

**FSBM HOLDINGS BERHAD (115609 - U)**  
**(Incorporated in Malaysia)**

**Directors' Report and Audited Financial Statements**  
**31 December 2006**

**FSBM HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

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**FSBM HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**DIRECTORS' REPORT**

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

**PRINCIPAL ACTIVITIES**

The principal activities of the Company consist of distribution of computers, computer related products, education related products, provision of related services and investment holding. The principal activities of the subsidiary companies are shown in Note 16 to the financial statements.

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

**RESULTS**

|                               | <b>Group<br/>RM'000</b> | <b>Company<br/>RM'000</b> |
|-------------------------------|-------------------------|---------------------------|
| Profit for the year           | <u>14,030</u>           | <u>9,233</u>              |
| Attributable to:              |                         |                           |
| Equity holders of the Company | 14,070                  | 9,233                     |
| Minority interests            | <u>(40)</u>             | <u>-</u>                  |
|                               | <u>14,030</u>           | <u>9,233</u>              |

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than:

- (a) the effects arising from changes in accounting policies due to the adoption of the new and revised FRSs which has resulted in a increase in the Group's and the Company's profit for the year by RM1,156,000 and RM1,179,000 respectively as disclosed in Note 2.3 (e)(ii) to the financial statements; and

**RESULTS (CONTD.)**

- (b) the effects arising from changes in estimates where the residual values of certain motor vehicles were revised resulting in an increase in the Group's and the Company's profit for the year by RM322,000 and RM22,000 respectively as disclosed in Note 2.4 to the financial statements.

**DIVIDENDS**

The amount of dividends paid by the Company since 31 December 2005 were as follows:

**RM'000**

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

|   |              |
|---|--------------|
| Final dividend of 3% less 28% taxation, on 53,271,000 ordinary shares, declared on 1 June 2006 and paid on 27 July 2006 | <u>1,151</u> |
|---|--------------|

In respect of the financial year ended 31 December 2006:

|   |              |
|---|--------------|
| Interim dividend of 3% less 28% taxation, on 54,833,000 ordinary shares, declared on 23 August 2006 and paid on 16 October 2006 | <u>1,184</u> |
|---|--------------|

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2006, of 5% (2005: 3%) less 27% (2005: 28%) taxation on 54,833,000 (2005: 51,150,000) ordinary shares, amounting to a dividend payable of RM2,001,404 (2005: RM1,104,840) or 3.65 sen (2005: 2.16 sen) net per ordinary share will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2007.

**DIRECTORS**

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

Dato' Tan Hock San @ Tan Hock Ming

Dato' Jaffar bin Indot

Seah Fook Chin

Chin Yoke Mooi @ Chin Soo Noei

Dr. Azman bin Awang

Tan Ee Ern

(appointed on 27 April 2007)

**DIRECTORS' BENEFITS**

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the Company's Executives' Share Option Scheme.

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 9 of the financial statements or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 33 to the financial statements.

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

|                                       | <b>Number of Ordinary Shares of RM1 each</b> |                 |             |                   |
|---------------------------------------|--|-----------------|-------------|-------------------|
|                                       | <b>1.1.2006</b>                              | <b>Acquired</b> | <b>Sold</b> | <b>31.12.2006</b> |
| <b>The Company</b>                    |  |                 |             |                   |
| Direct Interest:                      |  |                 |             |                   |
| Dato' Tan Hock San @<br>Tan Hock Ming | 6,558,991                                    | 311,000         | -           | 6,869,991         |
| Dato' Jaffar bin Indot                | 100,000                                      | -               | (59,000)    | 41,000            |
| Indirect Interest*:                   |  |                 |             |                   |
| Dato' Tan Hock San @<br>Tan Hock Ming | 18,135,000                                   | 125,000         | -           | 18,160,000        |
| <b>Subsidiary Company</b>             |  |                 |             |                   |
| <b>- FSBM I-Design Sdn. Bhd.</b>      |  |                 |             |                   |
| Dr. Azman bin Awang                   | 30,000                                       | -               | -           | 30,000            |

\* Indirect interest (shares held by companies in which the director is deemed to have an interest and /or shares held by spouse).

**DIRECTORS' BENEFITS (CONTD.)**

|  | <b>Number of Options over Ordinary Shares of RM1 each</b> |                  |               |                   |
|--|---|------------------|---------------|-------------------|
|  | <b>1.1.2006</b>   | <b>Exercised</b> | <b>Lapsed</b> | <b>31.12.2006</b> |
| <b>The Company</b>                       |   |                  |               |                   |
| At the option price of RM2.61 per share: |   |                  |               |                   |
| Dato' Tan Hock San @<br>Tan Hock Ming    | 100,000   | -                | (100,000)     | -                 |
| At the option price of RM1.92 per share: |   |                  |               |                   |
| Dato' Tan Hock San @<br>Tan Hock Ming    | 100,000   | -                | (100,000)     | -                 |
| At the option price of RM1.00 per share: |   |                  |               |                   |
| Dato' Tan Hock San @<br>Tan Hock Ming    | 100,000   | (100,000)        | -             | -                 |
| At the option price of RM1.06 per share: |   |                  |               |                   |
| Dato' Tan Hock San @<br>Tan Hock Ming    | 211,000   | (211,000)        | -             | -                 |

By virtue of Dato' Tan Hock San @ Tan Hock Ming's interests in the Company as shown above, he is deemed to have interests in shares in its subsidiaries to the extent the Company has an interest.

None of the other directors held any interest in shares and options over ordinary shares in the Company or its related corporations during the financial year.

**ISSUE OF SHARES**

During the financial year, the Company increased its:

- (a) issued and paid-up ordinary share capital from RM51,150,000 to RM54,833,000 by way of:
  - (i) the issuance of 2,260,000 ordinary shares of RM1 each for cash pursuant to the Company's Executives' Share Option Scheme at an average exercise price of RM1.00 per ordinary share.

## **ISSUE OF SHARES (CONTD.)**

- (ii) the issuance of 1,423,000 ordinary shares of RM1 each for cash pursuant to the Company's Executives' Share Option Scheme at an average exercise price of RM1.06 per ordinary share.

The new ordinary shares issued during the financial year ranked pari passu in all respect with the existing ordinary shares of the Company.

## **SUBSEQUENT EVENTS**

Details of the subsequent events are disclosed in Note 36 to the financial statements.

## **OTHER STATUTORY INFORMATION**

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
  - (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

**OTHER STATUTORY INFORMATION (CONTD.)**

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

**AUDITORS**

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 April 2007.

Dato' Tan Hock San @ Tan Hock Ming

Seah Fook Chin

**FSBM HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

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

We, Dato' Tan Hock San @ Tan Hock Ming and Seah Fook Chin, being two of the directors of FSBM Holdings Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 10 to 104 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 April 2007.

Dato' Tan Hock San @ Tan Hock Ming

Seah Fook Chin

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

I, Ow Eng Haw, being the officer primarily responsible for the financial management of FSBM Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 10 to 104 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by  
the abovenamed Ow Eng Haw  
at Petaling Jaya in the State of Selangor  
Darul Ehsan on 30 April 2007

Ow Eng Haw

Before me,

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
FSBM HOLDINGS BERHAD  
(Incorporated in Malaysia)**

We have audited the financial statements set out on pages 10 to 104. These financial statements are the responsibility of the Company's directors.

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

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

In our opinion:

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

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

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 16 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

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

Ernst & Young  
AF: 0039  
Chartered Accountants

Teoh Soo Hock  
No. 2477/10/07(J)  
Partner

Kuala Lumpur, Malaysia  
30 April 2007

**FSBM HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**INCOME STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

|  | Note | Group          |                              | Company        |                              |
|--|------|----------------|------------------------------|----------------|------------------------------|
|  |      | 2006<br>RM'000 | 2005<br>RM'000<br>(Restated) | 2006<br>RM'000 | 2005<br>RM'000<br>(Restated) |
| Revenue  | 3    | 101,744        | 72,681                       | 66,959         | 52,058                       |
| Cost of sales  | 4    | (68,907)       | (37,798)                     | (51,581)       | (35,987)                     |
| <b>Gross Profit</b>  |      | <u>32,837</u>  | <u>34,883</u>                | <u>15,378</u>  | <u>16,071</u>                |
| Other income   | 5    | 1,773          | 123                          | 1,598          | 99                           |
| Administrative expenses  |      | (9,251)        | (8,789)                      | (4,624)        | (5,263)                      |
| Selling and marketing expenses   |      | (2,719)        | (8,207)                      | (948)          | (577)                        |
| Other expenses   |      | (6,671)        | (7,578)                      | (877)          | 331                          |
| <b>Operating profit</b>  |      | <u>15,969</u>  | <u>10,432</u>                | <u>10,527</u>  | <u>10,661</u>                |
| Finance costs  | 6    | (995)          | (871)                        | (912)          | (855)                        |
| Share of results of associates   |      | (357)          | (103)                        | -              | -                            |
| <b>Profit before tax</b>   | 7    | <u>14,617</u>  | <u>9,458</u>                 | <u>9,615</u>   | <u>9,806</u>                 |
| Income tax expense   | 10   | (587)          | (37)                         | (382)          | (1)                          |
| <b>Profit for the year</b>   |      | <u>14,030</u>  | <u>9,421</u>                 | <u>9,233</u>   | <u>9,805</u>                 |
| Attributable to:   |      |                |                              |                |                              |
| Equity holders of the Company  |      | 14,070         | 9,366                        | 9,233          | 9,805                        |
| Minority interests   |      | (40)           | 55                           | -              | -                            |
|  |      | <u>14,030</u>  | <u>9,421</u>                 | <u>9,233</u>   | <u>9,805</u>                 |
| Earning per share attributable to equity holders of the Company (sen): |      |                |                              |                |                              |
| - basic  | 11   | 26.83          | 18.31                        |                |                              |
| - diluted  | 11   | <u>26.83</u>   | <u>16.68</u>                 |                |                              |

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

**FSBM HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**BALANCE SHEETS AS AT 31 DECEMBER 2006**

|   | Note | Group          |                              | Company        |                              |
|---|------|----------------|------------------------------|----------------|------------------------------|
|   |      | 2006<br>RM'000 | 2005<br>RM'000<br>(Restated) | 2006<br>RM'000 | 2005<br>RM'000<br>(Restated) |
| <b>ASSETS</b>   |      |                |                              |                |                              |
| <b>Non-current assets</b>                                   |      |                |                              |                |                              |
| Property, plant and equipment                               | 13   | 6,040          | 53,700                       | 1,520          | 48,476                       |
| Investment properties                                       | 14   | 54,722         | -                            | 48,895         | -                            |
| Intangible assets   | 15   | 4,794          | 4,072                        | -              | -                            |
| Investments in subsidiaries                                 | 16   | -              | -                            | 11,147         | 9,458                        |
| Investments in associates                                   | 17   | 558            | 2,367                        | -              | -                            |
| Other investments   | 21   | 348            | 348                          | 348            | 348                          |
|   |      | <u>66,462</u>  | <u>60,487</u>                | <u>61,910</u>  | <u>58,282</u>                |
| <b>Current assets</b>                                       |      |                |                              |                |                              |
| Inventories   | 18   | 79             | 84                           | -              | -                            |
| Trade and other receivables                                 | 19   | 64,273         | 32,343                       | 75,149         | 32,876                       |
| Other investments   | 21   | 3,002          | 3,019                        | 417            | 253                          |
| Tax recoverable   |      | 196            | 126                          | 3              | 5                            |
| Deposits with licensed banks                                | 22   | 4,887          | 3,560                        | 4,311          | 2,750                        |
| Cash and bank balances                                      | 22   | 1,996          | 5,492                        | 191            | 3,643                        |
|   |      | <u>74,433</u>  | <u>44,624</u>                | <u>80,071</u>  | <u>39,527</u>                |
| <b>TOTAL ASSETS</b>   |      | <u>140,895</u> | <u>105,111</u>               | <u>141,981</u> | <u>97,809</u>                |
| <b>EQUITY AND LIABILITIES</b>                               |      |                |                              |                |                              |
| <b>Equity attributable to equity holders of the Company</b> |      |                |                              |                |                              |
| Share capital   | 29   | 54,833         | 51,150                       | 54,833         | 51,150                       |
| Share premium   | 29   | 8,454          | 8,369                        | 8,454          | 8,369                        |
| Other reserves  | 30   | 666            | 14,171                       | -              | 13,534                       |
| Retained earnings/<br>(accumulated losses)                  |      | 18,944         | (6,325)                      | 5,493          | (14,939)                     |
| Shareholders' funds   |      | <u>82,897</u>  | <u>67,365</u>                | <u>68,780</u>  | <u>58,114</u>                |
| Minority interests  |      | 84             | 1,840                        | -              | -                            |
| <b>Total equity</b>   |      | <u>82,981</u>  | <u>69,205</u>                | <u>68,780</u>  | <u>58,114</u>                |

**FSBM HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**BALANCE SHEETS AS AT 31 DECEMBER 2006 (CONTD.)**

|                                     | Note | Group          |                              | Company        |                              |
|-------------------------------------|------|----------------|------------------------------|----------------|------------------------------|
|                                     |      | 2006<br>RM'000 | 2005<br>RM'000<br>(Restated) | 2006<br>RM'000 | 2005<br>RM'000<br>(Restated) |
| <b>Non-current liabilities</b>      |      |                |                              |                |                              |
| Deferred income                     | 24   | 853            | 1,246                        | -              | -                            |
| Borrowings                          | 25   | 2,803          | 4,862                        | 2,701          | 4,862                        |
| Deferred taxation                   | 28   | 5,454          | 4,965                        | 5,318          | 4,930                        |
|                                     |      | <u>9,110</u>   | <u>11,073</u>                | <u>8,019</u>   | <u>9,792</u>                 |
| <b>Current liabilities</b>          |      |                |                              |                |                              |
| Borrowings                          | 25   | 26,029         | 8,726                        | 25,996         | 8,449                        |
| Trade and other payables            | 27   | 22,775         | 16,107                       | 39,186         | 21,454                       |
|                                     |      | <u>48,804</u>  | <u>24,833</u>                | <u>65,182</u>  | <u>29,903</u>                |
| <b>Total liabilities</b>            |      | <u>57,914</u>  | <u>35,906</u>                | <u>73,201</u>  | <u>39,695</u>                |
| <b>TOTAL EQUITY AND LIABILITIES</b> |      | <u>140,895</u> | <u>105,111</u>               | <u>141,981</u> | <u>97,809</u>                |

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

**FSBM HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

|                                     | Attributable to Equity Holders of the Company |                   |                |            |                     |                      | Minority Interest | Total Equity |               |
|-------------------------------------|---|-------------------|----------------|------------|---------------------|----------------------|-------------------|--------------|---------------|
|                                     | Note  | Non-Distributable |                |            | Revaluation Reserve | (Accumulated Losses) |                   |              | Total         |
| Share Capital                       |   | Share Premium     | Other Reserves | RM'000     |                     |                      | RM'000            | RM'000       |               |
| <b>At 1 January 2005</b>            |   | 51,150            | 8,369          | 673        | 13,534              | (14,586)             | 59,140            | 4,576        | 63,716        |
| Profit for the year                 |   | -                 | -              | -          | -                   | 9,366                | 9,366             | 55           | 9,421         |
| Foreign currency translation        | 30  | -                 | -              | (36)       | -                   | -                    | (36)              | -            | (36)          |
| Dividend                            | 12  | -                 | -              | -          | -                   | (1,105)              | (1,105)           | (2,442)      | (3,547)       |
| Changes in composition of the Group |   | -                 | -              | -          | -                   | -                    | -                 | (349)        | (349)         |
| <b>At 31 December 2005</b>          |   | <u>51,150</u>     | <u>8,369</u>   | <u>637</u> | <u>13,534</u>       | <u>(6,325)</u>       | <u>67,365</u>     | <u>1,840</u> | <u>69,205</u> |

