It is also not practicable to estimate the fair values of amounts due from/to subsidiary and associated companies due principally to a lack of fixed repayment term entered into by the parties involved and without incurring excessive costs. However, the Group and the Company do not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

The notional amounts and fair values of financial instruments not recognised in the balance sheets of the Group and of the Company as at the end of the financial year are as follows:

	Group		Company	
	Notional Amount RM'000	Fair Value RM'000	Notional Amount RM'000	Fair Value RM'000
At 31 December 2006:				
Call option on shares in Multi-Purpose Capital Holdings Berhad	83,850	@	83,850	@
Contingent liabilities	6,783	^	80,000	^
At 31 December 2005:				
Call option on shares in Multi-Purpose Capital Holdings Berhad	83,850	@	83,850	@
Contingent liabilities	6,783	^	134,000	^

@ It is not practical to estimate the fair value of the shares owing to the absence of quoted market prices.

^ It is not practicable to estimate the fair value of contingent liabilities reliably due to the uncertainties of timing, costs and eventual outcome.

36. FINANCIAL INSTRUMENTS (CONTD.)

(f) Fair Values (Contd.)

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Cash and Cash Equivalents, Receivables, Payables and Short Term Borrowings

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

(ii) Quoted Investments

The fair value of quoted investments is determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.

(iii) Cagamas Papers, Malaysian Government Securities, Unit Trusts and Corporate Bonds

The fair values are based on the indicative prices at the balance sheet date.

(iv) Term Loans

The fair value of term loans is estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending and borrowing arrangements.

37. SEGMENT INFORMATION

(a) Business Segment:

The Group is organised into four major business segments:

- (i) Financial services - provision of credit and related services and underwriting of all classes of general insurance business;
- (ii) Securities broking and dealing - provision of stockbroking services; and
- (iii) Property investment - ownership of a building for rental income.
- (iv) Gaming and leisure

Other business segments include investment holding and dormant companies.

The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

37. SEGMENT INFORMATION (CONTD.)**(a) Business Segment**

	Financial Services RM'000	Securities Broking and Dealing RM'000	Property Investment RM'000	Gaming & Leisure RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
2006							
Revenue							
External	133,520	52,180	17,421	237,975	10,531	-	451,627
Inter-segment	-	-	1,272	-	70,659	(71,931)	-
Total revenue	<u>133,520</u>	<u>52,180</u>	<u>18,693</u>	<u>237,975</u>	<u>81,190</u>	<u>(71,931)</u>	<u>451,627</u>
Results							
Segment results	25,282	33,040	11,057	24,712	23,048	(8,334)	108,805
Finance costs	-	-	-	-	-	-	(32,445)
Share of results of associate	-	-	-	-	118,379	-	118,379
Profit before taxation							<u>194,739</u>
Taxation							<u>(25,835)</u>
Profit after taxation							168,904
Minority interests							<u>(8,983)</u>
Profit for the year							<u>159,921</u>

37. SEGMENT INFORMATION (CONTD.)**(a) Business Segment (Contd.)**

	Financial Services RM'000	Securities Broking and Dealing RM'000	Property Investment RM'000	Gaming & Leisure RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
2006							
Assets and liabilities							
Segment assets	773,302	300,517	176,996	2,370,270	2,635,794	(2,107,540)	4,149,339
Investment in equity method of associate							-
Unallocated corporate assets							19,346
Consolidated total assets							<u>4,168,685</u>
Segment liabilities	177,448	121,091	8,323	242,863	150,637	(186,217)	514,145
Unallocated corporate liabilities							953,728
Consolidated total liabilities							<u>1,467,873</u>
Other Information							
Capital expenditure	965	1,215	1,273	54,560	331,930		389,943
Depreciation	1,158	1,980	86	1,139	4,844		9,207
Impairment losses	-	1,450	-	208	28,485		30,143
Reversal of impairment losses	(4,476)	-	-	(3,834)	-		(8,310)
Non-cash expenses other than depreciation, amortisation and impairment losses	6,887	-	-	5,254	-		12,141

