



# Corporate Information

## BOARD OF DIRECTORS

### Dato' Seri Abdul Ghani Bin Abdul Aziz

*(Independent Non-Executive Chairman)*

### Datuk Johari Bin Abdul Ghani

*(Managing Director)*

### Maj Gen (R) Dato' Mohamed Isa Bin Che Kak

*(Independent Non-Executive Director)*

### Datuk Wira Syed Ali Bin Tan Sri Syed Abbas Alhabshee

*(Independent Non-Executive Director)*

### Dato' Azmeer Bin Rashid

*(Independent Non-Executive Director)*

### Chan Peng Chiw

*(Senior Independent Non-Executive Director)*

### Nor Hishammuddin Bin Dato' Mohd Nordin

*(Independent Non-Executive Director)*

### Datin Mariam Prudence Binti Yusof

*(Non-Independent Non-Executive Director)*

## AUDIT COMMITTEE

### Chan Peng Chiw

*(Chairman, Senior Independent Non-Executive Director)*

### Datuk Johari Bin Abdul Ghani

*(Managing Director)*

### Nor Hishammuddin Bin Dato' Mohd Nordin

*(Independent Non-Executive Director)*

## REMUNERATION COMMITTEE

### Chan Peng Chiw

*(Chairman, Senior Independent Non-Executive Director)*

### Datuk Johari Bin Abdul Ghani

*(Managing Director)*

### Nor Hishammuddin Bin Dato' Mohd Nordin

*(Independent Non-Executive Director)*

## NOMINATION COMMITTEE

### Chan Peng Chiw

*(Chairman, Senior Independent Non-Executive Director)*

### Dato' Seri Abdul Ghani Bin Abdul Aziz

*(Independent Non-Executive Chairman)*

### Nor Hishammuddin Bin Dato' Mohd Nordin

*(Independent Non-Executive Director)*

## RISK MANAGEMENT COMMITTEE

### Chan Peng Chiw

*(Chairman, Senior Independent Non-Executive Director)*

### Datuk Johari Bin Abdul Ghani

*(Managing Director)*

### Nor Hishammuddin Bin Dato' Mohd Nordin

*(Independent Non-Executive Director)*

### Erwin Selvarajah A/L Peter Selvarajah

*(Member)*

### Lee Peng Khoon

*(Member)*

### Teoh Kar Hoe

*(Risk Manager)*

## COMPANY SECRETARIES

Abdul Halim Bin Abdul Rahman (MIA 17912)

Nuruluyun Binti Abdul Jabar (MIA 9113)

## SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd

Level 26, Menara Multi-Purpose, Capital Square

No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur

Tel: 03-2721 2222 Fax: 03-2721 2530

## REGISTERED OFFICE

Level 10, Menara Yayasan Tun Razak

No. 200, Jalan Bukit Bintang

55100 Kuala Lumpur

Tel: 03-2168 7333 Fax: 03-2168 7208

## AUDITORS

BDO Binder

12th Floor, Menara Uni.Asia

1008, Jalan Sultan Ismail

50250 Kuala Lumpur

Tel: 03-2616 2888 Fax: 03-2616 3190

## PRINCIPAL BANKERS

RHB Bank Berhad

Southern Bank Berhad

Malayan Banking Berhad

Bank Islam Malaysia Berhad

Bank Muamalat Malaysia Berhad

CIMB Bank Berhad

## LISTING

Bursa Malaysia Securities Berhad (Main Board)

# Notice of Twenty-Eighth Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Twenty-Eighth Annual General Meeting of the Company will be held at Tingkat 1, Menara Yayasan Tun Razak, No. 200, Jalan Bukit Bintang, 55100 Kuala Lumpur on Tuesday, 31 October 2006 at 10:00 a.m. for the purpose of transacting the following business:

## AGENDA

1. To receive the Audited Financial Statements for the financial year ended 30 June 2006 together with the Directors' and Auditors' Reports thereon.
2. To approve the payment of Directors' fees for the financial year ended 30 June 2006.
3. To re-elect the following Directors who are retiring in accordance with Article 92 of the Company's Articles of Association:
  - i. Dato' Azmeer Bin Rashid
  - ii. Datuk Wira Syed Ali Bin Tan Sri Syed Abbas Alhabshee
4. To consider and, if thought fit, pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965 :-

**"THAT** pursuant to Section 129(6) of the Companies Act, 1965, Maj Gen (R) Dato' Mohamed Isa Bin Che Kak be re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company."

5. To re-appoint Messrs BDO Binder as auditors of the Company and to authorise the Directors to fix their remuneration for the ensuing year.

## SPECIAL BUSINESS

6. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution :-

### ORDINARY RESOLUTION

- **Authority for Directors to Allot Shares pursuant to Section 132D of the Companies Act, 1965**

**"THAT** pursuant to Section 132D of the Companies Act, 1965 and subject always to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

## ANY OTHER BUSINESS

7. To transact any other business of the Company 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

## C.I. HOLDINGS BERHAD

**ABDUL HALIM BIN ABDUL RAHMAN (MIA 17912)**

**NURULUYUN BINTI ABDUL JABAR (MIA 9113)**

Company Secretaries

Kuala Lumpur

Date: 9 October 2006

Resolution 1

Resolution 2

Resolution 3

Resolution 4

Resolution 5

Resolution 6

Resolution 7

# Notice of Twenty-Eighth Annual General Meeting (cont'd)

## NOTES:

1. A member of the Company who is entitled to attend and vote at the Meeting is entitled to appoint one or more than one proxy to attend and vote in his(her) stead. A proxy need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. The instrument appointing a proxy shall be in writing under the hands of the appointor or of his(her) attorney duly authorised in writing or if the appointor is a corporation either under its common seal or under the hand of its officer or its duly authorised attorney.
3. Where a member appoints two or more proxies, he(she) shall specify the proportion of his shareholdings to be represented by each proxy.
4. The instrument appointing a proxy must be deposited at the Company's registered office at Level 10, Menara Yayasan Tun Razak, No. 200, Jalan Bukit Bintang, 55100 Kuala Lumpur not less than forty-eight (48) hours before the time set for holding the meeting or adjourned meeting.

## EXPLANATORY NOTE ON SPECIAL BUSINESS

### 1. Authority for Directors to Allot Shares

In line with the Company's plan for expansion/diversification, the Company is actively looking into prospective areas so as to broaden the operating base and earning potential of the Company. As the expansion/diversification may involve the issue of new shares, the Directors, under present circumstances, would have to call for a general meeting to approve the issue of new shares eventhough the number involved is less than 10% of the issued share capital.

In order to avoid any delay and costs involved in convening a general meeting to approve such issue of shares, it is proposed that the Directors be empowered to issue and allot shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for the time being for such purposes as they consider would be in the interests of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

# Statement Accompanying Notice of Twenty-Eighth Annual General Meeting

1. Directors who are standing for re-election at the Twenty-Eighth Annual General Meeting of C.I. Holdings Berhad.

- i. Dato' Azmeer Bin Rashid **(Resolution 3)**
- ii. Datuk Wira Syed Ali Bin Tan Sri Syed Abbas Alhabshee **(Resolution 4)**
- iii. Maj Gen (R) Dato' Mohamed Isa Bin Che Kak **(Resolution 5)**

2. Details of attendance of Directors at Board Meetings.

The details of attendance of each Director at board meetings are set out on page 12 of this Annual Report.

3. Place, date and time of the Twenty-Eighth Annual General Meeting.

<b>Date of Meeting</b>	<b>Time of Meeting</b>	<b>Place of Meeting</b>
31 October 2006	10:00 a.m.	Tingkat 1, Menara Yayasan Tun Razak, No. 200, Jalan Bukit Bintang, 55100 Kuala Lumpur

4. The details of Directors who are standing for re-election are disclosed in Directors' profile on pages 6 to 7. In addition, details of their securities holdings in the Company are disclosed in the Statement on Directors' Interests on pages 86 and 89 of this Annual Report.

# Directors' Profile

## **YBhg Dato' Seri Abdul Ghani Bin Abdul Aziz** (*Chairman*)

YBhg Dato' Seri Abdul Ghani Bin Abdul Aziz, aged 62, a Malaysian, was appointed to the Board as Executive Director on 25 November 1999. On 12 July 2001, he became a Non-Independent Non-Executive Chairman. On 1 November 2003, he qualified as an Independent Non-Executive Chairman. He is a member of the Nomination Committee.

He holds a Master of Arts Degree in International Relations and Strategic Studies from the University of Lancaster, England, and a Master of Human Sciences (History and Civilization) from the International Islamic University, Malaysia. He had served in the Royal Malaysian Air Force (RMAF) for 32 years and attained the position of the Chief of the Air Force in 1993 before retiring in November of 1996. Presently he is the Chief Executive of a Joint-Venture private limited company, and sits also on the Board of KFC Holdings (Malaysia) Bhd.

He does not have any family relationship with any Director and/or major shareholder of the Company and there is no business arrangement with the Company in which he has personal interest. He does not have any convictions for offences within the past 10 years other than traffic offences, if any.

## **YBhg Datuk Johari Bin Abdul Ghani** (*Managing Director*)

YBhg Datuk Johari Bin Abdul Ghani, aged 42, a Malaysian, was appointed to the Board on 29 November 2002 as Managing Director. He is a member of the Audit, Remuneration and Risk Management Committees.

He obtained a Diploma in Accountancy from Institute Teknologi MARA in 1982 and is a Fellow member of the Chartered Association of Certified Accountants in England. He started his career as an Auditor with Peat Marwick & Co, an international accounting firm and has held senior positions in various listed and unlisted companies.

He was formerly the Group Managing Director of QSR Brands Berhad, KFC Holdings (Malaysia) Bhd and Ayamas Food Corporation Berhad. He does not have any family relationship with any Director and/or major shareholder of the Company and there is no business arrangement with the Company in which he has personal interest. He does not have any convictions for offences within the past 10 years other than traffic offences, if any.

## **YBhg Maj Gen (R) Dato' Mohamed Isa Bin Che Kak**

YBhg Maj Gen (R) Dato' Mohamed Isa Bin Che Kak, aged 71, a Malaysian, was appointed to the Board on 28 April 2003 as an Independent Non-Executive Director.

He graduated from the Malaysian Royal Military College and was commissioned into the Royal Malay Regiment in 1958. During his military career, he attended various military training courses such as The Joint Services Command, the Staff College in Wellington, India where he qualified with Pass Staff College (psc) and The Senior Officers Management Course in Naval Staff College in Monterey, California, United States of America.

In his more than 32 years of service in the Malaysian Army, he had served in various capacities both Regimental and Staff. Among his early appointments was the Regimental Intelligence Officer serving with the United Nation forces in the Congo. He was also appointed as the Aide De Camp (ADC) to his Majesty Yang Di-Pertuan Agong of Malaysia from 1971-1975. In recognition of his services, he was awarded with the military honour of Pahlawan Angkatan Tentera.

He is currently a Board member of Affin Holdings Berhad and LBS Bina Group Berhad. He does not have any family relationship with any Director and/or major shareholder of the Company and there is no business arrangement with the Company in which he has personal interest. He does not have any convictions for offences within the past 10 years other than traffic offences, if any.

## **Yang Berhormat Senator Datuk Wira Syed Ali Bin Tan Sri Syed Abbas Alhabshee**

Yang Berhormat Senator Datuk Wira Syed Ali Bin Tan Sri Syed Abbas Alhabshee, aged 44, a Malaysian, was appointed to the Board on 27 August 2003 as an Independent Non-Executive Director.

He obtained Professional Diploma in Leadership and Management, New Zealand Institute of Management Inc and Post Graduate Diploma in Business Administration, Society of Business Practitioners, Cheshire-England. He started his business career since 1980 and has vast experience in the oil and gas industry. He is a member of the Instrument Society of America. Presently, he is the Managing Director of Interbrand Sdn. Bhd., both Executive Director of Rimaco (M) Sdn. Bhd and Bumi Wangsa (M) Berhad. He also sits on the Board of other private limited companies. He is also both Secretary to Badan Perhubungan UMNO Wilayah Persekutuan and Barisan Nasional Wilayah Persekutuan since 2001.

He is currently a Board member of Tanjung Offshore Berhad. He does not have any family relationship with any Director and/or major shareholder of the Company and there is no business arrangement with the Company in which he has personal interest. He does not have any convictions for offences within the past 10 years other than traffic offences, if any.

## **YBhg Dato' Azmeer Bin Rashid**

YBhg Dato' Azmeer Bin Rashid, aged 67, a Malaysian, was appointed to the Board on 27 August 2003 as an Independent Non-Executive Director.

He holds a Bachelor of Arts and Post Graduate Diploma in Public Administration from University Malaya and Master of Business Administration from University of Santa Clara, California, United States of America. He was the Deputy Chairman of Cement Industries of Malaysia Bhd. (CIMA) and a member of Muda Agricultural Development Authority. Since 1964, he had held various positions in government departments including the Secretary General of the Ministry of Lands and Cooperative Development, the State Secretary of Perlis and the President of the Municipal Council of Seberang Perai, Penang. He was the Deputy Chairman of the Education Service Commission from 1997 to 2000.

He is currently a Board member of Polymate Holdings Berhad. He does not have any family relationship with any Director and/or major shareholder of the Company and there is no business arrangement with the Company in which he has personal interest. He does not have any convictions for offences within the past 10 years other than traffic offences, if any.

## **Chan Peng Chiw**

Chan Peng Chiw, aged 66, a Malaysian, was appointed to the Board on 18 May 2001 as an Independent Non-Executive Director and as the Chairman of the Audit Committee on 24 May 2001. Subsequently, he was appointed as a Senior Independent Non-Executive Director on 7 November 2002. He is also the Chairman of the Remuneration, Nomination and Risk Management Committees.

He has been practicing as a Chartered Accountant since 1969 and is a Board member of several private limited companies.

He has no directorships in other public companies. He does not have any family relationship with any Director and/or major shareholder of the Company and there is no business arrangement with the Company in which he has personal interest. He does not have any convictions for offences within the past 10 years other than traffic offences, if any.

## Directors' Profile (cont'd)

### **Nor Hishammuddin Bin Dato' Mohd Nordin**

Nor Hishammuddin Bin Dato' Mohd Nordin, aged 40, a Malaysian, was appointed to the Board as an Independent Non-Executive Director and a member of the Audit Committee on 30 May 2001. He is also a member of the Remuneration, Nomination and Risk Management Committees.

He holds a Bachelor of Law (LLB) degree with honours and was called to the Malaysian Bar as an Advocate and Solicitor of the High Court of Malaya in 1994. He is presently the Managing Partner of the law firm of Messrs Hisham Yoong – K.C. Lim.

He has no directorships in other public companies. He does not have any family relationship with any Director and/or major shareholder of the Company and there is no business arrangement with the Company in which he has personal interest. He does not have any convictions for offences within the past 10 years other than traffic offences, if any.

### **YBhg Datin Mariam Prudence Binti Yusof**

YBhg Datin Mariam Prudence Binti Yusof, aged 54, a Malaysian was appointed to the Board on 27 July 2005 as a Non-Independent Non-Executive Director.

She graduated with BA (Honours), University of Malaya in 1974. She started her career in the field of human resource and organizational development with multinational companies, namely Motorola (M) Sdn. Bhd., Intel (M) Sdn. Bhd., Shell Malaysia Sdn. Bhd. and Nestle (M) Sdn. Bhd. In 1984, she entered the field of stockbroking and is currently the Executive Director of MIDF Sisma Securities Sdn. Bhd.

Her other previous appointments include being a Member of the Kuala Lumpur Stock Exchange Committee (KLSE), a Director of Labuan International Financial Exchange Inc. (LFX); a Director of Securities Clearing Automated Network Services Sdn. Bhd. (SCANS) and a Director of Research Institute & Investment Analyst Malaysia (RIIAM) and Trustee of the Bumiputera Training Fund of the Securities Commission (SC). She was also the Chairman of the Membership Committee of the KLSE. She has retired from the Board of KLSE and its subsidiaries on 10 April 2004.

In year 2002, she was elected Chairman of the Association of Stockbroking Companies of Malaysia (ASCM) with the primary role of spearheading the demutualization of KLSE to its new entity, Bursa Malaysia Berhad.

On 26 August 2002 she was appointed as a member of the National Economic Action Council (NEAC) by the Prime Minister of Malaysia, and is presently active in its working group.

She has no directorships in other public companies. Save as disclosed in page 75, she does not have any family relationship with any Director and/or major shareholder of the Company and there is no business arrangement with the Company in which she has personal interest. She does not have any convictions for offences within the past 10 years other than traffic offences, if any.



# Chairman's Statement

On behalf of the Directors, I am pleased to present the Annual Report 2006 and the Financial Statements of the Group and of the Company for the financial year ended 30 June 2006.

## FINANCIAL PERFORMANCE

For the financial year under review, the Group achieved Revenue of RM222.16 million a decrease of 17.10%. The Group recorded a loss after taxation and minority interest of RM3.76 million against a profit after taxation and minority interest of RM0.77 million in the previous financial year.

The Group revenue contributions are mainly from the Beverages and Tapware Divisions. The Group incurred a loss after taxation and minority interest of RM3.76 million partly due to one off provision made mainly in the Beverages Division, for missing bottles and pallets, specific provision for bad debts, inventories written off and impairment loss on property. In addition, the Group had during the financial year disposed of 2 plots of leasehold land under the sale and leaseback agreement with Amanah Raya Berhad which resulted in a gain on disposal of RM7.67 million and write back of interests payable to creditors.

At Company level, the Company incurred a profit after taxation of RM8.94 million compared to a loss of RM134.64 million over the previous financial year. The current financial year's profit after taxation was mainly due to the write back of allowance for doubtful debts for inter-company advances of RM7.84 million.



## REVIEW OF OPERATIONS

### A) Beverages Division

The Beverages Division registered a revenue of RM199.70 million, a decrease of 19.51% compared to RM248.12 million the previous year and loss after tax of RM14.47 million against a profit of RM11.61 million reported in the previous year. The reduction in profitability is attributable to the significant decline in revenues and the previously mentioned one off provisions made.

The reduction in the revenue was attributable primarily to a double digit reduction in the carbonated soft drink industry attributable to an overall reduction in consumer purchasing power due to continuous hikes in fuel prices as well as consumers switching to healthier hot filled alternatives such as Asian drinks, tea and coffee.

Within the year under review, the Division also undertook a comprehensive review of the distribution model employed and our selection of distribution partners. The project was successfully completed within the year in question. The inevitable decline in sales during the transition period also contributed to the Division's overall reduction in revenue. We are confident that our optimized distribution strategy has laid the foundation for success in coming periods.



DOE



# Chairman's Statement (cont'd)

The Division has been very successful in launching (2) two new products in the year under review, namely, Lipton Green Tea and Pepsi Gold. The Division also re-launched Excel and Chill with new packaging. The new formula Excel has a fresher taste, reduced sugar content and is enriched with Vitamin C and has proven to quench thirst faster besides and provide a boost of energy. With strong advertising and promotional campaigns coupled with good taste profile, these products received tremendous response from the customers and consumers alike.

In order to improve the Division bottom line contribution, and to move forward, the Division will continue to introduce exciting new product innovation that are responsive to the needs of the Malaysian market and continue to optimise the operational model. In addition the Division has planned a strong calendar of products, creative advertising and promotions for all brands.

For the longer term, the Division also finalized its investment to own hot fill line to allow the Division to be more competitive in this growing segment of the Malaysian beverage industry. The total investment cost for this line will be at RM31.0 million and expected to be completed in the 3rd Quarter of 2007.