**FSBM HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTD.)**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

|   | Note | Attributable to Equity Holders of the Company |               |                |                     |   | Total         | Minority Interest | Total Equity  |
|---|------|---|---------------|----------------|---------------------|---|---------------|-------------------|---------------|
|   |      | Share Capital                                 | Share Premium | Other Reserves | Revaluation Reserve | Distributable (Accumulated Losses)/ Retained Earnings |               |                   |               |
|   |      | RM'000  | RM'000        | RM'000         | RM'000              | RM'000  | RM'000        | RM'000            |               |
| <b>At 1 January 2006</b>                  |      | 51,150  | 8,369         | 637            | 13,534              | (6,325)   | 67,365        | 1,840             | 69,205        |
| Effects of adopting: FRS 140              |      | -   | -             | -              | (13,534)            | 13,534  | -             | -                 | -             |
|   |      | <u>51,150</u>                                 | <u>8,369</u>  | <u>637</u>     | <u>-</u>            | <u>7,209</u>  | <u>67,365</u> | <u>1,840</u>      | <u>69,205</u> |
| Profit for the year                       |      | -   | -             | -              | -                   | 14,070  | 14,070        | (40)              | 14,030        |
| Foreign currency translation              | 30   | -   | -             | 29             | -                   | -   | 29            | -                 | 29            |
| Issue of ordinary shares pursuant to ESOS |      | 3,683   | 85            | -              | -                   | -   | 3,768         | -                 | 3,768         |
| Dividends                                 | 12   | -   | -             | -              | -                   | (2,335)   | (2,335)       | -                 | (2,335)       |
| Changes in composition of the Group       |      | -   | -             | -              | -                   | -   | -             | (1,725)           | (1,725)       |
| Acquisition of share in a subsidiary      |      | -   | -             | -              | -                   | -   | -             | 9                 | 9             |
| <b>At 31 December 2006</b>                |      | <u>54,833</u>                                 | <u>8,454</u>  | <u>666</u>     | <u>-</u>            | <u>18,944</u>   | <u>82,897</u> | <u>84</u>         | <u>82,981</u> |

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

**FSBM HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

|  |      | <u>Non-Distributable</u>   |                            |                                  | <u>Distributable</u>                                       |                 |
|--|------|----------------------------|----------------------------|----------------------------------|--|-----------------|
|  | Note | Share<br>Capital<br>RM'000 | Share<br>Premium<br>RM'000 | Revaluation<br>Reserve<br>RM'000 | (Accumulated<br>Losses)/<br>Retained<br>Earnings<br>RM'000 | Total<br>RM'000 |
| <b>At 1 January 2005</b>                       |      | 51,150                     | 8,369                      | 13,534                           | (23,639)   | 49,414          |
| Profit for the year                            |      | -                          | -                          | -                                | 9,805  | 9,805           |
| Dividend                                       | 12   | -                          | -                          | -                                | (1,105)  | (1,105)         |
| <b>At 31 December 2005/<br/>1 January 2006</b> |      | 51,150                     | 8,369                      | 13,534                           | (14,939)   | 58,114          |
| Effect of adopting:<br>FRS 140                 |      | -                          | -                          | (13,534)                         | 13,534   | -               |
|  |      | 51,150                     | 8,369                      | -                                | (1,405)  | 58,114          |
| Profit for the year                            |      | -                          | -                          | -                                | 9,233  | 9,233           |
| Issue of new shares:<br>Pursuant to ESOS       |      | 3,683                      | 85                         | -                                | -  | 3,768           |
| Dividends                                      | 12   | -                          | -                          | -                                | (2,335)  | (2,335)         |
| <b>At 31 December 2006</b>                     |      | <b>54,833</b>              | <b>8,454</b>               | <b>-</b>                         | <b>5,493</b>   | <b>68,780</b>   |

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

**FSBM HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

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

|   | Note | Group          |                | Company        |                |
|---|------|----------------|----------------|----------------|----------------|
|   |      | 2006<br>RM'000 | 2005<br>RM'000 | 2006<br>RM'000 | 2005<br>RM'000 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |      |                |                |                |                |
| Profit before taxation  |      | 14,617         | 9,458          | 9,615          | 9,806          |
| Adjustment for:   |      |                |                |                |                |
| Interest income   | 5    | (222)          | (81)           | (203)          | (27)           |
| Dividend income   | 3    | (9)            | (8)            | (9)            | (5,706)        |
| Finance costs   | 6    | 995            | 871            | 912            | 855            |
| Revaluation of investment property                              | 5    | (1,383)        | -              | (1,383)        | -              |
| Amortisation of intangible assets                               | 7    | 772            | 128            | -              | -              |
| Depreciation of property, plant and equipment                   | 7    | 2,155          | 4,382          | 496            | 2,371          |
| Negative goodwill on acquisition of subsidiary                  | 5    | (150)          | -              | -              | -              |
| Property, plant and equipment written off                       |      | 24             | -              | -              | -              |
| Impairment of goodwill  | 7    | 7              | -              | -              | -              |
| Development assets written off                                  | 7    | 406            | -              | -              | -              |
| Gain on disposal of property, plant and equipment               | 7    | (8)            | (67)           | (7)            | (21)           |
| Inventories written off   | 7    | -              | 72             | -              | 67             |
| Provision of doubtful debts                                     | 7    | 653            | 88             | 3,231          | 612            |
| Reversal of provision of doubtful debts                         | 7    | (7)            | -              | (4,548)        | (5,484)        |
| Provision of impairment of investment in subsidiaries           | 7    | -              | -              | 25             | 192            |
| Reversal of impairment of investment in subsidiaries            | 7    | -              | -              | (131)          | (295)          |
| Impairment of other investments                                 | 7    | -              | 97             | -              | 97             |
| Reversal of impairment of other investments                     | 7    | (164)          | -              | (164)          | -              |
| Net unrealised foreign exchange gains                           |      | (11)           | -              | (184)          | -              |
| Share of results of associates                                  |      | 357            | 103            | -              | -              |
| Operating profit before working capital changes carried forward |      | 18,032         | 15,043         | 7,650          | 2,467          |

**FSBM HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

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

|   | Note | Group          |                | Company        |                |
|---|------|----------------|----------------|----------------|----------------|
|   |      | 2006<br>RM'000 | 2005<br>RM'000 | 2006<br>RM'000 | 2005<br>RM'000 |
| Operating profit before working capital changes brought forward |      | 18,032         | 15,043         | 7,650          | 2,467          |
| Decrease in inventories   |      | 5              | 7              | -              | -              |
| (Increase)/decrease in trade and other receivables              |      | (38,475)       | 1,454          | (41,138)       | (4,319)        |
| Increase/(decrease) in trade and other payables                 |      | 6,428          | (5,717)        | 17,848         | 2,033          |
| Cash (used in)/generated from operations                        |      | (14,010)       | 10,787         | (15,640)       | 181            |
| Interest paid   |      | (1,002)        | (871)          | (781)          | (855)          |
| Taxes paid  |      | (178)          | (118)          | (2)            | (2)            |
| Taxes refund  |      | 10             | 287            | 10             | -              |
| Net cash (used in)/generated from operating activities          |      | (15,180)       | 10,085         | (16,413)       | (676)          |

**CASH FLOWS FROM INVESTING ACTIVITIES**

|  |    |         |         |         |       |
|--|----|---------|---------|---------|-------|
| Purchase of property, plant and equipment                    |    | (1,403) | (594)   | (531)   | (119) |
| Purchase of licenses   | 15 | (267)   | (3,205) | -       | -     |
| Purchase of development assets                               | 15 | (1,827) | -       | -       | -     |
| Purchase and subsequent expenditure of investment properties |    | (280)   | -       | (280)   | -     |
| Proceeds from disposal of property, plant and equipment      |    | 25      | 165     | 17      | 197   |
| Proceeds from disposal of intangible asset                   |    | -       | -       | -       | 238   |
| Acquisition of subsidiaries                                  |    | (1,574) | -       | (1,583) | (390) |
| Investment in associates                                     |    | (350)   | (75)    | -       | -     |
| Distribution from an associate                               | 17 | 1,802   | -       | -       | -     |
| Minority interests of subsidiaries acquired                  |    | -       | (402)   | -       | -     |
| Interest received  | 5  | 222     | 81      | 203     | 27    |
| Dividends received   |    | 8       | 7       | 8       | 5,705 |
| Net cash (used in)/generated from investing activities       |    | (3,644) | (4,023) | (2,166) | 5,658 |

**FSBM HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

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

|   | Note | Group          |                | Company        |                |
|---|------|----------------|----------------|----------------|----------------|
|   |      | 2006<br>RM'000 | 2005<br>RM'000 | 2006<br>RM'000 | 2005<br>RM'000 |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                 |      |                |                |                |                |
| Proceed from issuance of ordinary shares                    |      | 3,768          | -              | 3,768          | -              |
| Repayments of term loan                                     |      | (3,301)        | (813)          | (3,301)        | (813)          |
| Proceeds from hire purchase financing                       |      | 365            | 63             | 254            | 63             |
| Repayment of hire purchase financing                        |      | (325)          | (276)          | (53)           | -              |
| Proceeds from other short term borrowings                   |      | 17,614         | 3,491          | 17,464         | 3,491          |
| Repayment of other short term borrowings                    |      | (7,036)        | (1,000)        | (7,036)        | (1,000)        |
| Dividend paid   |      | (2,335)        | (3,547)        | (2,335)        | (1,105)        |
| Net cash generated from/(used in) financing activities      |      | <u>8,750</u>   | <u>(2,082)</u> | <u>8,761</u>   | <u>636</u>     |
| <b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b> |      |                |                |                |                |
|   |      | (10,074)       | 3,980          | (9,818)        | 5,618          |
| <b>EFFECTS OF EXCHANGE RATE CHANGES</b>                     |      |                |                |                |                |
|   |      | (22)           | (36)           | -              | -              |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>       |      |                |                |                |                |
|   |      | <u>9,052</u>   | <u>5,108</u>   | <u>6,393</u>   | <u>775</u>     |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>             |      |                |                |                |                |
|   | 22   | <u>(1,044)</u> | <u>9,052</u>   | <u>(3,425)</u> | <u>6,393</u>   |

**Note:**

(A) Property, plant and equipment acquired during the year were financed by:

|               |              |            |            |            |
|---------------|--------------|------------|------------|------------|
| Cash          | 1,403        | 594        | 531        | 119        |
| Hire purchase | 365          | 63         | 250        | 63         |
|               | <u>1,768</u> | <u>657</u> | <u>781</u> | <u>182</u> |

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

**FSBM HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006**

**1. CORPORATE INFORMATION**

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Second Board of Bursa Malaysia Securities. The principal place of business of the Company is located at 503, Block A, Phileo Damansara 1, No. 9, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor Darul Ehsan.

The principal activities of the Company consist of the distribution of computers, computer related products, education related products, provision of related services and investment holding. The principal activities of the subsidiaries are shown in Note 16.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 30 April 2007.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of Preparation**

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia. At the beginning of the current financial year, the Group and the Company had adopted new and revised Financial Reporting Standards which are mandatory for financial periods beginning on or after 1 January 2006 as described fully in Note 2.3.

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

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

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

### **2.2 Summary of Significant Accounting Policies**

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

##### **(i) Subsidiaries**

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

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

##### **(ii) Basis of Consolidation**

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

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

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

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

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

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

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

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

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

#### **(b) Associates**

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

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

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

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

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

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

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

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

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

#### **(c) Intangible Assets**

##### **(i) Goodwill**

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

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

#### **(c) Intangible Assets (Contd.)**

##### **(ii) Other Intangible Assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

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

##### **(iii) Research and Development Costs**

All research costs are recognised in the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditures which do not meet these criteria are expensed when incurred.

Development costs, considered to have finite useful lives, are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each balance sheet date.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

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

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

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

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

Freehold land has an unlimited useful life and therefore is not depreciated. Buildings-in-progress are also not depreciated as these assets are not available for use. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

|  |           |
|--|-----------|
| Leasehold improvements                   | 10%       |
| Computer equipment                       | 10% - 20% |
| Motor vehicles                           | 20%       |
| Furniture, fittings and office equipment | 10%       |
| Recreation facilities                    | 20%       |
| Office renovation                        | 10% - 33% |

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

#### **(d) Property, Plant and Equipment and Depreciation (Contd.)**

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

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

#### **(e) Investment Properties**

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

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

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

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

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

#### **(f) Long Term Contracts**

Where the outcome of a long term contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a long term contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

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

When the total of costs incurred on long term contracts plus, recognised profits (less recognised losses), exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

#### **(g) Impairment of Non-Financial Assets**

The carrying amounts of the Group's assets, other than investment properties, 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 to determine the amount of impairment loss.

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

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

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

#### **(g) Impairment of Non-Financial Assets (Contd.)**

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

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

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

#### **(h) Inventories**

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

Cost is determined on a weighted average basis.

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

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

#### **(i) Financial Instruments**

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

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

#### **(i) Cash and Cash Equivalents**

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

#### **(ii) Other Non-Current Investments**

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

#### **(iii) Other Investments**

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

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

#### **(i) Financial Instruments (Contd.)**

##### **(iv) Receivables**

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

##### **(v) 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.

##### **(vi) Interest Bearing Loans and Borrowings**

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

##### **(vii) Equity Instruments**

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

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

#### **(j) Leases**

##### **(i) Classification**

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

#### **(j) Leases (Contd.)**

##### **(i) Classification (Contd.)**

- Property held under finance leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (Note 2.2(e)).

##### **(ii) Finance leases - the Group as lessee**

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

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

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

#### **(k) Income Tax**

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

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

#### **(k) Income Tax (Contd.)**

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

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

#### **(l) Employee Benefits**

##### **(i) Short Term Benefits**

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

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

#### **(l) Employee Benefits (Contd.)**

##### **(ii) Defined Contribution Plans**

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the income statement as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund (“EPF”).

#### **(m) Foreign Currencies**

##### **(i) Functional and Presentation Currency**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company’s functional currency.

##### **(ii) Foreign Currency Transactions**

In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

#### **(m) Foreign Currencies (Contd.)**

##### **(ii) Foreign Currency Transactions (Contd.)**

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in income statement for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in income statement. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in income statement for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in income statement in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

##### **(iii) Foreign Operations**

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

#### **(m) Foreign Currencies (Contd.)**

##### **(iii) Foreign Operations (Contd.)**

- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

#### **(n) Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### **(i) Long term contracts**

Revenue from long term contracts is accounted for by the stage of completion method as described in Note 2.2(f).

##### **(ii) System sales**

Revenue from system sales is from short-term contracts and is recognised when an installation is completed, handed over and accepted by customer.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

#### **(n) Revenue Recognition (Contd.)**

##### **(iii) Revenue from services**

Generally, revenue from services is recognised upon the performance of services, on the following bases:

- Sale of non-refundable prepaid cards - upon sales, net of discounts.
- Hardware maintenance revenue - over the period of the maintenance contract.
- Provision of computer managed learning software for teachers - based on teacher's registrations.
- Use of software - based on an accrual basis over period of the contract.

##### **(iv) Revenue from building management**

Revenue from rental of office and car park is recognised on an accrual basis.

##### **(v) Licence fee income**

Licence fee income for rights to use of content programmes is released to the income statement over the tenure of the licensing agreement.

##### **(vi) Interest income**

Interest income is recognised on an accrual basis using the effective interest method.

##### **(vii) Dividend income**

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised Financial Reporting Standards (FRSs)

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

|         |  |
|---------|--|
| FRS 2   | Share Based Payment                                  |
| FRS 3   | Business Combinations                                |
| FRS 5   | Non Current Asset Held for Sale                      |
| FRS 101 | Presentation of Financial Statements                 |
| FRS 102 | Inventories  |
| FRS 108 | Accounting Policies, Changes in Estimates and Errors |
| FRS 110 | Events after the Balance Sheet Date                  |
| FRS 116 | Property, Plant and Equipment                        |
| FRS 121 | The Effects of Changes in Foreign Exchange Rates     |
| FRS 127 | Consolidated and Separate Financial Statement        |
| FRS 128 | Investments in Associates                            |
| FRS 131 | Interest in Joint Ventures                           |
| FRS 132 | Financial Instruments: Disclosure and Presentation   |
| FRS 133 | Earnings Per Share                                   |
| FRS 136 | Impairment of Assets                                 |
| FRS 138 | Intangible Assets                                    |
| FRS 140 | Investment Property                                  |

The Group and the Company has not early adopted the following new and revised FRSs

Effective for financial period beginning 1 October 2006:

|         |                           |
|---------|---------------------------|
| FRS 117 | Leases                    |
| FRS 124 | Related Party Disclosures |

Effective for financial period beginning on or after 1 January 2007:

|                     |   |
|---------------------|---|
| FRS 6               | Exploration for and Evaluation of Mineral Resources   |
| FRS 119 2004        | Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures                             |
| IC Interpretation 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities                                |
| IC Interpretation 2 | Members' Shares in Co-operative Entities and Similar Instruments  |
| IC Interpretation 5 | Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds     |
| IC Interpretation 6 | Liabilities arising from Participation in a Specific Market - Waste Electrical and Electronic Equipment |
| IC Interpretation 7 | Applying the Restatement Approach under FRS 119 2004 Financial Reporting in Hyperinflationary Economics |

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

Effective date deferred indefinitely:

FRS 139                      Financial Instruments: Recognition and Measurement

The adoption of revised FRS 2, 5, 102, 108, 110, 127, 128, 131, 132 and 133 does not result in significant changes in accounting policies of the Group.

