malaysia pacific corporation berhad (12200-M)

2006 ANNUAL REPORT

malaysia pacific corporation berhad (12200-M)

ANNUAL REPORT 2006

CONTENTS

NOTICE IS HEREBY GIVEN that the 34th Annual General Meeting of the Company will be held at Serunai Suite 1 & 2, 1st Floor, East Wing, Hilton Petaling Jaya, No. 2, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan on Monday, 18 December 2006 at 10.00 a.m. to transact the following business:-

AGENDA

A. Ordinary Business

1.	To receive the Audited Financial Statements for the financial year ended 30 June 2006 and the Reports of Directors and Auditors thereon.	**Resolution 1**
2.	To approve Directors' Fees for the financial year ended 30 June 2006.	**Resolution 2**
3.	To re-elect YBhg Datuk Kamaruddin Bin Taib as Director retiring pursuant to Article 85 of the Company's Articles of Association.	**Resolution 3**
4.	To consider and if thought fit, pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965:- "THAT YBhg Dato' Abdul Karim Bin Marzuki who is over the age of seventy years and retiring in accordance with Section 129(2) of the Companies Act, 1965 be and is hereby re-appointed a Director of the Company and to hold office until the next Annual General Meeting."	**Resolution 4**
5.	To elect Mr Ch'ng Soon Sen as Director pursuant to Article 92 of the Company's Articles of Association.	**Resolution 5**
6.	To re-appoint Messrs BDO Binder as Auditors of the Company and to authorise the Directors to fix their remuneration.	**Resolution 6**

B. As Special Business

7.	As Special Business, to consider and if thought fit, to pass, with or without modifications, the following Ordinary Resolution:- "THAT pursuant to Section 132D of the Companies Act, 1965, the Directors of the Company be and are hereby empowered to allot and issue shares in the Company at any time and upon such terms and conditions for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company unless revoked or varied by the Company at a general meeting."	**Resolution 7**

C. Other Business

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

By Order of the Board

NG YEN HOONG (LS 008016)
LIM POH YEN (MAICSA 7009745)
Company Secretaries

Petaling Jaya, Selangor Darul Ehsan
24 November 2006

NOTES:-

1. ***Appointment of Proxy***

   (i) *A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies (or in the case of a corporation, a duly authorised representative) to attend and vote in his stead. A proxy may, but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 need not be complied with. A member who is an authorised nominee may appoint not more than two proxies in respect of each securities account it holds.*

   (ii) *The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.*

   (iii) *Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.*

   (iv) *The instrument appointing a proxy shall be deposited at the registered office of the Company at Level 14, Uptown 1, No. 1 Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.*

2. ***Explanatory Notes on Special Business***

   Resolution pursuant to Section 132D of the Companies Act, 1965

   The Ordinary Resolution proposed under Resolution 6, if passed, will give the Directors the authority to allot and issue new ordinary shares up to an amount not exceeding 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority will commence from the date of this Annual General Meeting and unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting.

Statement Accompanying

Notice Of The Thirty-Fourth (34th) Annual General Meeting

(Pursuant to paragraph 8.28(2) of the listing requirements of Bursa Malaysia Securities Berhad)

(1) Venue, Date and Time of the 34th Annual General Meeting

The details of the 34th Annual General Meeting of the Company:-

Venue:	Serunai Suite 1 & 2, 1st Floor, East Wing, Hilton Petaling Jaya, No. 2, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan
Date & Time:	18 December 2006 (Monday) at 10.00 a.m.

(2) Directors who are standing for re-election/re-appointment/election at the 34th Annual General Meeting

(i) The Director who is standing for re-election pursuant to Article 85 of the Company's Articles of Association is YBhg Datuk Kamaruddin Bin Taib.

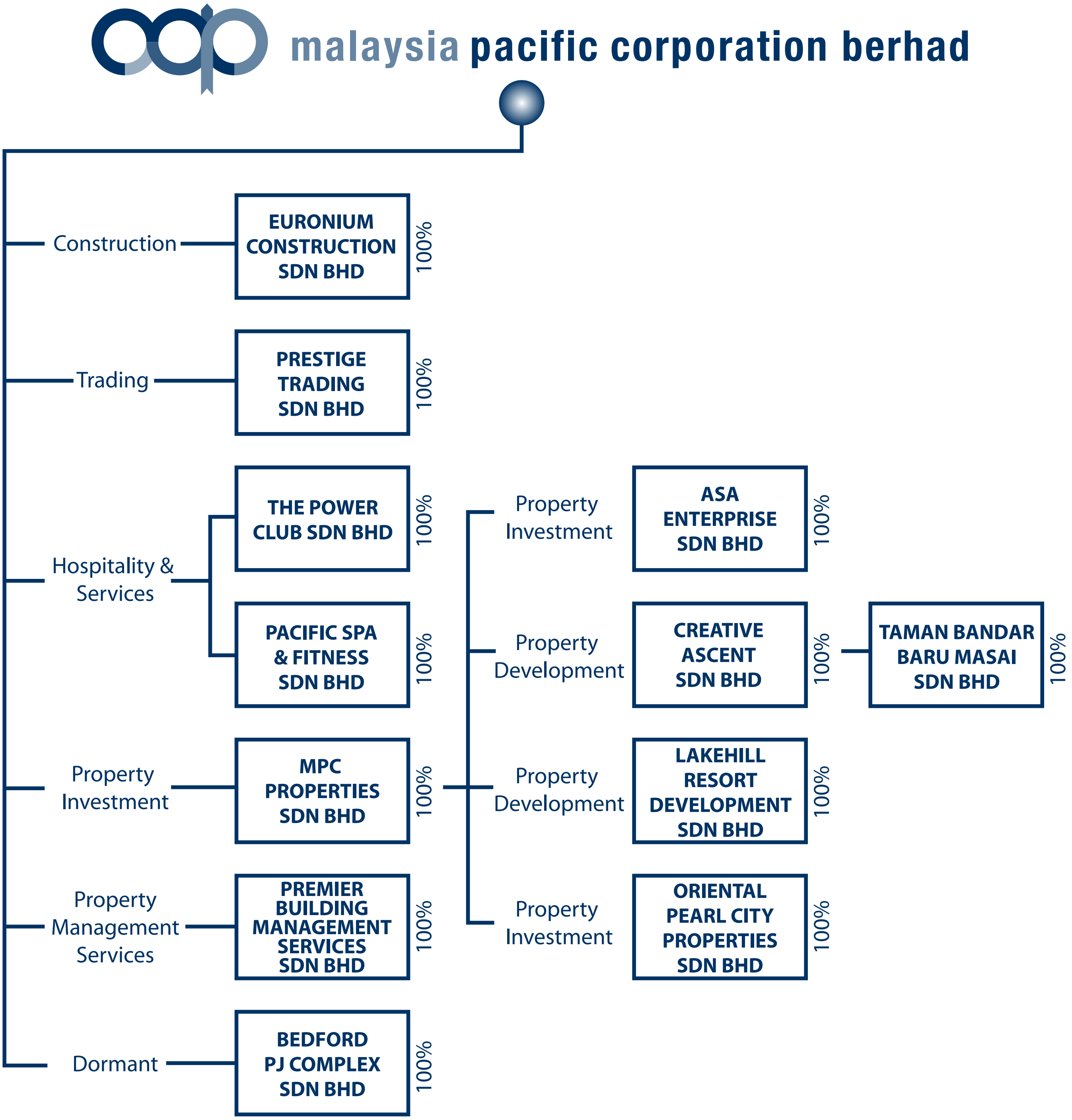
(ii) The Director over the age of seventy years who is standing for re-appointment is YBhg Dato' Abdul Karim Bin Marzuki.

(iii) The Director who is standing for election pursuant to Article 92 of the Company's Articles of Association is Mr Ch'ng Soon Sen.

(The details of the above Directors seeking re-election/re-appointment/election are set out in their respective profiles which appear on pages 7 to 8 of the Annual Report.)

(3) Attendance of Directors at Board Meetings held in the financial year ended 30 June 2006

There were 8 Board Meetings held during the financial year ended 30 June 2006. The details of the attendance of the Directors at Board Meetings are set out in the Statement of Corporate Governance on pages 18 to 21 of this Annual Report.


malaysia pacific corporation berhad
Construction
EURONIUM CONSTRUCTION SDN BHD
100%
Trading
PRESTIGE TRADING SDN BHD
100%
Hospitality & Services
THE POWER CLUB SDN BHD
100%
PACIFIC SPA & FITNESS SDN BHD
100%
Property Investment
MPC PROPERTIES SDN BHD
100%
Property Management Services
PREMIER BUILDING MANAGEMENT SERVICES SDN BHD
100%
Dormant
BEDFORD PJ COMPLEX SDN BHD
100%
Property Investment
ASA ENTERPRISE SDN BHD
100%
Property Development
CREATIVE ASCENT SDN BHD
100%
TAMAN BANDAR BARU MASAI SDN BHD
100%
Property Development
LAKEHILL RESORT DEVELOPMENT SDN BHD
100%
Property Investment
ORIENTAL PEARL CITY PROPERTIES SDN BHD
100%

BOARD OF DIRECTORS

YBhg Dato' Abdul Karim Bin Marzuki
Independent & Non-Executive Director

YBhg Datuk Kamaruddin Bin Taib
Non-Independent & Non-Executive Director

Teh Leong Kiat
Independent & Non-Executive Director

Seow Thiam Fatt
Non-Independent & Non-Executive Director

Ch'ng Soon Sen
Non-Independent & Non-Executive Director

SECRETARIES

Ng Yen Hoong (LS 008016)
Lim Poh Yen (MAICSA 7009745)

REGISTERED OFFICE

Level 14 Uptown 1
No. 1 Jalan SS 21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7725 2888
Fax : 03-7752 7791

REGISTRAR

PFA Registration Services Sdn Bhd
Level 13, Uptown 1
No. 1, Jalan SS21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7725 4888
Fax : 03-7722 2311

AUDITORS

Messrs BDO Binder
Chartered Accountants
12th Floor, Menara Uni Asia
1008, Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia
Tel : 03-2616 2888
Fax : 03-2616 3190, 2616 3191

YBhg Dato' Abdul Karim Bin Marzuki
DSDK, KMN
Independent & Non-Executive Director

Dato' Abdul Karim, a Malaysian, 70 years old, holds a Bachelor of Arts degree from the School of Government and Politics, Sydney University, Australia.

Upon graduation in 1961, he joined the Malaysian Administrative Service as Assistant Secretary in the Prime Minister's Department, after which, in 1965, he continued his government career in the Malaysian Diplomatic Service. Besides stints at the Ministry of Foreign Affairs (Wisma Putra), Dato' Abdul Karim had served at Malaysian embassies in Indonesia, Australia, Thailand and Soviet Union (USSR), and as well during these periods, he attended senior diplomatic trainings at the German Foundation for Developing Countries in West Berlin and at the Royal Defence College of Thailand in Bangkok. He completed his diplomatic career as High Commissioner successively to Fiji, Sri Lanka and Australia.

Upon his retirement from government service in 1992, Dato' Abdul Karim joined Kuok Group's Fiji Resort Limited, the owner and operator of Shangri-La Fiji Resort as Managing Director, and after this as Shangri-La Hotels (M) Berhad's Director of Development at Palm Beach Hotel in Penang. He last served as Human Resource and Administration Manager with a garment company in Perak.

Dato' Abdul Karim was appointed to the Board on 14 April 2006. He was also appointed Chairman of Audit and Risk Management Committee and a member of Nominating and Remuneration Committee.

He has attended two (2) out of two (2) Board meetings held in the financial year ended 30 June 2006.

YBhg Datuk Kamaruddin Bin Taib
PJN
Non Independent & Non-Executive Director

Datuk Kamaruddin Bin Taib, aged 48, a Malaysian, holds a Bachelor of Science Degree in Mathematics from the University of Salford (UK).

His first job was with a leading Merchant Bank in Malaysia. Subsequently, he served as a Director of several private companies as well as companies listed on Bursa Securities Malaysia Berhad (BURSA). Apart from the experience of serving on the Board of Companies listed on BURSA, Datuk Kamaruddin's experience also include previously serving on the Board of Companies listed on the Stock Exchange of India and on NASDAQ.

Datuk Kamaruddin is a shareholder and director of several private companies. He is also an Independent and Non-Executive Director of IRIS Corporation Berhad, a company listed on MESDAQ.

He has attended eight (8) out of eight (8) Board meetings held in the financial year ended 30 June 2006.

Mr Seow Thiam Fatt
Non Independent & Non-Executive Director

Mr. Seow Thiam Fatt, aged 65, a Malaysian and Chartered Accountant by profession is also a Corporate Consultant and Business Advisor. He is an Independent and Non-Executive Director of Tan Chong Motor Holdings Bhd, Warisan T C Holdings Berhad, Affin Investment Bank Berhad and ING Funds Berhad.

Mr. Seow is a Fellow of CPA Australia, Fellow of the Institute of Chartered Secretaries and Administrators and a past Fellow of the Institute of Chartered Accountants in Australia. He is also a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants (MICPA). He is a past President of MICPA and also served four years as a government appointed Independent Director of the previous Kuala Lumpur Commodities Exchange (KLCE). He was also a past President of the Lions Club of Petaling Jaya and a past Council Member of the Malaysian Institute of Chartered Secretaries and Administrators.

Mr Seow has more than 20 years professional experience as a practicing accountant in the capacity of a Senior Partner of Larry Seow & Co. / Moores & Rowland and a Partner of Arthur Young. He diverted from professional practice in 1994 and was previously on the Board of several private and public companies. He has held senior positions as the Finance Director of AC Nielsen (Malaysia) Sdn Bhd and Business Development Manager of Bolton Berhad. His regulatory work experience includes a two-year contract with the Securities Commission of Malaysia as the General Manager of the Financial Reporting Surveillance and Compliance Department.

He has attended eight (8) out of eight (8) meetings held in the financial year ended 30 June 2006.