The Division anticipates that with the new initiatives, renewed enthusiasm and close monitoring, the Division will register good growth in the coming years.



## B) Tapware Division

The Tapware Division revenue increase by 18.6% from RM17.65 million in previous financial year to RM20.93 million in the current financial year. Despite the tougher market conditions faced, the Division has managed to deliver a profit after taxation of RM0.92 million compared to RM0.10 million in the previous financial year.

The Division faced challenging conditions with continuing escalation in prices of raw materials, increase in the price of oil and electricity and also interest rates. The strengthening of the Ringgit in the early part of the financial year helped to reduce the impact. A shortage of liquidity resulted in a slower pace in the residential, commercial and government projects as purchasers adopted a "wait and see" attitude.

A wholly-owned subsidiary, Doe Marketing Sdn Bhd, commenced business subsequent to the financial year when the Division secured the sole distributorship in Malaysia of two Italian products, namely – the "Ariston" ceramic and titanium-lined storage water heaters; and "Huber" thermostatic tap fittings.

Overall the Division performed creditably in the year in review despite the challenging conditions.

For the coming years, the Division will focus on capitalizing on the projected growth under the 9MP in both the private and government sector of the construction industry. In the coming year, it is expected that the construction industry will grow by 3%.



DOE



## C) Quarrying Division

The Quarrying Division revenue decrease by 30.7% from RM2.20 million in previous financial year to RM1.52 million in the current financial year. At the beginning of the financial year, the Division has four (4) quarries under contract arrangement since 2000. During the financial year, the Division received a notice of termination from the operator of the Penanti quarry as it has become uneconomic to carry out the quarry operations. The termination caused the Division to suffer an estimated loss of RM0.40 million in annual revenue.

The Division will continue to receive tributes from the three (3) quarrying operations under the contract arrangement without being involved in the day-to-day quarrying operations. The Company will explore all possible avenues to dispose off the Division.

## DIVIDEND

Your Board does not propose a dividend for the financial year under review in order to conserve the Group's liquidity position for the Group's developments and operations.

## CURRENT YEAR PROSPECTS

The beverages industry continues to be the Group's core focus. In the coming years the Group will leverage its optimized distribution strategy and continue to focus on brand building, aggressive promotional activities, and innovative and customer relevant new product launches.

## APPRECIATION

On behalf of the Board, I would also like to express our gratitude and thanks to the management and staff of the Group for their continued commitment and dedication in facing the challenging times and to our loyal shareholders, business associates, bankers for their continued support, confidence and assistance given to us.

Finally, I would like to thank my fellow colleagues on the Board for their counsel, contribution and support throughout the year.

## DATO' SERI ABDUL GHANI BIN ABDUL AZIZ

Chairman



# Corporate Governance Statement

The Board is pleased to disclose the Company's application of the principles as set out in Part 1 of the Malaysian Code on Corporate Governance ("the said Code") and would like to state that the Company has complied with all the best practices of Part 2 of the said Code during the financial year under review.

## BOARD OF DIRECTORS

### The Board

The Board, comprising of one (1) executive Director and seven (7) non-executive Directors, effectively leads and controls the Group. Out of the seven (7) non-executive Directors, six (6) are independent Directors, which is higher than the prescribed limit as recommended by the said Code. In addition, Chan Peng Chiu is the appointed Senior Independent Director to whom shareholders may convey the concerns on issues affecting the Group and the Company.

All Board members bring an independent judgement to bear on issues of strategy, performance, risk management, resources and standards of conduct. The Board has also delegated specific responsibilities to four (4) subcommittees namely Audit, Nomination, Remuneration and Risk Management Committees. The Committees have the authority to examine particular issues and report to the Board with their recommendation. The final decision on all matters, however, lies with the entire Board.

The composition of these Committees is outlined in page 2 of this Annual Report.

### Board Meetings and Attendance

During the financial year ended 30 June 2006, eight (8) Board meetings were held.

The number of meetings attended by each Director during the financial year is as follows:-

Names of Director	Meeting*
Dato' Seri Abdul Ghani Bin Abdul Aziz	6/8
Datuk Johari Bin Abdul Ghani	8/8
Maj. Gen. (R) Dato' Mohamed Isa Bin Che Kak	6/8
Chan Peng Chiu	7/8
Nor Hishammuddin Bin Dato' Mohd Nordin	8/8
Dato' Azmeer Bin Rashid	8/8
Datuk Wira Syed Ali Bin Tan Sri Syed Abbas Alhabshee	7/8
Datin Mariam Prudence Binti Yusof	5/7

\* Number of meetings attended (first figure)/number of meetings held while in office (second figure)

# Corporate Governance Statement (cont'd)

## **Supply of Information**

All Directors are provided with an agenda and a set of Board papers prior to Board meetings for consideration and where appropriate, for decision. This is issued in sufficient time to enable the Directors to obtain further explanations, where and when necessary, in order to be properly briefed before the meeting. The Board papers containing information relevant to the business of the meeting, including management information on the financial and trading position of the Group. Senior management staff may be invited to attend Board meetings, if required, to provide the Board with detailed explanations and clarification on certain matters that are tabled to the Board.

In addition, there is a schedule of matters reserved specifically for the Board's decision.

In furtherance of their duties, Directors have access to all information within the Company, whether as full Board members or in their individual capacity.

All Directors have access to the advice and services of the Company Secretaries and may seek independent professional advice should the need arise.

## **Appointments to the Board**

All appointments to the Board are made on recommendation by the Nomination Committee. This would involve the assessment of the Directors for re-election at every Annual General Meeting in accordance with the Company's Articles of Association.

## **Annual Assessment of the Board**

The Board, through the Nomination Committee, reviews annually its required mix of skills and experience and other qualities, including core competencies, which non-executive Directors should bring to the Board. This annual assessment would include the review on the effectiveness of the Board, the performance of the Committees and contribution of each individual Director.

## **Directors' Training**

All the Directors have completed the Mandatory Accreditation Programme and have met the requirements of the Continuous Education Programme (CEP) as prescribed by Bursa Malaysia Securities Berhad.

As the CEP has been repealed by Bursa Malaysia Securities Berhad with effect from 1 January 2005, the Board has assessed the training needs of the individual Directors to ensure that the Board is equipped with necessary knowledge to enable them to discharge duties as Directors.

Directors are encouraged to attend seminars and/or conferences organised by relevant regulatory authorities and professional bodies to enhance their skills and knowledge where relevant. During the financial year under review, all of the Directors have attended the training on Financial Reporting Standards conducted by BDO Binder.

# Corporate Governance Statement (cont'd)

## Directors' Remuneration

The Remuneration Committee will be responsible for setting the policy framework and making recommendations to the Board on all elements of the remuneration and other terms of employment of Executive Director(s). Non-Executive Directors' remuneration will be decided by the Board as a whole with the Director concerned abstaining from deliberation and voting on decisions in respect of his individual remuneration.

Details of the aggregate remuneration of the Directors, with categorisation into appropriate components and the number of Directors whose remuneration falls into each successive bands of RM50,000 are disclosed below:-

	Basic Salary RM'000	EPF RM'000	Leave Passage RM'000	Bonus and Allowance RM'000	Benefit- in-kind RM'000	Directors' Fees RM'000	Total RM'000
<b>Executive</b>							
Datuk Johari Bin Abdul Ghani	360	50	40	60	4	-	514
<b>Non-Executive Directors</b>							
Dato' Seri Abdul Ghani Bin Abdul Aziz	-	-	-	5	1	13	19
Chan Peng Chiw	-	-	-	8	-	12	20
Nor Hishammuddin Bin Dato' Mohd Nordin	-	-	-	8	-	10	18
Maj Gen (R) Dato' Mohamed Isa Bin Che Kak	-	-	-	5	-	10	15
Senator Datuk Wira Syed Ali Bin Tan Sri Syed Abbas Alhabshee	-	-	-	7	-	10	17
Dato' Azmeer Bin Rashid	-	-	-	8	-	10	18
Datin Mariam Prudence binti Yusof	-	-	-	6	-	10	16
Sub-Total	-	-	-	47	1	75	123
Total	360	50	40	107	5	75	637

RM	Executive Director	Non-Executive Directors	Total
50,000 and below	-	7	7
500,001 – 550,000	1	-	1

# Corporate Governance Statement (cont'd)

## SHAREHOLDERS

### Dialogue between the Company and Investors

The Board recognizes the importance of effective communication with shareholders and the investing community. Shareholders and the investing community are kept well informed of the developments and performance of the Group and the Company through disclosures to Bursa Malaysia Securities Berhad and the press (where appropriate) as well as the Annual Report.

Adequate time is given during Annual and/or Extraordinary General Meetings to allow the shareholders to seek clarification or ask questions on pertinent and relevant matters.

In addition, senior management of the Company would meet up with institutional investors when the need arises, to elaborate or clarify on information that had been disclosed to other shareholders.

## ACCOUNTABILITY AND AUDIT

### Audit Committee

The Audit Committee of the Board comprises two (2) Independent Non-Executive Directors and one (1) Managing Director with Chan Peng Chiw as Chairman. The composition of the Committee is set out on page 16 of the annual report.

The Audit Committee met five (5) times during the financial year under review. During these meetings, the Committee carried out the duties as set out on pages 16 to 19 of this annual report.

### Financial Reporting

In presenting the annual financial statements and the quarterly results to the shareholders, the Directors aim to present a balanced and clear assessment of the Group's position and prospects. This also applies to other price-sensitive public reports and reports to regulators.

### Internal Controls

The Directors acknowledge their responsibility for the Group's Internal Control to safeguard shareholders' investment and Company's assets. The Company has already put in place several systems of internal control covering financial control, operational and compliance control and risk management. The Internal Audit Department reviews, appraises and monitors the effectiveness of systems of internal control within the Group. The Statement on Internal Control furnished on pages 20 to 21 of the Annual Report provides an overview of the state of the internal control within the Group.

### Relationship with the Auditors

The role of the Audit Committee in relation to the external auditors is described in the Audit Committee Report. The Group has always maintained a close and transparent relationship with its auditors in seeking professional advice and ensuring compliance with the appropriate accounting standards.

# Audit Committee Report

The primary objective of the Committee is to assist the Board of Directors (“Board”) in fulfilling its responsibilities relating to accounting and reporting practices of the Company and its subsidiary companies (“the Group”).

## 1. MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee comprises the following members and their respective attendances at the Audit Committee meetings as follows:-

Member	Designation	Total Meetings Attended
<b>Chan Peng Chiu</b> (MIA 451) <i>Chairman - Senior Independent Non-Executive Director</i>	Chairman	5/5
<b>Nor Hishammuddin Bin Dato' Mohd Nordin</b> <i>Independent Non-Executive Director</i>	Member	5/5
<b>Datuk Johari Bin Abdul Ghani</b> <i>Managing Director</i>	Member	5/5

\* Number of meetings attended (first figure)/number of meetings held while in office (second figure)

## 2. TERM OF REFERENCE

### 2.1 Composition

The Audit Committee shall be appointed by the Board from amongst its directors and shall consist of not less than three (3) in numbers of whom a majority shall be independent directors. No alternate director is appointed as a member of the Committee and at least one (1) member of the Committee:-

- (a) must be a member of the Malaysian Institute of Accountants; or
- (b) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:
  - (i) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants 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.

The members of the Audit Committee shall elect a Chairman from among their number who shall be an independent director. In the event of any vacancy in the committee resulting in the non-compliance of the above stated condition, the Company shall fill the vacancy within three (3) months. The Board of the Company shall review the term of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether such audit committee and members have carried out their duties in accordance with their terms of reference.



## 2.2 Right and Authority

The Audit Committee shall, in accordance with a procedure to be determined by the Board and at the cost of the Company:-

- (a) have authority to investigate any matters within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information, records, properties and personnel of the Company and of the Group;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activities;
- (e) be able to convene meeting with the external auditors, excluding the attendance of the executive members of the Committee, whenever deemed necessary; and
- (f) be able to obtain independent professional or other advice and to invite outsiders with relevant experience and expertise to attend the Committee's meetings when considered necessary.

## 2.3 Meetings

- (a) the Committee shall hold a minimum of at least four (4) meetings in a financial year and such additional meetings as the Chairman shall decide in order to fulfil its duties;
- (b) the meeting shall be chaired by the Chairman or in his absence, another member who is an Independent Director nominated by the Committee. The quorum of the meeting shall consist of at least two (2) members, the majority of whom shall be Independent Directors. The Chairman also has the discretion to call for additional meetings as warranted:
  - (i) the Company Secretary shall act as Secretary of the Committee and shall be responsible, with the concurrence of the Chairman, for drawing up and circulating the agenda and the notice of meetings together with the supporting explanatory documentation to members prior to each meeting;
  - (ii) The Company Secretary of the Committee shall be entrusted to record all proceeding and minutes of all meetings of the Committee;
  - (iii) The external auditors were invited to attend the meeting to discuss the annual financial statement and their audit findings;
  - (iv) The Committee to convene meetings with external auditors without the presence of the executive directors, whenever deemed necessary;
  - (v) The internal auditors shall be in attendance at all meetings to present and discuss the audit reports and other related matters and the recommendations relating thereto and to follow up on relevant decisions made; and
- (c) The Committee may invite any Board member or any member of the senior management or any relevant employees within the Company or the Group who the Committee thinks fit to attend its meetings to assist in resolving and clarifying matter raised in audit report.

# Audit Committee Report (cont'd)

## 2.3.1 Minutes

- (a) The Committee shall cause minutes to be duly entered in the books provided for the purpose of all resolutions and proceedings of all meetings of the Committee. Such minutes shall be signed by the Chairman of the Meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.
- (b) Minutes of the Committee's meetings will be made available to all Board members. A summary of significant matters and resolutions will be reported to the Board by the Chairman of the Committee.

The Audit Committee meetings agenda are prepared and distributed to all members in advance with sufficient documentation to enable them to read ahead of the Meeting. The Financial Controller, Internal Auditor and External Auditors are also invited at appropriate times to attend the Audit Committee meeting to brief on their respective reports and findings.

The books containing the minutes of proceedings of any meeting of the Committee shall be kept by the Company at the registered office of the Company, and shall be opened to the inspection of any member of the Committee and the Board.

## 2.4 Functions and Responsibilities

The functions and responsibilities of the Audit Committee shall include the following:-

- (a) to review with the external auditors
  - (i) their audit plan, their evaluation of the system of internal controls and their audit report;
  - (ii) the assistance given by employees of the Company to them;
- (b) to make recommendations concerning the appointment of external auditors and their remuneration to the Board;
- (c) to review and consider the adequacy of scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- (d) to review the financial condition of the Group, its internal control and audit programme, the performance and findings of internal audit staff and to recommend action to be taken thereon by management and whether or not appropriate action is taken on the recommendations of the internal audit function;
- (e) to review the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on:
  - (i) changes in or implementation of major accounting policy changes;
  - (ii) significant and unusual events; and
  - (iii) compliance with accounting standards and other legal requirements.
- (f) to review any related party transactions and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (g) to review and report to the Board any letter of resignation from the external auditors of the Company as well as whether there is any reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment; and
- (h) such other functions as may be agreed to by the Committee and the Board.

The reports of the Committee and the external and internal auditors and corrective actions taken shall be tabled for discussion by the Board.

### 3. ACTIVITIES OF THE AUDIT COMMITTEE

There were five (5) meetings of the Audit Committee held during the financial year ended 30 June 2006 and the activities of the Committee included:-

- (a) The Audit Committee has reviewed the Group's quarterly financial results and year end financial statement before presenting to the Board for approval. At the Board meetings, the Chairman of the Audit Committee briefed the Board on the significant accounting issues raised in respect of the financial statements and recommendations of the Audit Committee thereon.
- (b) Prior to the commencement of the audit of the Group's financial statement, the Audit Committee reviewed the audit plan prepared by the External Auditors. The External Auditors also updated the Audit Committee on new developments of accounting standards issued by the Malaysian Accounting Standards Board that are applicable to the Group's financial statements for the financial year ended 30 June 2006.
- (c) During the review of the Group's financial statement for the financial year ended 30 June 2006, the representatives of the External Auditors were present to brief the Audit Committee on their findings and accounting issues arising from their audit together with recommendations in respect of the findings.
- (d) The Audit Committee also reviewed and discussed the internal audit reports incorporating the audit findings of the Strategic Business Units ("SBU"), the internal audit recommendations and Management's response.
- (e) During the financial year, the Audit Committee also reviewed and monitored recurrent related party transactions of a revenue nature under the mandate obtained from the shareholders.

### 4. INTERNAL AUDIT ACTIVITIES

The Head of Internal Audit Department shall have unrestricted access to Committee members and report to the Committee whose scope of responsibility includes overseeing development and the establishment of the Internal Audit Department.

In respect of routine administrative matters, the Head of Internal Audit Department shall report to the Managing Director.

During the financial year, the Internal Auditors reviewed and assessed the operational procedures and effectiveness of internal control on all the SBU of the Group. The Internal Auditors also conducted compliance tests to ascertain the extent of compliance with control procedures and guidelines.

The Internal Audit Department undertakes internal audit function based on the internal audit plan and timetable that is reviewed and approved by the Audit Committee and carried out special review or ad hoc assignment as requested by Management and Audit Committee.

The Internal Audit Reports which incorporates the audit findings, recommendations and Management's response were issued to and reviewed by the Audit Committee. The Head of Internal Audit Department attends the Audit Committee Meetings to table and discuss the audit reports and follow up on matters raised.

During the Internal Audit process, there were no material internal control failures or significant issues discovered during the financial year.

# Statement on Internal Control

## INTRODUCTION

This Statement on Internal Control is made in accordance with the Malaysian Code on Corporate Governance and paragraph 15.27 (b) of the Listing Requirements of Bursa Malaysia Securities Berhad, which requires public listed companies to make a statement about their state of internal control, as a group, in their annual report.

## THE BOARD'S RESPONSIBILITY

The Board acknowledges its overall responsibility to maintain a sound system of internal controls and effective risk management practices in the Group to safeguard shareholders' investment and the Group's assets. The Board ensures continuously the adequacy and integrity of the overall internal control system for the Group. The Board also recognizes that the system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives of the Group. In this regard, internal control can only provide reasonable assurance but not absolute assurance against material misstatement, loss or fraud.

## RISK MANAGEMENT

The Group established a formal risk management framework in year 2004 which enabled the management and the Board to share a common model in the effective communication and evaluation of all principal risks and control. The process involved Management's identification of risks, the assessment of risks and controls and the formulation of appropriate action plans. These are then submitted for the Board's review and approval.

## INTERNAL AUDIT FUNCTION

The Group has an internal audit function whose primary responsibilities is to assure the Board, through the Audit Committee, that the internal control systems function as intended. In providing this assurance, the Internal Audit Department carries out regular audit activities in accordance with its annual audit plan to review the adequacy and integrity of internal control system and thereafter a report of the shortcomings together with the appropriate recommendations are made to the Head of respective SBU. The Head of respective SBU shall respond to the findings and recommendations and a follow-up audit shall be subsequently carried out to ensure that the Management's agreed action plans are implemented on a timely basis.

The Audit Committee, on behalf of the Board, reviews and holds discussion with Management to deliberate on action plans addressing the internal control issues as identified by the Internal Auditor, the External Auditors and Management.