37. SEGMENT INFORMATION (CONTD.)**(a) Business Segment (Contd.)**

	Financial Services RM'000	Securities Broking and Dealing RM'000	Property Investment RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
2005						
Revenue						
External	119,087	22,713	16,815	7,042	-	165,657
Inter-segment	233	478	1,122	1,479	(3,312)	-
Total revenue	<u>119,320</u>	<u>23,191</u>	<u>17,937</u>	<u>8,521</u>	<u>(3,312)</u>	<u>165,657</u>
Results						
Segment results	9,444	(20,499)	10,547	(141,744)	(7,425)	(149,677)
Finance costs	-	-	-	-	-	(31,597)
Share of results of associate	-	-	-	71,336	-	71,336
Loss before taxation						<u>(109,938)</u>
Taxation						<u>(4,104)</u>
Loss after taxation						<u>(114,042)</u>
Minority interests						<u>(442)</u>
Loss for the year						<u><u>(114,484)</u></u>

37. SEGMENT INFORMATION (CONTD.)**(a) Business Segment (Contd.)**

	Financial Services RM'000	Securities Broking and Dealing RM'000	Property Investment RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
2005						
Assets and liabilities						
Segment assets	733,210	353,665	198,735	506,982	(489,141)	1,303,451
Investment in equity method of associate	-	-	-	966,522	-	966,522
Unallocated corporate assets						10,821
Consolidated total assets						<u>2,280,794</u>
Segment liabilities	157,737	162,006	8,060	439,657	(489,141)	278,319
Unallocated corporate liabilities						643,626
Consolidated total liabilities						<u>921,945</u>
Other Information						
Capital expenditure	1,500	4,834	17,070	132		23,536
Depreciation	1,339	2,215	4,466	471		8,491
Amortisation	-	-	-	5,120		5,120
Impairment losses	1,521	11,717	-	181,483		194,721
Reversal of impairment losses	(5,443)	-	-	-		(5,443)
Non-cash expenses other than depreciation, amortisation and impairment losses	694	9,184	145	-		10,023

37. SEGMENT INFORMATION (CONTD.)**(b) Geographical Segments**

The Group operates mainly in Malaysia. The other geographical areas are Hong Kong, People's Republic of China, Philippines, British Virgin Islands, Channel Islands and Indonesia. In determining the geographical segments of the Group, revenue is classified based on the location where the sales is generated. Total assets and capital expenditure are based on the geographical location of the assets.

	Revenue		Total assets		Capital Expenditure	
	2006	2005	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	450,954	165,657	3,603,772	2,290,406	389,885	23,536
Hong Kong	673	-	52,112	-	48	-
People's Republic of China	-	-	122,894	-	-	-
Philippines	-	-	131,873	-	-	-
British Virgin Islands	-	-	7,917	-	10	-
Channel Islands	-	-	240,345	-	-	-
Indonesia	-	-	5,360	-	-	-
Others	-	-	4,413	-	-	-
Total	451,627	165,657	4,168,686	2,290,406	389,943	23,536

38. PRINCIPAL SUBSIDIARY COMPANIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES

Subsidiary Companies

Name of Subsidiary Company	Country of Incorporation	Equity Interest Held (%)		Principal Activities
		2006	2005	
Direct subsidiary companies of the Company				
Multi-Purpose Capital Holdings Berhad	Malaysia	82.27	82.27	Investment holding
Multi-Purpose Shipping Corporation Berhad	Malaysia	100.00	100.00	Investment holding
Capi-Grow Sdn. Bhd.	Malaysia	100.00	100.00	Investment holding
Marinco Holdings Sdn. Bhd.	Malaysia	100.00	100.00	Investment holding
West-Jaya Sdn. Bhd.	Malaysia	100.00	100.00	Investment holding
Dynamic Pearl Sdn. Bhd.	Malaysia	100.00	100.00	Investment holding
Definite Command Sdn. Bhd.	Malaysia	100.00	100.00	Investment holding
MKR Consortium Sdn. Bhd.	Malaysia	100.00	100.00	Designing and construction of railway and related activities
Magnum Corporation Berhad	Malaysia	50.41	-	Investment holding, operation of four digit numbers forecast betting game and management services
Subsidiary companies of Multi-Purpose Capital Holdings Berhad				
Multi-Purpose Insurans Bhd.	Malaysia	82.27	82.27	General insurance
Multi-Purpose Credit Holdings Sdn. Bhd.	Malaysia	82.27	82.27	Investment holding

38. PRINCIPAL SUBSIDIARY COMPANIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES (CONTD.)

Subsidiary Companies (Contd.)