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

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

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

##### (i) **Goodwill**

Prior to 1 January 2006, goodwill was amortised on a straight-line basis over its estimated useful life of 5 years and at each balance sheet date, the Group assessed if there was any indication of impairment of the cash-generating unit in which the goodwill is attached to. The adoption of FRS 3 and the revised FRS 136 has resulted in the Group ceasing annual goodwill amortisation. Goodwill is now carried at cost less accumulated impairment losses and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

In accordance with the transitional provisions of FRS 3, the Group has applied the revised accounting policy for goodwill prospectively from 1 January 2006. The transitional provisions of FRS 3 also required the Group to eliminate the carrying amount of the accumulated amortisation at 1 January 2006. The net carrying amount of goodwill as at 1 January 2006 was RMNil.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

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

##### **(i) Goodwill (Contd.)**

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2005 or prior periods. This change has no impact on the Group's and Company's financial statements.

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

Prior to 1 January 2006, negative goodwill was amortised over the weighted average useful life of the non-monetary assets acquired, except to the extent it relates to identified expected future losses as at the date of acquisition. In such cases, it was recognised in income statement as those expected losses were incurred. Under FRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisitions, after reassessment, is now recognised immediately in income statement.

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

##### **(iii) Accounting for acquisitions**

Prior to 1 January 2006, the Group did not recognise separately the acquiree's contingent liabilities at the acquisition date as part of allocating the cost of a business combination. Upon the adoption of FRS 3, contingent liabilities are now separately recognised, provided their fair values can be measured reliably.

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

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised Financial Reporting Standards (FRSs) (Contd.)****(a) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets (Contd.)****(iv) Other intangible assets**

Prior to 1 January 2006, all intangible assets were considered to have a finite useful life and were stated at cost less accumulated amortisation and impairment losses. Upon the adoption of FRS 138, the useful lives of intangible assets are now assessed at the individual asset level as having either a finite or indefinite life. In accordance with the transitional provisions of FRS 138, the change in the useful life assessment from finite to indefinite is made on a prospective basis. Development costs are considered to have finite useful lives and therefore, continue to be stated at cost less accumulated amortisation and impairment losses. This change has no impact on the Company's and Group's financial statements.

**(b) FRS 101: Presentation of Financial Statements (Contd.)****(i) Other presentation**

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

Prior to 1 January 2006, the Group's share of taxation of associates accounted for using the equity method was included as part of the Group's income tax expense in the consolidated income statement. Upon the adoption of the revised FRS 101, the share of taxation of associates accounted for using the equity method are now included in the respective shares of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before tax.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

#### **(b) FRS 101: Presentation of Financial Statements (Contd.)**

##### **(i) Other presentation (Contd.)**

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

#### **(c) FRS 121: The Effects of Changes in Foreign Exchange Rates**

##### **(i) Exchange differences on a monetary item that forms part of the Group's or the Company's net investment in a foreign operation**

Prior to 1 January 2006, exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, were recognised in equity in the consolidated financial statements. Under the revised FRS 121, such exchange differences are now recognised in income statement. The effects on the consolidated balance sheet as at 31 December 2006 and consolidated income statement for the year ended 31 December 2006 are set out in Note 2.3(e)(i) and Note 2.3(e)(ii) respectively.

In addition, prior to 1 January 2006, exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, regardless of the currency of the monetary item, were recognised in equity in the Company's separate financial statements. Under the revised FRS 121, such exchange differences are now recognised in income statement.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

#### (d) FRS 140: Investment Properties

Prior to 1 January 2006, investment properties were stated at valuation. Revaluations were carried out at least once every five years and any revaluation increase is taken to equity as a revaluation surplus. Upon the adoption of FRS 140, investment properties are now stated at fair value and gains and losses arising from changes in fair values are recognised in income statement in the year in which they arise.

The Group has applied FRS 140 in accordance with the transitional provisions. The change in accounting policy has had no impact on amounts reported for 2005 or prior periods. Instead, the changes have been accounted for by restating the following opening balances of the Group as at 1 January 2006:

|   | <b>As at<br/>1.1.2006<br/>RM'000</b> |
|---|--------------------------------------|
| Decrease in revaluation reserve (Note 30) | (13,534)                             |
| Increase in retained earnings             | <u>13,534</u>                        |

The effects on the consolidated balance sheet as at 31 December 2006 are set out in Note 2.3(e)(i) and Note 2.3(e)(ii).

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

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

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

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

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

| Description of Change        | Increase/(Decrease)                   |  |  |                                     | Total    |
|------------------------------|---------------------------------------|--|--|-------------------------------------|----------|
|                              | FRS 3<br>Note<br>2.3(a)(ii)<br>RM'000 | FRS 101<br>Note<br>2.3(b)(i)<br>RM'000 | FRS 121<br>Note<br>2.3(c)(i)<br>RM'000 | FRS 140<br>Note<br>2.3(d)<br>RM'000 |          |
| <b>Group</b>                 |                                       |  |  |                                     |          |
| Deferred tax liabilities     | -                                     | -                                      | -                                      | 388                                 | 388      |
| Other reserves               | -                                     | -                                      | 11                                     | (13,534)                            | (13,523) |
| Retained earnings            | -                                     | -                                      | -                                      | 13,534                              | 13,534   |
| Intangible assets - Goodwill | (150)                                 | -                                      | -                                      | -                                   | (150)    |
| <b>Company</b>               |                                       |  |  |                                     |          |
| Deferred tax liabilities     | -                                     | -                                      | -                                      | 388                                 | 388      |
| Other reserves               | -                                     | -                                      | -                                      | (13,534)                            | (13,534) |
| Retained earnings            | -                                     | -                                      | -                                      | 13,534                              | 13,534   |

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

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

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

| Description of Change         | Increase/(Decrease)                   |  |  |                                     | Total<br>RM'000 |
|-------------------------------|---------------------------------------|--|--|-------------------------------------|-----------------|
|                               | FRS 3<br>Note<br>2.3(a)(ii)<br>RM'000 | FRS 101<br>Note<br>2.3(b)(i)<br>RM'000 | FRS 121<br>Note<br>2.3(c)(i)<br>RM'000 | FRS 140<br>Note<br>2.3(d)<br>RM'000 |                 |
| <b>Group</b>                  |                                       |  |  |                                     |                 |
| Other income                  | 150                                   | -                                      | 11                                     | 1,383                               | 1,544           |
| Operating profit              | -                                     | -                                      | 11                                     | -                                   | 11              |
| Share of profit of associates | -                                     | (21)                                   | -                                      | -                                   | (21)            |
| Profit before tax             | -                                     | (21)                                   | 11                                     | 1,383                               | 1,373           |
| Income tax expense            | -                                     | (21)                                   | -                                      | 388                                 | 367             |
| Profit for the year           | 150                                   | -                                      | 11                                     | 995                                 | 1,156           |
| <b>Company</b>                |                                       |  |  |                                     |                 |
| Other income                  | -                                     | -                                      | -                                      | 1,383                               | 1,383           |
| Other expenses                | -                                     | -                                      | (184)                                  | -                                   | (184)           |
| Operating profit              | -                                     | -                                      | 184                                    | -                                   | 184             |
| Profit before tax             | -                                     | -                                      | 184                                    | 1,383                               | 1,567           |
| Income tax expense            | -                                     | -                                      | -                                      | 388                                 | 388             |
| Profit for the year           | -                                     | -                                      | 184                                    | 995                                 | 1,179           |

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

#### (f) Restatement of comparatives

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

| Description of Change                      | Previously<br>Stated | Increase/(Decrease)          | Restated |
|--|----------------------|------------------------------|----------|
|  |                      | FRS 101<br>Note<br>2.3(b)(i) |          |
|  | RM'000               | RM'000                       | RM'000   |
| <b>For the year ended 31 December 2005</b> |                      |                              |          |
| <b>Group</b>                               |                      |                              |          |
| Share of results of associates             | (93)                 | (10)                         | (103)    |
| Income tax expense                         | (47)                 | 10                           | (37)     |

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

### **2.4 Changes in Estimates**

The revised FRS 116: Property, Plant and Equipment requires the review of the residual value and remaining useful life of an item of property, plant and equipment at least at each financial year end. The Group revised the residual values of certain motor vehicles with effect from 1 January 2006. The revisions were accounted for prospectively as a change in accounting estimates and as a result, the depreciation charges of the Group and of the Company for the current financial year have been reduced by RM322,000 and RM22,000, respectively.

### **2.5 Significant Accounting Estimates and Judgements**

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

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

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

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

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

##### **(ii) Operating lease commitments - the Group as lessor**

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

#### **(b) Key Sources of Estimation Uncertainty**

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

##### **(i) Impairment of development costs and property, plant and equipment**

The Group determines whether goodwill, license fees and development costs are impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill, license fees and development costs are allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of license fees were RM2,968,000 (2005: RM3,655,000) and development costs were RM1,826,000 [Education RM1,500,000 and Communication & Multimedia RM326,000] (2005: RM417,000) respectively for the Group as at 31 December 2006.

Goodwill has been fully impaired by the Group for the year under review and there was no carrying amount of goodwill as at 31 December 2006 (2005: RM NIL).

For license fees, should the management's estimated gross margin of the CGU be reduced by 10%, the discounted cash flows will be negative and there will be an impairment of RM139,000.

The Education development costs are an enhancement to the existing courseware product, to be used in the proposed extension of an existing contract. As the extension contract is expected to be short-term of 6 months duration, the Group is confident there will be no impairment to its carrying amount.

For the Communication & Multimedia development costs, should the management's estimated gross margin of the CGU be reduced by 10%, the discounted cash flows will be negative and there will be an impairment of RM59,000.

**3. REVENUE**

|                               | <b>Group</b>   |               | <b>Company</b> |               |
|-------------------------------|----------------|---------------|----------------|---------------|
|                               | <b>2006</b>    | <b>2005</b>   | <b>2006</b>    | <b>2005</b>   |
|                               | <b>RM'000</b>  | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| Contract, system and services | 93,875         | 69,597        | 63,871         | 43,244        |
| Hardware maintenance          | 90             | 392           | 90             | 392           |
| Licence fee income            | 4,750          | 33            | -              | -             |
| Dividend income (gross)       | 9              | 8             | 9              | 5,706         |
| Rental income                 |                |               |                |               |
| - subsidiary companies        | -              | -             | 38             | 92            |
| - associate companies         | 418            | 383           | 340            | 383           |
| - others                      | 2,602          | 2,268         | 2,611          | 2,241         |
|                               | <b>101,744</b> | <b>72,681</b> | <b>66,959</b>  | <b>52,058</b> |

**4. COST OF SALES**

|                                 | <b>Group</b>  |               | <b>Company</b> |               |
|---------------------------------|---------------|---------------|----------------|---------------|
|                                 | <b>2006</b>   | <b>2005</b>   | <b>2006</b>    | <b>2005</b>   |
|                                 | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| Purchase of system and services | 57,842        | 28,282        | 50,903         | 35,461        |
| Staff cost                      | 11,065        | 9,516         | 678            | 526           |
|                                 | <b>68,907</b> | <b>37,798</b> | <b>51,581</b>  | <b>35,987</b> |

**5. OTHER INCOME**

|   | <b>Group</b>  |               | <b>Company</b> |               |
|---|---------------|---------------|----------------|---------------|
|   | <b>2006</b>   | <b>2005</b>   | <b>2006</b>    | <b>2005</b>   |
|   | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| Interest income                                     | 222           | 81            | 203            | 27            |
| Negative goodwill on acquisition<br>of a subsidiary | 150           | -             | -              | -             |
| Management fee from a<br>subsidiary                 | -             | -             | -              | 36            |
| Surplus on revaluation of<br>investment properties  | 1,383         | -             | 1,383          | -             |
| Miscellaneous                                       | 18            | 42            | 12             | 36            |
|   | <b>1,773</b>  | <b>123</b>    | <b>1,598</b>   | <b>99</b>     |

**6. FINANCE COSTS**

|                                | <b>Group</b>  |               | <b>Company</b> |               |
|--------------------------------|---------------|---------------|----------------|---------------|
|                                | <b>2006</b>   | <b>2005</b>   | <b>2006</b>    | <b>2005</b>   |
|                                | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| Interest expense on:           |               |               |                |               |
| Term loans                     | 479           | 671           | 479            | 671           |
| Other borrowings               | 467           | 162           | 424            | 157           |
| Loan from subsidiary companies | -             | -             | -              | 27            |
| Hire purchase liabilities      | 49            | 38            | 9              | -             |
|                                | <b>995</b>    | <b>871</b>    | <b>912</b>     | <b>855</b>    |

**7. PROFIT BEFORE TAX**

The following amounts have been included in arriving at profit before tax:

|                                  | <b>Group</b>  |               | <b>Company</b> |               |
|----------------------------------|---------------|---------------|----------------|---------------|
|                                  | <b>2006</b>   | <b>2005</b>   | <b>2006</b>    | <b>2005</b>   |
|                                  | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| Employee benefits expenses       |               |               |                |               |
| expenses (Note 8)                | 19,879        | 16,762        | 5,064          | 5,535         |
| Non-executive directors'         |               |               |                |               |
| remuneration (Note 9)            | 76            | 67            | 76             | 67            |
| Auditors' remuneration           |               |               |                |               |
| - statutory audit                | 109           | 107           | 50             | 50            |
| Amortisation of                  |               |               |                |               |
| intangible assets (Note 15)      | 772           | 119           | -              | -             |
| Negative goodwill on             |               |               |                |               |
| acquisition of subsidiary        | (150)         | -             | -              | -             |
| Impairment of goodwill (Note 15) | 7             | -             | -              | -             |
| Development assets               |               |               |                |               |
| written off (Note 15)            | 406           | -             | -              | -             |
| Depreciation of property,        |               |               |                |               |
| plant and equipment (Note 13)    | 2,155         | 4,382         | 496            | 2,371         |
| Fair value adjustment of         |               |               |                |               |
| investment properties (Note 14)  | 1,383         | -             | 1,383          | -             |
| Gain on disposal of property,    |               |               |                |               |
| plant and equipment              | (8)           | (67)          | (7)            | (21)          |
| Property, plant and equipment    |               |               |                |               |
| written off                      | 24            | -             | -              | -             |
| Inventories written off          | -             | 72            | -              | 67            |
| Investment in subsidiary         |               |               |                |               |
| companies                        |               |               |                |               |
| - impairment losses              | -             | -             | 25             | 192           |
| - reversal of impairment         | -             | -             | (131)          | (295)         |
| Provision for doubtful debts     | 653           | 88            | 3,231          | 612           |

**7. PROFIT BEFORE TAX (CONTD.)**

|  | <b>Group</b>  |               | <b>Company</b> |               |
|--|---------------|---------------|----------------|---------------|
|  | <b>2006</b>   | <b>2005</b>   | <b>2006</b>    | <b>2005</b>   |
|  | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| Reversal of provision for doubtful debts | (7)           | -             | (4,548)        | (5,484)       |
| Other investments                        |               |               |                |               |
| - impairment losses                      | -             | 97            | -              | 97            |
| - reversal of impairment                 | (164)         | -             | (164)          | -             |
| Net foreign exchange (gains)/ losses     | (315)         | 92            | (499)          | (1)           |

**8. EMPLOYEE BENEFITS EXPENSES**

|  | <b>Group</b>  |               | <b>Company</b> |               |
|--|---------------|---------------|----------------|---------------|
|  | <b>2006</b>   | <b>2005</b>   | <b>2006</b>    | <b>2005</b>   |
|  | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| Wages and salaries                         | 16,959        | 14,262        | 3,980          | 4,458         |
| Social security contributions              | 126           | 117           | 21             | 26            |
| Contributions to defined contribution plan | 1,889         | 1,643         | 492            | 556           |
| Other benefits                             | 905           | 740           | 571            | 495           |
|  | <u>19,879</u> | <u>16,762</u> | <u>5,064</u>   | <u>5,535</u>  |

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM1,951,000 (2005: RM1,741,000) and RM1,473,000 (2005: RM1,374,000) respectively as further disclosed in Note 9.