# Statement on Internal Control (cont'd)

## **OTHER KEY ELEMENTS OF INTERNAL CONTROL**

The Board provides the following guidelines to ensure success of business objectives:

- The Group has in place an organization structure with key responsibilities clearly defined for the Board, committees of the board and the executive management of the Group's operating units.
- Authorization limits are established within the Group to provide a functional framework of authority in approving revenue and capital expenditures.
- Each operation unit is to provide to the Board for approval a comprehensive annual budget.
- The results of each operation business units are reported monthly and variances are analyzed against budget and acted on in a timely manner. Budgets are revised on a semi-annual basis, if necessary, after taking into account any significant changes to business risks.
- The Managing Director conducts monthly meetings with management of all SBU within the Group. From these monthly management meetings, the Managing Director would identify area of significant risk and if necessary, request the internal audit function to review the financial and operational risks of the business unit concerned.
- The Board receives and reviews quarterly reports on the Group's business operations.
- Policies and procedures regulating financial and operating activities are clearly documented in a manual. The manual is subject to regular reviews and updates to reflect the changing business risks and to resolve operational deficiencies, if any.

## **CONCLUSION**

The Board is of the opinion that the system of internal control, which is reviewed on an ongoing basis, is adequate for the Group to manage its risk and to achieve its business objectives.

# Directors' Responsibility Statement

The Board of Directors is required under Paragraph 15.27(a) of the Listing Requirements of Bursa Malaysia Securities Berhad to issue a statement explaining their responsibilities for preparing the annual financial statements.

The Directors are required by the Companies Act, 1965 to prepare the financial statements for each financial year in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the results and cash flows of the Group and of the Company for the financial year then ended.

In preparing the financial statements for the financial year ended 30 June 2006, the Directors have:-

- i) used appropriate accounting policies and applied them consistently;
- ii) made judgements and estimates that are reasonable and prudent;
- iii) ensured that all applicable approved financial reporting standards in Malaysia have been followed; and
- iv) prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors took steps to ensure that the Group and the Company keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965 and the applicable approved financial reporting standards in Malaysia.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Group and to prevent and to detect fraud and other irregularities.

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# Directors' Report

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

## PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services to its subsidiary companies. The principal activities of the subsidiary companies are set out in Note 7 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
(Loss)/Profit after tax	(3,738)	8,943
Minority interests	(26)	-
Net (loss)/profit for the financial year	(3,764)	8,943

## DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors also do not recommend any dividend 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

A total of 57,377,835 warrants were issued by the Company in conjunction with the Renounceable Rights Issue. Each warrant is convertible into one new ordinary share of RM1.00 each at the exercise price of RM1.08 per share. The warrants are valid for a period of five years and shall expire on 23 June 2009. As at the date of the Report, none of the warrants has been exercised.

## DIRECTORS

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

Dato' Seri Abdul Ghani Bin Abdul Aziz

Datuk Johari Bin Abdul Ghani

Nor Hishammuddin Bin Dato' Mohd Nordin

Chan Peng Chiw

Maj Gen (R) Dato' Mohamed Isa Bin Che Kak

Datuk Wira Syed Ali Bin Tan Sri Syed Abbas Alhabshee

Dato' Azmeer Bin Rashid

Datin Mariam Prudence Binti Yusof

Erwin Selvarajah A/L Peter Selvarajah (Retired on 24 November 2005)



## DIRECTORS' INTERESTS

Except as stated below, no other Directors holding office at the end of the financial year had any beneficial interests in the ordinary shares and/or warrants of the Company and its related corporations during the financial year ended 30 June 2006, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965:-

--- Number of ordinary shares of RM1.00 each ---				
	Balance as at 1.7.2005/ Date of appointment*	Bought	Sold	Balance as at 30.6.2006
<b>Shares in the Company</b>				
Direct interest				
Datuk Johari Bin Abdul Ghani	5,157,400	24,842,600	-	30,000,000
Dato' Seri Abdul Ghani Bin Abdul Aziz	-	60,000	-	60,000
Indirect interest				
Datin Mariam Prudence Binti Yusof	26,290,400*	10,000	(72,100)	26,228,300

----- Number of Warrants 2004/2009 -----					
	Balance as at 1.7.2005/ Date of appointment*	Bought	Sold	Exercised	Balance as at 30.6.2006
<b>Warrants in the Company</b>					
Direct interest					
Datuk Johari Bin Abdul Ghani	5,157,400	13,000,000	(5,157,400)	-	13,000,000
Indirect interest					
Datin Mariam Prudence Binti Yusof	11,077,000*	-	-	-	11,077,000

By virtue of their interest in the shares of the Company, Datuk Johari Bin Abdul Ghani and Datin Mariam Prudence Binti Yusof are also deemed to be interested in the shares of the subsidiary companies of the Company to the extent of the Company's interest.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which he has a substantial financial interest except for certain Directors of the Company who may be deemed to derive benefits by virtue of the transactions as disclosed in Note 37 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than those arising from the Warrants 2004/2009 issued.

# Directors' Report (cont'd)

## 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 all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their 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 render the amount written off for bad debts or the amount of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent; or
  - (ii) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
  - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) In the opinion of the Directors:-
- (i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and
  - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group 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 EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 40 to the financial statements.

## AUDITORS

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

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

.....  
Dato' Seri Abdul Ghani Bin Abdul Aziz  
Director

.....  
Datuk Johari Bin Abdul Ghani  
Director

Kuala Lumpur  
28 September 2006

# Statement By Directors

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

In the opinion of the Directors, the financial statements set out on pages 29 to 83 have been drawn up in accordance with the provisions of the Companies Act, 1965 and the 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,

.....  
Dato' Seri Abdul Ghani Bin Abdul Aziz  
Director

.....  
Datuk Johari Bin Abdul Ghani  
Director

Kuala Lumpur  
28 September 2006

# Statutory Declaration

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

I, Datuk Johari Bin Abdul Ghani, being the Director primarily responsible for the financial management of C.I. Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 29 to 83 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 )  
28 September 2006 )

Datuk Johari Bin Abdul Ghani

Before me:-  
TEONG KIAN MENG (W147)  
Commissioner for Oaths

# Report of The Auditors

## To The Members of C.I. Holdings Berhad

We have audited the financial statements set out on pages 29 to 83.

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 its subsidiary companies 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 have been 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.

Our 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

28 September 2006

# Balance Sheets

as at 30 June 2006

		Group		Company	
	NOTE	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>ASSETS EMPLOYED</b>					
PROPERTY, PLANT AND EQUIPMENT	6	78,730	96,755	22	74
INVESTMENT IN SUBSIDIARY COMPANIES	7	-	-	62,354	63,887
INVESTMENT IN AN ASSOCIATED COMPANY	8	-	-	-	-
OTHER INVESTMENTS	9	21	21	15	21
INTELLECTUAL PROPERTY	10	5,200	5,520	-	-
BOTTLES AND CASES	11	282	6,404	-	-
GOODWILL ON CONSOLIDATION	12	47,548	47,548	-	-
DEFERRED TAX ASSETS	13	4,424	2,554	-	-
<b>CURRENT ASSETS</b>					
Inventories	14	18,626	26,121	-	-
Trade receivables	15	47,550	59,523	-	-
Other receivables, deposits and prepayments	16	5,606	3,500	11	63
Amounts owing by subsidiary companies	17	-	-	39,914	38,931
Tax recoverable		3,849	2,471	287	287
Fixed deposits placed with licensed banks	18	986	1,011	-	500
Cash and bank balances		7,977	3,765	19	44
		84,594	96,391	40,231	39,825
<b>LESS: CURRENT LIABILITIES</b>					
Trade payables	19	20,472	23,935	-	-
Other payables, deposits and accruals	20	24,351	29,847	4,002	12,927
Provisions	21	3,969	2,333	-	-
Amounts owing to subsidiary companies	17	-	-	21,916	21,799
Borrowings	22	69,699	91,325	675	1,978
Tax liabilities		262	32	-	-
		118,753	147,472	26,593	36,704
<b>NET CURRENT (LIABILITIES)/ASSETS</b>					
		(34,159)	(51,081)	13,638	3,121
		102,046	107,721	76,029	67,103

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

# Balance Sheets as at 30 June 2006 (cont'd)

		Group		Company	
	NOTE	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>FINANCED BY</b>					
SHARE CAPITAL	26	129,607	129,607	129,607	129,607
SHARE PREMIUM		1,156	1,156	1,156	1,156
RESERVE ON CONSOLIDATION		55,458	55,458	-	-
SPECIAL RESERVE	27	10,622	10,622	10,622	10,622
ACCUMULATED LOSSES		(115,391)	(111,627)	(65,356)	(74,299)
SHAREHOLDERS' EQUITY		81,452	85,216	76,029	67,086
MINORITY INTERESTS		1,080	1,054	-	-
NON-CURRENT AND DEFERRED LIABILITIES					
Borrowings	22	11,493	13,834	-	17
Retirement benefit obligations	28	2,435	2,323	-	-
Deferred tax liabilities	13	5,586	5,294	-	-
		102,046	107,721	76,029	67,103

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

# Income Statements

for the financial year ended 30 June 2006

	NOTE	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Revenue	29	222,160	267,975	1,690	1,490
Cost of sales		(154,948)	(184,578)	-	-
Gross profit		67,212	83,397	1,690	1,490
Other operating income		20,194	3,776	10,469	10
Selling and distribution costs		(47,317)	(36,651)	-	-
Administration expenses		(39,167)	(35,685)	(1,639)	(1,839)
Other operating expenses		(411)	(12,049)	(1,533)	(130,353)
Profit/(Loss) from operations		511	2,788	8,987	(130,692)
Finance costs		(5,342)	(4,501)	(44)	(4)
Share of loss in an associated company		-	(105)	-	-
(Loss)/Profit before tax	30	(4,831)	(1,818)	8,943	(130,696)
Tax income/(expense)	32	1,093	2,608	-	(3,946)
(Loss)/Profit after tax		(3,738)	790	8,943	(134,642)
Minority interests		(26)	(24)	-	-
Net (loss)/profit for the financial year		(3,764)	766	8,943	(134,642)
(Loss)/Earnings per ordinary share (sen)	33	(2.9)	0.6		

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

# Statements of Changes in Equity

for the financial year ended 30 June 2006

Group	<----- Non-distributable ----->				Distributable (Accumulated losses)/	Total RM'000
	Share capital RM'000	Share premium RM'000	Reserve on consolidation RM'000	Special reserve RM'000	Retained profits RM'000	
Balance as at 30 June 2004	129,607	1,156	55,458	10,622	(112,393)	84,450
Net profit for the financial year	-	-	-	-	766	766
Balance as at 30 June 2005	129,607	1,156	55,458	10,622	(111,627)	85,216
Net loss for the financial year	-	-	-	-	(3,764)	(3,764)
Balance as at 30 June 2006	129,607	1,156	55,458	10,622	(115,391)	81,452
<b>Company</b>						
Balance as at 30 June 2004	129,607	1,156	-	10,622	60,343	201,728
Net loss for the financial year	-	-	-	-	(134,642)	(134,642)
Balance as at 30 June 2005	129,607	1,156	-	10,622	(74,299)	67,086
Net profit for the financial year	-	-	-	-	8,943	8,943
Balance as at 30 June 2006	129,607	1,156	-	10,622	(65,356)	76,029

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



# Cash Flow Statements

for the financial year ended 30 June 2006

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
(Loss)/Profit before tax	(4,831)	(1,818)	8,943	(130,696)
Adjustments for:-				
Allowance for doubtful debts	6,887	5,311	-	111,762
Allowance for doubtful debts no longer required	(412)	(95)	(7,842)	-
Amortisation of intellectual property	320	320	-	-
Bad debts written off	41	154	-	-
Breakages and amortisation of bottles and cases	6,122	1,601	-	-
Depreciation of property, plant and equipment	11,332	10,767	15	42
Deposits written off	77	78	-	-
Impairment loss on goodwill on consolidation	-	354	-	-
Impairment loss on property, plant and equipment	411	11,695	-	-
Impairment loss on investment in subsidiary companies	-	-	1,533	18,591
Interest expense	5,080	4,271	44	4
Inventories written down	267	164	-	-
Inventories written off	5,779	4,082	-	-
Property, plant and equipment written off	13	113	6	-
Provision for retirement benefits	228	426	-	-
Provision for pallet losses	491	-	-	-
Provision for interest	712	-	-	-
Provision for construction cost	433	-	-	-
Share of profit margin on Islamic term borrowings	262	149	-	-
Over accrual of legal fees	(383)	-	(192)	-
Over accrual of stamping fees	(363)	-	(363)	-
Waiver of debts	(39)	-	-	-
Write back of interest on advances from a third party	(8,000)	-	-	-
Write back of a debt assigned by a former subsidiary company in prior year	(1,958)	-	(1,958)	-
Share of results of associated companies	-	105	-	-
Gain on disposal of property, plant and equipment	(7,864)	(1,349)	(26)	-
Interest income	(90)	(83)	(44)	(10)
Overprovision of bonus in prior year	-	(313)	-	-
Provision for warehouse and marketing expenses no longer required	-	(1,200)	-	-
Unrealised gain on foreign exchange	(76)	(10)	-	-

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

# Cash Flow Statements

for the financial year ended 30 June 2006 (cont'd)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Operating profit/(loss) before working capital changes	14,439	34,722	116	(307)
Decrease/(Increase) in inventories	1,449	(4,988)	-	-
Decrease/(Increase) in trade receivables	6,032	(5,628)	-	-
(Increase)/Decrease in other receivables, deposits and prepayments	(1,170)	(994)	52	9
Decrease in trade payables	(3,387)	(3,182)	-	-
Increase/(Decrease) in other payables, deposits and accruals	3,981	(3,298)	(182)	(3,646)
Decrease in amount owing to an associated company	-	(12)	-	-
Cash generated from/(used in) operations	21,344	16,620	(14)	(3,944)
Warehouse and marketing expenses paid	-	(431)	-	-
Tax (paid)/refunded	(1,646)	(3,951)	-	70
Interest paid	(3,776)	(3,647)	-	-
Retirement benefits paid	(116)	(138)	-	-
Net cash from/(used in) operating activities	15,806	8,453	(14)	(3,874)

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

# Cash Flow Statements

for the financial year ended 30 June 2006 (cont'd)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of subsidiary companies, net of cash and cash equivalents (Note 7(a))	-	(2,079)	-	-
Repayment from/(Advances to) subsidiary companies	-	-	2,448	(796)
Interest received	90	70	1	10
Proceeds from disposal of property, plant and equipment	22,509	3,458	1	-
Purchase of property, plant and equipment (Note 34)	(7,144)	(9,129)	(6)	(14)
Placement of fixed deposits pledged to licensed banks	(642)	-	-	-
Uplift of fixed deposits pledged to licensed banks	468	57	-	-
Net cash from/(used in) investing activities	15,281	(7,623)	2,444	(800)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
(Repayment to)/Advances from subsidiary companies	-	-	(3,627)	2,549
Repayment of hire-purchase and lease creditors	(4,159)	(2,967)	(3)	(18)
Repayment of borrowings	(15,745)	(10,160)	-	(2,633)
Drawdown of borrowings	1,247	9,988	-	-
Share of profit on Islamic term borrowings paid	(262)	(149)	-	-
Interest paid	(1,304)	(624)	-	(4)
Net cash used in financing activities	(20,223)	(3,912)	(3,630)	(106)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	10,864	(3,082)	(1,200)	(4,780)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	(7,273)	(4,191)	544	5,324
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (Note 35)	3,591	(7,273)	(656)	544

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

# Notes To The Financial Statements

30 June 2006

## 1. GENERAL INFORMATION

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

The registered office and principal place of business of the Company are located at Level 10, Menara Yayasan Tun Razak, No. 200, Jalan Bukit Bintang, 55100 Kuala Lumpur.

The financial statements are presented in Ringgit Malaysia.

## 2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including foreign currency exchange risk, interest rate risk, credit risk and liquidity risk. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. The Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance of the Group. Financial risk management is carried out through risk reviews, internal control systems and adherence to Group's financial risk management policies. The Board regularly reviews these risks and approves the treasury policies, which cover the management of these risks and do not engage in speculative transactions.

### Foreign currency exchange risk

The Group is exposed to foreign currency exchange risk as a result of foreign transactions entered into in currencies other than Ringgit Malaysia. Such exposures arise from the purchase of raw and packaging materials from suppliers and the export of goods to overseas.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts. The Group will monitor changes in the exchange rate and, where appropriate, enter into forward foreign currency exchange contracts to limit its exposure on foreign currency payables.

### Interest rate risk

The Group finances its operations through bank borrowings. Interest rate exposure arises from the Group's borrowings mainly through the use of fixed and floating rate debt. As the Group's income and operating cash flows are substantially independent of changes in market interest rate, the Group does not use derivative financial instruments to hedge its risk.

The Group had no substantial long term interest-bearing assets as at 30 June 2006. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits which yield better returns than cash at bank.

### Credit risk

Credit risk arises when sales are made on deferred credit terms. The Group seeks to control credit risk by setting counterparty credit limits and ensuring that sales of products are made to customers with appropriate credit history. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

### Liquidity risk

It is the Group's policy to maintain sufficient fund to meet its long and short term financial obligations. The availability of funding is from the tightening of credit control to ensure that receivables are collected within the credit terms as well as through an adequate amount of committed bank facilities. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

## 3. PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services to its subsidiary companies. The principal activities of the subsidiary companies are set out in Note 7 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 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.

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 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 certain land and building unless otherwise indicated in the significant accounting policies.

The preparation of financial statements in conformity with the 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 the 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 not recognised as income and is presented as a separate item in the balance sheet. The results of subsidiary companies acquired or disposed of during the financial year are included in the consolidated financial statements from the date of acquisition or up to the date of disposal.

Intra-group transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

Minority interest is measured at the minorities' share of post-acquisition fair values of the identifiable assets and liabilities of the acquiree.

### 5.3 Property, plant and equipment and depreciation

The gross carrying amounts of property, plant and equipment are initially measured at cost. Certain leasehold land and buildings which have been subsequently revalued are stated at valuation less accumulated depreciation and impairment losses, if any. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Surplus arising from valuation, net of deferred tax, if any, is credited to shareholders' equity as a revaluation reserve and any subsequent deficit is charged against such surplus to the extent that the decrease offsets any increase. In all other cases, the deficit will be charged to the income statement.

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

Building under construction, plant and machinery under construction and freehold land are not depreciated. Leasehold land is amortised in equal instalments over period of the respective leases ranging from 50 to 99 years. Quarry improvements are written off over a period of two years. Depreciation of other property, plant and equipment is calculated to write off the cost of the assets on a straight line basis over their expected useful lives. The principal annual depreciation rates used are as follows:-

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Buildings	2% - 20%
Plant and machinery	5% - 15%
Office equipment, furniture and fittings	15% - 25%
Motor vehicles	20% - 25%
Access road	10% - 20%

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# Notes To The Financial Statements

30 June 2006 (cont'd)

## 5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 5.4 Impairment of assets

The carrying amounts of the Group's and Company's assets, other than financial assets (other than investment in subsidiary companies), inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount is less than the carrying amount of the asset. The impairment loss is recognised in the income statement immediately except for the impairment on a revalued asset where the impairment loss is recognised directly against the revaluation reserve account to the extent of the surplus credited from the previous revaluation for the same asset with the excess of the impairment loss charged to the income statement. All reversals of an impairment loss are recognised as income immediately in the income statement except for the reversal of an impairment loss on a revalued asset where the reversal of the impairment loss is treated as a revaluation increase and credited to the revaluation reserve account of the same asset.

The impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and subsequent external events have occurred that reverse the effect of the specific event. In respect of other assets, an impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount.

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

### 5.5 Investments

#### 5.5.1 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.

#### 5.5.2 Associated company

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

The Group's investment in an associated company is stated at cost less impairment losses, if any.

Investment in an associated company is accounted for in the consolidated financial statements using the equity method of accounting. The Group's interests in an associated company are stated at cost plus adjustments to reflect changes in the Group's share of post acquisition results and reserve in the associated company.

Goodwill or negative goodwill arising on acquisition represents the difference between the cost of investment and the Group's share of the value of net assets of the associated company at the date of acquisition.

Goodwill on acquisition is stated at cost less impairment losses, if any. Negative goodwill arising on acquisition is not recognised as income.

The Group's share of results and reserve in the associated company acquired or disposed of are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

#### 5.5.3 Other investments

Investment in club memberships held as long term investment is stated at cost unless in the opinion of the Directors there is a decline other than temporary in the value of such investments. Such decline is recognised as an expense in the period in which the decline is identified.

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 5.6 Intellectual property

Expenditure on acquired intellectual property is capitalised and amortised using the straight line basis over their estimated useful lives but not exceeding 20 years, whichever is shorter. The carrying amount of intellectual property is reviewed annually and adjusted for any impairment in value where it is considered necessary.

### 5.7 Bottles and cases

Bottles and cases are stated at cost less breakages and amortisation. The carrying value of bottles and cases is written off and amortised as follows:-

- (i) equivalent deposit values of bottles and cases are written off based on actual breakages and losses; and
- (ii) excess of cost over their related deposit values are amortised based on the straight line basis over a period of five years.

### 5.8 Inventories

Inventories are stated at the lower of cost and net realisable value after adequate allowance has been made for all deteriorated, damaged, obsolete or slow moving inventories.

Cost of raw materials is determined on a first-in, first-out basis and comprises the original cost of purchase plus the cost of bringing the inventories to their present location and condition.

The cost of finished goods and work-in-progress includes the cost of raw materials, direct labour and a proportion of manufacturing overheads.

### 5.9 Receivables

Receivables are carried at anticipated receivable value. Known bad debts are written off and specific allowance is made for debts considered to be doubtful of collection. In addition, a general allowance based on a percentage of receivables is made to cover possible losses which are not specifically identified.

### 5.10 Income tax

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

Income tax is measured using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

#### 5.10.1 Current tax expense

Current tax expense is based on taxable profits. Current tax expense also includes withholding taxes and real property gains taxes payable on disposal of properties, if any.

#### 5.10.2 Deferred tax

Deferred tax, 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.

Deferred tax is not recognised if the temporary differences arise from goodwill or negative goodwill; or from the initial recognition of an asset or liability in a transaction which is not a business combination and at time of the transaction, affects neither accounting profit nor taxable profit.

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

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

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 5.11 Hire-purchase and lease agreements

#### 5.11.1 Hire-purchase and finance leases

Assets acquired under hire-purchase and lease 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 charged to the income statement over the period of the agreements to give a constant periodic rate of charge on the remaining hire-purchase and lease liabilities.

#### 5.11.2 Operating leases

Leases other than finance leases are classified as operating leases. Lease payments under operating leases are recognised as an expense in the income statements on a straight line basis over the lease period.

### 5.12 Foreign currency transactions and translation

#### (i) Transactions and balances in foreign currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at the rates of exchange ruling on transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at the approximate rates of exchange at the balance sheet date.

All gains or losses arising from the settlement of foreign currency transactions and from translating foreign monetary assets and liabilities are taken up in the income statement.

#### (ii) Principal closing rates

The principal closing rates used in the translation of foreign currency amounts are as follows:-

	2006 RM	2005 RM
1 US Dollar	3.67	3.80
1 Thai Baht	0.10	0.10
1 Singapore Dollar	2.29	2.25
1 Euro	4.61	4.64

### 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 Payables

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

### 5.15 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Group's activities. Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

#### 5.15.1 Sale of goods

Revenue relating to sale of goods is recognised upon the delivery of products and customer acceptance, net of sale taxes and discounts, and after eliminating sales within the Group.

#### 5.15.2 Dividend income

Dividend income is recognised when the rights to receive the dividend payment are established.



# Notes To The Financial Statements

30 June 2006 (cont'd)

## 5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 5.15 Revenue recognition (cont'd)

#### 5.15.3 Management and other fees

Management and other fees arising from services rendered are recognised as and when the services are performed.

#### 5.15.4 Tributes receivable

Tributes are recognised on an accrual basis in accordance with the terms of agreement.

#### 5.15.5 Interest income

Interest income is recognised on a time proportion basis, taking into account the principal outstanding and at the effective interest rate over the period to maturity.

### 5.16 Employee benefits

#### 5.16.1 Short-term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits 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 services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

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

#### 5.16.2 Defined contribution plan

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

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

#### 5.16.3 Defined benefit plan

The amount recognised as a liability in respect of a defined benefit plan is the present value of the defined benefit obligations at the balance sheet date adjusted for unrecognised actuarial gains and losses and unrecognised past service cost.

The Group determines the present value of the defined benefit obligations with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date.

The present value of the defined benefit obligations and the related current service cost and past service cost is determined using the projected unit credit method. The rate used to discount the obligations is based on market yields at balance sheet date of government securities which have currency and terms consistent with the currency and estimated terms of the obligations.

Actuarial gains and losses may result from changes in the present value of the defined benefit obligations. They are recognised as income or expense over the expected average remaining working lives of the employees participating in that plan when the net cumulative unrecognised actuarial gains or losses exceed the 10% of the present value of the defined benefit obligations at that date.

### 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 that are readily convertible to cash and which are subject to insignificant risk of changes in value.

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 5.18 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resource will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

### 5.19 Segment information

Segment information is presented in respect of the Group's business and geographical segments. The primary reporting segment information is in respect of business segments as the Group's risks and returns are affected predominantly by differences in the products it produces. No segment information by geographical area has been prepared as the Group operates predominantly in Malaysia.

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

Segment results, assets and liabilities include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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

### 5.20 Financial instruments

#### 5.20.1 Financial instruments recognised on the balance sheets

(i) Ordinary shares

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of share issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost incurred directly attributable to the issuance of the 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 when the shareholder's right to receive payment is established.

(ii) Borrowings

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

(iii) 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.

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

Foreign currency forward contracts

Foreign currency forward contracts are used to hedge foreign exposures as a result of receipts and payments in foreign currency. Any gains or losses arising from contracts entered into as hedges of anticipated future transactions are deferred until the dates of such transactions at which time they are included in the measurement of such transactions.

All other gains or losses relating to hedged instruments are recognised in the income statement in the same period as the exchange differences on the underlying hedged items.

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 6. PROPERTY, PLANT AND EQUIPMENT

Group 2006	As at 1 July 2005 RM'000	Additions RM'000	Disposals RM'000	Written off RM'000	Reclassi- fication RM'000	As at 30 June 2006 RM'000
<b>At valuation</b>						
Long term leasehold land	457	-	-	-	-	457
Building	579	-	-	-	-	579
<b>At cost</b>						
Freehold land	35,128	-	-	-	-	35,128
Short term leasehold land	1,691	-	-	-	-	1,691
Long term leasehold land	1,628	-	-	-	-	1,628
Buildings	4,875	26	-	-	-	4,901
Leasehold land and buildings	20,987	-	(18,260)	-	-	2,727
Plant and machinery	112,341	6,156	(471)	-	1,197	119,223
Plant and machinery under construction	1,197	-	-	-	(1,197)	-
Office equipment, furniture and fittings	7,093	2,361	(1)	(129)	(233)	9,091
Renovation	131	282	(411)	-	233	235
Motor vehicles	7,300	1,139	(5,126)	(1)	-	3,312
Access road	1,450	-	-	(52)	-	1,398
Quarry improvements	3,306	-	-	(253)	-	3,053
	198,163	9,964	(24,269)	(435)	-	183,423

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 6. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group 2006	As at 1 July 2005 RM'000	Charge for the financial year RM'000	Disposals RM'000	Written off RM'000	Reclassi- fication RM'000	As at 30 June 2006 RM'000
<b>Accumulated depreciation</b>						
<b>At valuation</b>						
Long term leasehold land	126	5	-	-	-	131
Building	286	11	-	-	-	297
<b>At cost</b>						
Freehold land	-	-	-	-	-	-
Short term leasehold land	839	34	-	-	-	873
Long term leasehold land	318	29	-	-	-	347
Buildings	884	470	-	-	-	1,354
Leasehold land and buildings	4,458	51	(4,196)	-	-	313
Plant and machinery	71,781	8,333	(234)	-	(2,976)	76,904
Office equipment, furniture and fittings	3,857	1,324	-	(116)	(5)	5,060
Renovation	71	110	(97)	-	5	89
Motor vehicles	1,619	965	(3,509)	(1)	2,976	2,050
Access road	1,450	-	-	(52)	-	1,398
Quarry improvements	3,306	-	-	(253)	-	3,053
	88,995	11,332	(8,036)	(422)	-	91,869

	As at 1 July 2005 RM'000	Impairment losses for the financial year RM'000	As at 30 June 2006 RM'000
<b>Impairment losses</b>			
Freehold land	12,289	276	12,565
Short term leasehold land	-	135	135
Buildings	124	-	124
	12,413	411	12,824

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 6. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group 2006	As at 1 July 2005 RM'000	Additions RM'000	Charge for the financial year RM'000	Impairment losses RM'000	Disposals RM'000	Written off RM'000	Reclassi- fication RM'000	As at 30 June 2006 RM'000
<b>Net book value</b>								
<b>At valuation</b>								
Long term								
leasehold land	331	-	(5)	-	-	-	-	326
Building	293	-	(11)	-	-	-	-	282
<b>At cost</b>								
Freehold land	22,839	-	-	(276)	-	-	-	22,563
Short term								
leasehold land	852	-	(34)	(135)	-	-	-	683
Long term								
leasehold land	1,310	-	(29)	-	-	-	-	1,281
Buildings	3,867	26	(470)	-	-	-	-	3,423
Leasehold land								
and buildings	16,529	-	(51)	-	(14,064)	-	-	2,414
Plant and								
machinery	40,560	6,156	(8,333)	-	(237)	-	4,173	42,319
Plant and machinery								
under construction	1,197	-	-	-	-	-	(1,197)	-
Office equipment,								
furniture and								
fittings	3,236	2,361	(1,324)	-	(1)	(13)	(228)	4,031
Renovation	60	282	(110)	-	(314)	-	228	146
Motor vehicles	5,681	1,139	(965)	-	(1,617)	-	(2,976)	1,262
Access road	-	-	-	-	-	-	-	-
Quarry improvements	-	-	-	-	-	-	-	-
	96,755	9,964	(11,332)	(411)	(16,233)	(13)	-	78,730

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 6. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group 2005	As at 1 July 2004 RM'000	Acquisition of a subsidiary company RM'000	Additions RM'000	Disposals RM'000	Written off RM'000	Reclassi- fication RM'000	As at 30 June 2005 RM'000
<b>At valuation</b>							
Long term leasehold land	457	-	-	-	-	-	457
Building	579	-	-	-	-	-	579
<b>At cost</b>							
Freehold land	35,128	-	-	-	-	-	35,128
Short term leasehold land	1,691	-	-	-	-	-	1,691
Long term leasehold land	3,023	-	-	(1,395)	-	-	1,628
Building under construction	828	-	1,550	-	-	(2,378)	-
Buildings	21,701	-	705	(715)	(934)	(15,882)	4,875
Leasehold land and buildings	2,727	-	-	-	-	18,260	20,987
Plant and machinery	97,620	84	16,967	(998)	(1,332)	-	112,341
Plant and machinery under construction	1,197	-	-	-	-	-	1,197
Office equipment, furniture and fittings	4,799	84	2,317	(1)	(115)	9	7,093
Renovation	-	212	83	-	(164)	-	131
Motor vehicles	6,802	531	1,223	(1,221)	(26)	(9)	7,300
Access road	1,475	-	-	-	(25)	-	1,450
Quarry improvements	4,208	-	-	-	(902)	-	3,306
	182,235	911	22,845	(4,330)	(3,498)	-	198,163

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 6. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group 2005	As at 1 July 2004 RM'000	Acquisition of a subsidiary company RM'000	Charge for the financial year RM'000	Disposals RM'000	Written off RM'000	Reclassi- fication RM'000	As at 30 June 2005 RM'000
<b>Accumulated depreciation</b>							
<b>At valuation</b>							
Long term leasehold land	121	-	5	-	-	-	126
Building	275	-	11	-	-	-	286
<b>At cost</b>							
Freehold land	-	-	-	-	-	-	-
Short term leasehold land	805	-	34	-	-	-	839
Long term leasehold land	639	-	48	(369)	-	-	318
Building under construction	-	-	-	-	-	-	-
Buildings	5,756	-	483	(225)	(934)	(4,196)	884
Leasehold land and buildings	198	-	64	-	-	4,196	4,458
Plant and machinery	65,943	29	8,039	(947)	(1,283)	-	71,781
Plant and machinery under construction	-	-	-	-	-	-	-
Office equipment, furniture and fittings	3,013	30	915	(1)	(106)	6	3,857
Renovation	-	119	61	-	(109)	-	71
Motor vehicles	1,153	70	1,107	(679)	(26)	(6)	1,619
Access road	1,475	-	-	-	(25)	-	1,450
Quarry improvements	4,208	-	-	-	(902)	-	3,306
	83,586	248	10,767	(2,221)	(3,385)	-	88,995

	As at 1 July 2004 RM'000	Impairment losses for the financial year RM'000	As at 30 June 2005 RM'000
<b>Impairment losses</b>			
Freehold land	594	11,695	12,289
Buildings	124	-	124
	718	11,695	12,413

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 6. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group 2005	As at 1 July 2004 RM'000	Acquisition of a subsidiary company RM'000	Additions RM'000	Charge for the financial year RM'000	Impairment losses RM'000	Disposals RM'000	Written off RM'000	Reclassi- fication RM'000	As at 30 June 2005 RM'000
<b>Net book value</b>									
<b>At valuation</b>									
Long term leasehold land	336	-	-	(5)	-	-	-	-	331
Building	304	-	-	(11)	-	-	-	-	293
<b>At cost</b>									
Freehold land	34,534	-	-	-	(11,695)	-	-	-	22,839
Short term leasehold land	886	-	-	(34)	-	-	-	-	852
Long term leasehold land	2,384	-	-	(48)	-	(1,026)	-	-	1,310
Building under construction	828	-	1,550	-	-	-	-	(2,378)	-
Buildings	15,821	-	705	(483)	-	(490)	-	(11,686)	3,867
Leasehold land and buildings	2,529	-	-	(64)	-	-	-	14,064	16,529
Plant and machinery	31,677	55	16,967	(8,039)	-	(51)	(49)	-	40,560
Plant and machinery under construction	1,197	-	-	-	-	-	-	-	1,197
Office equipment, furniture and fittings	1,786	54	2,317	(915)	-	-	(9)	3	3,236
Renovation	-	93	83	(61)	-	-	(55)	-	60
Motor vehicles	5,649	461	1,223	(1,107)	-	(542)	-	(3)	5,681
Access road	-	-	-	-	-	-	-	-	-
Quarry improvements	-	-	-	-	-	-	-	-	-
	97,931	663	22,845	(10,767)	(11,695)	(2,109)	(113)	-	96,755



# Notes To The Financial Statements

30 June 2006 (cont'd)

## 6. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company 2006	As at 1 July 2005 RM'000	Additions RM'000	Disposals RM'000	Written off RM'000	As at 30 June 2006 RM'000
<b>At cost</b>					
Office equipment, furniture and fittings	173	6	(7)	(102)	70
Motor vehicles	103	-	(102)	(1)	-
	276	6	(109)	(103)	70

	As at 1 July 2005 RM'000	Charge for the financial year RM'000	Disposals RM'000	Written off RM'000	As at 30 June 2006 RM'000
<b>Accumulated depreciation</b>					
<b>At cost</b>					
Office equipment, furniture and fittings	137	11	(4)	(96)	48
Motor vehicles	65	4	(68)	(1)	-
	202	15	(72)	(97)	48

	As at 1 July 2005 RM'000	Additions RM'000	Charge for the financial year RM'000	Disposals RM'000	Written off RM'000	As at 30 June 2006 RM'000
<b>Net book value</b>						
<b>At cost</b>						
Office equipment, furniture and fittings	36	6	(11)	(3)	(6)	22
Motor vehicles	38	-	(4)	(34)	-	-
	74	6	(15)	(37)	(6)	22

Company 2005	As at 1 July 2004 RM'000	Additions RM'000	Disposals RM'000	As at 30 June 2005 RM'000
<b>At cost</b>				
Office equipment, furniture and fittings	160	14	(1)	173
Motor vehicles	103	-	-	103
	263	14	(1)	276

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 6. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	As at 1 July 2004 RM'000	Charge for the financial year RM'000	Disposals RM'000	As at 30 June 2005 RM'000
<b>Accumulated depreciation</b>				
<b>At cost</b>				
Office equipment, furniture and fittings	116	22	(1)	137
Motor vehicles	45	20	-	65
	161	42	(1)	202

	As at 1 July 2004 RM'000	Additions RM'000	Charge for the financial year RM'000	Disposals RM'000	As at 30 June 2005 RM'000
<b>Net book value</b>					
<b>At cost</b>					
Office equipment, furniture and fittings	44	14	(22)	-	36
Motor vehicles	58	-	(20)	-	38
	102	14	(42)	-	74

Had the revalued assets been carried at cost less depreciation, the carrying amounts would have been as follows:-

	Cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
<b>2006</b>			
Building	301	(156)	145
Long term leasehold land	65	(19)	46
	366	(175)	191

	Cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
<b>2005</b>			
Building	301	(150)	151
Long term leasehold land	65	(18)	47
	366	(168)	198

- (a) Long term leasehold land and building of the Group have not been revalued since they were first revalued in 1980. The Group does not adopt a policy of regular valuations. These revalued assets have been retained on the basis of their previous valuation in accordance with the transitional provisions of International Accounting Standards ("IAS") No. 16 (Revised) - Property, Plant and Equipment applied by the Group when the IAS was first adopted by the Malaysian Accounting Standards Board ("MASB") in 1998. The above transitional provisions are available only on

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 6. PROPERTY, PLANT AND EQUIPMENT (cont'd)

the first application of the MASB approved accounting standards IAS 16 which is effective for periods ending on or after 1 September 1998. The transitional provisions will remain in force until and unless the Group adopts a revaluation policy in place of a cost policy where FRS 116<sub>2004</sub> (which supersedes IAS 16) would require revaluations to be carried out at regular intervals.

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Motor vehicles	1,069	2,229	-	38
Plant and machinery	11,753	12,149	-	-
Furniture and fittings	881	-	-	-
Office equipment	782	986	-	-
	14,485	15,364	-	38

- (c) The net book values of property, plant and equipment pledged to the financial institutions for banking facilities granted to a subsidiary company are as follows:-

	Group	
	2006 RM'000	2005 RM'000
Long term leasehold land	327	331
Freehold land	1,305	1,305
Buildings	1,084	1,128
	2,716	2,764

- (d) A freehold land with net book value of RM409,736 (2005: RM409,736) is registered in the name of a Director of a subsidiary company, who hold the property in trust for the subsidiary company, which is regarded as the beneficial owner.
- (e) An impairment loss on certain property, plant and equipment of approximately RM411,000 (2005: RM11,695,000) was recognised during the financial year to reduce the carrying amount of the assets to the recoverable amount. The recoverable amount of these assets was determined by reference to the market value and the considerations offered by third parties. Independent valuations were obtained to determine the market value based on recent transactions for similar assets.