Name of Subsidiary Company	Country of Incorporation	Equity Interest Held (%)		Principal Activities
		2006	2005	
Subsidiary companies of Multi-Purpose Credit Holdings Sdn. Bhd.				
Multi-Purpose Credit Sdn. Bhd.	Malaysia	82.27	82.27	Leasing, hire purchase and general loan financing
MP Factors Sdn. Bhd.	Malaysia	82.27	82.27	Property development
Multi-Purpose Venture Partners Sdn. Bhd.	Malaysia	82.27	82.27	Loan arrangement services
Multi-Purpose Credit Nominees (Tempatan) Sdn. Bhd.	Malaysia	82.27	82.27	Nominees services
Subsidiary companies of Multi-Purpose Shipping Corporation Berhad				
Mulpha Kluang Maritime Carriers Sdn. Bhd.	Malaysia	100.00	100.00	Dormant
Mulpha Taiping Maritime Carriers Sdn. Bhd. #	Malaysia	-	100.00	Dormant
Mulpha Tapah Maritime Carriers Sdn. Bhd.	Malaysia	100.00	100.00	Dormant
MPHB Shipping Pte. Ltd.+	Singapore	100.00	100.00	Dormant
Subsidiary companies of Capi-Grow Sdn. Bhd.				
Multi-Purpose (Guernsey) Ltd. *	Channel Islands	100.00	100.00	Investment holding
Subsidiary companies of Dynamic Pearl Sdn. Bhd.				
A.A. Anthony Securities Sdn. Bhd.	Malaysia	95.70	95.70	Securities broking and dealing activities
MP Solutions Sdn. Bhd.	Malaysia	100.00	100.00	Sales of financial products and services

38. PRINCIPAL SUBSIDIARY COMPANIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES (CONTD.)

Subsidiary Companies (Contd.)

Name of Subsidiary Company	Country of Incorporation	Equity Interest Held (%)		Principal Activities
		2006	2005	
Subsidiary companies of A.A. Anthony Securities Sdn. Bhd.				
AA. Anthony Nominees (Tempatan) Sdn. Bhd.	Malaysia	100.00	100.00	Nominees services
AA. Anthony Nominees (Asing) Sdn. Bhd.	Malaysia	100.00	100.00	Nominees services
JBS Asset Management Sdn. Bhd.	Malaysia	100.00	100.00	Dormant
A.A. Anthony & Company Sdn. Bhd.	Malaysia	100.00	100.00	Dormant
A.A.A. Nominees (Tempatan) Sdn. Bhd.	Malaysia	100.00	100.00	Dormant
A.A.A. Nominees (Asing) Sdn. Bhd.	Malaysia	100.00	100.00	Dormant
Subsidiary companies of Magnum Corporations Berhad				
Magnum 4D (East Coast) Sdn. Bhd.	Malaysia	21.66	-	Ceased operations of forecast betting
Magnum 4D (East Malaysia) Sdn. Bhd.	Malaysia	44.85	-	Ceased operations of forecast betting
Magnum 4D (Johor) Sdn. Bhd.	Malaysia	27.68	-	Ceased operations of forecast betting
Magnum 4D (Melaka) Sdn. Bhd.	Malaysia	27.64	-	Ceased operations of forecast betting
Magnum 4D (Negeri Sembilan) Sdn. Bhd.	Malaysia	37.23	-	Ceased operations of forecast betting
Magnum 4D (Penang) Sdn. Bhd.	Malaysia	30.36	-	Ceased operations of forecast betting
Magnum 4D (Perak) Sdn. Bhd.	Malaysia	28.76	-	Ceased operations of forecast betting
Magnum 4D (Selangor) Sdn. Bhd.	Malaysia	35.67	-	Forecast betting
ENE (Selangor) Sdn. Bhd.	Malaysia	35.59	-	Forecast betting
ENE (Perak) Sdn. Bhd.	Malaysia	32.93	-	Forecast betting

38. PRINCIPAL SUBSIDIARY COMPANIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES (CONTD.)

Subsidiary Companies (Contd.)