Mr Teh Leong Kiat

Independent & Non-Executive Director

Mr. Teh Leong Kiat, aged 60, a Malaysian, has a Bachelor of Agricultural Science, majoring in Soil Science (MU). He is a certified Professional Trainer (IPMA / UK), Professional Speaker and a member of Toastmasters International (Manila).

Apart from his experiences in managing rubber and oil palm plantations in Felda, Guthrie and Sime Darby, he was also actively involved in the cultivation and exporting of Orchid Flowers with a German company. Furthermore, he had also carried out research and development on land rehabilitation in Washington, USA and he is now involved in lecturing trainers in public speaking and presentation skills.

His other interests lie in community service works with Rotary Club and developing patterns of communication excellence through NLP Programmes. He is a member of MAXIS Toastmasters Club and the past President of the "Whoosh" society for NLP participants.

He has attended eight (8) out of eight (8) Board meetings held in the financial year ended 30 June 2006.

Mr Ch'ng Soon Sen

Non-Independent & Non-Executive Director

Mr Ch'ng Soon Sen, aged 24, holds a degree in Business Management (Honors) from the University of Sunderland, UK.

He also possesses an Advance Diploma in Business Administration accorded by the Association of Business Executives (ABE), UK. He completed one year course in B.Sc (Hons) in Computing and Business in Kingston University, London, UK, and one year in B.A (Hons) Architecture in University of Brighton, UK.

He is currently a director of Top Lander Offshore Inc, K-Elite Sdn Bhd and Optima Mewah Sdn Bhd, which are collectively the majority shareholders of Malaysia Pacific Corporation Berhad. He is also a director of JacMoli Design & Jewellers (M) Sdn Bhd.

No board meetings was attended by Mr Ch'ng in the financial year ended 30 June 2006 as he was appointed to the Board on 20 November 2006.

The Directors wish to present the Annual Report and Financial Results of your Company for the financial year ended 30 June 2006.

FINANCIAL HIGHLIGHTS

The property market in low and medium cost housing development in Malaysia in general and Johor in particular for financial period 2005/2006 was unexpectedly slow.

The Group's revenue was decreased by 29.92% from RM25.721 million of previous year to RM18.024 million.

On the year-to-year comparative results, it was earlier announced that the operating loss after tax of the group as at 30 June 2006 was RM6.752 million as compared to RM16.323 million of the previous year. Similarly, the loss in nett asset value (NAV) was 3.91 sen per share as opposed to 9.60 sen per share of the previous year.

However, after receiving the recommendation of the new auditors, Messrs BDO Binder, in providing for an impairment cost of RM74.614 million on JB property, the losses had increased significantly. The impairment cost of RM74.614 million was based on the valuation by an independent professional valuer to reflect the true current market value. The board of directors deemed it prudent to accept the advice from our new auditors and also took measures to correct the previous accounting treatment incurred for the accounting period between 1996/97 and 2004/05 in the subsidiary's accounts.

As a result of the impairment cost, the Group's pre-tax loss was increased by 408% to RM81.486 million as compared to the previous year. A total sum of RM59.698 million in "land premium" charge which was treated in 1997 as part of the original purchase cost of JB property, plus the capitalising of the past bank interest charges between the period of 1997 and 2002 was taken as development expenditure on the land. The total impairment cost was RM74.614 million on the JB property alone, equivalent to a revision of 0.44 cents in loss in nett asset value (NAV) per share. Thus, the revised NAV was reduced to 0.75 cents per share.

The current board of directors and management recognised the severity of this heavy impairment loss and would appoint an independent advisor for a detailed investigative audit to be done to ascertain the issues and advise the Board of any follow up actions needed.

1. BACKGROUND OF JOHOR PROPERTY

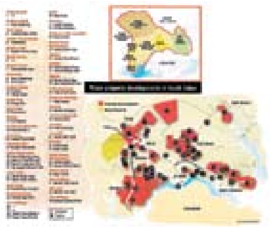
a) With the poor general housing market in Johor Bahru coupled with the inherited high interest cost and high bank borrowings, it was inevitable that the Company was still unable to turnaround at a quick enough pace. Also several prime land in prime locations were sold without valuation or tender under questionable circumstances. The sales had caused related party transaction issues and were in direct competition with our own development adjacent to them that affected badly our cashflow. Please refer to "Material Litigation" under Note 37 to the financial statement in this report.

b) Therefore, it was an uphill task for the current management to produce a quick turnaround without first cleaning up the pieces, including presently having to take the drastic steps to impair the "land premium" and the development expenditure cost of JB property.

c) The property was independently re-valued to reflect the current market value as at 30 June 2006. Consequently, the differences between the book value and the current market value were written off as one time impairment loss.

d) On a different light, during the financial year ended 30 June 2006, management had achieved a saving in Liquidated and Ascertained Damages (LAD) of the sum of RM5.436 million through successful negotiations made with the affected previous house purchasers incurred prior to the time of 2004, but this saving was overwhelmed by the huge impairment loss.

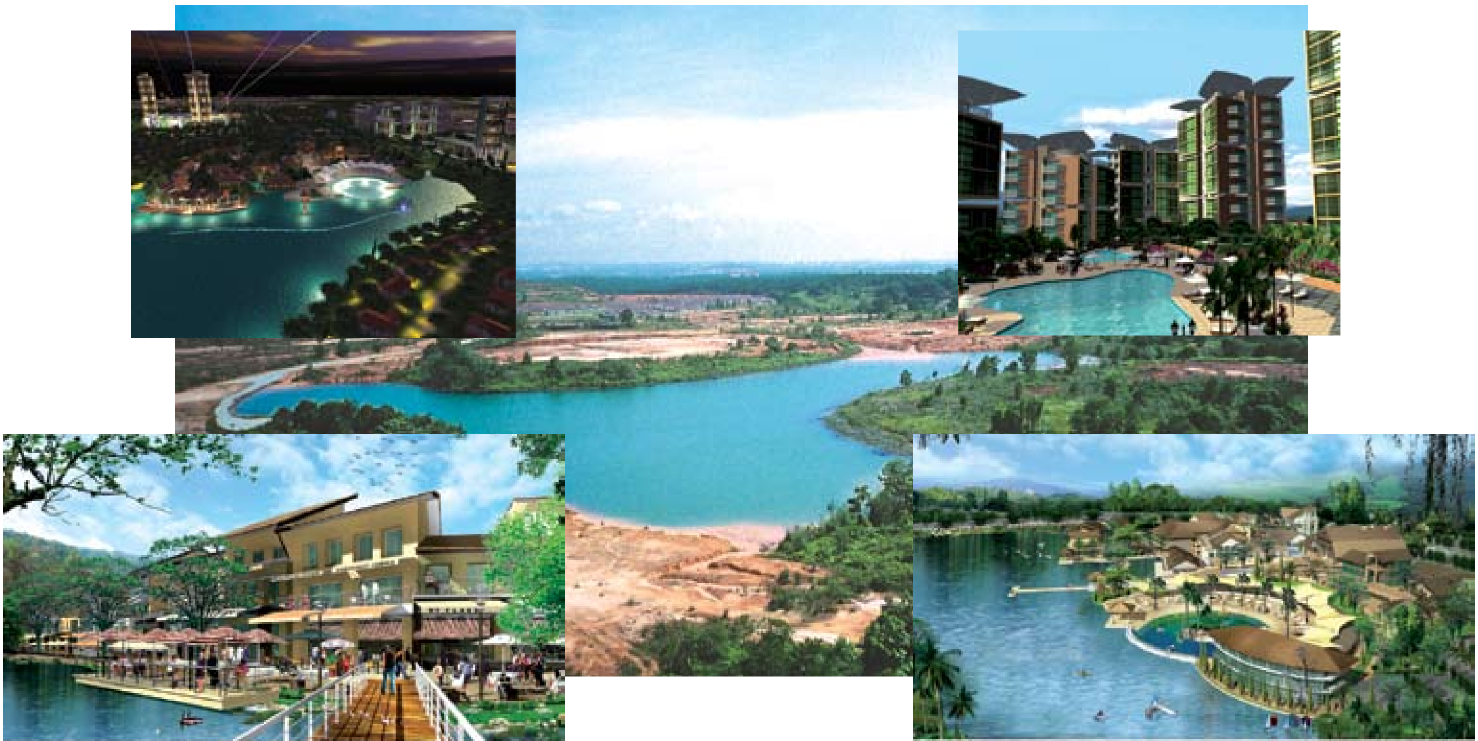
EFFORT TO TURNAROUND AND IMPROVE SALES IN JB DEVELOPMENT



Owing to an extremely competitive property market in low-medium cost housing in Johor, your management has shifted away from low-medium cost development into a health resort lifestyle and high-end city development as proposed herein to take advantage of its proximity to Singapore and the South Johor Economic Region (SJER) economic plan.

For those 31 completed houses and 714 approved houses which are under the development of Taman Bandar Baru Masai Sdn Bhd, named the "Taman Nusa Damai", the Company will continue to finish this project as low-medium cost houses. A large area of about 460 acres out of a total of 639.19 acres of land bank has been revised to target the upper niche buyers and this development will be developed by LakeHill Resort Development Sdn Bhd, your wholly owned subsidiary.

This new development concept focuses on resort homestead lifestyle design, compliment with resort hotel, spa, medical centre, condominiums, heritage village and commercial development. One development is called "LakeHill Resort" on the north-side of the new Expressway and on the other side is called "LakeHill City". This new plan will capitalise the advantage of the natural scenic value of the existing natural undulating hills overlooking onto an existing large clear-water lake. The new township will include the trade and exhibition centre, called "LakeHill City".



Lake Retail Frontage - artist's impression of the Village Resort & Heritage Centre

Aerial Perspective - artist's impression of the Village Resort & Heritage Centre

"LakeHill City", will also serve as a sort of "back-end" software support commercial hub to attract IT service corporation to move their backroom support services to "LakeHill City", thus creating an IT nucleus. The centre would serve as future SME sourcing destination for Malaysia SME's and the Region. The remaining 35 acres of land will comprise of about 280 units of 3-storey shop-houses designed to cater for various types of shopping, entertainment and F&B outlets reminiscent the like of Clarke Quay, Singapore; Lan Kwai Fong, Hong Kong; and Bangsar, Kuala Lumpur.

Barring unforeseen circumstances, management is optimistic that under the proposed new changes by turning the property into resort homes, trade and IT business service support centre and theme concept shop-houses, it should create a demand and provide a recovery for the Company in the future.

Though the total concept looks promising, nevertheless, it will take time to realise the goal. Many issues concerning the finances of the concept are under review and the outcome of the bank's decision to support our idea is paramount to the future and the future success story of this development.

2. WISMA MPL, KUALA LUMPUR

Efforts has been made to increase the rental income of Wisma MPL by ways of increasing rental rate and adding new lettable area. Wisma MPL is over 30 years old and it is due for major renovation and refurbishment. It is strategically located in the commercial golden triangle of Kuala Lumpur city. It has good traffic flow of people during office hours and should attract business potential for night and weekend shopping and entertainment as well.

a) Though rental occupancy has increased from previously 50% to currently 65%, rental rates incremental adjustment still remain small pending completion of total upgrading of the building, including some existing tenants having to relocate. Any increase in rental rates and higher occupancy income yield is more likely to improve in 2007.

b) In the beginning of June 2006, the Kuala Lumpur office market sentiment has apparently improved. Therefore, it is desirable for your Company to renovate, extend and improve the modernity of the building to add value and meet the expected demand.

MANAGEMENT OUTLOOK AND PROSPECTS

Property investment and development will continue to remain one of the Company's main core businesses. The directors are continuously looking at opportunities for diversification into other profitable ventures via acquisitions or in mergers and takeovers in the coming future.

1. JB DEVELOPMENT

The "LakeHill Resort" and "LakeHill City" development concept is anticipated to fetch a gross development value (GDV) exceeding RM3.0 billion as targeted. Hence, this development will keep the Company busy for the next 8 – 10 years. Therefore, a long-term financing plan for LakeHill Resort and LakeHill City is being sought. The Company is also opened in discussion with various potential joint-ventures and cooperation partners.

Barring unforeseen circumstances, we are cautiously optimistic of the success of LakeHill Resort and LakeHill City developments, as the location falls inside the government's South Johor Economic Region (SJER) master plan. Your Company is presently undertaking steps in negotiating with your bankers for a new financial structure and we trust that it will be favourable.

2. WISMA MPL

The tenancy and occupancy rates have room to improve, because of the improved sentiment of the office and commercial market in the golden triangle of Kuala Lumpur, where Wisma MPL is situated. Plans are pending approval from the building authorities in upgrading works and new extension of the "Red Sails" theme restaurants, eatery outlets, health, recreation and dinning club facilities to be located in the building. The funding for the proposed renovation and new extension work will be through internal funds and bank borrowings.

ACKNOWLEGEMENT

The Company regrets that it is still unable to report better result owing to enormous time and money spent in rectifying and answering past problems and financial issues including having to attend to litigation matters against former management and former directors, which are unavoidable.

The greatest disappointment is the fact that the last exercise of rights issues and warrants money raised from shareholders in 2003/2004 were virtually depleted by end 2004, leaving very little cash resources for the current management to plan a quick turnaround of the Company as from 2005. Plans are afoot to restructure or review the finances that will make the project financing terms more viable and more commercially sensible.

Your Board is of the opinion that it hopes the worst is over and that there is light at the end of the tunnel, subject to the financial scheme being put in place.

The directors wish to express their gratitude to the current management and staff for their hard work, loyalty and dedication to the Group over the difficult period. Appreciation also goes to our bankers, contractors, suppliers and business associates for their past support, advice and indulgence.

The directors also convey their appreciation to the shareholders for their patience, understanding and continued support.

Finally, the directors wish to welcome the new appointment of Mr Ch'ng Soon Sen as Non-Independent and Non-Executive Director of the Company.

Thank you.