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 7. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2006 RM'000	2005 RM'000
Unquoted investments, at cost	209,538	209,538
Less: Accumulated impairment losses	(147,184)	(145,651)
	62,354	63,887

Details of the subsidiary companies, which are incorporated in Malaysia, are as follows:-

Name of Company	Effective equity interest		Principal activities
	2006 %	2005 %	
Doe Industries Sdn. Bhd.	100	100	Manufacture and trading of water taps and other plumbing accessories
C.I. Building Industries Sdn. Bhd.	100	100	Investment holding
C.I. Construction Sdn. Bhd.	100	100	Inactive
C.I. Development Sdn. Bhd.	100	100	Dormant
C.I. Management Sdn. Bhd.	100	100	Provision of management services
C.I. Properties Sdn. Bhd.	100	100	Dormant
C.I. Marketing Sdn. Bhd.	100	100	Inactive
Mawar Seroja Sdn. Bhd.	100	100	Investment holding
C.I. Engineering Sdn. Bhd.	100	100	Investment holding
Pep Bottlers Sdn. Bhd.	100	100	Investment holding
Permanis Sdn. Bhd.#	100	100	Selling, bottling and distribution of beverages
<b>Subsidiary company of Doe Industries Sdn. Bhd.</b>			
Doe Marketing Sdn. Bhd.	100	-	Selling and distribution of water Heater
<b>Subsidiary company of C.I. Building Industries Sdn. Bhd.</b>			
C.I. Quarries Sdn. Bhd.	100	100	Granite quarrying and manufacture of bitumen hot premix for road surfacing

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 7. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

Name of Company	Effective equity interest		Principal activities
	2006 %	2005 %	
<b>Subsidiary companies of C.I. Quarries Sdn. Bhd.</b>			
C.I. Quarrying & Marketing Sdn. Bhd.	100	100	Granite quarrying
C.I. Damansara Quarry Sdn. Bhd.	65	65	Dormant
Capital Aim Sdn. Bhd.	100	100	Investment holding
<b>Subsidiary companies of Capital Aim Sdn. Bhd.</b>			
Mutual Prospect Sdn. Bhd.	100	100	Quarry proprietors and operators
C.I. Quarries (Nilai) Sdn. Bhd.	100	100	Extraction of granite
<b>Subsidiary company of C.I. Engineering Sdn. Bhd.</b>			
C.I. Auto Services Sdn. Bhd.	51	51	Inactive
<b>Subsidiary companies of Permanis Sdn. Bhd.</b>			
Permanis Sandilands Sdn. Bhd.	100	100	Marketing and distribution of beverages
Bevmac Sdn. Bhd.	100	100	Dormant
Champs Water Sdn. Bhd.	100	100	Selling, bottling and distribution of beverages
Bevmac Engineering Sdn. Bhd.	100	100	Assembling and servicing beverage refrigerators and operation of vending machine

# of which 51% equity interest is held directly by the Company and the remaining 49% equity interest is held through Pep Bottlers Sdn. Bhd.

All subsidiary companies are audited by BDO Binder.

### (a) Acquisition of subsidiary companies

#### 2006

The Group through Doe Industries Sdn. Bhd., a wholly-owned subsidiary company, had on 29 March 2006 acquired the entire two (2) shares of RM1.00 each in Doe Marketing Sdn. Bhd. for a total consideration of RM2.00.

The acquisition is satisfied wholly in cash and will have no significant impact on the Group's earning and net tangible assets for the financial year ended 30 June 2006 as the subsidiary company has not commenced business as at 30 June 2006.

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 7. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

### (a) Acquisition of subsidiary companies (cont'd)

#### 2005

The Group through Permanis Sdn. Bhd. ("Permanis"), a wholly-owned subsidiary company, had on 14 December 2004 entered into a Shares Sale Agreement ("SSA") with Visual Portfolio Sdn. Bhd. and Low Cheong Seng @ Lau Cheong Seng (collectively known as "the Vendors"), whereby the Vendors grant to Permanis the option to acquire the remaining 80% equity in Bevmac Engineering Sdn. Bhd., a 20% owned associated company, for a purchase consideration of RM800,000. Permanis has exercised its option and the acquisition has been duly completed.

Goodwill arising on this acquisition amounting to RM354,710 has been accounted for using the acquisition method and has been fully impaired in the previous financial year.

The effect of the acquisition on the financial results of the Group during the previous financial year is as follows:-

	<b>2005</b>
	<b>RM'000</b>
Revenue	292
Cost of sales	(302)
Gross loss	(10)
Other operating income	26
Administration expenses	(288)
Loss from operations	(272)
Finance costs	(56)
Loss before tax	(328)
Tax expense	-
Decrease in Group's net profit	(328)

The effect of the acquisition on the financial position of the Group at the end of the previous financial year is as follows:-

	<b>2005</b>
	<b>RM'000</b>
Property, plant and equipment	1,459
Inventories	418
Trade receivables	54
Other receivables, deposits and prepayments	283
Amounts owing by related companies	3,914
Tax recoverable	159
Cash and bank balances	62
Trade payables	(1,169)
Other payables and accruals	(277)
Borrowings	(718)
Amounts owing to related companies	(137)
Increase in Group's net assets	4,048

As at the date of acquisition, the acquired subsidiary company has unrecognised deferred tax assets of approximately RM175,000. Deferred tax assets have not been recognised in the financial statements as it is not probable that taxable profit of the acquired subsidiary company will be available against which the deductible temporary differences can be utilised.

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 7. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

### (a) Acquisition of subsidiary companies (cont'd)

#### 2005

The fair values of the assets acquired and liabilities assumed from the acquisition of the subsidiary companies were as follows:-

	<b>2005 RM'000</b>
Property, plant and equipment	663
Inventories	532
Trade receivables	381
Other receivables, deposits and prepayments	3,339
Cash and bank balances	34
Trade payables	(1,586)
Other payables, deposits and accruals	(349)
Bank overdrafts	(1,313)
Borrowings	(1,396)
Tax recoverable	222
Group's share of net assets	527
Less: Transferred from investment in an associated company	(81)
Goodwill on consolidation	354
Cost of acquisition	800
Cash outflow arising on acquisition:-	
Purchase consideration satisfied by cash	800
Cash and cash equivalents of the subsidiary companies acquired	1,279
Cash flow on acquisition, net of cash and cash equivalents acquired	2,079

- (b) An impairment loss on investment in subsidiary companies of approximately RM1,533,000 (2005: RM18,591,000) was recognised during the financial year to reduce the carrying amount of the investment in subsidiary companies to the recoverable amount. The recoverable amount of the investment in subsidiary companies was determined by reference to the net assets of the subsidiary companies as at balance sheet date which has declined significantly due to their poor economic performance.

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 8. INVESTMENT IN AN ASSOCIATED COMPANY

	Group	
	2006 RM'000	2005 RM'000
Unquoted shares, at cost	-	259
Share of post acquisition results and reserve	-	(178)
Transferred to investment in subsidiary companies	-	81
	-	(81)
	-	-

The details of the associated company which is incorporated in Malaysia are as follows:-

Name of Company	Interest in equity held by Company		Principal activities
	2006 %	2005 %	
Bevmac Engineering Sdn. Bhd.	-	100	Assembling and servicing beverage refrigerators and operation of vending machines

During the previous financial year, a wholly-owned subsidiary company, Permanis Sdn. Bhd. ("Permanis") acquired the remaining 80% equity interest in Bevmac Engineering Sdn. Bhd. which became a wholly-owned subsidiary company of Permanis for a total consideration of RM800,000.

## 9. OTHER INVESTMENTS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>At cost</b>				
Club memberships	21	21	15	21

## 10. INTELLECTUAL PROPERTY

	Group	
	2006 RM'000	2005 RM'000
At cost	6,400	6,400
Less: Accumulated amortisation	(1,200)	(880)
	5,200	5,520



# Notes To The Financial Statements

30 June 2006 (cont'd)

## 11. BOTTLES AND CASES

	Group	
	2006	2005
	RM'000	RM'000
Bottles and cases (on hand and in circulation) consist of the following:-		
Equivalent deposit values of bottles and cases	370	8,577
Less: Accumulated breakages and amortisation for bottles and cases	(88)	(2,173)
	282	6,404

## 12. GOODWILL ON CONSOLIDATION

	Group	
	2006	2005
	RM'000	RM'000
Balance as at 1 July 2005/2004	68,366	68,012
Acquisition of subsidiary companies (Note 7(a))	-	354
	68,366	68,366
Less: Impairment losses	(20,818)	(20,818)
Balance as at 30 June	47,548	47,548

## 13. DEFERRED TAX

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

	Group	
	2006	2005
	RM'000	RM'000
Balance as at 1 July 2005/2004	2,740	5,772
Recognised in the income statement (Note 32)	(1,578)	(3,032)
Balance as at 30 June	1,162	2,740
	Group	
	2006	2005
	RM'000	RM'000
Presented after appropriate offsetting:-		
Deferred tax assets, net	(4,424)	(2,554)
Deferred tax liabilities, net	5,586	5,294
	1,162	2,740

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 13. DEFERRED TAX (cont'd)

(b) The movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:-

	Group	
	2006	2005
	RM'000	RM'000
<b>Deferred tax assets</b>		
Balance as at 1 July 2005/2004	4,548	3,180
Recognised in the income statement		
- Provision for liabilities	318	180
- Unused tax losses and unabsorbed capital allowances	2,085	1,126
- Retirement benefit obligations	(17)	16
- Inventories	391	46
- Others	(9)	-
	2,768	1,368
Balance as at 30 June	7,316	4,548
<b>Deferred tax liabilities</b>		
Balance as at 1 July 2005/2004	7,288	8,952
Recognised in the income statement		
- Accelerated capital allowances	2,762	(821)
- Bottles and cases	(1,532)	(229)
- Fair value adjustments on property, plant and equipment	(40)	(614)
	1,190	(1,664)
Balance as at 30 June	8,478	7,288

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

	Group	
	2006	2005
	RM'000	RM'000
<b>Deferred tax assets</b>		
Inventories	569	178
Provision for liabilities	819	501
Unused tax losses and unabsorbed capital allowances	5,629	3,544
Retirement benefit obligations	118	135
Others	181	190
	7,316	4,548
<b>Deferred tax liabilities</b>		
Accelerated capital allowances	7,464	4,702
Fair value adjustments on property, plant and equipment	1,014	1,054
Bottles and cases	-	1,532
	8,478	7,288

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 13. DEFERRED TAX (cont'd)

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Unused tax losses	11,615	5,868	414	605
Unabsorbed capital allowances	2,579	2,705	-	91
Provision for liabilities	2,390	1,840	-	-
Allowance for doubtful debts	3,832	4,025	-	-
Other deductible temporary differences	125	-	-	-
	20,541	14,438	414	696

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

## 14. INVENTORIES

	Group	
	2006 RM'000	2005 RM'000
<b>At cost</b>		
Raw materials	9,489	12,686
Work-in-progress	886	770
Finished goods	7,692	12,302
Spares and consumables	559	363
	18,626	26,121

## 15. TRADE RECEIVABLES

	Group	
	2006 RM'000	2005 RM'000
Trade receivables	55,991	77,201
Less: Allowance for doubtful debts	(8,441)	(17,678)
	47,550	59,523

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

	2006 RM'000	2005 RM'000
Bad debts written off	15,137	19

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 15. TRADE RECEIVABLES (cont'd)

The credit terms offered by the Group in respect of trade receivables range from 30 to 90 days from the date of invoice.

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

	Group	
	2006 RM'000	2005 RM'000
US Dollar	1,016	759
Singapore Dollar	-	2

## 16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Other receivables	2,221	1,343	-	-
Less: Allowance for doubtful debts	(781)	(206)	-	-
	1,440	1,137	-	-
Deposits	2,418	919	7	52
Prepayments	1,748	1,444	4	11
	5,606	3,500	11	63

The foreign currency exposure of other receivables is as follows:-

	Group	
	2006 RM'000	2005 RM'000
US Dollar	1,288	260

## 17. AMOUNTS OWING BY/TO SUBSIDIARY COMPANIES

	Company	
	2006 RM'000	2005 RM'000
Amounts owing by subsidiary companies	143,834	150,693
Less: Allowance for doubtful debts	(103,920)	(111,762)
	39,914	38,931
Amounts owing to subsidiary companies	21,916	21,799

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

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 18. FIXED DEPOSITS PLACED WITH LICENSED BANKS

Included in the fixed deposit placed with licensed banks of the Group are:-

- (i) a deposit of RM12,100 (2005: RM460,916) which is pledged for an import trade financing facility and a hire-purchase arrangement granted to a subsidiary company as referred to in Note 22(d).
- (ii) a deposit of RM52,682 (2005: RM50,000) which is pledged to a licensed bank as a security for bank guarantee issued in favour of a third party by a subsidiary company.
- (iii) a deposit of RM621,000 (2005: Nil) which pledged to a licensed bank as a security for bank guarantee issued in favour of a solicitor being the legal representative and stakeholder of a licensed bank for a legal judgement obtained on a legal suit against a subsidiary company as referred in Note 43(b).

The weighted average effective annual interest rates of deposits as at balance sheet date are as follows:-

	Group		Company	
	2006 %	2005 %	2006 %	2005 %
Fixed deposits placed with licensed banks	2.90	2.69	-	2.40

The maturity period of deposits as at the end of the financial year were as follows:-

	Group		Company	
	2006 Days	2005 Days	2006 Days	2005 Days
Fixed deposits placed with licensed banks	6 to 365	30 to 365	-	30

## 19. TRADE PAYABLES

The credit terms available to the Group in respect of trade payables range from 30 to 120 days from date of invoice.

The foreign currency exposure of trade payables are as follows:-

	Group	
	2006 RM'000	2005 RM'000
Euro	334	212
US Dollar	2,998	168
Thai Baht	501	601
Singapore Dollar	-	1

## 20. OTHER PAYABLES, DEPOSITS AND ACCRUALS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Other payables	13,433	22,166	3,810	12,547
Amounts owing to suppliers of property, plant and equipment (Note 34)	583	1,263	-	-
Deposits received	565	477	-	-
Accruals	9,770	5,941	192	380
	24,351	29,847	4,002	12,927

Other payables mainly comprise advances from third parties and amounts owing to service providers, for example transportation, marketing and warehouse.

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 20. OTHER PAYABLES, DEPOSITS AND ACCRUALS (cont'd)

The foreign currency exposure of other payables and deposits received are as follows:-

	Group	
	2006 RM'000	2005 RM'000
US Dollar	554	431
Euro	-	55

## 21. PROVISIONS

Group 2006	Balance as at 1 July 2005 RM'000	Provision made during the financial year RM'000	Balance as at 30 June 2006 RM'000
Warehouse expenses	1,498	-	1,498
Marketing expenses	26	-	26
Construction costs (Note 43(b))	809	433	1,242
Interest expenses (Note 43(b))	-	712	712
Pallet losses	-	491	491
	2,333	1,636	3,969

Group 2005	Balance as at 1 July 2004 RM'000	Payment made RM'000	Provision no longer required RM'000	Balance as at 30 June 2005 RM'000
Warehouse expenses	1,598	-	(100)	1,498
Marketing expenses	1,557	(431)	(1,100)	26
Construction costs	809	-	-	809
	3,964	(431)	(1,200)	2,333

## 22. BORROWINGS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Current liabilities</b>				
Secured:-				
Bank overdrafts	30	84	-	-
Bankers' acceptance	-	987	-	-
Term loans from licensed banks	-	40	-	-
Islamic term borrowings (Note 24)	1,109	1,158	-	-
Import trade financing	-	638	-	-
Hire-purchase and finance lease creditors (Note 25)	3,098	2,665	-	18
	4,237	5,572	-	18

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 22. BORROWINGS (cont'd)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Unsecured:-				
Bank overdrafts	4,656	11,454	675	-
Bankers' acceptance	38,413	47,417	-	-
Short term advances	-	4,583	-	-
Loans from a licensed credit company	-	1,960	-	1,960
Term loans from licensed banks	20	92	-	-
Revolving credit	22,373	20,247	-	-
	69,699	91,325	675	1,978
<b>Non-current liabilities</b>				
Secured:-				
Term loans from licensed banks	-	1,202	-	-
Islamic term borrowings (Note 24)	3,572	3,597	-	-
Hire-purchase and finance lease creditors (Note 25)	7,896	8,990	-	17
Unsecured:-				
Term loans from licensed banks	25	45	-	-
	11,493	13,834	-	17
<b>Total borrowings</b>				
Bank overdrafts (Note (b) below)	4,686	11,538	675	-
Bankers' acceptance (Note (c) below)	38,413	48,404	-	-
Revolving credit	22,373	20,247	-	-
Import trade financing (Note (d) below)	-	638	-	-
Short term advances	-	4,583	-	-
Loans from a licensed credit company	-	1,960	-	1,960
Term loans from licensed banks (Note 23)	45	1,379	-	-
Islamic term borrowings (Note 24)	4,681	4,755	-	-
Hire-purchase and finance lease creditors (Note 25)	10,994	11,655	-	35
	81,192	105,159	675	1,995
<b>Maturity of borrowings</b>				
(excluding hire-purchase and finance lease):-				
Within one year	66,601	88,660	-	-
More than 1 year and less than 5 years	1,820	2,799	-	-
5 years or more	1,777	2,045	-	-
	70,198	93,504	-	-

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 22. BORROWINGS (cont'd)

The weighted average effective annual interest rates at the balance sheet date for borrowings were as follows:-

	Group		Company	
	2006 %	2005 %	2006 %	2005 %
Bank overdrafts	7.38	7.02	7.88	-
Bankers' acceptance	3.90	3.16	-	-
Revolving credit	5.55	4.92	-	-
Import trade financing	-	3.32	-	-
Short term advance	-	5.25	-	-
Hire-purchase and lease creditors	7.55	7.72	-	7.24
Islamic term borrowings	8.05	8.17	-	-
Term loans from licensed banks	7.40	6.93	-	-

	Group	
	2006 Days	2005 Days
Ranges of maturity period of short term bank borrowings excluding bank overdrafts, term loan from licensed banks and Islamic term borrowings.		
Bankers' Acceptance	113 - 120	106 - 120
Revolving credit	180	180

- All the bank borrowings are generally operated by way of a corporate guarantee and indemnity by the Company and negative pledge on the assets of the Company and certain subsidiary companies.
- Included in the bank overdrafts is an amount of RM29,523 (2005: RM84,007), which is secured by a first party legal charge over a leasehold property of a subsidiary company.
- Included in the bankers' acceptance in the previous financial year was an amount of RM987,000 which is secured by a first party legal charge over a leasehold property of a subsidiary company.
- The import trade financing facility in 2005 is also secured by a security deposit of 20% from each drawdown to be deposited with the bank.
- The loan from a licensed credit company in 2005 is unsecured, is interest-free and repayable on demand.



# Notes To The Financial Statements

30 June 2006 (cont'd)

## 23. TERM LOANS FROM LICENSED BANKS

	Group	
	2006 RM'000	2005 RM'000
Unsecured:-		
Term loan I	-	73
Term loan II	45	64
Secured:-		
Term loan III	-	1,242
	45	1,379
Repayable as follows:-		
Current liabilities		
- not later than one year	20	132
Non-current liabilities		
- later than one year and not later than five years	25	239
- later than five years	-	1,008
	25	1,247
	45	1,379

All the term loans from licensed banks are guaranteed by the Company.