Name of Subsidiary Company	Country of Incorporation	Equity Interest Held (%)		Principal Activities
		2006	2005	
Subsidiary companies of Magnum Corporations Berhad (Contd.)				
ENE (Penang) Sdn. Bhd.	Malaysia	30.85	-	Forecast betting
ENE (Negeri Sembilan) Sdn. Bhd.	Malaysia	37.23	-	Forecast betting
ENE (Melaka) Sdn. Bhd.	Malaysia	28.39	-	Forecast betting
M4D (Johor) Sdn. Bhd.	Malaysia	27.80	-	Forecast betting
ENE (East Coast) Sdn. Bhd.	Malaysia	22.40	-	Forecast betting
ENE (East Malaysia) Sdn. Bhd.	Malaysia	41.19	-	Forecast betting
Jayavest Sdn. Bhd.	Malaysia	49.95	-	Investment holding
Magnum Enterprise Sdn. Bhd.	Malaysia	50.41	-	Investment holding
Sharikat Anika Kemajuan Sdn. Bhd.	Malaysia	50.41	-	Investment holding
Evertrans (Malaysia) Sdn. Bhd.	Malaysia	48.82	-	Investment holding
Magnum 4D Berhad #1	Malaysia	42.47	-	Investment holding and management services
Syarikat Perniagaan Selangor Sdn. Bhd.	Malaysia	49.95	-	Property investment & management and operation of hotel
Syarikat Percetakan New Light Sendirian Berhad	Malaysia	50.41	-	Printing activities
Mimaland Berhad	Malaysia	47.15	-	Ceased operations
Tasek Ampang Hotel Sdn. Bhd.	Malaysia	49.95	-	Hotel management
Longterm Profit Sdn. Bhd.	Malaysia	42.47	-	Investment holding and four digit agency management
Magnum Information Technology Sdn. Bhd.	Malaysia	45.65	-	Providing information technology services
Jujur Megah Sdn. Bhd.	Malaysia	50.40	-	Investment holding
Kelana Megah Development Sdn. Bhd.	Malaysia	50.41	-	Plantation and property holding

38. PRINCIPAL SUBSIDIARY COMPANIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES (CONTD.)

Subsidiary Companies (Contd.)

Name of Subsidiary Company	Country of Incorporation	Equity Interest Held (%)		Principal Activities
		2006	2005	
Subsidiary companies of Magnum Corporations Berhad (Contd.)				
Sababumi (Sandakan) Sdn. Bhd.	Malaysia	34.20	-	Dormant
Choicevest Sdn. Bhd.	Malaysia	42.47	-	Investment holding
Kini Kaya Sdn. Bhd.	Malaysia	46.67	-	Dormant
Vijuara Sdn. Bhd.	Malaysia	50.41	-	Golf resort operations
Magnum.Com Sdn. Bhd.	Malaysia	50.41	-	Investment holding
Magnum Leisure Sdn. Bhd.	Malaysia	49.53	-	Operation of hotel
Lubuk Jaya Sdn. Bhd.	Malaysia	50.41	-	Property investment and development
Natmatic Sdn. Bhd.	Malaysia	50.41	-	Dormant
Secure Tangent Sdn. Bhd.	Malaysia	45.65	-	Providing information technology security consulting services
Leisure Dotcom Sdn. Bhd.	Malaysia	42.47	-	Dormant
West Country Sdn. Bhd.	Malaysia	49.53	-	Property development
Quantumco Enterprise Sdn. Bhd.	Malaysia	49.95	-	Property investment & Investment holding
Hastania Sdn. Bhd.	Malaysia	49.95	-	Property investment
Tibanis Sdn. Bhd.	Malaysia	49.95	-	Property investment
Magnum Investment Limited *	Hong Kong	50.41	-	Investment holding and trading operations
Magnum Leisure Limited *	Hong Kong	50.41	-	Dormant
Magnum Management Limited *	Hong Kong	50.41	-	Dormant
Magnum Capital Limited *	Hong Kong	50.41	-	Dormant
Magnum Industries Limited *	Hong Kong	-	-	Dormant
Magnum International Holdings Services Limited *	Hong Kong	-	-	Provision of administrative services
Jenpoint Limited *	Hong Kong	-	-	Securities trading
Watary Onspan Limited *	Hong Kong	-	-	Dormant
Magnum Secretarial Services Limited *	Hong Kong	-	-	Dormant

38. PRINCIPAL SUBSIDIARY COMPANIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES (CONTD.)

Subsidiary Companies (Contd.)