Yours truly,

The Board of Directors

1. MEMBERS AND ATTENDANCE

The Audit & Risk Committee ("ARC") comprises the following members and details of attendance of each member at Committee meetings held during 2006 are as follows:-

Composition of Audit & Risk Committee	No. of Meetings Attended
YTM Dato' Hj Muhamad Sharip Bin Hj Othman (Chairman, Independent & Non-executive), *Resigned on 21.2.2006*	3/3
YBhg Dato' Abdul Karim Bin Marzuki (Chairman, Independent & Non-executive), *Appointed on 14.4.2006*	1/1
Mr. Teh Leong Kiat (Independent & Non-executive),	4/4
Mr. Seow Thiam Fatt (Non-Independent & Non-executive),	4/4

2. COMPOSITION AND TERMS OF REFERENCE

2.1 Members

a. The ARC shall be appointed by the Board and shall consist of not less than three (3) members, all of whom shall be non-executive directors. The majority of the ARC members shall be independent directors.

b. At least one (1) member of the ARC:-

   a. must be a member of the Malaysian Institute of Accountants (MIA);or
   b. if he is not a member of MIA, he must have at least three (3) years working experience and;

      i. he must have passed the examinations specified in Part 1 of the 1st schedule of the Accountant Act 1967; or
      ii. he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.

c. Quorum

   A quorum shall consist of two members and shall comprise of independent directors.

2.2 Chairman

The Chairman of the ARC shall be approved by the Board of Directors and shall be an independent non-executive director.

2.3 Secretary

The Company Secretary shall be the Secretary of the ARC and shall be responsible for drawing up the agenda and circulating it, supported by explanatory documentation to the ARC members prior to each meeting.

2.4 Meetings

The ARC shall meet at least four (4) times per financial year.

2.5 Authority

The ARC shall have the authority to:-

- investigate any activity within the scope of its terms of reference;
- have unrestricted access to both the internal and external auditors and to all employees of the Group; and
- obtain external legal or independent professional advice as it considers necessary.

2.6 Terms of Reference on Responsibilities & Duties

Financial Reporting

- To review the quarterly reports and annual financial statements of the Company and of the Group prior to the approval by the Board to ensure its compliance of the Provision of the Companies Act, 1965; Listing Requirements of Bursa Malaysia Securities Berhad; Applicable approved accounting standards in Malaysia; and Other legal and regulatory requirements.

External Audit

- To nominate and recommend for the approval of the Board of directors ("Board"), a person or persons as external auditor(s).
- To review the external audit remuneration fees.
- To review, with the external auditors, the audit scope and plan.
- To review, with the external auditors, the audit report and audit findings and the management's response thereto.
- To review the assistance given by the Group's officers to the external auditors.

Internal Audit

- To review the adequacy of the internal auditor's scope, functions and resources.
- To review the report and findings of the internal audit department including the findings of the internal audits conducted, the internal auditor recommendation and management response thereto.
- To review the adequacy and integrity of internal control systems, including risk management and management information system.

Risk Management

- To review and monitor the business and financial risks encountered by the Group and to ensure that all highly impacting risks are adequately managed at various level within the Group.

Related Party Transactions

- To review any related party transactions that may arise within the Company or the Group.

Other Functions

- Other functions as may be agreed to by the ARC and the Board.

3 SUMMARY OF ACTIVITIES

The activities of the ARC for the financial year were summarized as follows:-

3.1 Financial Results

3.2 Reviewed the quarterly and yearly unaudited financial results of the Group before recommending them for approval of the Board of Directors.

3.3 Reviewed the annual audited financial statements of the Company and its subsidiaries with the external auditors prior to submission to the Board of Directors for their approval. This review was, inter-alia, to ensure compliance with:-

- Provisions of the Companies Act, 1965 and the Housing Development Act, 1966;
- Listing Requirements of Bursa Malaysia Securities Berhad;
- Applicable approved accounting standards in Malaysia, and
- Other legal and regulatory requirements.

3.2 Internal Audit

a. Reviewed the annual audit plan to ensure adequate scope on the audit activities of the Group.
b. Reviewed the effectiveness of the audit process, resource requirements for the year.
c. Reviewed the internal audit reports, audit recommendations made and management's response to these recommendations. Where appropriate, the ARC has directed action to be taken by management to rectify and improve systems of internal controls and procedures based on the internal auditor's recommendation for improvements.

The numbers of internal audit reports tabled to the ARC during the year were as follows:-

Type of Audits	No. of Reports
• Departmental	1
• Adhoc/Special Reports	7
• Follow ups	2
• Independent Reports on Operational Matters	5
Total	**15**

d. Monitored the implementation of the audit recommendation to ensure all the key risks and controls have been addressed.
e. Reviewed the staffing requirements of Internal Audit Division.

3.3 External Audit

- Reviewed the annual audited financial statements of the Group with the external auditors prior to submission to the Board of Directors for their approval.
- Monitored the implementation of the audit recommendations to ensure that all the key risks and controls have been addressed.
- Reviewed with the external auditors:-

  i. their scope of work and audit plan for the year;
  ii. the results of the annual audit, their audit report and management letter together with management's responses to the findings of the external auditor.

- Reviewed the independence and effectiveness of the external auditors and made recommendations to the Board of Directors on their appointment and remuneration.
- Reviewed the annual report statement inclusive of the ARC Report, Statement of Corporate Governance and the Statement on Internal Control.

3.4 Related Party Transactions

Reviewed the related party transactions entered into by the Group.

4 INTERNAL AUDIT FUNCTION

The Internal Audit & Risk Department assisted the ARC in the discharge of its duties and responsibilities. Its role is to provide independent and reasonable assurance that the systems of internal controls are adequate and effective to mitigate the risks identified. The internal audit covers the review of the adequacy of risk management, operational controls, management efficiency and compliance with established procedures and guidelines, amongst others.

The Malaysian Code on Corporate Governance ("Code") introduced in March 2000, sets out the principles and best practices that companies may apply in the direction and management of their business and affairs towards achieving the ultimate objectives of maximizing shareholder value.

The principles and best practices of the Code were incorporated into the revamped Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa") on January 2001 and listed companies are required to disclose the extent of compliance with the Code or in areas where there are deviations, the alternative measures undertaken.

The statement below sets out how the Group has applied the key principles and the extent of its compliance with the best practices throughout the financial year ended 30 June 2006.

A. THE BOARD OF DIRECTORS

I. The Board

The Board of Directors ("Board") recognizes the importance of practicing high standards of corporate governance throughout the Group as a fundamental part of discharging its fiduciary responsibilities to protect and enhance shareholders' value and the financial performance of the company and the Group. The Board has established the term of reference to assist in the discharge of its responsibilities.

II. Board Composition

During the year under review, the board was made up of five (5) non-executive Directors, two (2) of whom are Independent Directors. There were two (2) new additions with the appointment of YBhg Dato' Abdul Karim Bin Marzuki and Mr Ch'ng Soon Sen. YTM Dato' Hj Muhamad Sharip Bin Hj Othman had resigned during the year.

The Boards are of the view that the current Board composition fairly reflects the investment of the shareholders in the Company.

III. Board Meetings

Attendance of present directors during their office tenure:-

Director	No of Meetings Attended
Mr. Seow Thiam Fatt (Non-Independent & Non-executive)	8/8
YBhg Datuk Kamaruddin Bin Taib (Non-Independent & Non-Executive)	8/8
Mr Teh Leong Kiat (Independent & Non-Executive)	8/8
YBhg Dato' Abdul Karim Bin Marzuki (Independent & Non-Executive) *Appointed on 14.4.2006*	2/2
Mr Ch'ng Soon Sen (Non-Independent & Non-Executive) *Appointed on 20.11.2006*	Not Applicable
YTM Dato' Hj Muhamad Sharip Bin Hj Othman. (Independent & Non-Executive) *Resigned on the 21.2.2006*	3/4

IV. Director's Training

All members of the Board have completed the Mandatory Accreditation Programme prescribed by the Bursa except for Mr Ch'ng Soon Sen who was appointed on 20 November 2006. Directors are encouraged to attend talks, training programmes and seminar to update themselves on new developments in the business environment.

V. Conduct of Meetings

The Board ensures that any potential conflict of interest is avoided by requesting the Director(s) concerned to declare his/their interests and abstain from the decision making process.

VI. Supply of and Access to Information Advice

The Chairman encourages full discussion and deliberation of issues affecting the Group by all Board members. The Board and the Board Committees are provided with information on a timely manner. Board reports are circulated prior to meetings of the Board and the Board Committees.

VII. Re-election of Directors

Any Director appointed during the year is required under the Company's Articles of Association, to retire and seek re-election by shareholders at the following Annual General Meeting ("AGM") immediately after their appointment. The Articles also require that one-third of the Directors including the Managing Director, if any, to retire by rotation and seek re-election at each AGM and that each Director shall submit himself for re-election at least one in every three years.

VIII. Directors' Remuneration

The fees for Directors for the year ended 30 June 2006 are recommended by the Board for approval by shareholders of the Company at its Annual General Meeting.

A. Aggregate Directors' Remuneration paid or payable to all Directors of the Company by the Group

	RM'000				
	Fees	**Salaries and other emoluments**	**Bonus**	**Benefits-in-kind**	**Total**
Executive	–	–	–	–	–
Non-Executive	209	13	–	–	222
Total	209	13	–	–	222

The number of directors whose remuneration falls into the following bands is as follows:-

B. Directors' Remuneration bands

	Executive	**Non-Executive**
RM1 – RM 50,000	–	5

B. BOARD COMMITTEE

I. Nominating and Remuneration Committee

The Company has met the above clause and has established a Nominating and Remuneration Committee with terms of reference as approved by the Board. The attendances of members of the Nominating & Remuneration Committee are as below:-

Attendance of present members during their office tenure:-

	No. of Meetings Attended
YBhg Datuk Kamaruddin Bin Taib (Non-Independent & Non-Executive)	4/4
Mr. Teh Leong Kiat (Independent & Non-Executive)	4/4
YTM Dato' Hj Muhamad Sharip Bin Hj Othman. (Independent & Non-Executive) *(Resigned on the 21.2.2006)*	3/3
YBhg Dato' Abdul Karim Bin Marzuki (Independent & Non-Executive) *(Appointed on 14.4.2006)*	Not Applicable

The primary function of the Remuneration Committee is to set up the policy framework and to recommend to the Board on remuneration packages and other terms of employment of the executive directors. The determination of the remuneration for the Non-executive Directors will be a matter to be decided by the Board as a whole with the Director concerned abstaining from deliberations and voting on decision in respect of his individual remuneration package.

C. RELATION WITH SHAREHOLDER AND INVESTOR

The Company recognizes the importance of keeping shareholders and investors informed of the Group's business and corporate performance. From time to time, such information is disseminated via the Company's annual reports, circulars to shareholders, quarterly financial results and various announcements.

In fact, the group maintains a corporate website at www.mpcb.com.my which shareholders as well as members of the public are invited to access for the latest information on the Group's linked development and the Group's latest announcements.

The Annual General Meeting ("AGM") remains the principal forum for dialogue with shareholders where they may seek clarifications on the Group's businesses. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions.

D. ACCOUNTABILITY AND AUDIT

I. Financial Reporting

In presenting the annual financial statements and quarterly reports to shareholders, investors and regulatory authorities, the directors aim to present a balanced and understandable assessment of the Group's position and prospects. The ARC assists the Board in ensuring the accuracy an adequacy or information submitted to the Board by reviewing and deliberating such information before recommending such information to the Board for approval prior to disclosure to the public.

II. Audit & Risk Management Committee

Currently, the ARC comprises of three members i.e. two independent non-executive Directors and one non-independent non-executive Director. Full particulars on the composition of the ARC, its terms of reference and report of the ARC are provided in this Annual Report.

III. Internal Control

The Directors accept their responsibility for the Group's system of internal controls that covers financial, operational, and compliance controls, as well as risk management. The internal control system is designed and maintained within each subsidiary's business, to ensure that the risks faced by the business in pursuit of its objective are identified and managed at known acceptable levels. The key management personnel are responsible to monitor and manage, and provide regular reports to both the Boards of the subsidiary and the holding company to permit reasonable assessment of the state of financial health of the business activities. The Statement on Internal Control is set out in this Annual Report.

IV. Relationship with External Auditors

Through the ARC, the company has established a transparent and appropriate relationship with the Group's auditors, both internal and external. From time to time, the auditors highlighted to the ARC and the Board on matters that require Board's attention. The re-appointment of external auditors for the financial year ending 30 June 2006 is recommended by the Board which determines the remuneration of the external auditors.

The external auditors are invited, as and when required, to the ARC meeting to discuss, inter-alias, the audit planning memorandum, management letter and final financial statements of the Group. The external auditors are given access to books and records of the Group at all times.

V. Internal Audit

The Company has an Internal Audit & Risk department as disclosed in the ARC Report appearing in this Annual Report, which reports to the ARC, the findings, its recommendation and the corrective actions taken by management in the discharge of its duties and responsibilities. The internal audit & risk department has the role of providing independent and objective reports on the Group's management, records, accounting policies and internal controls to the Board. The internal audit functions include the evaluation of the processes by which significant risks are identified, assessed and managed. Such audits also ensure instituted controls are appropriate, effectively applied and within acceptable risks exposures.

E. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

The Listing Requirements of Bursa Malaysia Securities Berhad require the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as the end of financial year and of the results and cash flows of the Group and of the Company for the financial year.

The Directors are satisfied that, in preparing the financial statements of the Group and of the Company for the financial year ended 30 June 2006, the Group has used the appropriate accounting policies and applied them consistently. The Directors are also of the view that relevant accounting standards have been followed in the preparation of these financial statements.

F. RISK MANAGEMENT

The Board of Directors is aware and recognizes the various types of risks, which the Group faces from time to time. The ARC is constantly monitoring such risk factors and measures are taken to eliminate, control or manage suck risks. Efforts are being made to establish proper risk management to identify, evaluate and manage the risks.