**9. DIRECTORS' REMUNERATION**

|   | <b>Group</b>  |               | <b>Company</b> |               |
|---|---------------|---------------|----------------|---------------|
|   | <b>2006</b>   | <b>2005</b>   | <b>2006</b>    | <b>2005</b>   |
|   | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| Executive directors' remuneration (Note 8): |               |               |                |               |
| Fees  | 20            | 20            | 20             | 20            |
| Other emoluments                            | 1,931         | 1,721         | 1,453          | 1,354         |
|   | <u>1,951</u>  | <u>1,741</u>  | <u>1,473</u>   | <u>1,374</u>  |

**9. DIRECTORS' REMUNERATION (CONTD.)**

|   | <b>Group</b> |              | <b>Company</b> |              |
|---|--------------|--------------|----------------|--------------|
|   | <b>2006</b>  | <b>2005</b>  | <b>2006</b>    | <b>2005</b>  |
| Non-executive directors' remuneration (Note 7):         |              |              |                |              |
| Fees  | 45           | 30           | 45             | 30           |
| Other emoluments  | 31           | 37           | 31             | 37           |
|   | <u>76</u>    | <u>67</u>    | <u>76</u>      | <u>67</u>    |
| Total directors' remuneration                           | 2,027        | 1,808        | 1,549          | 1,441        |
| Estimated money value of benefits-in-kind               | 64           | 66           | 52             | 52           |
| Total directors' remuneration including benefit-in-kind | <u>2,091</u> | <u>1,874</u> | <u>1,601</u>   | <u>1,493</u> |

The details of remuneration receivable by directors of the Company during the year are as follow:

|   | <b>Group</b>  |               | <b>Company</b> |               |
|---|---------------|---------------|----------------|---------------|
|   | <b>2006</b>   | <b>2005</b>   | <b>2006</b>    | <b>2005</b>   |
|   | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| Executive:                                |               |               |                |               |
| Salaries and other emoluments             | 1,069         | 934           | 653            | 669           |
| Fees                                      | 20            | 20            | 20             | 20            |
| Bonus:                                    |               |               |                |               |
| - current years' provisions               | 632           | 399           | 621            | 399           |
| - under provision in prior year           | -             | 216           | -              | 216           |
| Defined contribution plan                 | 230           | 172           | 179            | 70            |
| Estimated money value of benefits-in-kind | 64            | 66            | 52             | 52            |
|   | <u>2,015</u>  | <u>1,807</u>  | <u>1,525</u>   | <u>1,426</u>  |
| Non-Executive:                            |               |               |                |               |
| Fees                                      | 45            | 30            | 45             | 30            |
| Other emolument                           | 31            | 37            | 31             | 37            |
|   | <u>76</u>     | <u>67</u>     | <u>76</u>      | <u>67</u>     |
|   | <u>2,091</u>  | <u>1,874</u>  | <u>1,601</u>   | <u>1,493</u>  |

**9. DIRECTORS' REMUNERATION (CONTD.)**

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

|                           | <b>Number of Directors</b> |             |
|---------------------------|----------------------------|-------------|
|                           | <b>2006</b>                | <b>2005</b> |
| Executive directors:      |                            |             |
| RM50,001 - RM100,000      | 1                          | 1           |
| RM1,300,001 - RM1,400,000 | -                          | 1           |
| RM1,400,001 - RM1,500,000 | 1                          | -           |
| Non-executive directors:  |                            |             |
| RM1 - RM50,000            | 3                          | 3           |

**10. TAXATION**

|  | <b>Group</b>  |               | <b>Company</b> |               |
|--|---------------|---------------|----------------|---------------|
|  | <b>2006</b>   | <b>2005</b>   | <b>2006</b>    | <b>2005</b>   |
|  | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| Current income tax:  |               |               |                |               |
| Malaysian income tax   | 200           | 54            | 1              | 1             |
| Overprovision in prior years                                     | (1)           | (11)          | (7)            | -             |
|  | <u>199</u>    | <u>43</u>     | <u>(6)</u>     | <u>1</u>      |
| Deferred taxation (Note 28):                                     |               |               |                |               |
| Relating to origination and reversal<br>of temporary differences | 388           | -             | 388            | -             |
| (Over)/under provision in<br>prior years                         | -             | (6)           | -              | -             |
|  | <u>587</u>    | <u>37</u>     | <u>382</u>     | <u>1</u>      |

Domestic current income tax is calculated at the Malaysian statutory tax rate of 28% (2005: 28%) of the estimated assessable profit for the year. The Malaysian statutory tax rate will be reduced to 27% from the current year's rate of 28%, effective year of assessment 2007 and to 26% effective year of assessment 2008. The computation of deferred tax as at 31 December 2006 has reflected these changes.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

**10. TAXATION (CONTD.)**

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

|   | <b>Group</b>  |               | <b>Company</b> |               |
|---|---------------|---------------|----------------|---------------|
|   | <b>2006</b>   | <b>2005</b>   | <b>2006</b>    | <b>2005</b>   |
|   | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| Profit before taxation  | 14,617        | 9,458         | 9,615          | 9,806         |
| Taxation at statutory tax rate of 28% (2005: 28%)   | 4,093         | 2,648         | 2,692          | 2,745         |
| Different tax rates in other countries  | -             | 26            | -              | -             |
| Different tax rates for small and medium scale companies  | 40            | (24)          | -              | -             |
| Effect of different tax rate of 5%  | 952           | -             | 952            | -             |
| Effect on opening deferred tax  |               |               | 166            | -             |
| Income not subject to tax   | (1,225)       | (419)         | (1)            | (1,597)       |
| Expenses not deductible for tax purposes  | 2,048         | 684           | 621            | 546           |
| Utilisation of previously unrecognised tax losses and unabsorbed capital allowances                               | (5,291)       | (1,978)       | (4,042)        | (291)         |
| Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances      | 1,180         | 522           | -              | -             |
| Deferred tax assets recognised in respect of previously unrecognised tax losses and unabsorbed capital allowances | (1,190)       | (1,405)       | -              | (1,402)       |
| (Over)/underprovision of deferred tax in prior years  | -             | (6)           | -              | -             |
| Overprovision of tax expense in prior years   | (20)          | (11)          | (6)            | -             |
| Income tax expense for the year   | 587           | 37            | 382            | 1             |

**10. TAXATION (CONTD.)**

|  | <b>Group</b>  |               | <b>Company</b> |               |
|--|---------------|---------------|----------------|---------------|
|  | <b>2006</b>   | <b>2005</b>   | <b>2006</b>    | <b>2005</b>   |
|  | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| Tax saving during the financial year arising from:                   |               |               |                |               |
| Utilisation of previously unrecognised tax losses                    | 1,209         | 1,560         | -              | -             |
| Utilisation of current year capital allowances                       | -             | 511           | -              | 510           |
| Utilisation of previously unrecognised unabsorbed capital allowances | <u>26,176</u> | <u>729</u>    | <u>17,512</u>  | <u>291</u>    |

**11. EARNINGS PER SHARE****(a) Basic**

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

|  | <b>Group</b>  |               |
|--|---------------|---------------|
|  | <b>2006</b>   | <b>2005</b>   |
| Profit attributable to ordinary equity holders of the Company (RM'000) | 14,070        | 9,366         |
| Weighted average number of ordinary shares in issue ('000)             | <u>52,442</u> | <u>51,150</u> |
| Basic earnings per share (sen)   | <u>26.83</u>  | <u>18.31</u>  |

**(b) Diluted**

For the purpose of calculating diluted earnings per share, the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares, i.e. share options granted to employees.

|  | <b>Group</b>  |              |
|--|---------------|--------------|
|  | <b>2006</b>   | <b>2005</b>  |
| Profit attributable to ordinary equity holders of the Company (RM'000) | <u>14,070</u> | <u>9,366</u> |
| Weighted average number of ordinary shares in issue ('000)             | 52,442        | 51,150       |
| Effect of dilution of share options ('000)                             | <u>-</u>      | <u>4,989</u> |
| Diluted earnings per share (sen)                                       | <u>26.83</u>  | <u>16.68</u> |

**12. DIVIDENDS**

|  | <b>Dividends</b>          |               | <b>Dividends</b>          |               |
|--|---------------------------|---------------|---------------------------|---------------|
|  | <b>in respect of Year</b> |               | <b>Recognised in Year</b> |               |
|  | <b>2006</b>               | <b>2005</b>   | <b>2006</b>               | <b>2005</b>   |
|  | <b>RM'000</b>             | <b>RM'000</b> | <b>RM'000</b>             | <b>RM'000</b> |
| <b>Recognised during the year:</b>   |                           |               |                           |               |
| Interim dividend for 2005:   |                           |               |                           |               |
| 3% less 28% taxation,<br>on 51,150,000 ordinary<br>shares (2.16 sen per ordinary<br>share) | -                         | 1,105         | -                         | 1,105         |
| Final dividend for 2005:   |                           |               |                           |               |
| 3% less 28% taxation,<br>on 53,271,000 ordinary<br>shares (2.16 sen per ordinary<br>share) | 1,151                     | -             | 1,151                     | -             |
| Interim dividend for 2006:   |                           |               |                           |               |
| 3% less 28% taxation,<br>on 54,833,000 ordinary<br>shares (2.16 sen per ordinary<br>share) | 1,184                     | -             | 1,184                     | -             |
|  | <u>2,335</u>              | <u>1,105</u>  | <u>2,335</u>              | <u>1,105</u>  |

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2006, of 5% (2005: 3%) less 27% (2005: 28%) taxation on 54,833,000 (2005: 51,150,000) ordinary shares, amounting to a dividend payable of RM2,001,404 (2005: RM1,104,840) or 3.65 sen (2005: 2.16 sen) net per ordinary share will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2007.

**13. PROPERTY, PLANT AND EQUIPMENT**

| <b>Group</b>                             | <b>Land and<br/>buildings *<br/>RM'000</b> | <b>Computer<br/>equipment<br/>RM'000</b> | <b>Motor<br/>vehicles<br/>RM'000</b> | <b>Furniture,<br/>fittings and<br/>office<br/>equipment<br/>RM'000</b> | <b>Recreation<br/>facilities<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|--|--|--|--------------------------------------|--|---|-------------------------|
| <b>At 31 December 2006</b>               |  |  |                                      |  |   |                         |
| <b>Cost/Valuation</b>                    |  |  |                                      |  |   |                         |
| At 1 January 2006                        |  |  |                                      |  |   |                         |
| At cost                                  | 1,321                                      | 14,860                                   | 2,562                                | 13,747   | 74  | 32,564                  |
| At valuation                             | 39,000                                     | -  | -                                    | -  | -   | 39,000                  |
|  | 40,321                                     | 14,860                                   | 2,562                                | 13,747   | 74  | 71,564                  |
| Reclassified to investment<br>properties | (39,920)                                   | -  | -                                    | (12,102)   | -   | (52,022)                |
| At 1 January 2006 (Restated)             | 401  | 14,860                                   | 2,562                                | 1,645  | 74  | 19,542                  |
| Additions                                | 140  | 891                                      | 405                                  | 332  | -   | 1,768                   |
| Disposals                                | -  | (68)                                     | (52)                                 | (4)  | -   | (124)                   |
| Write offs                               | -  | (41)                                     | -                                    | -  | -   | (41)                    |
| At 31 December 2006                      | 541  | 15,642                                   | 2,915                                | 1,973  | 74  | 21,145                  |
| Representing:                            |  |  |                                      |  |   |                         |
| At cost                                  | 541  | 15,642                                   | 2,915                                | 1,973  | 74  | 21,145                  |

**13. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**

| <b>Group</b>                             | <b>Land and<br/>buildings *<br/>RM'000</b> | <b>Computer<br/>equipment<br/>RM'000</b> | <b>Motor<br/>vehicles<br/>RM'000</b> | <b>Furniture,<br/>fittings and<br/>office<br/>equipment<br/>RM'000</b> | <b>Recreation<br/>facilities<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|--|--|--|--------------------------------------|--|---|-------------------------|
| <b>At 31 December 2006 (Contd.)</b>      |  |  |                                      |  |   |                         |
| <b>Accumulated Depreciation</b>          |  |  |                                      |  |   |                         |
| At 1 January 2006                        | 1,681                                      | 9,575                                    | 2,030                                | 4,505  | 73  | 17,864                  |
| Reclassified to investment<br>properties | (1,528)                                    | -  | -                                    | (3,262)  | -   | (4,790)                 |
| At 1 January 2006 (Restated)             | 153  | 9,575                                    | 2,030                                | 1,243  | 73  | 13,074                  |
| Depreciation charge for the year         | 40   | 1,975                                    | 27                                   | 113  | -   | 2,155                   |
| Disposals                                | -  | (54)                                     | (52)                                 | (1)  | -   | (107)                   |
| Write offs                               | -  | (17)                                     | -                                    | -  | -   | (17)                    |
| At 31 December 2006                      | 193  | 11,479                                   | 2,005                                | 1,355  | 73  | 15,105                  |
| <b>Net Carrying Amount</b>               |  |  |                                      |  |   |                         |
| At 31 December 2006                      |  |  |                                      |  |   |                         |
| At cost                                  | 348  | 4,163                                    | 910                                  | 618  | 1   | 6,040                   |

**13. PROPERTY, PLANT AND EQUIPMENT (CONTD.)****\* Land and Buildings of the Group:**

| <b>Group</b>                             | <b>Freehold<br/>land<br/>RM'000</b> | <b>Buildings<br/>RM'000</b> | <b>Leasehold<br/>improvements<br/>RM'000</b> | <b>Freehold<br/>apartments<br/>RM'000</b> | <b>Leasehold<br/>apartments<br/>RM'000</b> | <b>Office<br/>renovation<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|--|-------------------------------------|-----------------------------|--|---|--|---|-------------------------|
| <b>At 31 December 2006</b>               |                                     |                             |  |   |  |   |                         |
| <b>Cost or valuation</b>                 |                                     |                             |  |   |  |   |                         |
| <b>At 1 January 2006</b>                 |                                     |                             |  |   |  |   |                         |
| At cost                                  | -                                   | -                           | 30   | 727                                       | 193  | 371                                     | 1,321                   |
| At valuation                             | 5,000                               | 34,000                      | -  | -   | -  | -                                       | 39,000                  |
|  | 5,000                               | 34,000                      | 30   | 727                                       | 193  | 371                                     | 40,321                  |
| Reclassified to investment<br>properties | (5,000)                             | (34,000)                    | -  | (727)                                     | (193)                                      | -                                       | (39,920)                |
| At 1 January 2006 (Restated)             | -                                   | -                           | 30   | -   | -  | 371                                     | 401                     |
| Additions                                | -                                   | -                           | -  | -   | -  | 140                                     | 140                     |
| At 31 December 2006                      | -                                   | -                           | 30   | -   | -  | 511                                     | 541                     |
| <b>Representing:</b>                     |                                     |                             |  |   |  |   |                         |
| At cost                                  | -                                   | -                           | 30   | -   | -  | 511                                     | 541                     |