- (a) In the previous financial years, term loan I is repayable by way of monthly instalments of RM21,953, over a 3 years period and secured by a third party pledge on the fixed deposit of RM100,000 and a negative pledge on the assets of the said subsidiary company. However, the repayment period has been rescheduled and effective from 1 July 2005, term loan I is repayable over 9 months by monthly instalment of RM10,500 and the security charged on the fixed deposits has been discharged in the previous financial year.
- (b) Term loan II is repayable by way of 60 equal monthly instalment of RM1,892 each until it is fully settled. It is operated by a negative pledge on the assets of the said subsidiary company.
- (c) Term loan III is repayable in terms of 20 years. The monthly instalments vary in accordance with the interest charge at prevailing base lending rate. It is secured by a first party legal charge over a property of the said subsidiary company. The term loan has been refinanced through the drawdown of Bai-Bithaman Ajil (Note 24(a)) during the financial year.

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 24. ISLAMIC TERM BORROWINGS

	Group	
	2006 RM'000	2005 RM'000
<b>Secured</b>		
Bai-Bithaman Ajil I ("BBA I")(Note (a) below)	1,184	-
Bai-Bithaman Ajil II ("BBA II") (Note (b) below)	1,841	1,837
Murabahah (Note (c) below)	1,656	2,918
	4,681	4,755
Repayable as follows:-		
Current liabilities		
- not later than one year	1,109	1,158
Non-current liabilities		
- later than one year and not later than five years	1,795	2,560
- later than five years	1,777	1,037
	3,572	3,597
	4,681	4,755

All the Islamic term borrowings are guaranteed by the Company.

- (a) BBA I is repayable by way of 180 equal monthly instalment of RM11,605. It is secured by a first party legal charge over a property of the said subsidiary company.
- (b) BBA II is repayable by 72 monthly instalments of RM20,841 each commencing 1 August 2004. Thereafter, by 72 monthly instalments of RM21,281 each commencing upon expiry of the first 72 instalments. It is secured by BBA property Sale and Purchase Agreement and negative pledge over assets of the said subsidiary company.
- (c) Murabahah Facility is repayable as follows:-
- (i) by 6 monthly instalments of RM17,500 each commencing 1 August 2004;
  - (ii) by 12 monthly instalments of RM92,975 each commencing subsequent to (i);
  - (iii) by 12 monthly instalments of RM93,210 each commencing subsequent to (ii); and
  - (iv) by 12 monthly instalments of RM93,334 each commencing subsequent to (iii).

It is secured by Murabahah Asset Sale and Purchase Agreement and negative pledge over assets of the said subsidiary company.

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 25. HIRE-PURCHASE AND LEASE CREDITORS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Minimum hire-purchase and lease payments:-				
- not later than 1 year	3,976	3,428	-	21
- later than 1 year and not later than 5 years	8,792	10,639	-	21
- later than 5 years	-	10	-	-
	12,768	14,077	-	42
Less: Future interest charges	(1,774)	(2,422)	-	(7)
Present value of hire-purchase and lease creditors	10,994	11,655	-	35
Repayable as follows:-				
Current liabilities:-				
- not later than 1 year	3,098	2,665	-	18
Non-current liabilities				
- later than 1 year and not later than 5 years	7,896	8,981	-	17
- later than 5 years	-	9	-	-
	7,896	8,990	-	17
	10,994	11,655	-	35

Included in the hire-purchase and lease creditors of the Group are amount of:

- (i) RM9,431,822 (2005: RM9,849,329) which is guaranteed by the Company; and
- (ii) RM92,689 (2005: RM94,643) which is secured by a security deposit of 10% from a purchase price of the machinery and equipment.

## 26. SHARE CAPITAL

	Group and Company			
	2006		2005	
	Number of shares	RM'000	Number of shares	RM'000
Ordinary shares of RM1.00 each:-				
Authorised	500,000,000	500,000	500,000,000	500,000
Issued and fully paid	129,607,000	129,607	129,607,000	129,607

### WARRANTS 2004/2009

A total of 57,377,835 warrants were issued free by the Company in conjunction with the Renounceable Rights Issue. Each warrant is convertible into one new ordinary share of RM1.00 each at the exercise price of RM1.08 per share. The warrants are valid for a period of five years and shall expire on 23 June 2009. As at the date of the Report, none of the warrants has been exercised.

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 27. SPECIAL RESERVE - NON-DISTRIBUTABLE

In the financial year ended 30 June 1996, the Company received approval from the High Court of Malaya to reduce the share premium account of the Company by RM43,385,000 and for such amount to be transferred to a Special Reserve Account and thereon to set off against purchased goodwill at that point in time.

## 28. RETIREMENT BENEFIT OBLIGATIONS

The Group operates unfunded defined benefit plans for non-executive staff who are entitled to a payment calculated by reference to their length of service and earnings. Provision for retirement benefits is calculated based on the predetermined rate of basic salaries and length of service of the employees.

The amounts recognised in the balance sheets are as follows:-

	Group	
	2006	2005
	RM'000	RM'000
Present value of unfunded obligations	2,435	2,323

The movements during the financial year in the amount recognised in the balance sheets in respect of the retirement benefit plans are as follows:-

	Group	
	2006	2005
	RM'000	RM'000
Balance as at 1 July 2005/2004	2,323	2,035
Amounts recognised in the income statement	228	426
Contributions paid	(116)	(138)
Balance as at 30 June	2,435	2,323

The total expenses recognised in the income statement are as follows:-

	Group	
	2006	2005
	RM'000	RM'000
Current service cost	147	193
Past service cost	31	-
Interest cost	163	233
Actuarial loss	25	-
Over provision in prior years	(138)	-
Expenses recognised in the income statement included under administration expenses	228	426

The principal actuarial assumptions used are as follows:-

	Group	
	2006	2005
	%	%
Discount rate	7.0	7.0
Expected rate of annual salary increase	5.0 and 6.0	5.0 and 6.0

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 29. REVENUE

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Sale of goods	220,478	265,352	-	-
Management and other fees from subsidiary companies	-	-	1,690	1,490
Tributes received and receivable	1,524	2,202	-	-
Assembling and servicing of beverage refrigerators	158	421	-	-
	222,160	267,975	1,690	1,490

## 30. (LOSS)/PROFIT BEFORE TAX

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
(Loss)/Profit before tax is arrived at after charging:-				
Allowance for doubtful debts	6,887	5,311	-	111,762
Amortisation of intellectual property	320	320	-	-
Auditors' remuneration:-				
- Statutory:-				
- current year	165	165	25	25
- over provision in prior year	(18)	(3)	(3)	-
- Non-statutory	8	48	8	8
Bad debts written off	41	154	-	-
Breakages and amortisation of bottles and cases	6,122	1,601	-	-
Deposits written off	77	78	-	-
Depreciation of property, plant and equipment	11,332	10,767	15	42
Directors' remuneration (Note 31)	632	1,566	632	618
Impairment loss on goodwill on consolidation	-	354	-	-
Impairment loss on investment in subsidiary companies	-	-	1,533	18,591
Impairment loss on property, plant and equipment	411	11,695	-	-
Interest expense on:-				
- bank overdraft	820	627	43	-
- bankers' acceptance	1,212	1,846	-	-
- term loans	35	133	-	-
- revolving credit	1,744	1,174	-	-
- hire-purchase and lease	1,269	491	1	4
Inventories written down	267	164	-	-
Inventories written off	5,779	4,082	-	-
Lease rental	132	-	-	-
Provision for:-				
- retirement benefits	228	426	-	-
- interest expenses	712	-	-	-
- pallet losses	491	-	-	-
- construction cost	433	-	-	-
Property, plant and equipment written off	13	113	6	-
Realised foreign exchange loss	-	60	-	-
Rental of equipment	1,874	1,493	-	-
Rental of motor vehicles	10	68	-	-
Rental of premises	1,365	581	86	99
Retrenchment benefits	972	41	-	-
Royalty payable	116	39	-	-
Share of profit margin on Islamic term borrowings	262	149	-	-

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 30. (LOSS)/PROFIT BEFORE TAX (cont'd)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
And crediting:-				
Allowance for doubtful debts no longer required	412	95	7,842	-
Bad debts recovered	57	11	-	-
Gain on disposal of property, plant and equipment	7,864	1,349	26	-
Interest income	90	83	44	10
Over provision of bonus in prior years	-	313	-	-
Over accrual of legal fees in prior year	383	-	192	-
Over accrual of stamping fees in prior year	363	-	363	-
Provision for warehouse and marketing expenses no longer required	-	1,200	-	-
Rental income	28	136	-	-
Realised foreign exchange gain	228	-	-	-
Unrealised gain on foreign exchange	76	10	-	-
Waiver of debts	39	-	-	-
Write back of a debt assigned by a former subsidiary company in prior year	1,958	-	1,958	-
Write back of interest on advances from a third party*	8,000	-	-	-

\* The interest on advances from a third party was written back based on the terms and conditions stated in the settlement agreement entered into by the Company and a third party in 2004 after legal opinion has been obtained from the Company's solicitor. The interest which was previously assumed from a subsidiary company has been re-assigned to the subsidiary company and subsequently was written back to the income statement of the subsidiary company.

## 31. DIRECTORS' REMUNERATION

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Directors of the Company</b>				
Executive Director				
- salaries and allowances	460	460	460	460
- defined contribution plan	50	50	50	50
	510	510	510	510
Non-Executive Directors				
- salaries and allowances	47	903	47	48
- defined contribution plan	-	93	-	-
- fees	75	60	75	60
	122	1,056	122	108
	632	1,566	632	618

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 31. DIRECTORS' REMUNERATION (cont'd)

The estimated monetary value of benefits-in-kind received by the Directors otherwise than in cash from the Group and from the Company are as follows:-

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Directors of the Company</b>				
Executive Director	4	4	4	4
Non-Executive Director	1	-	1	-
	5	4	5	4

The number of Directors of the Company whose total remuneration during the financial year fall within the following bands is analysed below:-

	Number of Directors			
	2006		2005	
	Executive Director	Non-Executive Directors	Executive Director	Non-Executive Directors
<b>Directors of the Company</b>				
Below RM50,000	-	7	-	6
RM200,001 - RM250,000	-	-	-	-
RM500,001 - RM550,000	1	-	1	-
RM900,001 - RM950,000	-	-	-	1

## 32. TAX (INCOME)/EXPENSE

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Income tax:-				
Tax expense for the financial year	462	800	-	-
Real property gain tax	243	-	-	-
Withholding tax	61	57	-	-
(Over)/Under provision in prior years	(281)	(433)	-	3,946
	485	424	-	3,946
Deferred tax (Note 13):-				
Origination and reversal of temporary differences	(3,450)	(1,445)	-	-
Under/(Over) provision in prior years	1,872	(1,587)	-	-
	(1,578)	(3,032)	-	-
	(1,093)	(2,608)	-	3,946

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 32. TAX (INCOME)/EXPENSE (cont'd)

A reconciliation between the average effective tax rate and the applicable tax rate to the (loss)/profit before tax to the Group and the Company is as follows:-

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
(Loss)/Profit before tax	(4,831)	(1,818)	8,943	(130,696)
Taxation at statutory tax of 28%	(1,353)	(509)	2,504	(36,595)
Tax effects in respect of:-				
Effect in reduction in statutory tax rate on first RM500,000 chargeable income for certain subsidiary companies	(26)	(15)	-	-
Withholding tax	61	57	-	-
Income not subject to tax	(4,851)	(1,115)	(2,900)	-
Non-allowable expenses	1,815	4,039	474	36,557
Utilisation of reinvestment allowances	(281)	(582)	-	-
Deferred tax assets not recognised during the financial year	1,708	(2,463)	(78)	38
Real property gains tax	243	-	-	-
Under/(Over) provision of deferred tax in prior years	1,872	(1,587)	-	-
(Over)/Under provision of income tax in prior years	(281)	(433)	-	3,946
<b>Tax (income)/expense for the financial year</b>	<b>(1,093)</b>	<b>(2,608)</b>	<b>-</b>	<b>3,946</b>
Tax savings recognised during the financial year arising from:-				
Utilisation of unused tax losses brought forward	194	2,875	180	-
Utilisation of current year tax losses	-	-	-	10
Utilisation of unabsorbed capital allowances brought forward	194	34	129	-
Utilisation of reinvestment allowances	281	582	-	-

Subject to the agreement of Inland Revenue Board, the Company has unused tax losses and unabsorbed capital allowances of approximately RM425,000 (2005: RM605,000) and RM Nil (2005: RM118,000) available to set off against future taxable profits.

## 33. (LOSS)/EARNINGS PER ORDINARY SHARE

The basic (loss)/earnings per ordinary share for the financial year has been calculated based on the consolidated (loss)/profit after tax and minority interests divided by the weighted average number of ordinary shares outstanding during the financial year.

	2006	2005
Consolidated (loss)/profit after tax and minority interest (RM'000)	(3,764)	766
Weighted average number of ordinary shares in issued ('000)	129,607	129,607
Basic (loss)/earnings per ordinary share (sen)	(2.9)	0.6

The fully diluted (loss)/earning per ordinary share in respect of warrants is not presented as it is anti-dilutive.



# Notes To The Financial Statements

30 June 2006 (cont'd)

## 34. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group and the 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)	9,964	22,845	6	14
Unpaid credit purchases included in other payables (Note 20)	(583)	(1,263)	-	-
Settlement of credit purchases brought forward	1,263	485	-	-
Financed by:-				
- hire-purchase and lease arrangement	(3,500)	(11,008)	-	-
- Islamic term borrowings	-	(1,930)	-	-
Cash payments on purchase of property, plant and equipment	7,144	9,129	6	14

## 35. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Cash and bank balances	7,977	3,765	19	44
Fixed deposits with licensed banks	986	1,011	-	500
Bank overdrafts (Note 22)	(4,686)	(11,538)	(675)	-
	4,277	(6,762)	(656)	544
Less: Fixed deposits pledged to licensed banks (Note 18)	(686)	(511)	-	-
	3,591	(7,273)	(656)	544

The effective interest rates of the bank balances of both the Group and the Company are 0.6% to 1.6% (2005: 0.6% to 1.6%) per annum.

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 36. FINANCIAL INSTRUMENTS

### (a) Credit risk

As at 30 June 2006, the Group has no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amounts of the financial assets in the balance sheets.

### (b) Foreign currency forward contracts

During the financial year, the Group entered into foreign currency forward contracts to manage exposure to the currency risk for payables which are denominated in a currency other than the functional currency of the Group. The notional amount and maturity date of the foreign currency forward contracts outstanding as at balance sheet date are as follows:-

	Foreign currency	Expiry dates	Contract amounts in foreign currency	RM'000 equivalent
<b>30 June 2006</b>				
Forward contracts used to hedge trade payables	Euro	July 2006	39,373	183
	USD	July 2006	72,720	268
<b>30 June 2005</b>				
Forward contracts used to hedge trade payables	Euro	July 2005 to August 2005	66,388	317

### (c) Fair values

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

	Group		Company	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>30 June 2006</b>				
Financial guarantee given by the Company to the financial institutions in respect of banking and hire-purchase and lease facilities granted to subsidiary companies	-	53	-	78,955
Foreign currency forward contract - unrecognised loss	-	2	-	-
<b>30 June 2005</b>				
Financial guarantee given by the Company to the financial institutions in respect of banking and hire-purchase and lease facilities granted to subsidiary companies	-	50	-	101,414
Foreign currency forward contract - unrecognised gain	-	12	-	-

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

- (i) The carrying amounts of financial assets and liabilities maturing within 12 months approximate their fair values due to the relatively short term maturity of these financial instruments.
- (ii) The fair values of the Group's and the Company's borrowings are estimated based on the current rates offered to the Group and the Company for borrowings of the same remaining maturities.

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 36. FINANCIAL INSTRUMENTS (cont'd)

- (iii) The fair values of forward foreign exchange contracts are the estimated amount payable or receivable on the termination of the outstanding position arising from such contracts and is determined by reference to the difference between the contracted rate and the forward exchange rate at the balance sheet date for contracts with similar quantum and maturity profile.
- (iv) The fair values of the financial guarantees given to financial institutions are estimated based on the fair values of the banking and hire-purchase and lease facilities utilised by the Company's subsidiary companies as at balance sheet date.

## 37. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Sales and distribution of goods to corporations in which a Director of the Company has deemed interest:				
- Pizza Hut Restaurants Sdn. Bhd.	1,210	4,587	-	-
- KFC (Peninsular Malaysia) Sdn. Bhd.	3,682	15,129	-	-
- Kedai Ayamas Sdn. Bhd.	358	629	-	-
- Rasa Ayamas Sdn. Bhd.	131	237	-	-
- KFC (Sarawak) Sdn. Bhd.	205	775	-	-
- KFC (Sabah) Sdn. Bhd.	359	729	-	-
Purchase of raw materials from a corporation in which a Director of the Company has deemed interest:-				
- SV Beverages Holdings Sdn. Bhd.	589	-	-	-
Royalty payable to a corporation in which a Director of the Company has deemed interest:				
- SV Beverages Holdings Sdn. Bhd.	116	-	-	-
Directors remuneration (Note 31)	632	1,566	632	618
Salaries, allowances and other staff benefits paid to a full time employee who has deemed interest in the Company:				
- Syed Khalil Bin Syed Ibrahim	181*	-	181*	-

\* For the period from 1 December 2005 to 30 June 2006

The transactions have been entered into in the normal course of business and are based on negotiated and mutually agreed terms.

## 38. CAPITAL COMMITMENTS

	Group	
	2006 RM'000	2005 RM'000
Capital expenditure in respect of purchase of property, plant and equipment:-		
- Approved but not contracted for	32,321	2,628
- Contracted but not provided	380	-
	32,701	2,628

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 39. NON-CANCELLABLE OPERATING LEASE COMMITMENTS

	Group	
	2006 RM	2005 RM
Future minimum lease payments		
- not later than one year	1,587	-
- later than one year and not later than five years	6,352	-
- later than five years	8,029	-
	15,968	-

The operating lease arises from the leaseback of the Group's disposed properties for lease period of ten (10) years at a rental rate of RM132,250 per month for the first five (5) years and RM136,084 per month for the remaining lease period as referred in Note 40(a).

## 40. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 18 January 2006, the Company and its wholly-owned subsidiary company, Permanis Sdn Bhd had entered into a conditional Sale and Purchases Agreement for the sale of two plots of leasehold land held under HS(M) 13244A, PT 20104 and HS(M) 13245A, PT 20105 in the Mukim of Kajang, District of Hulu Langat, Selangor Darul Ehsan together with the buildings erected thereon with Amanah Raya Berhad for a consideration sum of RM23.0 million. Subsequently, the properties was leaseback by the Company from Amanah Raya Berhad for a lease period of ten (10) years commencing from June 2006.
- (b) On 20 March 2006, the Securities Commission has approved the proposed issuance of up to RM70.0 million Murabahah Underwritten Notes/Islamic Medium Term Notes ("MUNIF/IMTN") by a wholly-owned subsidiary company. The tenure of the issue is for seven (7) years from the date of first issuance of the MUNIF/IMTN. The proceeds from the MUNIF/IMTN will be utilised for refinancing of bank borrowings and for working capital of the subsidiary company. As at the date of the Report, MUNIF/IMTN has yet to be issued.