The Malaysian Code of Corporate Governance requires the Board of Directors ("Board") of listed companies to maintain a sound system of internal control to safeguard shareholders investment and the Company's assets. Paragraph 15.27(b) of the Bursa Malaysia Securities Berhad Listing requirements requires the Board of listed companies to include a statement in their annual reports on the status of their internal controls.

The Board of Directors ("Board") acknowledges that it is responsible for the Company and its subsidiaries ("Group") system of internal control and the review of its adequacy and integrity of the Group internal control system. The Board is committed in maintaining both sound systems of internal control and a proper management of risks throughout the Group's financial, operational and compliance. Among the component of the internal controls structures in the group are the existence of an internal audit functions, the maintenance of policies and procedures, the selection and training of good personnel and the segregation of duties.

The system is designed to identify and manage risks in the pursuit of the Group's business objectives as well as to safeguard shareholders' value and the Group's assets. The system provides only reasonable but not absolute assurance against material misstatement, loss or fraud.

During the financial year under review, the Group has an Internal Audit Manager (IA) to perform departmental risk assessment to identify the level of risks associated throughout the group. It aims to assess the controls effectiveness and provide recommendations to improve the controls and correct deficiencies. It is also to audit, identify gaps and ensure the appropriate action plans are in place. Throughout the year, the IA has established and produced:-

- Internal Audit Charter as a main framework of the department and it was approved by the ARC.
- The 2006 Annual Audit Plan based on the gathered information on risk assessment and resources available in the department.
- Audit Manual & Procedures – Section B on overview of Internal Audit and Section C on Audit Procedures & Technique.
- One (1) departmental report, seven (7) special reports on operational and compliance issues and two (2) follow up reports.
- Brief financial audits on company's quarterly financial results.
- 5 independent reports on operational matters mainly on the development of Nusa Damai.

The IA has implemented few best practices in the department such as performed risk assessment using COSO framework, introducing the company's annual audit planning and programs, creating audit procedures and manual.

ARC members were independent and not part of management. The ARC regularly met with the independent auditor. The independent auditor had full and free access to the ARC. Among other responsibilities are to review and monitor internal controls, to monitor and approve financial reports and to review the scope and results of internal and independent audits performed

The ARC receives independent reports from the IA who monitor and ensure the internal controls are well managed and mitigated throughout management and operations level. The Report of the ARC is set out in the earlier part of the Annual Report.

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

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

1. **UTILISATION OF PROCEEDS**

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

2. **SHARE BUY-BACKS**

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

3. **OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES**

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

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

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

5. **SANCTIONS AND/OR PENALTIES**

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

6. **NON-AUDIT FEES**

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

7. **VARIATION IN RESULTS**

   There is a variance between the results of the financial year and the unaudited results previously announced.

   The reconciliation of the Audited Group Loss After Tax is as follows:-

		RM'000
	Unaudited Group Loss After Tax @ 30/6/2006	6,752
Add:	Additional Loss Incurred By:	
	- Exceptional Item:	
	Impairment Loss Of Development Expenditure	74,614
	- Accruals of Admin Expenses	12
	Audited Group Loss After Tax @ 30/6/2006	81,378

The revised loss are due to following measures taken by the board:-

a. The additional losses was due to the impairment loss for the development expenditure included in the Johor Bahru land held for property development and property development cost.

b. The impairment loss was made pursuant to the valuation made by an independent professional valuer to reflect a true current market value which is deemed prudent and necessary by the management and the board.

c. The Board of Directors recognize the severity of this heavy impairment loss and would appoint an independent advisor for a detailed audit to be done for the Board's further deliberation and consideration for any follow up actions to be taken, if any.

8. PROFIT GUARANTEE

During the year, there were no profit guarantee given by the Company.

9. MATERIAL CONTRACT

There were no material contracts entered into by the Company and its subsidiaries which involved Directors' and major shareholders' interests either still subsisting at the end of the financial year ended 30 June 2006 or entered into since the end of the previous financial year.

10. REVALUATION POLICY

The Group's revaluation policy is stated in Note 5.5 to the financial statement.

11. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE NATURE

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

FINANCIAL STATEMENTS

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2006.

PRINCIPAL ACTIVITIES

The Company is principally in the business of letting of investment properties and investment holding company. The principal activities of the subsidiary companies are set out in Note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit from operations before exceptional item	4,453	4,687
Exceptional item	(74,614)	–
(Loss)/Profit from operations	(70,161)	4,687
Finance costs	(11,325)	(5,922)
Loss before tax	(81,486)	(1,235)
Tax income/(expense)	108	(99)
Net loss for the financial year	(81,378)	(1,334)

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend any dividend payment in respect of the financial year ended 30 June 2006.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

WARRANTS 2005/2010

The Company had, on 11 May 2004, issued 27,500,000 detachable warrants. The details of the warrants are as follows:-

(a) The warrants were constituted by a Deed Poll dated 27 February 2004.

Each warrant entitles its registered holder to subscribe for one (1) new ordinary share of RM1.00 at an exercise price of RM1.00 per new ordinary share. The expiry date for subscription is on 10 May 2009.

(b) The new ordinary shares issued upon exercise of the warrants shall be fully paid-up and shall rank pari-passu in all respects with the existing ordinary shares of the Company except that these new shares shall not be entitled to any dividends, rights, allotment or other distributions if the date of the new shares to be issued pursuant to the exercise of the warrants is after the Record Date (Record Date means the date as at the close of business on which shareholders must be registered in the Record of Depository with Bursa Malaysia Depository Sdn. Bdn. in order to participate in any dividends, rights, allotments or other distributions). The warrantholders will not have any voting rights in any general meeting of the Company unless the warrants are exercised.

In the previous financial year, 18,596,793 warrants were converted into new ordinary shares. No exercise of warrants had taken place during the financial year. As of the balance sheet date, the total number of warrants which remained unexercised was 8,903,207 (2005: 8,903,207) warrants. Any warrants which have not been exercised at the date of expiry will lapse and cease to be valid for any purpose.

DIRECTORS

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

YBhg Datuk Kamaruddin Bin Taib
YBhg Dato' Abdul Karim Bin Marzuki *(Appointed on 14 April 2006)*
Seow Thiam Fatt
Teh Leong Kiat
YTM Dato' Hj Muhamad Sharip Bin Hj Othman *(Resigned on 21 February 2006)*

In accordance with Article 85 of the Company's Articles of Association, YBhg Datuk Kamaruddin Bin Taib retires from the Board by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Dato' Abdul Karim Bin Marzuki who has attained the age of seventy, retires in accordance with Section 129(2) of the Companies Act,1965 and offers himself for re-appointed in accordance with Section 129(6) of the said Act to hold office until the conclusion of the next Annual General Meeting of the Company.

DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings which are required to be kept under Section 134 of the Companies Act, 1965, none of the directors in office at the end of the financial year ended 30 June 2006 held any shares in the Company and related corporations.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors have received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY:-

(I) AS AT THE END OF THE FINANCIAL YEAR

(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 have satisfied themselves that there are no known bad debts and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

(b) In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

(c) The directors are not aware of any circumstances:-

(i) which would necessitate the written off of bad debts or render the amount of the provision for doubtful debts inadequate to any material extent; or

(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and

(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) In the opinion of the directors:-

(i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and

(ii) no contingent or other liability has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the abilities of the Group and of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

(e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.

(g) The directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

SIGNIFICANT EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

On 25 August 2006, the Company requested and accepted Temporary Advances of up to RM5 million from Steady Essence Sdn. Bhd., a company related to the Chief Executive Officer of the Company for the purpose of meeting the temporary project funding requirements and working capital ("Temporary Advances"). The Temporary Advances are unsecured, bear interest at 15% per annum and repayable 3 months from the date of remittance.

AUDITORS

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

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

....
YBhg Datuk Kamaruddin Bin Taib
Director

....
Seow Thiam Fatt
Director

Kuala Lumpur
18 October 2006

Statement By Directors

In the opinion of the directors, the financial statements set out on pages 32 to 69 have been drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of:-

(i) the state of affairs of the Group and of the Company as at 30 June 2006 and of their results for the financial year then ended; and

(ii) the cash flows of the Group and of the Company for the financial year ended 30 June 2006.

On behalf of the Board,

....
YBhg Datuk Kamaruddin Bin Taib
Director

....
Seow Thiam Fatt
Director

Kuala Lumpur
18 October 2006

Statutory Declaration pursuant to Sub-Section (16) of Section 169 of the Companies Act 1965

I, Loi Chee Boey, being the officer primarily responsible for the financial management of Malaysia Pacific Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 32 to 69 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly)
declared by the abovenamed at)
Kuala Lumpur this)
18 October 2006)

Before me:

We have audited the financial statements set out on pages 32 to 69.

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

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

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

In our opinion:-

(a) the financial statements have been properly drawn up in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of:-

    (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and

    (ii) the state of affairs of the Group and of the Company as at 30 June 2006 and of their results and cash flows for the financial year then ended;

    and

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

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

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

BDO Binder
AF : 0206
Chartered Accountants

Ng Chee Hoong
2278/10/06 (J)
Partner

Kuala Lumpur
18 October 2006

	NOTE	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
ASSETS EMPLOYED					
PROPERTY, PLANT AND EQUIPMENT	6	4,598	4,626	4,385	4,579
INVESTMENT PROPERTIES	7	167,000	132,544	151,920	123,956
INVESTMENT IN SUBSIDIARY COMPANIES	8	–	–	8,500	8,850
LAND HELD FOR PROPERTY DEVELOPMENT	9	85,316	143,925	–	–
CURRENT ASSETS					
Property development costs	10	70,684	93,213	–	–
Inventories	11	5,002	1,314	–	–
Accrued billings		2,068	3,172	–	–
Trade receivables	12	4,865	6,035	376	341
Other receivables, deposits and prepayments		422	637	133	393
Amounts owing by subsidiary companies	13	–	–	151,084	149,316
Tax recoverable		433	6,101	155	130
Cash and bank balances	14	883	9,996	27	3,977
		84,357	120,468	151,775	154,157
LESS: CURRENT LIABILITIES					
Trade payables	15	3,919	6,087	6	10
Other payables, accruals and deposits	16	7,860	8,378	3,032	3,200
Progress billings		–	61	–	–
Amounts owing to subsidiary companies	17	–	–	22,518	25,092
Provision for liquidated and ascertained damages	18	2,452	8,510	–	–
Hire-purchase creditors	19	120	103	110	103
Bank overdrafts	20	66,010	64,938	45,036	43,778
Bank borrowings	21	27,104	45,657	25,704	25,704
Tax liabilities		3,094	5,008	–	–
		110,559	138,742	96,406	97,887
NET CURRENT (LIABILITIES)/ ASSETS		(26,202)	(18,274)	55,369	56,270
		230,712	262,821	220,174	193,655

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

	NOTE	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
FINANCED BY					
SHARE CAPITAL	23	172,597	172,597	172,597	172,597
REVALUATION RESERVE		50,682	17,950	43,914	17,349
ACCUMULATED LOSSES		(93,054)	(11,676)	(2,803)	(1,469)
SHAREHOLDERS' EQUITY		130,225	178,871	213,708	188,477
NON-CURRENT AND DEFERRED LIABILITIES					
Hire-purchase creditors	19	525	582	472	582
Bank borrowings (secured)	21	71,639	56,874	–	–
Deferred tax liabilities	24	28,323	26,494	5,994	4,596
		100,487	83,950	6,466	5,178
		230,712	262,821	220,174	193,655

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

	NOTE	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
Revenue	25	18,024	25,721	6,917	6,792
Cost of sales		(14,535)	(22,980)	(4,297)	(4,629)
Gross profit		3,489	2,741	2,620	2,163
Other operating income					
- Provision for liquidated and ascertained damages no longer required		5,436	–	–	–
- Others		346	580	5,675	5,817
Administration expenses		(4,303)	(3,801)	(3,445)	(3,218)
Other operating expenses					
- Exceptional item	26	(74,614)	–	–	–
- Others		(375)	(6,557)	(32)	(333)
Selling and distribution costs		(140)	(87)	(131)	(78)
(Loss)/Profit from operations		(70,161)	(7,124)	4,687	4,351
Finance costs		(11,325)	(8,920)	(5,922)	(5,788)
Loss before tax	27	(81,486)	(16,044)	(1,235)	(1,437)
Tax income/(expense)	28	108	(279)	(99)	(78)
Net loss for the financial year		(81,378)	(16,323)	(1,334)	(1,515)
Basic loss per ordinary share (sen)	29	47.15	9.60		

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

	Ordinary Share Capital RM'000	Revaluation Reserve RM'000	Retained Profits/ (Accumulated Losses) RM'000	Total RM'000
GROUP				
Balance as at 1 July 2004	154,000	17,950	4,647	176,597
Conversion of warrants	18,597	–	–	18,597
Net loss for the financial year	–	–	(16,323)	(16,323)
Balance as at 30 June 2005	172,597	17,950	(11,676)	178,871
Surplus from revaluation of investment properties	–	34,456	–	34,456
Tax effect on revaluation surplus (Note 24)	–	(1,724)	–	(1,724)
Net gain not recognised in the income statement (Note 7)	–	32,732	–	32,732
Net loss for the financial year	–	–	(81,378)	(81,378)
Balance as at 30 June 2006	172,597	50,682	(93,054)	130,225

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

	Ordinary Share Capital RM'000	Revaluation Reserve RM'000	Retained Profits/ (Accumulated Losses) RM'000	Total RM'000
COMPANY				
Balance as at 1 July 2004	154,000	17,349	46	171,395
Conversion of warrants	18,597	–	–	18,597
Net loss for the financial year	–	–	(1,515)	(1,515)
Balance as at 30 June 2005	172,597	17,349	(1,469)	188,477
Surplus from revaluation of investment properties	–	27,963	–	27,963
Tax effect on revaluation surplus (Note 24)	–	(1,398)	–	(1,398)
Net gain not recognised in the income statement (Note 7)	–	26,565	–	26,565
Net loss for the financial year	–	–	(1,334)	(1,334)
Balance as at 30 June 2006	172,597	43,914	(2,803)	213,708