**13. PROPERTY, PLANT AND EQUIPMENT (CONTD.)****\* Land and Buildings of the Group:**

| <b>Group</b>                             | <b>Freehold<br/>land<br/>RM'000</b> | <b>Buildings<br/>RM'000</b> | <b>Leasehold<br/>improvements<br/>RM'000</b> | <b>Freehold<br/>apartments<br/>RM'000</b> | <b>Leasehold<br/>apartments<br/>RM'000</b> | <b>Office<br/>renovation<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|--|-------------------------------------|-----------------------------|--|---|--|---|-------------------------|
| <b>At 31 December 2006<br/>(Contd.)</b>  |                                     |                             |  |   |  |   |                         |
| <b>Accumulated<br/>Depreciation</b>      |                                     |                             |  |   |  |   |                         |
| At 1 January 2006                        | -                                   | 1,302                       | 18   | 179                                       | 47   | 135                                     | 1,681                   |
| Reclassified to investment<br>properties | -                                   | (1,302)                     | -  | (179)                                     | (47)                                       | -                                       | (1,528)                 |
| At 1 January 2006 (Restated)             | -                                   | -                           | 18   | -   | -  | 135                                     | 153                     |
| Depreciation charge<br>for the year      | -                                   | -                           | 3  | -   | -  | 37                                      | 40                      |
| At 31 December 2006                      | -                                   | -                           | 21   | -   | -  | 172                                     | 193                     |
| <b>Net Carrying Amount</b>               |                                     |                             |  |   |  |   |                         |
| At 31 December 2006<br>At cost           | -                                   | -                           | 9  | -   | -  | 339                                     | 348                     |

**13. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**

| <b>Group</b>               | <b>Land and<br/>buildings *<br/>RM'000</b> | <b>Computer<br/>equipment<br/>RM'000</b> | <b>Motor<br/>vehicles<br/>RM'000</b> | <b>Furniture,<br/>fittings and<br/>office<br/>equipment<br/>RM'000</b> | <b>Recreation<br/>facilities<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|----------------------------|--|--|--------------------------------------|--|---|-------------------------|
| <b>At 31 December 2005</b> |  |  |                                      |  |   |                         |
| <b>Cost/Valuation</b>      |  |  |                                      |  |   |                         |
| At 1 January 2005          |  |  |                                      |  |   |                         |
| At cost                    | 3,034                                      | 14,707                                   | 2,833                                | 11,877   | 74  | 32,525                  |
| At valuation               | 39,000                                     | -  | -                                    | -  | -   | 39,000                  |
|                            | 42,034                                     | 14,707                                   | 2,833                                | 11,877   | 74  | 71,525                  |
| Additions                  | 99   | 433                                      | 67                                   | 58   | -   | 657                     |
| Reclassification           | (1,812)                                    | -  | -                                    | 1,812  | -   | -                       |
| Disposals                  | -  | (280)                                    | (338)                                | -  | -   | (618)                   |
| At 31 December 2005        | 40,321                                     | 14,860                                   | 2,562                                | 13,747   | 74  | 71,564                  |
| Representing:              |  |  |                                      |  |   |                         |
| At cost                    | 1,321                                      | 14,860                                   | 2,562                                | 13,747   | 74  | 32,564                  |
| At valuation               | 39,000                                     | -  | -                                    | -  | -   | 39,000                  |
|                            | 40,321                                     | 14,860                                   | 2,562                                | 13,747   | 74  | 71,564                  |

**13. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**

| <b>Group</b>                        | <b>Land and<br/>buildings *<br/>RM'000</b> | <b>Computer<br/>equipment<br/>RM'000</b> | <b>Motor<br/>vehicles<br/>RM'000</b> | <b>Furniture,<br/>fittings and<br/>office<br/>equipment<br/>RM'000</b> | <b>Recreation<br/>facilities<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|-------------------------------------|--|--|--------------------------------------|--|---|-------------------------|
| <b>At 31 December 2005 (Contd.)</b> |  |  |                                      |  |   |                         |
| <b>Accumulated Depreciation</b>     |  |  |                                      |  |   |                         |
| At 1 January 2005                   | 911  | 7,661                                    | 2,038                                | 3,319  | 73  | 14,002                  |
| Depreciation charge for the year    | 770  | 2,112                                    | 314                                  | 1,186  | -   | 4,382                   |
| Disposals                           | -  | (198)                                    | (322)                                | -  | -   | (520)                   |
| At 31 December 2005                 | 1,681                                      | 9,575                                    | 2,030                                | 4,505  | 73  | 17,864                  |
| <b>Net Carrying Amount</b>          |  |  |                                      |  |   |                         |
| At 31 December 2005                 |  |  |                                      |  |   |                         |
| At cost                             | 942  | 5,285                                    | 532                                  | 9,242  | 1   | 16,002                  |
| At valuation                        | 37,698                                     | -  | -                                    | -  | -   | 37,698                  |
|                                     | 38,640                                     | 5,285                                    | 532                                  | 9,242  | 1   | 53,700                  |

**13. PROPERTY, PLANT AND EQUIPMENT (CONTD.)****\* Land and Buildings of the Group:**

| <b>Group</b>               | <b>Freehold<br/>land<br/>RM'000</b> | <b>Buildings<br/>RM'000</b> | <b>Leasehold<br/>improvements<br/>RM'000</b> | <b>Freehold<br/>apartments<br/>RM'000</b> | <b>Leasehold<br/>apartments<br/>RM'000</b> | <b>Building<br/>in progress<br/>RM'000</b> | <b>Office<br/>renovation<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|----------------------------|-------------------------------------|-----------------------------|--|---|--|--|---|-------------------------|
| <b>At 31 December 2005</b> |                                     |                             |  |   |  |  |   |                         |
| <b>Cost or valuation</b>   |                                     |                             |  |   |  |  |   |                         |
| <b>At 1 January 2005</b>   |                                     |                             |  |   |  |  |   |                         |
| At cost                    | -                                   | -                           | 30   | 727                                       | 193  | 1,722                                      | 362                                     | 3,034                   |
| At valuation               | 5,000                               | 34,000                      | -  | -   | -  | -  | -                                       | 39,000                  |
|                            | 5,000                               | 34,000                      | 30   | 727                                       | 193  | 1,722                                      | 362                                     | 42,034                  |
| Additions                  | -                                   | -                           | -  | -   | -  | 90   | 9                                       | 99                      |
| Reclassification           | -                                   | -                           | -  | -   | -  | (1,812)                                    | -                                       | (1,812)                 |
| At 31 December 2005        | 5,000                               | 34,000                      | 30   | 727                                       | 193  | -  | 371                                     | 40,321                  |
| <b>Representing:</b>       |                                     |                             |  |   |  |  |   |                         |
| At cost                    | -                                   | -                           | 30   | 727                                       | 193  | -  | 371                                     | 1,321                   |
| At valuation               | 5,000                               | 34,000                      | -  | -   | -  | -  | -                                       | 39,000                  |
|                            | 5,000                               | 34,000                      | 30   | 727                                       | 193  | -  | 371                                     | 40,321                  |

**13. PROPERTY, PLANT AND EQUIPMENT (CONTD.)****\* Land and Buildings of the Group:**

| <b>Group</b>                            | <b>Freehold<br/>land<br/>RM'000</b> | <b>Buildings<br/>RM'000</b> | <b>Leasehold<br/>improvements<br/>RM'000</b> | <b>Freehold<br/>apartments<br/>RM'000</b> | <b>Leasehold<br/>apartments<br/>RM'000</b> | <b>Building<br/>in progress<br/>RM'000</b> | <b>Office<br/>renovation<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|---|-------------------------------------|-----------------------------|--|---|--|--|---|-------------------------|
| <b>At 31 December 2005<br/>(Contd.)</b> |                                     |                             |  |   |  |  |   |                         |
| <b>Accumulated<br/>Depreciation</b>     |                                     |                             |  |   |  |  |   |                         |
| At 1 January 2005                       | -                                   | 592                         | 15   | 163                                       | 43   | -  | 98                                      | 911                     |
| Depreciation charge<br>for the year     | -                                   | 710                         | 3  | 16  | 4  | -  | 37                                      | 770                     |
| At 31 December 2005                     | -                                   | 1,302                       | 18   | 179                                       | 47   | -  | 135                                     | 1,681                   |
| <b>Net Carrying Amount</b>              |                                     |                             |  |   |  |  |   |                         |
| <b>At 31 December 2005</b>              |                                     |                             |  |   |  |  |   |                         |
| At cost                                 | -                                   | -                           | 12   | 548                                       | 146  | -  | 236                                     | 942                     |
| At valuation                            | 5,000                               | 32,698                      | -  | -   | -  | -  | -                                       | 37,698                  |
|   | 5,000                               | 32,698                      | 12   | 548                                       | 146  | -  | 236                                     | 38,640                  |

**13. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**

|  | <b>Freehold<br/>land<br/>RM'000</b> | <b>Buildings<br/>RM'000</b> | <b>Freehold<br/>apartments<br/>RM'000</b> | <b>Leasehold<br/>apartment<br/>RM'000</b> | <b>Office<br/>renovation<br/>RM'000</b> | <b>Computer<br/>equipment<br/>RM'000</b> | <b>Motor<br/>vehicles<br/>RM'000</b> | <b>Furniture,<br/>fittings<br/>and office<br/>equipment<br/>RM'000</b> | <b>Recreation<br/>facilities<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|--|-------------------------------------|-----------------------------|---|---|---|--|--------------------------------------|--|---|-------------------------|
| <b>Company</b>                           |                                     |                             |   |   |   |  |                                      |  |   |                         |
| <b>At 31 December 2006</b>               |                                     |                             |   |   |   |  |                                      |  |   |                         |
| <b>Cost/Valuation</b>                    |                                     |                             |   |   |   |  |                                      |  |   |                         |
| At 1 January 2006                        | 5,000                               | 34,098                      | 727                                       | 193                                       | 16                                      | 3,527                                    | 902                                  | 13,254   | 74  | 57,791                  |
| Reclassified to<br>investment properties | (5,000)                             | (34,098)                    | (727)                                     | (193)                                     | -                                       | -  | -                                    | (12,004)   | -   | (52,022)                |
| At 1 January 2006<br>(Restated)          | -                                   | -                           | -   | -   | 16                                      | 3,527                                    | 902                                  | 1,250  | 74  | 5,769                   |
| Additions                                | -                                   | -                           | -   | -   | 140                                     | 81                                       | 250                                  | 311  | -   | 782                     |
| Disposals                                | -                                   | -                           | -   | -   | -                                       | (17)                                     | (53)                                 | -  | -   | (70)                    |
| At 31 December 2006                      | -                                   | -                           | -   | -   | 156                                     | 3,591                                    | 1,099                                | 1,561  | 74  | 6,481                   |
| Representing:                            |                                     |                             |   |   |   |  |                                      |  |   |                         |
| At cost                                  | -                                   | -                           | -   | -   | 156                                     | 3,591                                    | 1,099                                | 1,560  | 74  | 6,480                   |

**13. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**

|  | Freehold<br>land<br>RM'000 | Buildings<br>RM'000 | Freehold<br>apartments<br>RM'000 | Leasehold<br>apartment<br>RM'000 | Office<br>renovation<br>RM'000 | Computer<br>equipment<br>RM'000 | Motor<br>vehicles<br>RM'000 | Furniture,<br>fittings<br>and office<br>equipment<br>RM'000 | Recreation<br>facilities<br>RM'000 | Total<br>RM'000 |
|--|----------------------------|---------------------|----------------------------------|----------------------------------|--------------------------------|---------------------------------|-----------------------------|---|------------------------------------|-----------------|
| <b>Company</b>                           |                            |                     |                                  |                                  |                                |                                 |                             |   |                                    |                 |
| <b>At 31 December 2006</b>               |                            |                     |                                  |                                  |                                |                                 |                             |   |                                    |                 |
| <b>(Contd.)</b>                          |                            |                     |                                  |                                  |                                |                                 |                             |   |                                    |                 |
| <b>Accumulated Depreciation</b>          |                            |                     |                                  |                                  |                                |                                 |                             |   |                                    |                 |
| At 1 January 2006                        | -                          | 1,302               | 179                              | 47                               | 5                              | 2,621                           | 834                         | 4,254   | 73                                 | 9,315           |
| Reclassified to<br>investment properties | -                          | (1,302)             | (179)                            | (47)                             | -                              | -                               | -                           | (3,262)   | -                                  | (4,790)         |
| At 1 January 2006<br>(Restated)          | -                          | -                   | -                                | -                                | 5                              | 2,621                           | 834                         | 992   | 73                                 | 4,525           |
| Depreciation charge for<br>the year      | -                          | -                   | -                                | -                                | 2                              | 410                             | 24                          | 60  | -                                  | 496             |
| Disposals                                | -                          | -                   | -                                | -                                | -                              | (8)                             | (52)                        | -   | -                                  | (60)            |
| At 31 December 2006                      | -                          | -                   | -                                | -                                | 7                              | 3,023                           | 806                         | 1,052   | 73                                 | 4,961           |
| <b>Net Carrying Amount</b>               |                            |                     |                                  |                                  |                                |                                 |                             |   |                                    |                 |
| At 31 December 2006                      |                            |                     |                                  |                                  |                                |                                 |                             |   |                                    |                 |
| At cost                                  | -                          | -                   | -                                | -                                | 149                            | 568                             | 293                         | 509   | 1                                  | 1,520           |

**13. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**

|                                     | <b>Freehold<br/>land<br/>RM'000</b> | <b>Buildings<br/>RM'000</b> | <b>Freehold<br/>apartments<br/>RM'000</b> | <b>Leasehold<br/>apartment<br/>RM'000</b> | <b>Office<br/>renovation<br/>RM'000</b> | <b>Building<br/>in progress<br/>RM'000</b> | <b>Computer<br/>equipment<br/>RM'000</b> | <b>Motor<br/>vehicles<br/>RM'000</b> | <b>Furniture,<br/>fittings<br/>and office<br/>equipment<br/>RM'000</b> | <b>Recreation<br/>facilities<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|-------------------------------------|-------------------------------------|-----------------------------|---|---|---|--|--|--------------------------------------|--|---|-------------------------|
| <b>Company</b>                      |                                     |                             |   |   |   |  |  |                                      |  |   |                         |
| <b>At 31 December 2005</b>          |                                     |                             |   |   |   |  |  |                                      |  |   |                         |
| <b>Cost/Valuation</b>               |                                     |                             |   |   |   |  |  |                                      |  |   |                         |
| At 1 January 2005                   | 5,000                               | 34,098                      | 727                                       | 193                                       | 16                                      | 1,768                                      | 3,867                                    | 1,015                                | 11,386   | 74  | 58,144                  |
| Additions                           | -                                   | -                           | -   | -   | -                                       | 90   | 15                                       | 67                                   | 10   | -   | 182                     |
| Transfer to<br>subsidiary companies | -                                   | -                           | -   | -   | -                                       | -  | (245)                                    | -                                    | -  | -   | (245)                   |
| Reclassification                    | -                                   | -                           | -   | -   | -                                       | (1,858)                                    | -  | -                                    | 1,858  | -   | -                       |
| Disposals                           | -                                   | -                           | -   | -   | -                                       | -  | (110)                                    | (180)                                | -  | -   | (290)                   |
| At 31 December 2005                 | <u>5,000</u>                        | <u>34,098</u>               | <u>727</u>                                | <u>193</u>                                | <u>16</u>                               | <u>-</u>                                   | <u>3,527</u>                             | <u>902</u>                           | <u>13,254</u>  | <u>74</u>                                   | <u>57,791</u>           |
| <b>Representing:</b>                |                                     |                             |   |   |   |  |  |                                      |  |   |                         |
| At cost                             | -                                   | -                           | 727                                       | 193                                       | 16                                      | -  | 3,527                                    | 902                                  | 13,254   | 74  | 18,693                  |
| At valuation                        | <u>5,000</u>                        | <u>34,098</u>               | <u>-</u>                                  | <u>-</u>                                  | <u>-</u>                                | <u>-</u>                                   | <u>-</u>                                 | <u>-</u>                             | <u>-</u>   | <u>-</u>                                    | <u>39,098</u>           |
|                                     | <u>5,000</u>                        | <u>34,098</u>               | <u>727</u>                                | <u>193</u>                                | <u>16</u>                               | <u>-</u>                                   | <u>3,527</u>                             | <u>902</u>                           | <u>13,254</u>  | <u>74</u>                                   | <u>57,791</u>           |