## 41. NUMBER OF EMPLOYEES AND STAFF COSTS

	Group		Company	
	2006	2005	2006	2005
Number of employees, including Executive Director, at the end of the financial year	644	773	9	15

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Salaries and wages	26,889	24,045	941	1,033
Social security costs	43	40	5	5
Defined contribution plans	2,522	2,701	110	173
Defined benefits plans	228	426	-	-
Other staff related expenses	1,739	1,236	50	50
	31,421	28,448	1,106	1,261

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 42. CONTINGENT LIABILITIES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
(a) Secured:-				
Security given by a subsidiary company to a licensed bank in respect of bank guarantee granted to a third party	53	50	-	-
Unsecured:-				
(i) Guarantees given by the Company to financial institutions in respect of banking facilities granted to subsidiary companies	-	-	69,523	91,565
(ii) Guarantees given by the Company to financial institutions in respect of hire-purchase and lease facilities granted to subsidiary companies	-	-	9,432	9,849

- (b) The collective agreement entered by a wholly-owned subsidiary company with the employees' union ("the Union") had expired on 28 February 2006. The Union has made a proposal to the subsidiary company to revise several terms and conditions as stated in the previous collective agreement. However, the revised collective agreement has yet to be finalised as no mutual agreement has been reached by both parties. Subsequently, the revised collective agreement was referred to the Ministry of Human Resources and pending for the Ministry's decision on the revised terms and conditions. Accordingly, additional liabilities, if any, arising from the revision of the terms and conditions of the collective agreement are not recognised in the financial statements.

## 43. MATERIAL LITIGATIONS

- (a) A former employee of the Company had obtained a High Court Judgement in September 1998 against the Company for the issue of 250,000 new shares of the Company under an Employee Share Option Scheme ("ESOS") to be allotted at an issue price of RM1.38 per share. The Company has appealed against the judgement. The former employee has cross-appealed to the Court of Appeal for damages in excess of RM2.5 million to be paid in cash in lieu of the 250,000 new shares. In addition, the former employee is also claiming reimbursement of legal fees of RM60,000.

On 12 March 2004, the Company served a sealed notice of motion to proceed with the hearing of the appeal without the grounds of decision of the learned trial judge in the High Court. The Court of Appeal has refused to grant leave on the basis that such grounds of decision were necessary for the appeal to be determined.

The ground of the decision by the trial judge was received on 23 December 2005. The Motion for Appeal was filed by to the Court of Appeal on 18 January 2006. The hearing of the Appeal and Court of Appeal has been fixed on 21 November 2006.

No provision has been made in the financial statements for the damages and legal fees. The Directors of the Company are of the opinion that the Company has a valid defence against the case.

- (b) On 29 September 2000, Affin Bank Berhad ("Affin") commenced legal action against a wholly-owned subsidiary company of the Company for the recovery of a sum of RM1.24 million with interest thereon and cost.

On 4 April 2003, the Senior Assistant Registrar allowed Affin's application for summary judgment with costs. As a result thereof, the subsidiary company lodged an appeal to the Judge in Chambers on 10 April 2003.

The subsidiary company subsequently filed an application to adduce fresh evidence to be considered at the hearing of the appeal. However, on 25 March 2004, the learned High Court Judge dismissed both appeal and the said application. On 21 April 2004, an appeal to the Court of Appeal was filed by the subsidiary company.

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 43. MATERIAL LITIGATIONS (cont'd)

- (b) On 11 January 2006, Affin filed an application to strike out the subsidiary company's appeal to the Court of Appeal. Affin then served a Notice pursuant to Section 218 of the Companies Act, 1965 on the subsidiary company on 6 February 2006. The subsidiary company also filed a motion for stay at the Court of Appeal.

The Court then fixed all three matters (i.e. the subsidiary company's appeal, Affin's application to strike out the appeal and the subsidiary company's motion for stay) on 27 March 2006 for hearing. Upon the subsidiary company's request, the Court fixed the hearing of the subsidiary company's motion for stay on 28 February 2006 which was subsequently adjourned to 29 March 2006.

On 29 March 2006, the Court made the following order on the subsidiary company's motion for a stay:

- (i) that the subsidiary company or the Company provide an irrevocable Bank Guarantee in favour of Affin he sum of RM0.621 million being half of the judgment sum that was obtained by Affin on 4 April 2003;
- (ii) the said Bank Guarantee shall be deposited with Messrs Shook Lin & Bok, the solicitors for Affin within thirty (30) days from 29 March 2006;
- (iii) that all execution and/or enforcement of the judgment dated 4 April 2003 obtained by Affin against the subsidiary company be stayed pending disposal of the appeal; and
- (iv) no order as to costs for the motion of stay.

On 28th April 2006, the Company had deposited the Bank Guarantee to Affin's solicitors as disclosed in Note 18(iii).

On 18 July 2006, the Court has disallowed Affin's motion to strike out the subsidiary company's appeal with costs. The hearing of the Appeal is fixed on 21 November 2006.

The liability on the construction cost of RM1.24 million and the estimated interest expenses of RM0.71 million have been fully provided by the subsidiary company at the balance sheet date while pending the Court's decision on the subsidiary company's appeal.

- (c) On 27 June 2003, Prosper Chain Quarry Sdn Bhd served a Writ of Summons on a subsidiary company of the Company for damages of RM3.062 million for wrongful termination of the extended quarry contract.

The subsidiary company has filed and served a Statement of Defence on 21 August 2003.

As the case is at the preliminary stage, the Directors of the Company cannot confirm the likely outcome of the legal claim at this stage. The hearing of the case management is fixed on 16 October 2006.

- (d) On 3 April 2002, TNT Logistic (Malaysia) Sdn. Bhd. ("TNT") commenced a legal action against two wholly-owned subsidiary companies for the sum of RM0.569 million together with interest at the rate of 12.65% per annum on the sum of RM0.555 million from 21 August 2000 until settlement, general damages to be assessed and costs. The subsidiary companies have counterclaimed for damages occasioned by TNT's breaches. The lawyers acting for the subsidiary companies estimated that, based on evidence, losses amounting to RM13 million may be counterclaimed by subsidiary companies.

The arbitration hearing was conducted on 7 October 2005. Lawyers for both TNT and the subsidiary companies have been asked to submit their written submissions to the Arbitrator on 16 January 2006 and 6 February 2006, respectively. Both parties have completed their written submissions and forwarded to the Arbitrator. However, the Arbitrator has yet to fix a date to deliver his ruling thereafter.

The Directors of the Company are of the opinion that in the event that the subsidiary companies successfully defend the claim, the costs incurred will not have a material impact on its financial statements.

- (e) A claim has been brought by Perbadanan Stadium Merdeka ("Perbadanan") against a wholly-owned subsidiary company for the sum of RM300,000 for an alleged breach of contract to provide sponsorship for a concert organised by Perbadanan. Perbadanan further alleged that the subsidiary company had breached the said contract by reason of its failure to provide advertisements and cash to Perbadanan. The subsidiary company has denied the existence of the alleged contract and had offered to contribute a sum of RM50,000 in cash and RM20,000 in kind.

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 43. MATERIAL LITIGATIONS (cont'd)

- (e) However, Perbadanan had subsequently breached the conditions attached to the subsidiary company's offer, inter alia, by removing the subsidiary company's banners from the stadium at which the concert was being held and consequently, it has counterclaimed for loss and damage suffered as a result of Perbadanan's actions. The above matter has been fixed for trial on 28 and 29 March 2007. Given that there does not exist an enforceable contract whatsoever, the Directors of the Company are of the opinion that they have a valid defence against the case.
- (f) On 8 June 2005, a wholly-owned subsidiary company has commenced arbitration proceedings against Konsortium Logistik Berhad ("KLB") to claim for stock losses amounting to a sum of RM22.71 million, which arose from a Warehousing and Distribution Services Agreement dated 1 November 2000 ("the Agreement") and a Settlement and Supplemental Agreement dated 18 September 2004 made between KLB and the subsidiary company. KLB has provided warehousing and distribution services to the subsidiary company under the Agreement.

Under Clause 12 of the Agreement, the subsidiary company's claim against KLB is to be decided by a single arbitrator in accordance with the Rules of Arbitration of the Kuala Lumpur Regional Centre of Arbitration.

On 8 August 2005, the subsidiary company's solicitor was served with a Writ of Summons wherein KLB has filed an application to the High Court for the matter to be heard before a High Court Judge under the jurisdiction of the Courts rather than by way of Arbitration ("Application"). The subsidiary company opposed the said Application and has filed an Affidavit in reply on 12 August 2005 to refute KLB's contention. The Company has also applied to the High Court for KLB's Application to be stayed pending the conclusion of the Arbitration proceeding.

On 7 October 2005, both parties have been directed by the High Court Judge to file written submissions in respect of the Originating Summons. The matter has been fixed for the decision on 16 January 2007. The earlier date for decision by the Senior Assistant Registrar which was supposed to be delivered on 13 July 2006 has been deferred to 16 January 2007 as pending the decision for KLB's Application for the matter to be heard under the jurisdiction of the High Court.

Separately, KLB filed a suit against subsidiary company at the Shah Alam High Court claiming a sum of RM6.50 million and general damages for losses suffered by reason of subsidiary company alleged wrongful termination of the Agreement. The subsidiary company has filed an application to stay the proceedings in view of the arbitration clause contained in the Agreement.

The lawyer in charge of the case is of the opinion that the subsidiary company has a good prospect in succeeding in its claim against KLB in respect of the stock losses and a good defence to KLB's claim.

- (g) KKS Trading Sdn. Bhd. ("KKS") filed a suit against a wholly-owned subsidiary company at the Kuala Lumpur High Court, claiming a sum of RM3.10 million as damages suffered by reason of the subsidiary company alleged wrongful termination of a distribution partner agreement. The matter is fixed for trial on 23 and 24 January 2008. The lawyer in charge of the case is of the opinion that the subsidiary company has a good defence to KKS's claim.
- (h) Pursuant to a Kuala Lumpur High Court Commercial Division Suit, Kickapoo Malaysia Sdn. Bhd. ("Kickapoo") claimed for an injunction and damages for a purported "economic tort" allegedly carried out by two of the Company's wholly-owned subsidiary companies, being the third and fourth Defendant in this suit, against Kickapoo. Kickapoo claimed that the subsidiary companies had:
- (i) procured or induced a breach of contract and/or interfered with the contract between the Kickapoo and their purported franchisor ("the Contract");
  - (ii) willfully and intentionally interfered with the Contract in view of the prospective economic advantage; and
  - (iii) conspired with the first and second Defendant with intent and via unlawful means caused losses to the Kickapoo.

Kickapoo attempted to obtain an ex parte injunction to prohibit the subsidiary companies from producing, selling and marketing the Kickapoo beverage but the Judge refused and further directed that the Writ and application be served on the subsidiary companies and the other Defendants.

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 43. MATERIAL LITIGATIONS (cont'd)

- (h) The subsidiary companies have also filed an application to strike out the Kickapoo's claim and the High Court Judge has directed the matter to be heard before Registrar of the High Court. The solicitors have written to the Court requesting the date of hearing of the said application to which the Court has yet to reply.

The High Court Judge has also directed that the solicitors for both the subsidiary companies and Kickapoo to submit written submissions in respect of Kickapoo's application for Injunction. On 16 June 2006, the Judge directed the parties to make further submission on several issues concerning the case and fixed the matter for further hearing on 29 September 2006.

The solicitors for the subsidiary companies are of the view that the subsidiary companies have a good chance of striking out the matter against the Kickapoo. In the event that Kickapoo succeeds in its litigation suit against the subsidiary companies, the amount awarded to Kickapoo will still have to be assessed by the Courts.

- (i) Teck Guan Trading Sdn. Bhd. ("TGT") filed a suit against a wholly-owned subsidiary company for the wrongful termination of the Distribution Partner Agreement dated 5 August 2004 ("Agreement"), for a sum of RM1.42 million which includes, inter-alia, claims for unsold inventories, write-off for expired inventories and trade incentives.

The subsidiary company had terminated the Agreement on 17 October 2005 as TGT has failed to achieve the performance target set for them and had shown lack of performance for some period of time. However, TGT alleged that the subsidiary company had requested it to purchase/take-over inventories from the previous agent and that the subsidiary company had undertook to repurchase all expired inventories in the market provided that the inventories were purchased by TGT from the previous agent. TGT also alleged that the subsidiary company had impliedly agreed to repurchase all remaining inventories in the possession of TGT should the Agreement between TGT and the subsidiary company be terminated. TGT also alleged that the performance target set for them was unrealistic.

The subsidiary company filed the defence and counterclaim against TGT and demanded a sum of RM0.29 million against TGT, being the amount due and owing to the subsidiary company for goods sold and delivered. The subsidiary company has also applied for TGT's holding Company, Teck Guan Holdings Bhd., to be included as the counter-claim party as the latter had agreed to guarantee TGT's performance under the aforesaid Agreement. On 28 July 2006, the High Court allowed the subsidiary company's application. The lawyers for the subsidiary company are in the process of filing the amended defence and counter-claim. The lawyer in charge of the case is of the opinion that the subsidiary company has a good prospect in succeeding in its claim against TGT in respect of the goods sold and delivered and a good defence to TGT's claim.

## 44. CONTINGENT ASSET

On 12 January 2004, a subsidiary company issued a letter of demand against CL Hardware Sdn. Bhd. ("CLH") for the alleged infringement of trade mark and copyright and the passing off of its goodwill in respect of a wide range of sanitary fittings, bathroom accessories and other related products ("Products"). The Products were original designed, manufactured and supplied by the subsidiary company under and by reference to the brand name of DOE ("Trade Mark").

Subsequently, the subsidiary company filed a Writ Summons and Statement of Claim against CLH on 17 November 2004 and is claiming for injunctive reliefs and losses as well as damages and loss of reputation/substantial goodwill amounting to a total sum of RM2.3 million which was subsequently amended to RM2.1 million. CLH has filed its Statement of Defence towards the subsidiary company's claim on 17 January 2006.

The Court has fixed for hearing of the application for summary judgment on 21 August 2006 but has decided to allow CLH application to strike out some of the claims as per the amended Statement of Claim and has set the date for the hearing of the CLH application on 14 November 2006.

On the balance of probabilities, the subsidiary company's lawyers are positive about the outcome of the liability portion (as against CLH) of this litigation based on the facts that counterfeit products were in fact seized at CLH's premise and that CLH had earlier propose to resolve this matter via nominal monetary compensation to the subsidiary company prior to this litigation.



# Notes To The Financial Statements

30 June 2006 (cont'd)

## 45. SEGMENT INFORMATION

(a) Business segments:-

The Group is organised into three major business segments:-

- (i) Beverages
- (ii) Building and construction related products
- (iii) Investment holdings

Other business segments include provision of engineering services and other operations, none of which are of a sufficient size to be reported separately.

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

30 June 2006	Beverages RM'000	Building and construction related products RM'000	Investment holdings RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<b>Revenue</b>						
External sales	199,703	22,457	-	-	-	222,160
Inter-segment sales	-	-	1,690	1	(1,691)	-
<b>Total revenue</b>	<b>199,703</b>	<b>22,457</b>	<b>1,690</b>	<b>1</b>	<b>(1,691)</b>	<b>222,160</b>
<b>Result</b>						
Segment results	(15,150)	1,230	15,919	(110)	(6,309)	(4,420)
Impairment losses	(411)	-	-	-	-	(411)
Loss before tax						(4,831)
Tax income						1,093
Loss after tax						(3,738)
Minority interests						(26)
<b>Net loss for the financial year</b>						<b>(3,764)</b>
<b>Assets</b>						
Segment assets	188,774	35,187	5,007	31	(16,473)	212,526
Unallocated assets						8,273
<b>Consolidated total assets</b>						<b>220,799</b>
<b>Liabilities</b>						
Segment liabilities	119,745	15,393	15,694	1,436	(19,849)	132,419
Unallocated corporate liabilities						5,848
<b>Consolidated total liabilities</b>						<b>138,267</b>

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 45. SEGMENT INFORMATION (cont'd)

(a) Business segments:- (cont'd)

30 June 2006	Beverages RM'000	Building and construction related products RM'000	Investment holdings RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<b>Other information</b>						
Capital expenditure	9,679	279	6	-	-	9,964
Depreciation	10,828	489	15	-	-	11,332
Impairment losses	411	-	-	-	-	411
Amortisation	320	-	-	-	-	320
Non-cash expenses other than depreciation, amortisation and impairment losses	19,538	1,541	9	-	-	21,088

30 June 2005	Beverages RM'000	Building and construction related products RM'000	Investment holdings RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<b>Revenue</b>						
External sales	248,120	19,855	-	-	-	267,975
Inter-segment sales	-	-	1,490	7	(1,497)	-
<b>Total revenue</b>	<b>248,120</b>	<b>19,855</b>	<b>1,490</b>	<b>7</b>	<b>(1,497)</b>	<b>267,975</b>
<b>Result</b>						
Segment results	10,224	502	(368)	(22)	-	10,336
Impairment losses	(354)	(11,695)	-	-	-	(12,049)
Share of results of associated company	(105)	-	-	-	-	(105)
Loss before tax						(1,818)
Tax income						2,608
Profits after tax						790
Minority interests						(24)
Net profit for the financial year						766
<b>Assets</b>						
Segment assets	225,191	37,196	162,320	3,831	(178,370)	250,168
Unallocated assets						5,025
<b>Consolidated total assets</b>						<b>255,193</b>

# Notes To The Financial Statements

30 June 2006 (cont'd)

## 45. SEGMENT INFORMATION (cont'd)

(a) Business segments:- (cont'd)

30 June 2005	Beverages RM'000	Building and construction related products RM'000	Investment holdings RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<b>Liabilities</b>						
Segment liabilities	138,803	17,554	180,453	5,157	(178,370)	163,597
Unallocated corporate liabilities						5,326
Consolidated total liabilities						168,923
<b>Other information</b>						
Capital expenditure	22,738	93	14	-	-	22,845
Depreciation	10,131	594	42	-	-	10,767
Impairment losses	354	11,695	-	-	-	12,049
Amortisation	320	-	-	-	-	320
Non-cash expenses other than depreciation, amortisation and impairment losses	12,197	506	-	-	-	12,703

(b) No segment information by geographical has been presented as the Group operates predominantly in Malaysia.