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

	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax	(81,486)	(16,044)	(1,235)	(1,437)
Adjustments for:-				
Allowance for doubtful debts	173	514	30	333
Allowance for doubtful debts no longer required	(25)	–	–	–
Depreciation of property, plant and equipment	846	882	823	858
(Gain)/loss on disposal of property, plant and equipment	(2)	21	(2)	21
Impairment loss on development expenditure	74,614	–	–	–
Property, plant and equipment written off	–	31	–	30
Provision for liquidated and ascertained damages	200	6,042	–	–
Provision for liquidated and ascertained damages no longer required	(5,436)	–	–	–
Interest expenses	11,314	8,904	5,910	5,771
Interest income	(160)	(483)	(5,172)	(5,325)
Operating profit/(loss) before working capital changes	38	(133)	354	251
Decrease/(Increase) in property development costs	6,992	(3,979)	–	–
Decrease in accrued billings	1,104	4,015	–	–
Decrease in inventories	250	63	–	–
Decrease/(Increase) in trade receivables	1,022	836	(65)	(137)
Decrease in other receivables, deposits and prepayments	215	26	260	7
(Decrease)/Increase in trade payables	(2,168)	447	(4)	(33)
Decrease in other payables, accruals and deposits	(518)	(1,472)	(168)	(1,411)
(Decrease)/Increase in progress billings	(61)	61	–	–
Cash generated from/(used in) operations	6,874	(136)	377	(1,323)
Interest received	160	483	5,172	5,325
Interest paid	(11,282)	(8,883)	(5,878)	(5,750)
Liquidated and ascertained damages paid (Note 18)	(822)	(806)	–	–
Net tax refund/(paid)	3,966	(797)	(124)	312
	(7,978)	(10,003)	(830)	(113)
Net cash used in operating activities	(1,104)	(10,139)	(453)	(1,436)

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of subsidiary companies (Note 8)	–	–	(200)	–
Proceeds from disposal of subsidiary companies (Note 8)	–	–	550	–
Proceeds from disposal of property, plant and equipment	16	96	16	95
Development expenditure incurred in land held for property development	(4,405)	(1,566)	–	–
Purchase of property, plant and equipment (Note 31)	(768)	(1,246)	(643)	(1,230)
Net cash used in investing activities	(5,157)	(2,716)	(277)	(1,135)
CASH FLOWS FROM FINANCING ACTIVITIES				
Advances to subsidiary companies	–	–	(4,342)	(15,590)
Interest paid	(32)	(21)	(32)	(21)
Repayment of bank borrowings	(3,788)	(2,265)	–	–
Repayment of hire-purchase creditors	(104)	(151)	(104)	(151)
Conversion of warrants	–	18,597	–	18,597
Net cash (used in)/from financing activities	(3,924)	16,160	(4,478)	2,835
Net decrease/(increase) in cash and cash equivalents	(10,185)	3,305	(5,208)	264
Cash and cash equivalents at beginning of financial year	(54,942)	(58,247)	(39,801)	(40,065)
Cash and cash equivalents at end of financial year (Note 32)	(65,127)	(54,942)	(45,009)	(39,801)

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

1. GENERAL INFORMATION

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

The registered office of the Company is located at Level 14, Uptown 1, No. 1, Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan.

The principal place of business of the Company is located at 21st Floor, Wisma MPL, Jalan Raja Chulan, 50200 Kuala Lumpur.

The financial statements are presented in Ringgit Malaysia.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The operations of the Group are subject to a variety of financial risks, including liquidity and cash flow risk, credit risk and interest rate risk. Various risk management policies are in place to control and manage risks associated with financial instruments and they are summarised below:-

(a) Liquidity and cash flow risks

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

(b) Credit risk

Credit risk, which is the risk of counterparties defaulting, is controlled by the application of credit control procedures. The Group is exposed to credit risk mainly from trade receivables. The Group extends credit to its customers based upon careful evaluation of the customer's financial condition. The management monitors exposure to credit risk on an ongoing basis and performs credit evaluation on customers regularly.

(c) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market rates. Interest rate exposure arises from the Group's bank borrowings and deposits is managed through effective negotiation with financial institutions for best available rates. The Group does not use derivative financial instruments to hedge its risk.

3. PRINCIPAL ACTIVITIES

The Company is principally in the business of letting of investment properties and investment holding company. The principal activities of the subsidiary companies are set out in Note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

4. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention (as modified by the revaluation of investment properties) unless otherwise indicated in the significant accounting policies.

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

5.2 Basis of consolidation

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

The difference between the purchase price and the fair value of the net assets of subsidiary companies at the date of acquisition is treated as goodwill or negative goodwill arising on consolidation. Goodwill on consolidation is stated at cost less impairment losses, if any. Negative goodwill arising on consolidation is recognised as income in the income statements. The results of the subsidiary companies acquired or disposed of during the financial year are included in the consolidated financial statements from the date of their acquisition or up to the date of their disposal.

Inter-company transactions and balances are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

5.3 Property, plant and equipment and depreciation

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

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

Depreciation on property, plant and equipment is calculated to write off the costs of the assets on a straight line basis over their estimated useful lives. The principal annual depreciation rates are as follows:-

Plant and machinery	5% - 10%
Furniture, fittings and equipment	10% - 20%
Motor vehicles	20%

5.4 Assets acquired under hire-purchase agreements

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

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

5.5 Investment properties

Investment properties are investments in land or buildings that are not substantially occupied for use by, or in the operations of the Group and the Company and are held for investment potential and rental income. They are accounted for as long term investments and are stated at valuation and are not depreciated. Investment properties are revalued at a regular interval of at least once in every five years with additional valuations in the intervening years where market conditions indicate that the carrying value of the revalued assets materially differ from the market values.

Surplus arising on the revaluation are credited to shareholder's equity as revaluation reserve and any deficit is first offset against any unutilised previously recognised revaluation surplus in respect of the same investment property and the balance is thereafter recognised as an expense.

For a revaluation increase subsequent to a revaluation deficit of the same investment, the surplus should be recognised as income to the extent that it reverses the deficit previously recognised as an expense with the balance of increase credited to shareholders' equity.

Upon disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement and the revaluation reserve related to the investment property is transferred directly to retained profits.

5.6 Investments in subsidiary companies

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

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

5.7 Land held for property development

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

5.8 Property development activities

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

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

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

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

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

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

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

5.9 Inventories

Inventories mainly consist of unsold completed development properties which are stated at the lower of cost and net realisable value.

The cost of completed development properties comprises the cost of land and the relevant development expenditure.

5.10 Receivables

Receivables are carried at anticipated realisable value. Known bad debts are written off and specific allowance is made for debts considered to be doubtful of collection.

5.11 Impairment of assets

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

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

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

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

5.12 Payables

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

5.13 Provisions

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

5.14 Employee benefits

5.14.1 Short term employee benefits

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

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

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

5.14.2 Defined contribution plans

The Group and the Company make contributions to a statutory provident fund and recognise the contribution payable:-

(a) after deducting contributions already paid as liability; and

(b) as an expense in the financial year in which the employees render their services.

5.15 Income tax

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

5.15.1 Current tax expense

Current tax expense is based on taxable profits.

5.15.2 Deferred tax

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

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

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

5.16 Revenue recognition

Revenue from sale of property development projects is recognised based on stage of completion. The stage of completion is based on the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Revenue from property management fee is recognised when services are rendered.

Rental income is recognised on an accrual basis unless collectibility is in doubt.

5.17 Cash and cash equivalents

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

5.18 Segment information

Segment information is presented in respect of the Group's business segments for the primary reporting segment as the Group's risks and returns are affected predominantly by differences in the products it produces. However, there is no secondary format for reporting segment information as the Group operates principally in Malaysia.

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

Segment results, assets and liabilities include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated item comprise finance costs and corporate administration expenses.

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

5.19 Financial instruments

5.19.1 Financial instruments recognised on the balance sheets

(a) Ordinary shares

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

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

(b) Borrowings

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

(c) Other financial instruments

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

5.19.2 Financial instruments not recognised on the balance sheets

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

5.20 Borrowing costs

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

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

6. PROPERTY, PLANT AND EQUIPMENT

GROUP	Balance as at 1.7.2005 RM'000	Additions RM'000	Disposals RM'000	Balance as at 30.6.2006 RM'000
2006				
At cost				
Plant and machinery	9,424	97	–	9,521
Furniture, fittings and equipment	6,907	652	–	7,559
Motor vehicles	1,196	83	(34)	1,245
	17,527	832	(34)	18,325

	Balance as at 1.7.2005 RM'000	Charge for the financial year RM'000	Disposals RM'000	Balance as at 30.6.2006 RM'000
Accumulated Depreciation				
Plant and machinery	8,987	108	–	9,095
Furniture, fittings and equipment	3,623	519	–	4,142
Motor vehicles	291	219	(20)	490
	12,901	846	(20)	13,727

	Balance as at 1.7.2004 RM'000	Additions RM'000	Disposals RM'000	Written off RM'000	Balance as at 30.6.2005 RM'000
2005					
At cost					
Plant and machinery	9,334	104	–	(14)	9,424
Furniture, fittings and equipment	7,012	929	(1,000)	(34)	6,907
Motor vehicles	614	813	(231)	–	1,196
	16,960	1,846	(1,231)	(48)	17,527

	Balance as at 1.7.2004 RM'000	Charge for the financial year RM'000	Disposals RM'000	Written off RM'000	Balance as at 30.6.2005 RM'000
Accumulated Depreciation					
Plant and machinery	8,805	186	–	(4)	8,987
Furniture, fittings and equipment	4,072	563	(999)	(13)	3,623
Motor vehicles	273	133	(115)	–	291
	13,150	882	(1,114)	(17)	12,901

COMPANY	Balance as at 1.7.2005 RM'000	Additions RM'000	Disposals RM'000	Balance as at 30.6.2006 RM'000
2006				
At cost				
Plant and machinery	8,956	5	–	8,961
Furniture, fittings and equipment	6,636	638	–	7,274
Motor vehicles	1,092	–	(34)	1,058
	16,684	643	(34)	17,293

	Balance as at 1.7.2005 RM'000	Charge for the financial year RM'000	Disposals RM'000	Balance as at 30.6.2006 RM'000
Accumulated Depreciation				
Plant and machinery	8,537	97	–	8,634
Furniture, fittings and equipment	3,381	509	–	3,890
Motor vehicles	187	217	(20)	384
	12,105	823	(20)	12,908

	Balance as at 1.7.2004 RM'000	Additions RM'000	Disposals RM'000	Written off RM'000	Balance as at 30.6.2005 RM'000
2005					
At cost					
Plant and machinery	8,942	100	–	(86)	8,956
Furniture, fittings and equipment	6,679	917	–	(960)	6,636
Motor vehicles	449	813	(170)	–	1,092
	16,070	1,830	(170)	(1,046)	16,684

	Balance as at 1.7.2004 RM'000	Charge for the financial year RM'000	Disposals RM'000	Written off RM'000	Balance as at 30.6.2005 RM'000
Accumulated Depreciation					
Plant and machinery	8,434	179	–	(76)	8,537
Furniture, fittings and equipment	3,775	546	–	(940)	3,381
Motor vehicles	108	133	(54)	–	187
	12,317	858	(54)	(1,016)	12,105

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Net book value				
Plant and machinery	426	437	327	419
Furniture, fittings and equipment	3,417	3,284	3,384	3,255
Motor vehicles	755	905	674	905
	4,598	4,626	4,385	4,579

Included in property, plant and equipment of the Group and the Company are motor vehicles with net book value of RM755,859 and RM674,600 (2005: RM874,816 and RM874,816) acquired under hire-purchase arrangement respectively.

7. INVESTMENT PROPERTIES

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
At 2006 valuation				
- Freehold land	89,275	–	81,213	–
- Building	77,725	–	70,707	–
At 1990 valuation				
- Freehold land and building *	–	132,544	–	123,956
	167,000	132,544	151,920	123,956

* *No information available to segregate the land and building portion*

Investment properties of the Group and of the Company comprise office buildings and shoplots that have been revalued on 30 June 2006 by the directors based on valuation carried out by independent professional valuers using the Comparison Method. The attributable net surplus of RM32,732,000 and RM26,565,000 respectively (after accounting for tax effect) has been credited to revaluation reserve.

The investment properties of the Group and Company have been charged to financial institutions for credit facilities granted to the Group and the Company as disclosed in Note 20 and 21 to the financial statements.

8. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2006	2005
	RM'000	RM'000
Unquoted shares, at cost	8,500	8,850

The details of the subsidiary companies are as follows:-

Name of company	Interest in equity held by Company 2006 %	Company 2005 %	Subsidiary Companies 2006 %	Subsidiary Companies 2005 %	Principal activities
Bedford PJ Complex Sdn. Bhd.	100	100	–	–	Dormant
Euronium Construction Sdn. Bhd.	100	100	–	–	Construction projects and property management, engineering and trading
MPC Properties Sdn. Bhd. ("MPCPSB")	100	–	–	–	Property investment and property development
Pacific Spa & Fitness Sdn. Bhd. (formerly known as Precious Hills Sdn. Bhd.) ("PSFSB")	100	–	–	–	Dormant
Premier Building Management Services Sdn. Bhd.	100	100	–	–	Property management service
Prestige Trading Sdn. Bhd. ("PTSB")	100	–	–	–	Dormant
The Power Club Sdn. Bhd. ("TPCSB")	100	–	–	–	Dormant
Subsidiary companies of MPCPSB					
ASA Enterprises Sdn. Bhd. ("AESB")	–	100	100	–	Letting of investment properties
Creative Ascent Sdn. Bhd. ("CASB")	–	100	100	–	Investment holding project management and property co-development
Lakehill Resort Development Sdn. Bhd. ("LRDSB")	–	100	100	–	Property management and property development
Oriental Pearl City Properties Sdn. Bhd. ("OPCPSB") *	–	–	100	–	Dormant
Subsidiary company of CASB					
Taman Bandar Baru Masai Sdn. Bhd. ("TBBMSB")	–	–	100	100	Property development

* *OPCPSB was incorporated on 5 June 2006 and no audited financial statements is available as at 30 June 2006.*

All the abovementioned companies are incorporated in Malaysia and audited by BDO Binder except for OPCPSB.