**13. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**

|                                     | Freehold<br>land<br>RM'000 | Buildings<br>RM'000 | Freehold<br>apartments<br>RM'000 | Leasehold<br>apartment<br>RM'000 | Office<br>renovation<br>RM'000 | Building<br>in progress<br>RM'000 | Computer<br>equipment<br>RM'000 | Motor<br>vehicles<br>RM'000 | Furniture,<br>fittings<br>and office<br>equipment<br>RM'000 | Recreation<br>facilities<br>RM'000 | Total<br>RM'000 |
|-------------------------------------|----------------------------|---------------------|----------------------------------|----------------------------------|--------------------------------|-----------------------------------|---------------------------------|-----------------------------|---|------------------------------------|-----------------|
| <b>Company</b>                      |                            |                     |                                  |                                  |                                |                                   |                                 |                             |   |                                    |                 |
| <b>At 31 December 2005</b>          |                            |                     |                                  |                                  |                                |                                   |                                 |                             |   |                                    |                 |
| <b>(Contd.)</b>                     |                            |                     |                                  |                                  |                                |                                   |                                 |                             |   |                                    |                 |
| <b>Accumulated Depreciation</b>     |                            |                     |                                  |                                  |                                |                                   |                                 |                             |   |                                    |                 |
| At 1 January 2005                   | -                          | 592                 | 163                              | 43                               | 3                              | -                                 | 2,298                           | 1,012                       | 3,119   | 73                                 | 7,303           |
| Depreciation charge for<br>the year | -                          | 710                 | 16                               | 4                                | 2                              | -                                 | 502                             | 2                           | 1,135   | -                                  | 2,371           |
| Transfer to<br>subsidiary companies | -                          | -                   | -                                | -                                | -                              | -                                 | (132)                           | -                           | -   | -                                  | (132)           |
| Disposals                           | -                          | -                   | -                                | -                                | -                              | -                                 | (47)                            | (180)                       | -   | -                                  | (227)           |
| At 31 December 2005                 | -                          | 1,302               | 179                              | 47                               | 5                              | -                                 | 2,621                           | 834                         | 4,254   | 73                                 | 9,315           |
| <b>Net Carrying Amount</b>          |                            |                     |                                  |                                  |                                |                                   |                                 |                             |   |                                    |                 |
| <b>At 31 December 2005</b>          |                            |                     |                                  |                                  |                                |                                   |                                 |                             |   |                                    |                 |
| At cost                             | -                          | -                   | 548                              | 146                              | 11                             | -                                 | 906                             | 68                          | 9,000   | 1                                  | 10,680          |
| At valuation                        | 5,000                      | 32,796              | -                                | -                                | -                              | -                                 | -                               | -                           | -   | -                                  | 37,796          |
|                                     | 5,000                      | 32,796              | 548                              | 146                              | 11                             | -                                 | 906                             | 68                          | 9,000   | 1                                  | 48,476          |

**13. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**

- (a) During the financial year, the Group and the Company acquired property, plant and equipment at aggregate costs of RM1,768,000 (2005: RM657,000) and RM782,000 (2005: RM182,000) respectively of which RM404,560 (2005: RM67,020) and RM249,607 (2005: RM67,020) respectively were acquired by means of hire purchase arrangements. Net carrying amount of motor vehicles of the Group and the Company held under hire purchase arrangements was RM692,873 (2005: RM549,991) and RM291,974 (2005: RM66,227) respectively.

Detail of the terms and conditions of the hire purchase arrangements are disclosed in Note 26.

**14. INVESTMENT PROPERTIES**

|   | <b>Group</b>  |               | <b>Company</b> |               |
|---|---------------|---------------|----------------|---------------|
|   | <b>2006</b>   | <b>2005</b>   | <b>2006</b>    | <b>2005</b>   |
|   | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| At 1 January                                    | -             | -             | -              | -             |
| Transfers from property,<br>plant and equipment | 47,232        | -             | 47,232         | -             |
| Additions from acquisition                      | 6,107         | -             | 280            | -             |
| Fair value adjustments (Note 7)                 | 1,383         | -             | 1,383          | -             |
| At 31 December                                  | <u>54,722</u> | <u>-</u>      | <u>48,895</u>  | <u>-</u>      |

The following investment property are held under lease terms:

|          | <b>Group/Company</b> |               |
|----------|----------------------|---------------|
|          | <b>2006</b>          | <b>2005</b>   |
|          | <b>RM'000</b>        | <b>RM'000</b> |
| Building | <u>146</u>           | <u>146</u>    |

Investment properties with an aggregate carrying value of RM38,979,000 (2005: RM37,796,000) are pledged as securities for borrowings (Note 25).

**15. INTANGIBLE ASSETS**

| <b>Group</b>  | <b>License Fees</b> | <b>Development</b>            | <b>Goodwill</b> | <b>Negative</b>                  | <b>Total</b> |
|---|---------------------|-------------------------------|-----------------|----------------------------------|--------------|
|   | <b>RM'000</b>       | <b>Costs</b><br><b>RM'000</b> | <b>RM'000</b>   | <b>Goodwill</b><br><b>RM'000</b> |              |
| <b>Cost</b>   |                     |                               |                 |                                  |              |
| At 1 January 2005   | 501                 | 2,419                         | -               | -                                | 2,920        |
| Additions   | 3,205               | -                             | -               | -                                | 3,205        |
| At 31 December 2005<br>and 1 January 2006                 | 3,706               | 2,419                         | -               | -                                | 6,125        |
| Additions   | 267                 | 1,827                         | 7               | (150)                            | 2,101        |
| Effect of adopting FRS 3<br>(Note 2.3 (a)(ii))            | -                   | -                             | -               | 150                              | -            |
| Development costs<br>written off                          | -                   | (406)                         | -               | -                                | (406)        |
| Exchange difference                                       | (194)               | -                             | -               | -                                | (194)        |
| At 31 December 2006                                       | 3,779               | 3,840                         | 7               | -                                | 7,626        |
| <b>Accumulated amortisation<br/>and impairment losses</b> |                     |                               |                 |                                  |              |
| At 1 January 2005   | -                   | 1,934                         | -               | -                                | 1,934        |
| Amortisation  | 51                  | 68                            | -               | -                                | 119          |
| At 31 December 2005 and<br>1 January 2006                 | 51                  | 2,002                         | -               | -                                | 2,053        |
| Amortisation  | 761                 | 11                            | -               | -                                | 772          |
| Impairment  | -                   | -                             | 7               | -                                | 7            |
| At 31 December 2006                                       | 812                 | 2,013                         | 7               | -                                | 2,832        |
| <b>Net carrying amount</b>                                |                     |                               |                 |                                  |              |
| At 31 December 2005                                       | 3,655               | 417                           | -               | -                                | 4,072        |
| At 31 December 2006                                       | 2,967               | 1,827                         | -               | -                                | 4,794        |

Licence fees paid by the Group for rights to use of content programmes are amortised over the licence period as stated in the agreements.

**15. INTANGIBLE ASSETS (CONTD.)**

| <b>Company</b>  | <b>Development<br/>Costs<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|---|---|-------------------------|
| <b>Cost</b>   |   |                         |
| At 1 January 2005   | 340                                     | 340                     |
| Disposal  | (340)                                   | (340)                   |
| At 31 December 2005, 1 January 2006 and<br>31 December 2006 | <u>-</u>                                | <u>-</u>                |
| <b>Accumulated amortisation</b>                             |   |                         |
| At 1 January 2005   | 102                                     | 102                     |
| Disposal  | (102)                                   | (102)                   |
| At 31 December 2005, 1 January 2006 and<br>31 December 2006 | <u>-</u>                                | <u>-</u>                |
| <b>Net carrying amount</b>                                  |   |                         |
| At 31 December 2005 and 31 December 2006                    | <u>-</u>                                | <u>-</u>                |

**16. INVESTMENTS IN SUBSIDIARIES**

|                                     | <b>Company</b> |               |
|-------------------------------------|----------------|---------------|
|                                     | <b>2006</b>    | <b>2005</b>   |
|                                     | <b>RM'000</b>  | <b>RM'000</b> |
| Unquoted shares at cost             | 12,057         | 10,474        |
| Less: Accumulated impairment losses | (910)          | (1,016)       |
|                                     | <u>11,147</u>  | <u>9,458</u>  |

**16. INVESTMENTS IN SUBSIDIARIES (CONTD.)**

Details of the subsidiaries are as follows:

| <b>Name of Subsidiaries</b>                                  | <b>Country of Incorporation</b> | <b>Equity Interest Held (%)</b> |             | <b>Principal Activities</b>   |
|--|---------------------------------|---------------------------------|-------------|---|
|  |                                 | <b>2006</b>                     | <b>2005</b> |   |
| FSBM CTech Sdn. Bhd.   | Malaysia                        | 100                             | 100         | Development of software applications and systems integration.   |
| Asian Technology Resources Sdn. Bhd.                         | Malaysia                        | 100                             | 100         | Investment holding.   |
| FSBM Smart Comm Sdn. Bhd.                                    | Malaysia                        | 100                             | 80          | Provider of smart community solutions including intelligent building systems and asset maintenance systems. The company was inactive since financial year ended 31 December 2004. |
| MyUnos Sdn. Bhd. (formerly known as FSBM DapanNet Sdn. Bhd.) | Malaysia                        | 100                             | 100         | Provider of communication and networking services.  |
| FSBM Learning Media Sdn. Bhd.                                | Malaysia                        | 100                             | 100         | Development and delivery of multimedia learning and teaching products and services.   |
| FSBM Net Media Sdn. Bhd.                                     | Malaysia                        | 100                             | 100         | Provider of communication and networking services.  |
| Smart 360 Sdn. Bhd.  | Malaysia                        | 100                             | 100         | Development and delivery of training products and services for schools and teachers.  |
| Unos Sdn. Bhd. (formerly known as FSBM-Isis Sdn. Bhd.)       | Malaysia                        | 100                             | 100         | Provider of communication and networking services.  |
| FSBM I-Design Sdn. Bhd.                                      | Malaysia                        | 70                              | 70          | Design and development of multimedia contents.  |
| FSBM Mantissa (Malaysia) Sdn. Bhd.                           | Malaysia                        | 100                             | 100         | Development and provision of study plans, programs and courses including instruct, teach and delivery of courses  |

**16. INVESTMENTS IN SUBSIDIARIES (CONTD.)**

| <b>Name of Subsidiaries</b>               | <b>Country of Incorporation</b> | <b>Equity Interest Held (%)</b> |             | <b>Principal Activities</b>  |
|---|---------------------------------|---------------------------------|-------------|--|
|   |                                 | <b>2006</b>                     | <b>2005</b> |  |
| Westview Services Limited *               | Hong Kong                       | 100                             | 100         | Involved in information technology activities and products including but not limited to the development and supply of multimedia technology based programmes and products in education and training. |
| Asialink Technology Development Limited * | Hong Kong                       | 100                             | 100         | Provider of communication and networking services.   |
| FSBM MSC Gateway Sdn. Bhd.                | Malaysia                        | 100                             | 100         | Provider of communication and networking services.   |
| FSBM M2B Sdn. Bhd.                        | Malaysia                        | 54                              | 54          | Contents syndication and distribution, contents aggregation, channel development, electronic programming, consultancy and design.  |
| FSBM I-Centre Sdn. Bhd.                   | Malaysia                        | 100                             | 100         | Developing of customised interactive teaching courseware systems & content and a databank of courseware materials.   |
| FSBM Datatech Sdn. Bhd.                   | Malaysia                        | 100                             | 100         | Investment holding.  |
| Asian Technology Resources (BVI) Limited  | British Virgin Islands          | 100                             | 100         | Investment holding.  |
| Jaring Sekitar Sdn. Bhd.                  | Malaysia                        | 100                             | 100         | Provision of car park management and investment holding.   |

**16. INVESTMENTS IN SUBSIDIARIES (CONTD.)**

| Name of Subsidiaries                                       | Country of Incorporation | Equity Interest Held (%) |      | Principal Activities  |
|--|--------------------------|--------------------------|------|---|
|  |                          | 2006                     | 2005 |   |
| Universal Broadband Inc.                                   | British Virgin Islands   | 100                      | 100  | Contents syndication and distribution, contents aggregation, channel development, electronic programming, consultancy and design. |
| Mediacity Investments Limited                              | British Virgin Islands   | 100                      | 100  | Investment holding.   |
| Infotalent Sdn. Bhd.                                       | Malaysia                 | 100                      | -    | Investment holding.   |
| Universal Broadband Distribution Inc.                      | British Virgin Islands   | 51                       | -    | Content distributor.  |
| <b>Subsidiary of Asian Technology Resources Sdn. Bhd.:</b> |                          |                          |      |   |
| AT Resources (Singapore) Pte. Ltd.*                        | Singapore                | 100                      | 100  | Provision of computer hardware and software systems and services and the related maintenance service.                             |
| <b>Subsidiary of FSBM Smart Comm Sdn. Bhd.:</b>            |                          |                          |      |   |
| FSBM I-Command Sdn. Bhd.                                   | Malaysia                 | 100                      | 80   | Development of intelligent city, municipal and building solutions and the provision of related system engineering services.       |
| <b>Subsidiary of Universal Broadband Inc.:</b>             |                          |                          |      |   |
| Universal Broadband HK Limited *                           | Hong Kong                | 51                       | 51   | Contents syndication and distribution, contents aggregation, channel development, electronic programming, consultancy and design. |

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

**16. INVESTMENTS IN SUBSIDIARIES (CONTD.)****(a) Acquisition of subsidiaries**

- (i) On 10 February 2006, the Company acquired 2 ordinary shares of RM1 each, representing the entire issued and paid-up share capital of Infotalent Sdn. Bhd. for total cash consideration of RM2.
- (ii) On 14 February 2006, the Company subscribed for 2,550 shares of US\$1 each, representing 51% equity interest in Universal Broadband Distribution Inc, for a total consideration of US\$2,550 (equivalent to RM9,491).
- (iii) On 7 September 2006, the Company increased its interest in FSBM Smart Comm Sdn. Bhd. by acquiring the remaining 200,000 shares of RM1.00 each, representing the remaining 20% equity interest for a total consideration of RM1,573,651. Consequent to the acquisition, FSBM Smart Comm Sdn. Bhd. became a wholly owned subsidiary of FSBM Holdings Berhad.

The costs of acquisitions comprised of the following:

|   | <b>2006</b><br><b>RM'000</b> |
|---|------------------------------|
| Purchase consideration satisfied by cash                          | 140                          |
| Costs attributable to the acquisition, paid by assignment of debt | 1,443                        |
| Total costs of acquisitions                                       | <u>1,583</u>                 |

The acquired subsidiaries have contributed the following results to the Group:

|                   | <b>2006</b><br><b>RM'000</b> |
|-------------------|------------------------------|
| Revenue           | -                            |
| Loss for the year | <u>(331)</u>                 |

If the acquisition had occurred on 1 January 2006, the Group's revenue and loss for the year would have been RMNil and RM331,000 respectively.

The assets and liabilities arising from the acquisition are as follow:

|                               | <b>2006</b><br><b>RM'000</b> |
|-------------------------------|------------------------------|
| Property, plant and equipment | -                            |
| Investment in associates      | -                            |
| Intangible assets             | -                            |
| Trade and other receivables   | -                            |
| Cash and bank balances        | <u>-</u>                     |
|                               | <u>-</u>                     |

**16. INVESTMENTS IN SUBSIDIARIES (CONTD.)****(a) Acquisition of subsidiaries (Contd.)**

|                             | <b>2006</b><br><b>RM'000</b> |
|-----------------------------|------------------------------|
| Trade and other payables    | (7)                          |
| Fair value of net assets    | (7)                          |
| Less: Minority interests    | -                            |
| Group's share of net assets | (7)                          |
| Goodwill on acquisition     | 7                            |
| Total cost of acquisition   | -                            |

The cash outflow on acquisition is as follow:

|   |       |
|---|-------|
| Purchase consideration satisfied by cash                          | 140   |
| Costs attributable to the acquisition, paid by assignment of debt | 1,443 |
| Total cash outflow of the Company                                 | 1,583 |
| Cash and cash equivalents of subsidiaries acquired                | (9)   |
| Net cash outflow of the Group                                     | 1,574 |

**17. INVESTMENTS IN ASSOCIATES**

|  | <b>Group</b>                 |                              |
|--|------------------------------|------------------------------|
|  | <b>2006</b><br><b>RM'000</b> | <b>2005</b><br><b>RM'000</b> |
| Unquoted shares, at cost                         | 748                          | 398                          |
| Share of post acquisitions reserves              | (308)                        | 49                           |
|  | 440                          | 447                          |
| Cumulative redeemable preference shares, at cost | 1,960                        | 1,960                        |
| Less: Redemption                                 | (1,802)                      | -                            |
|  | 158                          | 1,960                        |
|  | 598                          | 2,407                        |
| Less:  |                              |                              |
| Accumulated impairment losses                    | (40)                         | (40)                         |
|  | 558                          | 2,367                        |

The cumulative redeemable preference shares ("CRPS") of the associate, Mega Jaya CCC Holdings Sdn. Bhd. (in voluntary liquidation) are entitled to 10% cumulative preferential dividend, transferable, rank pari passu among themselves and is redeemable at the option of the associate.