## 46. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Board of Directors on 28 September 2006.

# List of Properties

as at 30 June 2006

Tenure	Location	Approximately Land Area (sq ft)	Approximate Age of Buildings (Year)	Description	Date of Acquisition	Net Book Value RM'000
<b>WILAYAH PERSEKUTUAN</b>						
Freehold	Industrial Land in Daerah Hulu Langat Mukim of Semenyih at Lot 1178 1313 - 1316 1318 - 1319 1119 - 1120	3,789,023	-	Land for Quarrying	12/1994 17/06/1993 17/06/1994 30/12/1992	14,555
<b>SELANGOR DARUL EHSAN</b>						
Freehold	Agriculture Land at Lot 6659 Jalan Kampung Bukit Cerakah Meru 41050 Klang Geran 28082 Mukim Kapar Daerah Klang, Selangor	265,716	11	Factory	24/06/2001	1,987
Leasehold 99 years expiring 2095	Land with building at HS(D) 4283 PT 9560 Mukim Dengkil, Sepang Selangor	10,499 (Built-up Area)	8	1 1/2 Storey Terrace Factory for rental	09/08/1999	304
Freehold	Land with building at HS(D) 116939 PT 6075 Mukim Sungai Buloh Daerah Petaling, Selangor	7,178 (Built-up Area)	14	3 Storey Office Building	13/07/2001	1,741
<b>NEGERI SEMBILAN DARUL KHUSUS</b>						
Leasehold 99 years expiring 2077	Land with building at HS(D) 658 PT 1342 Senawang Industrial Estate Seremban, Negeri Sembilan	130,680 (Built-up Area)	27	Factory for Manufacturing Tap wares	10/06/1978	975
Freehold (2 individual Lots)	Land at HS(D) 14031 PT 3272 HS(D) 14036 PT 3277 Mukim Si Rusa Daerah Port Dickson Negeri Sembilan	91,168	-	Bungalow Land for Future Development of Orchard and Building	03/11/1999	229
Leasehold 60 years expiring 2053	Quarry Land at HS(D) 74836 PT 6050 Mukim Labu Daerah Negeri Sembilan	2,172,599	-	Quarry - Rock Reserve	24/08/1999	67
Leasehold 99 years expiring 2095	Industrial Land at HS(D) 104239 PT 13271 Mukim Labu Daerah Negeri Sembilan	576,299	-	Quarry - Plant Site	24/08/1999	316

# List of Properties

as at 30 June 2006 (cont'd)

Tenure	Location	Approximately Land Area (sq ft)	Approximate Age of Buildings (Year)	Description	Date of Acquisition	Net Book Value RM'000
<b>MELAKA</b>						
Freehold	Industrial Land with building at HS(D) 3360 PT 325 Sungei Petai, Daerah Alor Gajah Melaka	75,660	8	Industrial Land Warehouse	02/07/1996 17/06/1998	1,288 1,038
<b>JOHOR DARUL TAKZIM</b>						
Freehold	Industrial Land at Lot 87 G.M. 314 Mukim Tebrau, Johor Bahru	285,856	-	Vacant	21/10/1997	4,860
Leasehold 60 years expiring 2028	Industrial Land with building at No. 12, Jalan Padu Larkin Industrial Estate 80350 Johor Bahru Johor Darul Takzim	111,350	28	Single Storey Factory with an Annexed Single Storey Office, warehouse, Open-side Workshop, Canteen, Pump House and Guard House	30/03/1978	2,520
Freehold	Agriculture Land at Lot 2799 Mukim of Senai Daerah Johor Bahru Johor Darul Takzim	214,533	-	Agricultural Land - Plant and Stockpile	17/11/1990	57
<b>PULAU PINANG</b>						
Freehold	Agriculture Land at Lot No. 682 Geran No. 47673 Lot No. 683 Geran No. 47674 Mukim 12 Dearah Seberang Perai Selatan Negeri Pulau Pinang	60,461 125,845	-	Vacant	07/03/1994	898
<b>KEDAH DARUL AMAN</b>						
Freehold	Agriculture Land at HS (M) 15-80 PT No. 661 (Lot 2760) Mukim Ulu Melaka Daerah Langkawi Negeri Kedah	117,067	-	Vacant	31/05/1998	134

# Analysis of Shareholdings

Authorised share capital	: RM500,000,000.00
Issued and fully paid-up share capital	: RM129,607,155.00
Class of shares	: Ordinary shares of RM1.00 each
Voting rights	: One vote per ordinary share

## ANALYSIS BY SIZE OF SHAREHOLDINGS AS AT 30 AUGUST 2006

Size of Shareholdings	No. of Holders	%	No. of Holdings	%
1 - 99	24	0.57	483	0.00
100 - 1,000	1,727	41.31	1,645,150	1.27
1,001 - 10,000	2,152	51.47	7,769,897	5.99
10,001 - 100,000	233	5.57	6,160,700	4.75
100,001 - 6,480,356*	42	1.00	47,121,000	36.36
6,480,357 and above**	3	0.07	66,909,925	51.63
<b>Total</b>	<b>4,181</b>	<b>100.00</b>	<b>129,607,155</b>	<b>100.00</b>

\* less than 5% of issued holdings

\*\* 5% and above of issued holdings

## SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 30 AUGUST 2006

No.	Name	Direct No. of Shares	%	Indirect No. of Shares	%
1.	Cimsec Nominees (Tempatan) Sdn Bhd <i>BCB for Datuk Johari Bin Abdul Ghani (Retail Banking)</i>	30,000,000	23.15	-	-
2.	Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Skim Amanah Saham Bumiputera</i>	23,944,000	18.47	-	-
3.	Continental Theme Sdn Bhd	12,965,925	10.00	-	-
4.	Datin Mariam Prudence Binti Yusof <sup>1</sup>	-	-	26,228,300	20.24
5.	Syed Khalil Bin Syed Ibrahim <sup>1</sup>	-	-	26,228,300	20.24

Note:

<sup>1</sup> Deemed interest through Du Ain Sdn Bhd, Duclos Sdn Bhd, Syed Ibrahim Sdn Bhd, Leasing Corporation Sdn Bhd, Sisma Vest Sdn Bhd and Sisma Water Technology Sdn Bhd.

## DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 30 AUGUST 2006

No.	Name	Direct No. of Shares	%	Indirect No. of Shares	%
1.	Dato' Seri Abdul Ghani Bin Abdul Aziz	60,000	0.05	-	-
2.	Datuk Johari Bin Abdul Ghani <sup>1</sup>	30,000,000	23.15	-	-
3.	Datin Mariam Prudence Binti Yusof <sup>2</sup>	-	-	26,228,300	20.24

Notes:

<sup>1</sup> Deemed interest through Cimsec Nominees (Tempatan) Sdn Bhd

<sup>2</sup> Deemed interest through Du Ain Sdn Bhd, Duclos Sdn Bhd, Syed Ibrahim Sdn Bhd, Leasing Corporation Sdn Bhd, Sisma Vest Sdn Bhd and Sisma Water Technology Sdn Bhd.

# Thirty (30) Largest Shareholders

as at 30 August 2006

NO.	NAME	NO. OF SHARES	%
1.	Cimsec Nominees (Tempatan) Sdn Bhd <i>BCB For Datuk Johari Bin Abdul Ghani (Retail Banking)</i>	30,000,000	23.15
2.	Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Skim Amanah Saham Bumiputera</i>	23,944,000	18.47
3.	Continental Theme Sdn Bhd	12,965,925	10.00
4.	Duclos Sdn Bhd	5,360,000	4.14
5.	Permodalan Nasional Berhad	5,326,000	4.11
6.	Leasing Corporation Sdn Bhd	4,561,800	3.52
7.	Syed Ibrahim Sdn Bhd	4,540,000	3.50
8.	Zaharen Bin Zakaria	3,667,500	2.83
9.	Du Ain Sdn Bhd	3,329,000	2.57
10.	EB Nominees (Tempatan) Sdn Bhd <i>Pledge Securities Account for Sisma Water Technology Sdn Bhd (MIMB)</i>	3,000,000	2.31
11.	Sisma Vest Sdn Bhd	2,900,000	2.24
12.	Sisma Water Technology Sdn Bhd	2,537,500	1.96
13.	HDM Nominees (Asing) Sdn Bhd <i>UOB Kay Hian Pte Ltd for Yates Ventures Limited (TPC)</i>	1,600,000	1.23
14.	HDM Nominees (Asing) Sdn Bhd <i>UOB Kay Hian Pte Ltd for Naunton International Limited (TPC)</i>	1,342,000	1.04
15.	HSBC Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Erwin Selvarajah a/l Peter Selvarajah</i>	750,000	0.58
16.	Citigroup Nominees (Asing) Sdn Bhd <i>CBLDN for SNS Bank N.V.</i>	640,000	0.49
17.	Indexia Assets Limited	638,800	0.49
18.	M & S Food Industries Sdn Bhd	604,800	0.47
19.	Mercsec Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Pyramid Tulin Sdn Bhd</i>	551,000	0.43
20.	HLG Nominee (Tempatan) Sdn Bhd <i>Pledge Securities Account for Zaharen Bin Zakaria</i>	501,200	0.39
21.	Adam Bin Junid	500,000	0.39

# Thirty (30) Largest Shareholders

as at 30 August 2006 (cont'd)

NO.	NAME	NO. OF SHARES	%
22.	Dagang Setia Sdn Bhd	427,000	0.33
23.	Yates Ventures Limited	417,000	0.32
24.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Vishini a/p Parmanand (470927)</i>	380,000	0.29
25.	Mayban Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chung Chuan Shen (08319AQ0615)</i>	329,000	0.25
26.	HLB Nominees (Asing) Sdn Bhd <i>Pledged Securities Account for Keen Capital Investments Limited (SIN 9534-6)</i>	283,600	0.22
27.	ECM Libra Securities Nominees (Asing) Sdn Bhd <i>Pledged Securities Account for Yates Ventures Limited (MG0000183)</i>	220,000	0.17
28.	Izhar bin Sulaiman	218,700	0.17
29.	Lembaga Tabung Haji	217,000	0.17
30.	Malaysia Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for M &amp; S Food Industries Sdn Bhd (20-00213-000)</i>	200,000	0.15
		111,951,825	86.38



# Analysis of Warrantholdings

No. of Warrants 2004/2009 Issued	: 57,377,835
No. of Warrants Outstanding	: 57,377,835
Voting Rights	: One vote per Warrant in respect of Warrantholders' Meeting

## ANALYSIS BY SIZE OF WARRANT AS AT 30 AUGUST 2006

Size of Warrant	No. of Warrant Holders	%	No. of Warrant	%
1 - 99	1	0.17	10	0.00
100 - 1,000	152	25.29	144,900	0.25
1,001 - 10,000	322	53.58	1,466,300	2.56
10,001 - 100,000	104	17.30	3,069,000	5.35
100,001 - 2,868,890*	19	3.16	16,148,400	28.14
2,868,891 and above**	3	0.50	36,549,225	63.70
<b>Total</b>	<b>601</b>	<b>100.00</b>	<b>57,377,835</b>	<b>100.00</b>

\* Less than 5% of issued holdings

\*\* 5% and above of issued holdings

## SUBSTANTIAL WARRANTHOLDERS AS AT 30 AUGUST 2006

No.	Name	Direct No. of Warrants	%	Indirect No. of Warrants	%
1.	Datuk Johari Bin Abdul Ghani	13,000,000	22.66	-	-
2.	Continental Theme Sdn Bhd	12,893,825	22.47	-	-
3.	Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Skim Amanah Saham Bumiputera</i>	10,655,400	18.57	-	-
4.	Datin Mariam Prudence Binti Yusof <sup>1</sup>	-	-	11,077,000	19.31
5.	Syed Khalil Bin Syed Ibrahim <sup>1</sup>	-	-	11,077,000	19.31

Note:

- Deemed interest through Du Ain Sdn Bhd, Duclos Sdn Bhd, Syed Ibrahim Sdn Bhd, Leasuing Corporation Sdn Bhd, Sisma Vest Sdn Bhd and Sisma Water Technology Sdn Bhd.

## DIRECTORS' WARRANT HOLDINGS AS AT 30 AUGUST 2006

No.	Name	Direct No. of Warrants	%	Indirect No. of Warrants	%
1.	Datuk Johari Bin Abdul Ghani	13,000,000	22.66	-	-
2.	Datin Mariam Prudence Binti Yusof <sup>1</sup>	-	-	11,077,000	19.31

Note:

- Deemed interest through Du Ain Sdn Bhd, Duclos Sdn Bhd, Syed Ibrahim Sdn Bhd, Leasuing Corporation Sdn Bhd, Sisma Vest Sdn Bhd and Sisma Water Technology Sdn Bhd.

# Thirty (30) Largest Warrant Holders

as at 30 August 2006

No.	Name	No. of Warrants	%
1.	Datuk Johari Bin Abdul Ghani	13,000,000	22.66
2.	Continental Theme Sdn Bhd	12,893,825	22.47
3.	Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Skim Amanah Saham Bumiputera</i>	10,655,400	18.57
4.	Sisma Water Technology Sdn Bhd	2,716,000	4.73
5.	Duclos Sdn Bhd	2,680,000	4.67
6.	Syed Ibrahim Sdn Bhd	2,270,000	3.96
7.	Tai Ah Kew @ Tai Moi May	1,923,700	3.35
8.	Du Ain Sdn Bhd	1,652,000	2.88
9.	Sisma Vest Sdn Bhd	1,008,000	1.76
10.	HSBC Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Erwin Selvarajah a/l Peter Selvarajah</i>	800,700	1.40
11.	Leasing Corporation Sdn Bhd	751,000	1.31
12.	Shamayne Leelawati Samarakkody	570,000	0.99
13.	Tan Soo Wan	280,000	0.49
14.	Erwin Selvarajah a/l Peter Selvarajah	239,300	0.42
15.	M & S Food Industries Sdn Bhd	236,000	0.41
16.	Hussein Bin Abdullah @ Chong Oon Sin	220,000	0.38
17.	Dagang Setia Sdn Bhd	198,500	0.35
18.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Datin Rashidah Binti Pakeh Amin @ Aminuddin (E-TSA)</i>	140,000	0.24
19.	Laila Binti Mustapha	131,100	0.23
20.	Yeoh Boon Sun	118,100	0.21
21.	RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lim Choon Tiew (CEB)</i>	110,000	0.19

# Thirty (30) Largest Warrant Holders

as at 30 August 2006 (cont'd)

No.	Name	No. of Warrants	%
22.	Goh Nan Kioh	104,000	0.18
23.	Goh Chye Keat	100,000	0.17
24.	Azhar Bin Abdul Ghani	98,600	0.17
25.	Lee Yoke Hean	90,000	0.16
26.	Amran Bin Abdul Ghani	85,000	0.15
27.	Tong Lai Hua	80,000	0.14
28.	Lim Teng Loon	79,900	0.14
29.	Mayban Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chung Chuan Shen (08319AQ0615)</i>	70,000	0.12
30.	Ng Ah Chung	70,000	0.12
		53,371,125	93.02

# Additional Compliance Information

## UTILISATION OF PROCEEDS

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

## SHARE BUY-BACKS

The Company did not carry out any share buy-backs during the financial year.

## OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial year, there was no options, warrants nor convertible securities issued by the Company.

## NON-AUDIT FEES

The amount of non-audit fees paid and payable to the external auditors and their affiliated companies by the Group for the financial year ended 30 June 2006 amounted to RM42,250.00.

## VARIATION IN RESULTS

There were no material variance between the results for the financial statements for the year ended 30 June 2006 and the unaudited results previously announced.

## PROFIT GUARANTEE

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

## MATERIAL CONTRACTS

Save as disclosed in page 75 of the financial statements, there were no material contracts entered into by the Company and/or its subsidiaries involving the Directors' and substantial shareholders' interests during the financial year.

## RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE

Details of transactions with related parties undertaken by the Group during the financial year are disclosed in page 75 of the financial statements.

# Additional Compliance Information (cont'd)

## DISCLOSURE OF THE RESTRICTIVE COVENANT CLAUSE IN THE EXCLUSIVE BOTTLING AGREEMENTS

Permanis Sdn. Bhd. is the licensed bottler with sole rights to bottle, market, sell and/or distribute beverages under the trademarks of "Pepsi", "Pepsi Light", "Pepsi Twist", "Pepsi Twist Light", "Pepsi Blue", "Mirinda", "Evervess", "Mountain Dew" and "Seven-Up" and isotonic beverage under the brand name "Gatorade" pursuant to the several Exclusive Bottling Agreements ("EBAs").

The respective EBAs are as follows:

Date	EBA and Licensors	Particulars
20 October 2004	PepsiCo, Inc. and Seven-Up International, a division of The Concentrate Manufacturing Company of Ireland ("PepsiCo EBA")	To bottle, market, sell and/or distribute beverages under the trademarks of "Pepsi", "Pepsi Light", "Pepsi Twist", "Pepsi Twist Light", "Pepsi Blue", "Mirinda", "Evervess", "Mountain Dew" and "Seven-Up" in Peninsular Malaysia, State of Sabah and State of Sarawak.
4 December 2002 (as amended by a Supplemental Exclusive Bottling Agreement dated 20 October 2004)	Stokely-Van Camp, Inc ("Gatorade EBA")	To bottle, market, sell and/or distribute the isotonic beverage under the brand name "Gatorade" in Malaysia.

While there are no restrictions in the trading of the Company's listed shares on Bursa Malaysia Securities Berhad, Permanis Sdn. Bhd. is required to first obtain the consent of the respective EBA Licensors should there be any sale, transfer, change of ownership or other disposition whether directly or indirectly, and whether in a single transaction or a series of transaction, of any share, stock or other evidence of ownership held by the named major shareholders in the Company as set out in the Agreements.

However, despite such restrictions which have been imposed consistently in the past to prevent any unauthorized transfer of controlling shares in Permanis, it has thus far been able to renew the respective EBAs since the time it was first granted the licence by the Licensors over thirty (30) years ago.

## AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME

The Company did not sponsor any ADR or GDR programme during the financial year.

## SANCTIONS AND/OR PENALTIES IMPOSED

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

## CONTRACTS RELATING TO LOANS

There were no contracts relating to a loan entered into by the Company and its subsidiaries during the financial year.

## REVALUATION POLICY

The Company does not adopt any revaluation policy on landed properties during the financial year.

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**C. I. Holdings Berhad**  
37918-A

## Form of Proxy

I/We .....  
of .....  
being a member of **C.I. HOLDINGS BERHAD** hereby appoint .....  
of .....  
or failing him/her, .....  
of .....  
or failing him/her, the Chairman of the meeting as my/our proxy(ies) to attend and to vote for me/us and on my/our behalf at the Twenty-Eighth Annual General Meeting of the Company to be held at Tingkat 1, Menara Yayasan Tun Razak, No. 200, Jalan Bukit Bintang, 55100 Kuala Lumpur on Tuesday, 31 October 2006 at 10:00 a.m. and at any adjournment thereof.

My/our proxy(ies) is/are to vote as indicated below:-

No.	Resolution	For	Against
(1)	To receive the Audited Financial Statements and Reports		
(2)	Payment of Directors' fee		
(3)	Re-election of Director - Dato' Azmeer Bin Rashid		
(4)	Re-election of Director - Datuk Wira Syed Ali Bin Tan Sri Syed Abbas Alhabshee		
(5)	Re-appointment of Director - Maj Gen (R) Dato' Mohamed Isa Bin Che Kak		
(6)	Re-appointment of Auditors		
(7)	Authority for Directors to Allot Shares pursuant to Section 132D of the Companies Act, 1965.		

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

Dated this ..... day of ..... 2006.

Number of Ordinary Shares Held

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

### NOTES:

1. A member of the Company who is entitled to attend and vote at the Meeting is entitled to appoint one or more than one proxy to attend and vote in his/her stead. A proxy need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. The instrument appointing a proxy shall be in writing under the hands of the appointor or of his/her attorney duly authorised in writing or if the appointor is a corporation either under its common seal or under the hand of its officer or its duly authorised attorney.
3. Where a member appoints two or more proxies, he/she shall specify the proportion of his shareholdings to be represented by each proxy.
4. The instrument appointing a proxy must be deposited at the Company's registered office at Level 10, Menara Yayasan Tun Razak, No. 200, Jalan Bukit Bintang, 55100 Kuala Lumpur not less than forty-eight (48) hours before the time set for holding the meeting or adjourned meeting.

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Affix  
Stamp

**The Company Secretary**  
**C.I. HOLDINGS BERHAD**

(37918-A)

Level 10, Menara Yayasan Tun Razak  
No. 200, Jalan Bukit Bintang  
55100 Kuala Lumpur

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