(a) On 7 September 2005, the Company acquired 99.99% equity interest in MPCPSB comprising 99,999 ordinary shares of RM1.00 each for a cash consideration of RM99,999.

(b) On 7 December 2005, the Company acquired 99.99% equity interest in PTSB comprising 99,999 ordinary shares of RM1.00 each for a cash consideration of RM99,999.

(c) On 12 December 2005, the Company acquired the entire equity interest in TPCSB comprising 2 ordinary shares of RM1.00 each for a cash consideration of RM2.

(d) On 18 March 2006, the Company acquired and disposed the following subsidiary companies:-

   (i) acquisition of the remaining balance of 0.01% equity interest in MPCPSB comprising 1 ordinary shares of RM1 each for a cash consideration of RM1.

   (ii) acquisition of the remaining balance of 0.01% equity interest in PTSB comprising 1 ordinary shares of RM1 each for a cash consideration of RM1.

   (iii) acquisition of the entire equity interest in PSFSB comprising 2 ordinary shares of RM1 each for a cash consideration of RM2.

   (iv) disposal of the entire equity interest in AESB comprising 350,000 ordinary shares of RM1 each for a cash consideration of RM350,000 to MPCPSB.

   (v) disposal of the entire equity interest in CASB comprising 2 ordinary shares of RM1 each for a cash consideration of RM2 to MPCPSB.

   (vi) disposal of the entire equity interest in LRDSB comprising 200,000 ordinary shares of RM1 each for a cash consideration of RM200,000 to MPCPSB.

(e) On 2 June 2006, LRDSB's issued and paid-up share capital was increased from RM200,000 to RM250,000 via allotment of 50,000 shares of RM1 each at par for working capital purposes. MPCPSB subscribed for 50,000 new ordinary shares of RM1 each.

(f) On 5 June 2006, MPCPSB acquired 99.99% equity interest in OPCPSB comprising 99,999 ordinary shares of RM1.00 each for a cash consideration of RM99,999. On 26 June 2006, MPCPSB acquired the remaining balance of 0.01% equity interest in OPCPSB comprising 1 ordinary share of RM1.00 for a cash consideration of RM1.

These acquisitions did not have any material impact on the financial position and results of the Group.

9. LAND HELD FOR PROPERTY DEVELOPMENT

	Group 2006 RM'000	Group 2005 RM'000
Cost		
At beginning of financial year, as previously reported	130,353	134,433
Prior year adjustments (Note 30)	13,572	13,572
At beginning of financial year, as restated	143,925	148,005
Additions during the financial year	4,405	1,566
Transfer to property development costs (Note 10)	(22,207)	(5,646)
At end of financial year	126,123	143,925
Less: Impairment losses		
At beginning of financial year	–	–
Recognised during the financial year	(40,807)	–
At end of financial year	(40,807)	–
	85,316	143,925
At cost		
Freehold land	51,030	70,532
Development expenditure	34,286	73,393
	85,316	143,925

The freehold land of the Group has been charged to financial institutions for credit facilities granted to the Group as disclosed in Notes 20 and 22 to the financial statements.

10. PROPERTY DEVELOPMENT COSTS

	Group 2006 RM'000	Group 2005 RM'000
At beginning of financial year		
Freehold land, as previously reported	53,133	50,822
Prior year adjustments (Note 30)	122	122
Freehold land, as restated	53,255	50,944
Development expenditure	128,668	101,419
	181,923	152,363
Cost incurred during the financial year		
Freehold land	–	–
Development expenditure	3,935	23,914
	3,935	23,914
Transfer during the financial year		
Transfer from land held for property development (Note 9)	22,207	5,646
Transfer to inventories	(3,938)	–
	18,269	5,646
Recognised as an expense in income statement		
In previous years	(88,710)	(68,775)
During the financial year	(10,926)	(19,935)
	(99,636)	(88,710)
Impairment losses		
At beginning of financial year	–	–
Recognised during the financial year	(33,807)	–
At end of financial year	(33,807)	–
At end of financial year	70,684	93,213

Included in the development expenditure of the Group is interest expense incurred during the financial year amounting to RM2,899,651 (2005: RM3,539,498).

The freehold land of the Group has been charged to financial institutions for credit facilities granted to the Group as disclosed in Notes 20 and 22 to the financial statements.

11. INVENTORIES

	Group 2006 RM'000	Group 2005 RM'000
At cost		
Completed properties	5,002	1,314

Completed properties of the Group have been charged to financial institutions for credit facilities granted to the Group as disclosed in Note 22 to the financial statements.

12. TRADE RECEIVABLES

	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
Trade receivables	6,557	7,579	1,606	1,541
Less: Allowance for doubtful debts	(1,692)	(1,544)	(1,230)	(1,200)
	4,865	6,035	376	341

The credit terms offered by the Group in respect of trade receivables range from 14 to 30 days from the date of invoice and progress billing.

13. AMOUNTS OWING BY SUBSIDIARY COMPANIES

	Company 2006 RM'000	Company 2005 RM'000
Interest bearing advances	149,283	148,110
Non-interest bearing advances	1,801	1,206
	151,084	149,316

Amounts owing by subsidiary companies represents advances and payments made on behalf which are unsecured and bears interest rate at 4.45% (2005: 4.45%) per annum for interest bearing advances, interest-free for non-interest bearing advances and repayable on demand.

14. CASH AND BANK BALANCES

Group

Included in cash and bank balances is an amount of RM646,893 (2005: RM5,603,080) held under the Housing Development Accounts pursuant to Section 7A of the Housing Developers (Control and Licensing) Act, 1966.

15. TRADE PAYABLES

Group and the Company

The credit terms available to the Group and the Company in respect of trade payables range from 30 to 90 days from the date of invoice and progress billing.

16. OTHER PAYABLES, ACCRUALS AND DEPOSITS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Other payables and accruals	3,611	3,313	1,093	941
Purchaser' deposit	2,149	2,565	–	–
Tenants' deposit	2,100	2,500	1,939	2,259
	7,860	8,378	3,032	3,200

17. AMOUNTS OWING TO SUBSIDIARY COMPANIES

Amounts owing to subsidiary companies represents trade transaction, advances and payment made on behalf which are unsecured, interest-free and repayment on demand.

18. PROVISION FOR LIQUIDATED AND ASCERTAINED DAMAGES

	Group	
	2006 RM'000	2005 RM'000
At beginning of financial year	8,510	3,274
Provision made during the financial year (Note 27)	200	6,042
Provision for liquidated and ascertained damages no longer required	(5,436)	–
Payment made during the financial year	(822)	(806)
At end of financial year	2,452	8,510

19. HIRE-PURCHASE CREDITORS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Minimum hire-purchase payments:-				
- not later than 1 year	152	136	136	136
- later than 1 year and not later than 5 years	509	658	447	658
- later than 5 years	75	–	75	–
	736	794	658	794
Less: Future interest charges	(91)	(109)	(76)	(109)
Present value of hire-purchase liabilities	645	685	582	685
Repayable as follows:-				
Current liabilities:-				
- not later than 1 year	120	103	110	103
Non-current liabilities:-				
- later than 1 year and not later than 5 years	451	582	398	582
- later than 5 years	74	–	74	–
	525	582	472	582
	645	685	582	685

20. BANK OVERDRAFTS

	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
Bank overdrafts				
- secured	64,672	64,237	43,698	43,077
- unsecured	1,338	701	1,338	701
	66,010	64,938	45,036	43,778

The bank overdrafts are secured by:-

(a) a charge over the Group's investment properties as disclosed in Note 7 to the financial statements;

(b) a charge over the Group's freehold land as disclosed in Notes 9 and 10 to the financial statements; and

(c) a debenture of RM120 million by way of fixed and floating charge over all present and future assets of a subsidiary company.

21. BANK BORROWINGS

	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
Current liabilities				
Revolving credit	25,704	25,704	25,704	25,704
Bank loans (Note 22)	1,400	19,953	–	–
	27,104	45,657	25,704	25,704
Non-current liabilities				
Bank loans (Note 22)	71,639	56,874	–	–
	98,743	102,531	25,704	25,704
Total borrowings				
Revolving credit	25,704	25,704	25,704	25,704
Bank loans (Note 22)	73,039	76,827	–	–
	98,743	102,531	25,704	25,704

The revolving credit is secured by:-

(a) a fixed charge over the Group's investment properties as disclosed in Note 7 to the financial statements; and

(b) a negative pledge over the Company's entire assets.

22. BANK LOANS

	Group 2006 RM'000	2005 RM'000
Term loan - secured	25,858	28,433
Bridging loan - secured	47,181	48,394
	73,039	76,827

During the financial year, a subsidiary company has obtained the approval of the bank to restructure the repayment terms of the bank loans from the principal repayments of 60 monthly principal installments to 84 monthly principal installments ranging from RM50,000 to RM1,030,000 commencing 1 July 2005.

	Group 2006 RM'000	2005 RM'000
Repayable as follows:-		
Current liabilities:-		
- not later than 1 year	1,400	19,953
Non-current liabilities:-		
- later than 1 year and not later than 5 years	54,240	56,874
- later than 5 years	17,399	–
	71,639	56,874
	73,039	76,827

The bank loans are secured by:-

(a) a charge over the Group's freehold land as disclosed in Notes 9 and 10 to the financial statements;

(b) a debenture of RM120 million by way of a fixed and floating charge over all present and future assets of a subsidiary company;

(c) a charge over the completed properties of the Group as disclosed in Note 11 to the financial statements;

(d) assignment of all proceeds and/or sale derived or arising from the proposed project of a subsidiary company, both present and future including all moneys standing in credit in the Housing Development Account opened and maintained or to be opened and maintained by a subsidiary company subject however to the provisions of the relevant regulations; and

(e) an assignment over sales proceeds of a subsidiary company development project.

23. SHARE CAPITAL

	Group and Company			
	2006		2005	
	Number of shares '000	RM'000	Number of shares '000	RM'000
Ordinary shares of RM1.00 each:-				
Authorised	500,000	500,000	500,000	500,000
Issued and fully paid:-				
At 1 July	172,597	172,597	154,000	154,000
Conversion of warrants	–	–	18,597	18,597
At 30 June	172,597	172,597	172,597	172,597

Warrants 2005/2010

The Company had, on 11 May 2004, issued 27,500,000 detachable warrants. The details of the warrants are as follows:-

(a) The warrants were constituted by a Deed Poll dated 27 February 2004.

Each warrant entitles its registered holder to subscribe for one (1) new ordinary share of RM1.00 at an exercise price of RM1.00 per new ordinary share. The expiry date for subscription is on 10 May 2009.

(b) The new ordinary shares issued upon exercise of the warrants shall be fully paid-up and shall rank pari-passu in all respects with the existing ordinary shares of the Company except that these new shares shall not be entitled to any dividends, rights, allotment or other distributions if the date of the new shares to be issued pursuant to the exercise of the warrants is after the Record Date (Record Date means the date as at the close of business on which shareholders must be registered in the Record of Depository with Bursa Malaysia Depository Sdn. Bhd. in order to participate in any dividends, rights, allotments or other distributions). The warrant holders will not have any voting rights in any general meeting of the Company unless the warrants are exercised.

In the previous financial year, 18,596,793 warrants were converted into new ordinary shares. No exercise of warrants had taken place during the financial year. As of the balance sheet date, the total number of warrants which remained unexercised was 8,903,207 (2005: 8,903,207) warrants. Any warrants which have not been exercised at the date of expiry will lapse and cease to be valid for any purpose.

24. DEFERRED TAX LIABILITIES

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

	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
At beginning of financial year, as previously reported	12,800	12,526	4,596	4,518
Prior year adjustments (Note 30)	13,694	13,694	–	–
At beginning of financial year, as restated	26,494	26,220	4,596	4,518
Recognised in the income statements (Note 28)				
- current year	105	183	–	67
- prior year	–	91	–	11
	105	274	–	78
Surplus on revaluation of investment properties	1,724	–	1,398	–
At end of financial year	28,323	26,494	5,994	4,596

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

	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
At beginning of financial year, as restated	26,494	26,220	4,596	4,518
Recognised in the income statements (Note 28)				
- Excess of capital allowance over corresponding depreciation	–	78	–	78
- Realisation of deferred tax upon sale of development properties	(122)	–	–	–
- Temporary differences arising from interest capitalised into development expenditure	227	196	–	–
	105	274	–	78
Surplus on revaluation of investment properties	1,724	–	1,398	–
At end of financial year	28,323	26,494	5,994	4,596

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

	2006 RM'000	2005 RM'000
Group		
Excess of capital allowances over corresponding depreciation	302	302
Revaluation surplus arising from subsidiary company development properties	13,572	13,694
Temporary differences arising from interest capitalised into development properties	8,399	8,172
Surplus on revaluation of investment properties	6,050	4,326
	28,323	26,494
Company		
Excess of capital allowances over corresponding depreciation	302	302
Surplus on revaluation of investment properties	5,692	4,294
	5,994	4,596

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

	Group	
	2006 RM'000	2005 RM'000
Unabsorbed capital allowances	46	149
Unutilised tax losses	28,051	20,860
	28,097	21,009

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

25. REVENUE

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Rental and service income	8,295	8,253	6,917	6,792
Property development	9,729	17,468	–	–
	18,024	25,721	6,917	6,792

26. EXCEPTIONAL ITEM

This represent impairment loss on development expenditure in respect of the property development project in Johor, based on the valuation carried out by an independent professional valuer.