**17. INVESTMENTS IN ASSOCIATES (CONTD.)**

Details of the associates are as follow:

| Name of Associate  | Country of Incorporation | Equity Interest Held (%) |      | Principal Activities   |
|--|--------------------------|--------------------------|------|--|
|  |                          | 2006                     | 2005 |  |
| <b>Associate of the Group</b>  |                          |                          |      |  |
| Mega Jaya CCC Holdings Sdn. Bhd. *<br>(In voluntary liquidation)                             | Malaysia                 | 49                       | 49   | Development/operation of city command centre for traffic control, transportation, utility services, municipal operations and electronic business.                                      |
| <b>Associate of Asian Technology Resources Sdn. Bhd.</b>                                     |                          |                          |      |  |
| Prestariang Technology Sdn. Bhd. *   | Malaysia                 | 20                       | 20   | Provision of ICT related products and services.  |
| <b>Associate of Jaring Sekitar Sdn. Bhd.</b>   |                          |                          |      |  |
| Technitium Sdn. Bhd.   | Malaysia                 | 20                       | 20   | Distribution of information and communication technology products and services and the provision of related implementation, hardware maintenance and application development services. |
| <b>Associate of Infotalent Sdn. Bhd.</b>   |                          |                          |      |  |
| Prestige Strategies Concept Sdn. Bhd. *  | Malaysia                 | 20                       | -    | Distribution of information and communication technology products and services and the provision of related implementation, hardware maintenance and application development services. |
| AiNB Solutions Solutions (Malaysia) Sdn. Bhd.*<br>(Formerly known as Ratu Pertiwi Sdn. Bhd.) | Malaysia                 | 30                       | -    | Distribution of information and communication technology products and services and the provision of related implementation, hardware maintenance and application development services. |

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

**17. INVESTMENTS IN ASSOCIATES (CONTD.)**

During the financial year, the Group subscribed for 20% and 30% equity interest in Prestige Strategies Concept Sdn. Bhd. and AiNB Solutions (Malaysia) Sdn. Bhd. (formerly known as Ratu Pertiwi Sdn. Bhd.) for cash consideration of RM50,000 and RM300,000 respectively.

|                               | <b>Group<br/>2006<br/>RM'000</b> |
|-------------------------------|----------------------------------|
| <b>Assets and liabilities</b> |                                  |
| Current assets                | 7,535                            |
| Non-current assets            | 6,876                            |
| Total assets                  | <u>14,411</u>                    |
| <br>                          |                                  |
| Current liabilities           | 12,827                           |
| Non-current liabilities       | 32                               |
| Total liabilities             | <u>12,859</u>                    |
| <br>                          |                                  |
| <b>Results</b>                |                                  |
| Revenue                       | 14,174                           |
| Profit for the year           | <u>(499)</u>                     |

There were no goodwill within the Group's carrying amount of investment in associates.

**18. INVENTORIES**

|                       | <b>Group</b>  |               |
|-----------------------|---------------|---------------|
|                       | <b>2006</b>   | <b>2005</b>   |
|                       | <b>RM'000</b> | <b>RM'000</b> |
| Trading goods at cost | <u>79</u>     | <u>84</u>     |

During the financial year, inventories charged out is amounting to RM11,000 (2005: RM14,000).

**19. TRADE AND OTHER RECEIVABLES**

|  | <b>Group</b>  |                | <b>Company</b>  |                 |
|--|---------------|----------------|-----------------|-----------------|
|  | <b>2006</b>   | <b>2005</b>    | <b>2006</b>     | <b>2005</b>     |
|  | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b>   | <b>RM'000</b>   |
| <b>Trade receivables</b>                     |               |                |                 |                 |
| Third parties                                | 8,720         | 17,605         | 220             | 6,212           |
| Subsidiaries                                 | -             | -              | 339             | 798             |
| Associates                                   | 48,485        | 15,326         | 33,553          | 13,329          |
| Due from customers on<br>contracts (Note 20) | 2,925         | 3,447          | 411             | 1,241           |
|  | <u>60,130</u> | <u>36,378</u>  | <u>34,523</u>   | <u>21,580</u>   |
| Less: Allowance for doubtful debts           |               |                |                 |                 |
| Third parties                                | (821)         | (6,600)        | (208)           | (6,169)         |
| Subsidiaries                                 | -             | -              | (87)            | (54)            |
|  | <u>(821)</u>  | <u>(6,600)</u> | <u>(295)</u>    | <u>(6,223)</u>  |
| Trade receivables, net                       | <u>59,309</u> | <u>29,778</u>  | <u>34,228</u>   | <u>15,357</u>   |
| <b>Other receivables</b>                     |               |                |                 |                 |
| Third parties                                | 1,443         | 755            | 1,087           | 1,001           |
| Subsidiaries                                 | -             | -              | 46,793          | 27,016          |
| Associates                                   | 2,638         | 674            | 2,529           | 491             |
|  | <u>4,081</u>  | <u>1,429</u>   | <u>50,409</u>   | <u>28,508</u>   |
| Less: Allowance for doubtful debts           |               |                |                 |                 |
| Third parties                                | (230)         | (34)           | (220)           | (34)            |
| Subsidiaries                                 | -             | -              | (9,813)         | (11,403)        |
|  | <u>(230)</u>  | <u>(34)</u>    | <u>(10,033)</u> | <u>(11,437)</u> |
| Other receivables, net                       | <u>3,851</u>  | <u>1,395</u>   | <u>40,376</u>   | <u>17,071</u>   |
| Staff advances                               | 139           | 68             | 98              | 59              |
| Deposits                                     | 721           | 801            | 303             | 230             |
| Prepayments                                  | 253           | 301            | 144             | 159             |
|  | <u>64,273</u> | <u>32,343</u>  | <u>75,149</u>   | <u>32,876</u>   |

**19. TRADE AND OTHER RECEIVABLES (CONTD.)****(a) Credit risk**

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month, extending up to six months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk other than amount due from Associates.

**(b) Amounts due from related parties (Current)**

Amounts due from all related parties are non-interest bearing and repayable on demand. All related parties receivables are unsecured and are to be settled in cash.

Further details on related party transactions are disclosed in Note 33.

Other information on financial risks of other receivables are disclosed in Note 34.

**20. DUE FROM/(TO) CUSTOMERS ON CONTRACTS**

|  | <b>Group</b>  |               | <b>Company</b> |               |
|--|---------------|---------------|----------------|---------------|
|  | <b>2006</b>   | <b>2005</b>   | <b>2006</b>    | <b>2005</b>   |
|  | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| Contract costs incurred to date              | 63,676        | 35,567        | 55,748         | 32,344        |
| Attributable profits                         | 20,389        | 10,031        | 20,323         | 9,128         |
|  | <u>84,065</u> | <u>45,598</u> | <u>76,071</u>  | <u>41,472</u> |
| Less: Progress billings                      | (83,316)      | (43,801)      | (77,836)       | (41,713)      |
|  | <u>749</u>    | <u>1,797</u>  | <u>(1,765)</u> | <u>(241)</u>  |
| Due from customers on contracts<br>(Note 19) | 2,925         | 3,447         | 411            | 1,241         |
| Due to customers on contracts<br>(Note 27)   | (2,176)       | (1,650)       | (2,176)        | (1,482)       |
|  | <u>749</u>    | <u>1,797</u>  | <u>(1,765)</u> | <u>(241)</u>  |

**21. OTHER INVESTMENT**

|  | <b>Group/Company</b> |               |                |               |
|--|----------------------|---------------|----------------|---------------|
|  | <b>2006</b>          |               | <b>2005</b>    |               |
|  | <b>RM'000</b>        |               | <b>RM'000</b>  |               |
| <b>(i) Non Current</b>                   |                      |               |                |               |
| Club membership                          |                      | 613           |                | 613           |
| Less : Provision for diminution in value |                      | (265)         |                | (265)         |
|  |                      | 348           |                | 348           |
|  | <b>Group</b>         |               | <b>Company</b> |               |
|  | <b>2006</b>          | <b>2005</b>   | <b>2006</b>    | <b>2005</b>   |
|  | <b>RM'000</b>        | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| <b>(ii) Current</b>                      |                      |               |                |               |
| Quoted shares at cost:                   |                      |               |                |               |
| - In Malaysia                            | 1,239                | 1,239         | 1,239          | 1,239         |
| Less: Accumulated impairment losses      | (822)                | (986)         | (822)          | (986)         |
|  | 417                  | 253           | 417            | 253           |
| - Outside Malaysia                       | 2,585                | 2,766         | -              | -             |
|  | 3,002                | 3,019         | 417            | 253           |
| Market value of quoted shares:           |                      |               |                |               |
| - In Malaysia                            | 417                  | 279           | 417            | 279           |
| - Outside Malaysia (Note (a))            | 20,757               | 46,736        | -              | -             |
|  | 21,174               | 47,015        | 417            | 279           |

- (a) On 16 May 2006, the Group received 7,344,966 ordinary shares of Amaru, Inc. (a corporation registered in the State of Nevada, USA and listed on the National Association of Securities Dealers OTC-Bulletin Board), arising from a 1 for 4 forward stock split. The board of directors' of Amaru, Inc. have approved the forward stock split in the ratio of 1 pre-split ordinary share to be converted and changed to 4 post-split ordinary shares.

**22. CASH AND CASH EQUIVALENTS**

|                              | <b>Group</b>  |               | <b>Company</b> |               |
|------------------------------|---------------|---------------|----------------|---------------|
|                              | <b>2006</b>   | <b>2005</b>   | <b>2006</b>    | <b>2005</b>   |
|                              | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| Deposits with licensed banks | 4,887         | 3,560         | 4,311          | 2,750         |
| Cash on hand and at banks    | 1,996         | 5,492         | 191            | 3,643         |
| Cash and bank balances       | <u>6,883</u>  | <u>9,052</u>  | <u>4,502</u>   | <u>6,393</u>  |

Other information on financial risks of cash and cash equivalents are disclosed in Note 34.

Included in cash on hand and at banks is RM3,950,000 (2005: Nil) which are held by a bank as security for the issuance of a short term guarantee to a creditor.

For the purpose of the cash flow statements, cash and cash equivalents comprise the following as at the balance sheet date:

|                                 | <b>Group</b>   |               | <b>Company</b> |               |
|---------------------------------|----------------|---------------|----------------|---------------|
|                                 | <b>2006</b>    | <b>2005</b>   | <b>2006</b>    | <b>2005</b>   |
|                                 | <b>RM'000</b>  | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| Cash and bank balances          | 6,883          | 9,052         | 4,502          | 6,393         |
| Bank overdraft (Note 25)        | (7,927)        | -             | (7,927)        | -             |
| Total cash and cash equivalents | <u>(1,044)</u> | <u>9,052</u>  | <u>(3,425)</u> | <u>6,393</u>  |

**23. EMPLOYEE BENEFITS****Executives' Share Option Scheme**

The Company has implemented the FSBM Holdings Berhad Executives' Share Option Scheme ("FSBM ESOS") on 23 July 2001.

- The FSBM ESOS is for a period of 5 years effective 23 July 2001 and the aggregate of the number of new shares allocated and which may be allotted shall not exceed ten per cent of the issued and paid-up share capital of the Company at any one time.
- The option period commencing from the date, which the Option Committee shall prescribe, being twenty-four months from the date of offer to the expiry of the FSBM ESOS.
- Eligible executives are those who have been confirmed in service and served at least a continuous period of one year in the FSBM Group as at the date of offer.

**23. EMPLOYEE BENEFITS (CONTD.)**

- (d) The price at which the option holder is entitled to subscribe for shares under the FSBM ESOS shall be the higher of:
  - (i) the weighted average market price of the shares for the five market days immediately preceding the date of offer, subject to the discretion of the Option Committee to grant a discount of not more than 10% on the said weighted average market price; or
  - (ii) the par value of the shares.
- (e) The employees' entitlements to the options are non-vested (i.e. they are conditional on future employment).

The FSBM ESOS expired on 22 July 2006, and all remaining option that were not exercised by that date had lapsed.

**23. EMPLOYEE BENEFITS (CONTD.)**

The following table illustrates the number and weighted average exercise prices (WAEP) of , and movements in, share options during the year:

| Grant Date       | Expiry Date  | WAEP RM | Number of Shares Option |              |                |                        | As at 31 December '000 |
|------------------|--------------|---------|-------------------------|--------------|----------------|------------------------|------------------------|
|                  |              |         | As at 1 January '000    | Granted '000 | Exercised '000 | Resigned /Expired '000 |                        |
| <b>2006</b>      |              |         |                         |              |                |                        |                        |
| 30 July 2001     | 22 July 2006 | 2.61    | 454                     | -            | -              | 454                    | -                      |
| 2 July 2002      | 22 July 2006 | 1.92    | 517                     | -            | -              | 517                    | -                      |
| 30 March 2004    | 22 July 2006 | 1.00    | 2,095                   | -            | 1,988          | 107                    | -                      |
| 18 February 2005 | 22 July 2006 | 1.06    | 1,606                   | -            | 1,423          | 183                    | -                      |
| 23 August 2005   | 22 July 2006 | 1.00    | 317                     | -            | 272            | 45                     | -                      |
|                  |              |         | <b>4,989</b>            | <b>-</b>     | <b>3,683</b>   | <b>1,306</b>           | <b>-</b>               |
| <b>2005</b>      |              |         |                         |              |                |                        |                        |
| 30 July 2001     | 22 July 2006 | 2.61    | 463                     | -            | -              | 9                      | 454                    |
| 2 July 2002      | 22 July 2006 | 1.92    | 541                     | -            | -              | 24                     | 517                    |
| 30 March 2004    | 22 July 2006 | 1.00    | 2,276                   | -            | -              | 181                    | 2,095                  |
| 18 February 2005 | 22 July 2006 | 1.06    | -                       | 1,658        | -              | 52                     | 1,606                  |
| 23 August 2005   | 22 July 2006 | 1.00    | -                       | 317          | -              | -                      | 317                    |
|                  |              |         | <b>3,280</b>            | <b>1,975</b> | <b>-</b>       | <b>266</b>             | <b>4,989</b>           |

**Share Options Exercised During The Year**

As disclosed in Note 29, options exercised during the financial year resulted in the issuance of 3,683,000 (2005: Nil) ordinary shares at an average price of RM1.02 (2005: RMNil) each. The related weighted average share price at the date of exercise was RM1.02 (2005: RMNil).

**24. DEFERRED INCOME**

|                                     | <b>Group</b>  |               |
|-------------------------------------|---------------|---------------|
|                                     | <b>2006</b>   | <b>2005</b>   |
|                                     | <b>RM'000</b> | <b>RM'000</b> |
| At 1 January                        | 1,639         | -             |
| Addition                            | -             | 1,672         |
| Released to the income statement    | (393)         | (33)          |
| At 31 December                      | <u>1,246</u>  | <u>1,639</u>  |
| <b>Analysed as:</b>                 |               |               |
| Released within 12 months (Note 27) | 393           | 393           |
| Released after 12 months            | 853           | 1,246         |
|                                     | <u>1,246</u>  | <u>1,639</u>  |

Licence fee income for rights to use of content programmes is released to the income statement over the tenure of the licensing agreement over a period of 51 months expiring in 2010.