Name of Subsidiary Company	Country of Incorporation	Equity Interest Held (%)		Principal Activities
		2006	2005	
Subsidiary companies of Magnum Corporations Berhad (Contd.)				
Magnum International Finance Limited *	Hong Kong	-	-	Money lending
Magnum International Securities Limited *	Hong Kong	-	-	Securities dealing and margin finance
Magnum International Nominees Limited *	Hong Kong	-	-	Dormant
Leisure Management (Hong Kong) Limited*	Hong Kong	42.47	-	Investment holding and trading operations
Magnum (Guernsey) Limited *	Channel Islands	50.41	-	Investment holding
LM (Guernsey) Limited *	Channel Islands	42.47	-	Investment holding
P.T. Magnum Investment Indonesia *	Indonesia	50.33	-	Business consultancy, business management and investment
Magnum International Securities Inc *	Philippines	-	-	Dormant
Magnum Industries USA, Inc. *	USA	-	-	Dormant
Watary Investments Limited *	British Virgin Islands	-	-	Investment holding
Lismore Properties Limited *	British Virgin Islands	50.41	-	Property investment
Ongreat Properties Limited *	British Virgin Islands	50.41	-	Property investment
Continuous Gain Limited *	British Virgin Islands	50.41	-	Property investment
Ample Profits Limited *	British Virgin Islands	50.41	-	Dormant
Wolston Limited *	British Virgin Islands	50.41	-	Property investment
Magnum Financial Services Holdings Limited *	British Virgin Islands	-	-	Investment holding
Hilcrest Limited *	British Virgin Islands	-	-	Dormant

38. PRINCIPAL SUBSIDIARY COMPANIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES (CONTD.)

Subsidiary Companies (Contd.)

Name of Subsidiary Company	Country of Incorporation	Equity Interest Held (%)		Principal Activities
		2006	2005	
Subsidiary companies of Magnum Corporations Berhad (Contd.)				
Magnum International Holdings Limited * #2	Bermuda	-	-	Investment holding, securities dealing, brokerage and consumer finance

Associated Companies

Name of Associated Company	Country of Incorporation	Equity Interest Held (%)		Principal Activities
		2006	2005	
Magnum Corporation Berhad	Malaysia	-	-	Investment holding, operation of four digit numbers forecast betting game and management services
Magnum Marketing Philippines, Inc.	Philippines	20.16	-	Dormant
Magnum Property & Development Corporation	Philippines	20.16	-	Dormant
Philippines Racing Club, Inc. * #3	Philippines	17.46	-	Operation of a horse racing club and off-tracking betting
Casinos Mongolia HH *	Mongolia	16.99	-	Ceased operations
Magnum Fertilizer Co. Limited #	Laos, People's Democratic Republic	-	-	Manufacturing and trading of fertilizer

38. PRINCIPAL SUBSIDIARY COMPANIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES (CONTD.)

Jointly Controlled Entities

Name of Jointly Controlled Entity	Country of Incorporation	Equity Interest Held (%)		Principal Activities
		2006	2005	
Shenyang Renhe Property Developing Ltd.	China, People's Republic	20.16	-	Property investment and development of a commercial complex
Nantian Hydro Electric Station Co. Ltd.	China People's Republic	20.16	-	Development and operation of hydropower station
Liberty Holdings S.A.	Marshall Islands	-	50.00 #	Investment holding

This is a contractual arrangement where the Company shares in the profits of the jointly controlled entity at a proportion depending on the terms of the contractual arrangement.

The Group's aggregate share of the assets and liabilities of the jointly controlled entity is as follows:

	2006 RM'000	2005 RM'000
Current assets	-	185
Non-current assets	-	-
Current liabilities	-	(11)
Non-current liabilities	-	-
Net assets	<u>-</u>	<u>174</u>

+ Audited by affiliate of Ernst & Young.

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

Disposed of during the financial year

#1 Removed from the Official List of Bursa Securities on 26 March 2007 in accordance with paragraph 8.15(5) of the Listing Requirements.

#2 Listed on the Stock Exchange of Hong Kong.

#3 Listed on the Philippines Stock Exchange.