27. LOSS BEFORE TAX

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Loss before tax is arrived at after charging:-				
Auditors' remuneration:-				
- statutory audit				
- current year	68	62	30	25
- under/(over) provision in prior year	9	(3)	9	–
- non statutory audit	–	49	–	31
Allowance for doubtful debts	173	514	30	333
Depreciation of property, plant and equipment (Note 6)	846	882	823	858
Impairment loss on development expenditure (Note 26)	74,614	–	–	–
Provision for liquidated and ascertained damages	200	6,042	–	–
Loss on disposal of property, plant and equipment	–	21	–	21
Directors' remuneration:-				
- fees				
- current year	209	269	209	269
- over provision in prior year	(81)	–	(81)	–
- emoluments other than fees	13	96	13	96
Interest expense on:-				
- hire-purchase	32	21	32	21
- bank loans	4,086	3,214	–	–
- bank overdraft	4,674	4,195	3,509	3,356
- revolving credit	2,369	976	2,369	2,341
- others	153	498	–	53
Property, plant and equipment written off	–	31	–	30
Rental of premises	12	–	–	–
And crediting:-				
Allowance for doubtful debt no longer required	25	–	–	–
Gain on disposal of property, plant and equipment	2	–	2	–
Interest income from:-				
- subsidiary companies	–	–	5,132	5,100
- others	160	483	40	225
Provision for liquidated and ascertained damages no longer required	5,436	–	–	–

28. TAX (INCOME)/EXPENSE

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Based on results for the financial year:-				
Current tax expense	131	5	99	–
Deferred tax (Note 24)	105	183	–	67
	236	188	99	67
(Over)/Under provision in prior financial years				
- income tax	(344)	–	–	–
- deferred tax (Note 24)	–	91	–	11
	(108)	279	99	78

The numerical reconciliation between the average effective tax expenses and the applicable tax expense of the Group and of the Company are as follows:-

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Applicable tax expense	(22,816)	(4,492)	(346)	(402)
Tax effect in respect of:-				
- non-allowable expenses	22,595	1,399	477	469
- income not subject to tax	(1,522)	–	–	–
- utilisation of previously unrecognised unabsorbed capital allowance	(32)	–	(32)	–
- deferred tax assets not recognised in the financial statements	2,017	3,283	–	–
- reduction in statutory tax rate on first RM500,000 chargeable income of a subsidiary company	(6)	(2)	–	–
	236	188	99	67
(Over)/Under provision in prior financial years	(344)	91	–	11
Average effective tax (income)/expense	(108)	279	99	78

29. LOSS PER ORDINARY SHARE

(a) Basic loss per ordinary share

The basic loss per ordinary share for the financial year has been calculated based on the consolidated loss for the financial year divided by the weighted average number of ordinary shares outstanding during the financial year as follows:-

	Group 2006	Group 2005
Consolidated net loss for the financial year (RM'000)	81,378	16,323
Weighted average number of ordinary shares outstanding ('000)	172,597	170,112
Basic loss per ordinary share (sen)	47.15	9.60

(b) Diluted earnings per ordinary share

The diluted earnings per ordinary share for 2006 is not presented as the average market value of the ordinary share of the Company is lower than the exercise price for the outstanding Warrants and it is anti dilutive.

30. PRIOR YEAR ADJUSTMENTS

During the financial year, the management performed a review on the Group's assets and liabilities arising from the acquisition of a subsidiary company over the past few years. The review showed that deferred tax liabilities of RM13,694,871 were not recognised in accordance with FRS 112_{2004} on the fair value adjustment of asset at point of acquisition of a subsidiary company back in year 1996. The under provision of deferred tax liabilities is now corrected by way of prior year adjustments. The adjustment does not affect the net results of the current and comparative financial years.

The effect of the adjustments is summarised below:-

	2006 RM'000	2005 RM'000
Land held for property development		
At beginning of financial year, as previously reported	130,353	134,433
Prior year adjustments	13,572	13,572
At beginning of financial year, as restated	143,925	148,005

	2006 RM'000	2005 RM'000
Property development costs – freehold land		
At beginning of financial year, as previously reported	53,133	50,822
Prior year adjustments	122	122
At beginning of financial year, as restated	53,255	50,944

	2006 RM'000	2005 RM'000
Deferred tax liabilities		
At beginning of financial year, as previously reported	12,800	12,526
Prior year adjustments	13,694	13,694
At beginning of financial year, as restated	26,494	26,220

31. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Purchase of property, plant and equipment (Note 6)	832	1,846	643	1,830
Less: Financed by hire-purchase arrangements	(64)	(600)	–	(600)
Cash payments on purchase of property, plant and equipment	768	1,246	643	1,230

32. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Cash and bank balances	883	9,996	27	3,977
Bank overdrafts	(66,010)	(64,938)	(45,036)	(43,778)
	(65,127)	(54,942)	(45,009)	(39,801)

33. SEGMENT REPORTING

(a) Business segments

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

Property development	:	Development of residential and commercial properties
Investment properties	:	Letting of investment properties
Construction	:	Construction of buildings

Group 2006	Property development RM'000	Investment properties RM'000	Construction RM'000	Elimination RM'000	Total RM'000
Revenue					
External sales	9,729	8,295	–	–	18,024
Inter-segment sales	–	–	785	(785)	–
	9,729	8,295	785	(785)	18,024
Results					
Segment results	(70,806)	905	(43)	43	(69,901)
Unallocated corporate expenses					(420)
Interest income					160
Operating profit					(70,161)
Finance cost					(11,325)
Consolidated loss before tax					(81,486)
Tax income					108
Net loss for the financial year					(81,378)

Group 2006	Property development RM'000	Investment properties RM'000	Construction RM'000	Elimination RM'000	Total RM'000
Other information					
Segment assets	318,774	173,269	749	(151,954)	340,838
Unallocated corporate assets					433
Total assets					341,271
Segment liabilities	247,153	83,791	639	(151,954)	179,629
Unallocated corporate liabilities					31,417
Total liabilities					211,046
Capital expenditure (Note 6)	188	644	–	–	832
Depreciation of property, plant and equipment (Note 6)	23	823	–	–	846
Non-cash items other than depreciation	(79,850)	148	–	–	(79,702)

Group 2005 (Restated)	Property development RM'000	Investment properties RM'000	Construction RM'000	Elimination RM'000	Total RM'000
Revenue					
External sales	17,468	8,253	–	–	25,721
Inter-segment sales	–	–	5,411	(5,411)	–
	17,468	8,253	5,411	(5,411)	25,721
Results					
Segment results	(6,949)	(163)	(155)	155	(7,112)
Unallocated corporate expenses					(495)
Interest income					483
Operating loss					(7,124)
Finance cost					(8,920)
Consolidated loss before tax					(16,044)
Tax expense					(279)
Net loss for the financial year					(16,323)

Group 2005 (Restated)	Property development RM'000	Investment properties RM'000	Construction RM'000	Elimination RM'000	Total RM'000
Other information					
Segment assets	253,415	282,882	1,660	(142,495)	395,462
Unallocated corporate assets					6,101
Total assets					401,563
Segment liabilities	257,231	74,948	1,506	(142,495)	191,190
Unallocated corporate liabilities					31,502
Total liabilities					222,692
Capital expenditure (Note 6)	12	1,834	–	–	1,846
Depreciation of property, plant and equipment (Note 6)	23	859	–	–	882
Non-cash items other than depreciation	6,042	514	–	–	6,556

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

(b) Geographical segments

The Group operates predominantly in Malaysia and accordingly, no geographical segment is presented.

34. SIGNIFICANT RELATED PARTIES DISCLOSURES

Identity of related parties

The Company has controlling related party relationships with its direct subsidiary companies. The Group is deemed to have related party relationships with the following companies:-

Related parties	Relationship
Top Lander Offshore Inc.	A substantial shareholder of the Company
K-Elite Sdn. Bhd.	A substantial shareholder of the Company
Spektrum Semangat Sdn. Bhd.	A company appointed by Top Lander Offshore Inc./ K-Elite Sdn. Bhd. to fund the loan of RM13.8 million to the Company to ward off creditors prior to the completion of the Rights Issue exercise

In the normal course of business, the Group undertakes transactions with certain of its related parties listed above. Set out below is the significant related party transactions for the financial year and related party balance as at financial year (in addition to related party disclosures mentioned elsewhere in the financial statements). The related party transactions and balances described below were carried out on terms and conditions mutually agreed between the respective parties.

Significant related party transactions

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Interest payable to Spektrum Semangat Sdn. Bhd.	–	52	–	52

Related party balances

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Receivable from Spektrum Semangat Sdn. Bhd.	53	53	53	53

35. FINANCIAL INSTRUMENTS

(a) Interest rate risk

The effective interest rates of the financial liabilities of the Group and of the Company are as follows:-

	Group		Company	
	2006 %	2005 %	2006 %	2005 %
Financial liabilities				
Hire-purchase	4.60 - 6.54	4.69 - 6.54	4.69 - 6.54	4.69 - 6.54
Bank overdrafts	7.75	7.75	7.75	7.75
Revolving credit	9.00	9.00	9.00	9.00
Term loans	7.38	8.00	–	–
Bridging loans	7.38	8.00	–	–

(b) Fair values

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

	Group		Company	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
30 June 2006				
Financial guarantee given by the Company to the financial institutions in respect of credit facilities granted to a subsidiary company	–	–	–	94,013
30 June 2005				
Financial guarantee given by the Company to the financial institutions in respect of credit facilities granted to a subsidiary company	–	–	–	97,987

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

(i) The carrying amounts of financial assets and liabilities maturing within 12 months approximate their fair values due to the relatively short term maturity of these financial instruments.

(ii) The fair values of the Group's and the Company's borrowings are estimated based on the market rates for the same or similar loans offered to the Group and the Company with the same remaining maturities.

(iii) The fair values of the financial guarantees given to financial institutions are estimated based on the fair values of the banking facilities utilised by the Company's subsidiary company as at balance sheet date.

(c) Credit risk

The concentration of credit risk in respect of property buyers are limited by withholding legal ownership before the full consideration is received. For trade receivables other than property buyers, the concentration of credit risk is limited due to the Group's large number of customers who are dispersed over a broad spectrum of industries and business.

The Group's historical experience in collection of trade receivables falls within the recorded allowances. Due to these factors, the directors believe that no additional credit risk beyond amounts provided for doubtful debts is inherent in the Group's trade receivables.

Other than as mentioned, the Group has no significant concentration of credit risk. The maximum exposures to credit risk are represented by the carrying amounts of the financial assets in the balance sheet.

36. CONTINGENT LIABILITIES

	Group		**Company**	
	2006 RM'000	**2005 RM'000**	**2006 RM'000**	**2005 RM'000**
Secured:-				
Guarantee given for credit facilities granted to a subsidiary company - Secured by the Company's undertaking for registration of a legal charge over the Company's investment properties	–	–	94,013	97,987
Unsecured:-				
Corporate guarantee given for trade facilities granted to a subsidiary company	–	–	3,000	3,000
Claim for defamatory suit as disclosed in Note 37 (d) of the financial statements	1,000	–	1,000	–

37. MATERIAL LITIGATION

(a) The Company and Taman Bandar Baru Masai Sdn Bhd ("TBBM") have commenced a civil action vide Kuala Lumpur Civil High Court Suit No. S4-22-82-2006 actions against its former directors, En. Chut Nyak Isham Bin Nyak Ariff, Dato' Yusof Bin Jusoh, Tengku Syarif Temenggung Perlis Syed Amir Abidin Jamalullail, Dato' Thomas Teng Poh Foh, Pn. Asnah Binti Mohd Salleh as well as Warisan Enterprise Sdn. Bhd. and Bumialpha Sdn. Bhd. for inter alia loss and damages to be assessed and/or for an account.

(b) Vide Johor Bahru High Court No. 22-702-1005, the Company and TBBM have also filed a claim against the directors of Inta Development Sdn. Bhd., En. Zulhaimi Bin Nordin, En. Chut Nyak Isham Bin Nyak Ariff and others for loss and damages to be assessed and/or for an account.

The matter is now pending transfer from Johor Bahru High Court to the Kuala Lumpur Civil High Court for hearing and is pending mention.

(c) Claim by Inta Development Sdn Bhd ("Inta") against TBBM Kuala Lumpur High Court No. S3-22-1128-2004 in respect of the sale and purchase agreement dated 26 December 2001 between Inta and TBBM for inter alia loss and damages.

The matter is now pending case management on 29 November 2006.

(d) A claim for defamation has been filed by four (4) former directors of the Company i.e. En. Chut Nyak Isham Bin Nyak Ariff, Dato' Yusof Bin Jusoh, Dato' Thomas Teng Poh Foh and Tengku Syarif Temenggung Perlis Syed Amir Abidin Jamalullail against the Company vide Kuala Lumpur Civil High Court No. S2-23-29-06 in respect of certain statements made in Company's Annual Report for the year ended 30 June 2005 as well as what was similary reported in the Star Newpaper dated 15 November 2005.

The Company has filed an application to strike out the claim and this application is now set for hearing on the 21 December 2006.

38. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to confirm with current year's presentation as follows:-

	Group		Company	
	As previously reported RM'000	As restated RM'000	As previously reported RM'000	As restated RM'000
Balance sheet				
Other payables, accruals and deposits	12,251	8,378	–	–
Bank borrowings	41,784	45,657	–	–
Income statement				
Other operating expenses	6,042	6,557	–	333
Selling and distribution costs	393	87	363	78
Administration expenses	4,010	3,801	3,265	3,218
Cash flow statements				
Net cash used in operating activities	(15,806)	(10,139)	–	–
Net cash from /(used in) investing activities	2,930	(2,716)	–	–
Net cash from financing activities	16,181	16,160	–	–

39. NUMBER OF EMPLOYEES AND STAFF COSTS

	Group and Company	
	2006	2005
Number of employees, including executive Directors, at the end of the financial year	66	59

The total staff costs incurred during the financial year are as follows:-

	Group and Company	
	2006	2005
	RM'000	RM'000
Salaries and wages	1,401	994
EPF and SOCSO	148	89
Others	73	80
	1,622	1,163

40. SIGNIFICANT EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

On 25 August 2006, the Company requested and accepted Temporary Advances of up to RM5 million from Steady Essence Sdn. Bhd., a company related to the Chief Executive Officer to the Company for the purpose of meeting the temporary project funding requirements and working capital ("Temporary Advances"). The Temporary Advances are unsecured, bear interest at 15% per annum and repayable 3 months from the date of remittance.

41. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Board of Directors on 18 October 2006.

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2006

Tenure	Location	Approximate Land Area/ Lettable Area*	Approximate Age of Building (Years)	Net Book Value (RM'000)	Date of Revaluation
Freehold	19 level office tower and a 4 level retail podium at Jalan Raja Chulan 50250 Kuala Lumpur	337,309 sq. ft*	31	167,000	30/06/2006
Freehold	Remaining Land and Development in the Mukim of Plentong, District of Johore Bahru, Johor Darul Takzim	639 acres	–	156,000	28/08/2006

2. ANALYSIS OF HOLDINGS AS AT 1 NOVEMBER 2006

Share Capital

Authorised Share Capital	:	RM500,000,000
Issued & Paid-up Share Capital	:	RM172,596,793
Class of Shares	:	Ordinary Shares of RM1.00 each
Voting Rights		
- On show of hands	:	1 vote
- On a poll	:	1 vote for each share held

Distribution Schedule of Shareholders

Size of Holdings	No. of Shareholders	%	No. of Shares	%
1 – 99	52	1.24	2,079	0
100 – 1,000	1,478	35.26	1,429,788	0.83
1,001 – 10,000	1,941	46.30	8,520,363	4.94
10,001 – 100,000	640	15.27	20,090,998	11.64
100,001 – less than 5% of issued shares	77	1.84	32,961,908	19.10
5% and above of issued shares	4	0.09	109,591,657	63.49
	4,192	**100**	**172,596,793**	**100**

Thirty Largest Shareholders

	Names of Shareholders	No. of Shares	%
1.	Top Lander Offshore Inc	53,998,157	31.29
2.	K-Elite Sdn Bhd	26,130,500	15.14
3.	HLG Nominee (Asing) Sdn Bhd *Hong Leong Fund Management Sdn Bhd for HLL Overseas Ltd*	16,747,000	9.70
4.	HLG Securities Sdn Bhd - *IVT-A*	12,716,000	7.37
5.	HLG Nominee (Tempatan) Sdn Bhd *Pledged Securities Account for Chut Nyak Isham bin Nyak Ariff*	3,682,200	2.13
6.	Optima Mewah Sdn Bhd	3,433,700	1.99
7.	HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chut Nyak Isham bin Nyak Ariff (KLM86533-8)*	1,822,900	1.06

Thirty Largest Shareholders (Cont'd)

	Names of Shareholders	No. of Shares	%
8.	Leow Hong Yen	1,200,000	0.69
9.	Gan Neap Kai	1,180,200	0.68
10.	Lew Siew Yen	1,127,000	0.65
11.	HDM Nominees (Tempatan) Sdn Bhd *- Taiping Recovery Sdn Bhd* *- In Liquidation for Chut Nyak Isham bin Nyak Ariff*	1,010,000	0.58
12.	Tan Lee Hwa	963,800	0.56
13.	Mayban Nominees (Asing) Sdn Bhd *Pledged Securities Account for Lim Ai Ling (12530AF6177)*	895,900	0.52
14.	HDM Nominees (Tempatan) Sdn Bhd *- Taiping Recovery Sdn Bhd* *- in Liquidation for Ho Ngan Yin*	871,000	0.50
15.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lee Ah Peng (CEB)*	711,700	0.41
16.	Ong Poh Lan	705,000	0.41
17.	Chut Nyak Isham Bin Nyak Ariff	700,000	0.41
18.	HLB Nominees (Tempatan) Sdn Bhd *Chut Nyak Isham Bin Nyak Ariff*	605,200	0.35
19.	Khoo Seng Miau	590,000	0.34
20.	Chut Nyak Isham Bin Nyak Ariff	584,000	0.34
21.	Wong Choon Shein	560,000	0.32
22.	Ong Wan Chin	494,000	0.29
23.	Seshan Lim Tee Heng	468,000	0.27
24.	Citigroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ta Kin Yan (472435)*	451,111	0.26
25.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Leong Sang Khim (E-TMR/MLK)*	377,044	0.22
26.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Sow Gek Pong (MLK)*	373,322	0.22
27.	Au Yong Mun Yue	364,700	0.21
28.	Malacca Securities Sdn Bhd - *IVT (002)*	337,300	0.20
29.	Chan Wing Hong	330,000	0.19
30.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for On Boon Kai*	320,000	0.19
		133,749,734	**77.49**

Substantial Shareholders

Name of Substantial Shareholders	Direct Interest No. of Shares	%	Deemed Interest No. of Shares	%
Top Lander Offshore Inc	53,998,157	31.29	26,130,500	15.14[1]
K-Elite Sdn Bhd	26,130,500	15.14	–	–
HLG Nominee (Asing) Sdn Bhd *- Hong Leong Fund Management Sdn Bhd for HLL Overseas Ltd*	16,747,000	9.70	12,716,000	7.37
HLG Securities Sdn Bhd - *IVT-A*	12,716,000	7.37	–	–
Ch'ng Poh	–	–	83,562,357	48.41[2]
Kong Yuk Chu	–	–	83,562,357	48.41[2]
Seacrest Land Limited	–	–	80,128,657	46.43[3]
HLG Capital Berhad	–	–	12,716,000	7.37[4]
Hong Leong Credit Berhad	–	–	12,716,000	7.37[4]

Substantial Shareholders (Cont'd)

Name of Substantial Shareholders	Direct Interest No. of Shares	%	Deemed Interest No. of Shares	%
Guoco Assets Sdn Bhd	–	–	12,716,000	7.37[4]
Guoco Group Limited	–	–	29,463,000	17.07[5]
GuoLine Overseas Limited	–	–	29,463,000	17.07[5]
GuoLine Capital Assets Limited	–	–	29,463,000	17.07[5]
Hong Leong Company (Malaysia) Berhad	–	–	29,463,000	17.07[5]
HL Holdings Sdn Bhd	–	–	29,463,000	17.07[5]
Tan Sri Quek Leng Chan	–	–	29,463,000	17.07[5]
Kwek Leng Beng	–	–	29,463,000	17.07[5]
Hong Realty (Private) Limited	–	–	29,463,000	17.07[5]
Hong Leong Investment Holdings Pte Ltd	–	–	29,463,000	17.07[5]
Kwek Holdings Pte Ltd	–	–	29,463,000	17.07[5]
Davos Investment Holdings Private Limited	–	–	29,463,000	17.07[5]
Kwek Leng Kee	–	–	29,463,000	17.07[5]
Quek Leng Chye	155,555	0.09	29,463,000	17.07[5]

Notes:
1 Deemed interested by virtue of its substantial interest in K-Elite Sdn Bhd.
2 Deemed interested by virtue of his/her substantial interest in Seacrest Land Limited, Top Lander Offshore Inc, K-Elite Sdn Bhd and Optima Mewah Sdn Bhd.
3 Deemed interested by virtue of its substantial interest in Top Lander Offshore Inc and K-Elite Sdn Bhd.
4 Deemed interested by virtue of its substantial interest in HLG Securities Sdn Bhd.
5 Deemed interested by virtue of its/his substantial interest in HLG Securities Sdn Bhd and HLL Overseas Ltd.

3. ANALYSIS OF WARRANTHOLDINGS AS AT 1 NOVEMBER 2006

No. of 2004/2009 warrants issued	:	27,500,000
No. of 2004/2009 warrants outstanding	:	8,903,207
Voting Rights		
- On show of hands	:	1 vote
- On a poll	:	1 vote for each warrant held

Distribution Schedule of 2004/2009 Warrantholders

Size of Holdings	No. of 2004/2009 Warrantholders	%	No. of 2004/2009 Warrants	%
1 – 99	110	7.14	5,731	0.07
100 – 1,000	718	46.62	371,503	4.17
1,001 – 10,000	547	35.52	1,803,758	20.26
10,001 – 100,000	154	10.00	4,678,465	52.55
100,001 – less than 5% of issued warrants	10	0.65	1,583,750	17.79
5% and above of issued warrants	1	0.07	460,000	5.16
	1,540	**100**	**8,903,207**	**100**

Thirty Largest 2004/2009 Warrantholders

	Names of 2004/2009 Warrantholders	No. of 2004/2009 Warrants	%
1.	Leow Hong Yen	460,000	5.17
2.	Mayban Nominees (Asing) Sdn Bhd *Pledged Securities Account for Lim Ai Ling (12530AF6177)*	367,950	4.13
3.	Khoo Seng Miau	200,000	2.25
4.	Yeo U Seet	179,300	2.01
5.	Ong Wan Chin	142,000	1.59
6.	Kong Chee Leong	139,300	1.56
7.	Ong Tok Heong	120,100	1.35
8.	Gan Neap Kai	118,050	1.33
9.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lee Ah Peng (CEB)*	113,050	1.27
10.	Kong Pang Kwan	102,700	1.15
11.	Yap Min @ Yap Soo Min	101,300	1.14
12.	Teh Ooi Heong	100,000	1.12
13.	Wong Choon Shein	100,000	1.12
14.	Wong Loke Kiang	100,000	1.12
15.	RHB Capital Nominees (Tempatan) Sdn Bhd *Chew Yew Fong (T-161078)*	90,000	1.01
16.	Amsec Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Palani Veloo A/L Chellappan*	89,050	1.00
17.	Citigroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ta Kin Yan (472435)*	80,555	0.91
18.	Fong Lai Chun	80,300	0.90
19.	Lew Yuen Kee @ Lew Ah Kee	75,000	0.84
20.	RHB Capital Nominees (Tempatan) Sdn Bhd *Phuah Swee Soon (T-161152)*	70,400	0.79
21.	Ng Su Hong	70,000	0.79
22.	Wong Foo Kok	65,000	0.73
23.	Lee Ai Chu	63,000	0.71
24.	Fong Lai Chun	62,900	0.71
25.	Kong Tuck Hung	61,600	0.69
26.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Sow Gek Pong (MLK)*	61,111	0.69
27.	Niap Kim Lock @ Andrew Niap Kim Fook	59,300	0.67
28.	Chua Kin Hua	53,400	0.60
29.	HDM Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Wong Sea Kum (M10)*	52,500	0.59
30.	Yeng Fook Joon	51,944	0.58
		3,429,810	**38.52**

Substantial Warrantholders

Name of Substantial Warrantholders	Direct Interest No. of Shares	%	Deemed Interest No. of Shares	%
Leow Hong Yen	460,000	5.17	–	–

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MALAYSIA PACIFIC CORPORATION BERHAD

(12200-M)
(Incorporated in Malaysia)

PROXY FORM

Number of shares held	

I/We____ NRIC No.____________________
(PLEASE USE BLOCK CAPITAL)

of____
(FULL ADDRESS)

a member/members of **MALAYSIA PACIFIC CORPORATION BERHAD** ______________________________

hereby appoint* the Chairman of the Meeting or____

of ____

or failing him______________________________ of________________________________

as *my/our proxy/proxies to attend and vote for *me/us on *my/our behalf, at the Thirty-Fourth (34th) Annual General Meeting of the Company to be held at Serunai Suite 1 & 2, 1st Floor, East Wing, Hilton Petaling Jaya, No. 2, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan on **Monday, 18 December 2006 at 10.00 a.m**. and at any adjournment thereof, to vote as indicated below:-

	ORDINARY RESOLUTIONS	FOR	AGAINST
Resolution 1	**Ordinary Business** Receive the Audited Financial Statements for the financial year ended 30 June 2006 together with the Reports of the Directors and Auditors thereon.		
Resolution 2	Approve Directors' Fees for the financial year ended 30 June 2006.		
Resolution 3	Re-elect YBhg Datuk Kamaruddin Bin Taib as Director retiring pursuant to Article 85 of the Company's Articles of Association.		
Resolution 4	Consider and if thought fit, pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965:- "THAT YBhg Dato' Abdul Karim Bin Marzuki who is over the age of seventy years and retiring in accordance with Section 129(2) of the Companies Act, 1965 be and is hereby re-appointed a Director of the Company and to hold office until the next Annual General Meeting."		
Resolution 5	Elect Mr Ch'ng Soon Sen as Director pursuant to Article 92 of the Company's Articles of Association.		
Resolution 6	Re-appoint Messrs BDO Binder as Auditors of the Company and to authorize the Directors to fix their remuneration.		
Resolution 7	**Special Business** Issue of shares pursuant to Section 132D of the Companies Act, 1965.		

(Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If you do not do so, the Proxy will vote or abstain from voting at his discretion.)

Dated this____________day of ______________________ 2006

____
Signature of Shareholder(s) or Common Seal

NOTES:-

(i) A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies (or in the case of a corporation, a duly authorised representative) to attend and vote in his stead. A proxy may, but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 need not be complied with. A member who is an authorized nominee may appoint not more than two proxies in respect of each securities account it holds.

(ii) The instrument appointing a proxy shall be in writing, signed by the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.

(iii) Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

(iv) The instrument appointing a proxy shall be deposited at the registered office of the Company at Level 14, Uptown 1, No. 1 Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

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Stamp

Company Secretary of
MALAYSIA PACIFIC CORPORATION BERHAD (12200-M)
Level 14, Uptown 1, No. 1, Jalan SS21/58,
Damansara Uptown
47400 Petaling Jaya, Selangor
Malaysia

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