**25. BORROWINGS**

|                                     | <b>Group</b>  |               | <b>Company</b> |               |
|-------------------------------------|---------------|---------------|----------------|---------------|
|                                     | <b>2006</b>   | <b>2005</b>   | <b>2006</b>    | <b>2005</b>   |
|                                     | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| <b>Short Term Borrowings</b>        |               |               |                |               |
| Secured:                            |               |               |                |               |
| Bank overdraft                      | 7,927         | -             | 7,927          | -             |
| Term loans                          | 2,068         | 3,056         | 2,068          | 3,056         |
| Trust receipts                      | 6,599         | -             | 6,599          | -             |
| Hire purchase payables<br>(Note 26) | 96            | 298           | 63             | 21            |
|                                     | <u>16,690</u> | <u>3,354</u>  | <u>16,657</u>  | <u>3,077</u>  |
| Unsecured:                          |               |               |                |               |
| Revolving credits                   | 5,000         | -             | 5,000          | -             |
| Trust receipts                      | 2,376         | 5,372         | 2,376          | 5,372         |
| Bankers' acceptance                 | 1,963         | -             | 1,963          | -             |
|                                     | <u>9,339</u>  | <u>5,372</u>  | <u>9,339</u>   | <u>5,372</u>  |
|                                     | <u>26,029</u> | <u>8,726</u>  | <u>25,996</u>  | <u>8,449</u>  |

**25. BORROWINGS (CONTD.)**

|                                     | <b>Group</b>  |               | <b>Company</b> |               |
|-------------------------------------|---------------|---------------|----------------|---------------|
|                                     | <b>2006</b>   | <b>2005</b>   | <b>2006</b>    | <b>2005</b>   |
|                                     | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| <b>Long Term Borrowings</b>         |               |               |                |               |
| Secured:                            |               |               |                |               |
| Term loans                          | 2,519         | 4,820         | 2,519          | 4,820         |
| Hire purchase payables<br>(Note 26) | 284           | 42            | 182            | 42            |
|                                     | <u>2,803</u>  | <u>4,862</u>  | <u>2,701</u>   | <u>4,862</u>  |
| <b>Total Borrowings</b>             |               |               |                |               |
| Bank overdraft (Note 22)            | 7,927         | -             | 7,927          | -             |
| Revolving credits                   | 5,000         | -             | 5,000          | -             |
| Trust receipts                      | 8,975         | 5,372         | 8,975          | 5,372         |
| Bankers' acceptance                 | 1,963         | -             | 1,963          | -             |
| Term loans                          | 4,587         | 7,876         | 4,587          | 7,876         |
| Hire purchase payables<br>(Note 26) | 380           | 340           | 245            | 63            |
|                                     | <u>28,832</u> | <u>13,588</u> | <u>28,697</u>  | <u>13,311</u> |

The trust receipt and the overdraft is secured by way of assignment contract proceeds. The interest rate relating to overdraft at the balance sheet date vary from 7.75% to 8% (2005: 7.25% to 7.75%).

The term loans are secured over the freehold land and building of the Company and by way of an assignment of contract proceeds. The interest rate for the term loan portion secured against the land and building is fixed at 7% (2005: 7%) whilst assigned portion is vary from 8% to 8.25% (2005: 7.5% to 8%) per annum. The term loan payable details are as follows:

|  | <b>Group</b>  |               | <b>Company</b> |               |
|--|---------------|---------------|----------------|---------------|
|  | <b>2006</b>   | <b>2005</b>   | <b>2006</b>    | <b>2005</b>   |
|  | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| Not later than one year                        | 2,068         | 3,056         | 2,068          | 3,056         |
| later than 1 year and not later<br>in 2 years  | 1,409         | 2,312         | 1,409          | 2,312         |
| later than 2 years and not later<br>in 5 years | 1,110         | 2,508         | 1,110          | 2,508         |
| <b>Total</b>                                   | <u>4,587</u>  | <u>7,876</u>  | <u>4,587</u>   | <u>7,876</u>  |

**26. HIRE PURCHASE LIABILITIES**

|  | <b>Group</b>  |               | <b>Company</b> |               |
|--|---------------|---------------|----------------|---------------|
|  | <b>2006</b>   | <b>2005</b>   | <b>2006</b>    | <b>2005</b>   |
|  | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| <b>Future minimum lease payments:</b>                              |               |               |                |               |
| Not later than 1 year  | 112           | 338           | 74             | 23            |
| Later than 1 year and<br>not later than 2 years                    | 112           | 23            | 74             | 23            |
| Later than 2 years and<br>not later than 5 years                   | 194           | 22            | 122            | 22            |
| Total future minimum lease<br>payments                             | <u>418</u>    | <u>383</u>    | <u>270</u>     | <u>68</u>     |
| Less: Future finance charges                                       | <u>(38)</u>   | <u>(43)</u>   | <u>(25)</u>    | <u>(5)</u>    |
| Present value of hire purchase<br>liabilities (Note 25)            | <u>380</u>    | <u>340</u>    | <u>245</u>     | <u>63</u>     |
| <b>Analysis of present value of<br/>hire purchase liabilities:</b> |               |               |                |               |
| Not later than 1 year  | 96            | 298           | 63             | 21            |
| Later than 1 year and<br>not later than 2 years                    | 101           | 21            | 66             | 21            |
| Later than 2 years and<br>not later than 5 years                   | 183           | 21            | 116            | 21            |
|  | <u>380</u>    | <u>340</u>    | <u>245</u>     | <u>63</u>     |
| Less: Amount due within<br>12 months (Note 25)                     | <u>(96)</u>   | <u>(298)</u>  | <u>(63)</u>    | <u>(21)</u>   |
| Amount due after<br>12 months (Note 25)                            | <u>284</u>    | <u>42</u>     | <u>182</u>     | <u>42</u>     |

The hire purchase liabilities weighted average interest rate at the balance sheet date for the Group and Company are range from 4.91% to 5% (2005: 4.85% to 8.49%) and 4.91% to 5% (2005: 4.85%) respectively.

**27. TRADE AND OTHER PAYABLES**

|  | <b>Group</b>  |               | <b>Company</b> |               |
|--|---------------|---------------|----------------|---------------|
|  | <b>2006</b>   | <b>2005</b>   | <b>2006</b>    | <b>2005</b>   |
|  | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| <b>Trade payables</b>                      |               |               |                |               |
| Third parties                              | 11,908        | 7,751         | 6,693          | 290           |
| Subsidiaries                               | -             | -             | 17,985         | 10,840        |
| Associates                                 | 678           | 60            | 457            | -             |
| Due to customers on<br>contracts (Note 20) | 2,176         | 1,650         | 2,176          | 1,482         |
|  | <u>14,762</u> | <u>9,461</u>  | <u>27,311</u>  | <u>12,612</u> |
| <b>Other payables</b>                      |               |               |                |               |
| Third parties                              | 2,079         | 1,414         | 1,478          | 970           |
| Subsidiaries                               | -             | -             | 7,980          | 5,679         |
| Associates                                 | 2,048         | 1,937         | -              | -             |
|  | <u>4,127</u>  | <u>3,351</u>  | <u>9,458</u>   | <u>6,649</u>  |
| Deferred income (Note 24)                  | 393           | 393           | -              | -             |
| Deposits received                          | 1,285         | 1,223         | 1,209          | 1,223         |
| Accruals                                   | 2,208         | 1,679         | 1,208          | 970           |
|  | <u>8,013</u>  | <u>6,646</u>  | <u>11,875</u>  | <u>8,842</u>  |
|  | <u>22,775</u> | <u>16,107</u> | <u>39,186</u>  | <u>21,454</u> |

Credit terms of trade payables granted to the Group vary from no credit to 30 days (2005: 30 days).

Amounts due to subsidiaries and associates are unsecured, interest-free and are repayable on demand.

**28. DEFERRED TAXATION**

|  | <b>Group</b>  |               | <b>Company</b> |               |
|--|---------------|---------------|----------------|---------------|
|  | <b>2006</b>   | <b>2005</b>   | <b>2006</b>    | <b>2005</b>   |
|  | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| At 1 January                                       | 4,965         | 4,971         | 4,930          | 4,930         |
| Effect of adopting FRS 140                         |               | -             | -              | -             |
| Recognised in income statement                     | 489           | (6)           | 388            | -             |
| At 31 December                                     | <u>5,454</u>  | <u>4,965</u>  | <u>5,318</u>   | <u>4,930</u>  |
|  | -             |               | -              |               |
| Presented after appropriate offsetting as follows: |               |               |                |               |
| Deferred tax assets                                | (4,965)       | (2,660)       | (4,500)        | (1,531)       |
| Deferred tax liabilities                           | <u>10,419</u> | <u>7,625</u>  | <u>9,818</u>   | <u>6,461</u>  |
|  | <u>5,454</u>  | <u>4,965</u>  | <u>5,318</u>   | <u>4,930</u>  |

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

**Deferred Tax Liabilities of the Group:**

|                                | <b>Property,<br/>Plant and<br/>Equipment<br/>RM'000</b> | <b>Investment<br/>Properties<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|--------------------------------|---|---|-------------------------|
| At 1 January 2006              | 7,625   | -   | 7,625                   |
| Effects of adopting FRS 140    | (4,224)   | 4,224                                       | -                       |
| Recognised in income statement | <u>2,409</u>  | <u>385</u>                                  | <u>2,794</u>            |
| At 31 December 2006            | <u>5,810</u>  | <u>385</u>                                  | <u>10,419</u>           |
| At 1 January 2005              | 7,706   | -   | 7,706                   |
| Recognised in income statement | (81)  | -   | (81)                    |
| Recognised in equity           | -   | -   | -                       |
| At 31 December 2005            | <u>7,625</u>  | <u>-</u>                                    | <u>7,625</u>            |

**28. DEFERRED TAXATION (CONTD.)****Deferred Tax Assets of the Group:**

|                                   | <b>Tax Losses and<br/>Unabsorbed<br/>Capital<br/>Allowances<br/>RM'000</b> | <b>Provision for<br/>Doubtful<br/>Debts<br/>RM'000</b> | <b>Unrealised<br/>Foreign<br/>Exchange<br/>Losses<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|-----------------------------------|--|--|--|-------------------------|
| At 1 January 2006                 | (737)  | (1,923)  | -  | (2,660)                 |
| Recognised in income<br>statement | (3,974)  | 1,669  | -  | (2,305)                 |
| At 31 December 2006               | <u>(4,711)</u>   | <u>(254)</u>   | <u>-</u>   | <u>(4,965)</u>          |
| At 1 January 2005                 | (1,158)  | (1,577)  | -  | (2,735)                 |
| Recognised in income<br>statement | 421  | (346)  | -  | 75                      |
| At 31 December 2005               | <u>(737)</u>   | <u>(1,923)</u>   | <u>-</u>   | <u>(2,660)</u>          |

**Deferred Tax Liabilities of the Company:**

|                                | <b>Property,<br/>Plant and<br/>Equipment<br/>RM'000</b> | <b>Investment<br/>Properties<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|--------------------------------|---|---|-------------------------|
| At 1 January 2006              | 6,461   | -   | 6,461                   |
| Effects of adopting FRS 140    | (4,744)   | 4,744                                       | -                       |
| At 1 January 2006              | <u>1,717</u>  | <u>4,744</u>                                | <u>6,461</u>            |
| Recognised in income statement | 2,500   | 857   | 3,357                   |
| At 31 December 2006            | <u>4,217</u>  | <u>5,601</u>                                | <u>9,818</u>            |
| At 1 January 2005              | 6,148   | -   | 6,148                   |
| Recognised in income statement | 313   | -   | 313                     |
| At 31 December 2005            | <u>6,461</u>  | <u>-</u>                                    | <u>6,461</u>            |

**28. DEFERRED TAXATION (CONTD.)****Deferred Tax Assets of the Company:**

|                                | <b>Provision for<br/>Doubtful<br/>Debts<br/>RM'000</b> |
|--------------------------------|--|
| At 1 January 2006              | (1,531)  |
| Recognised in income statement | 6,031  |
| At 31 December 2006            | <u>4,500</u>   |
| At 1 January 2005              | (1,218)  |
| Recognised in income statement | (313)  |
| At 31 December 2005            | <u>(1,531)</u>   |

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

|                                  | <b>Group</b>  |               | <b>Company</b> |               |
|----------------------------------|---------------|---------------|----------------|---------------|
|                                  | <b>2006</b>   | <b>2005</b>   | <b>2006</b>    | <b>2005</b>   |
|                                  | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| Unused tax losses                | 17,448        | 36,912        | 882            | 17,512        |
| Unabsorbed capital allowances    | 1,956         | 7,686         | 1,518          | 6,852         |
| Deductible temporary differences | 1,200         | 12,158        | -              | 12,158        |
|                                  | <u>20,604</u> | <u>56,756</u> | <u>2,400</u>   | <u>36,522</u> |

The availability of the unused tax losses, unabsorbed capital allowances and deductible temporary differences for offsetting against future taxable profits of the Company and its respective subsidiaries are subject to no substantial changes in shareholdings of the Company and its respective subsidiaries under Section 44(5A) & (5B) of the Income Tax Act, 1967.

**29. SHARE CAPITAL AND SHARE PREMIUM**

|  | Number of Ordinary<br>Shares of RM1 each                |   | Amount                     |  |
|--|---|---|----------------------------|--|
|  | Shares<br>Capital<br>(Issued and<br>Fully Paid)<br>'000 | Shares<br>Capital<br>(Issued and<br>Fully Paid)<br>RM'000 | Share<br>Premium<br>RM'000 | Total<br>Shares<br>Capital and<br>Share<br>Premium<br>RM'000 |
| At 1 January 2005<br>and 31 December 2005  | 51,150  | 51,150  | 8,369                      | 59,519   |
| Ordinary shares issued<br>during the year:<br>Pursuant to FSBM ESOS<br>(Note 23) | 3,683   | 3,683   | 85                         | 3,768  |
| At 31 December 2006  | <u>54,833</u>   | <u>54,833</u>   | <u>8,454</u>               | <u>63,287</u>  |

|   | Number of Ordinary<br>Shares of RM1 each |                | Amount         |                |
|---|--|----------------|----------------|----------------|
|   | 2006<br>'000                             | 2005<br>'000   | 2006<br>RM'000 | 2005<br>RM'000 |
| <b>Authorised share capital</b><br>At 1 January/31 December | <u>100,000</u>                           | <u>100,000</u> | <u>100,000</u> | <u>100,000</u> |

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

**30. OTHER RESERVES**

| Group                                  | Asset<br>Revaluation<br>Reserve -<br>Investment<br>Property<br>RM'000 | Foreign<br>Currency<br>Translation<br>Reserve<br>RM'000 | Total<br>RM'000 |
|--|---|---|-----------------|
|  | At 1 January 2005   | 13,534  | 673             |
| Foreign currency translation:<br>Group | -   | (36)  | (36)            |
| At 31 December 2005                    | <u>13,534</u>   | <u>637</u>  | <u>14,171</u>   |

**30. OTHER RESERVES (CONTD.)**

|   | <b>Asset<br/>Revaluation<br/>Reserve -<br/>Investment<br/>Property<br/>RM'000</b> | <b>Foreign<br/>Currency<br/>Translation<br/>Reserve<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|---|---|--|-------------------------|
| <b>Group (Contd.)</b>                             |   |  |                         |
| <b>At 1 January 2006</b>                          | 13,534  | 637  | 14,171                  |
| Effects of adopting:                              |   |  |                         |
| FRS 140   | (13,534)  | -  | (13,534)                |
| Foreign currency translation:                     | -   | 637  | 637                     |
| <b>At 31 December 2006</b>                        | -   | 29   | 29                      |
|   | -   | 666  | 666                     |
| <b>Company</b>                                    |   |  |                         |
| <b>At 1 January 2005<br/>and 31 December 2006</b> | 13,534  | -  | 13,534                  |
| <b>At 1 January 2006</b>                          |   |  |                         |
| Effects of adopting:                              |   |  |                         |
| FRS 140   | 13,534  | -  | 13,534                  |
| <b>At 31 December 2006</b>                        | (13,534)  | -  | (13,534)                |
|   | -   | -  | -                       |

The nature and purpose of each category of reserve are as follows:

**(a) Revaluation Reserve**

This reserve includes the cumulative net change, net of deferred tax effects, arising from the revaluation of freehold land and building above their cost.

**(b) Foreign Exchange Reserve**

The foreign exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and of borrowings that hedge such investments.

**31. CAPITAL COMMITMENTS**

|   | <b>Group</b>  |               | <b>Company</b> |               |
|---|---------------|---------------|----------------|---------------|
|   | <b>2006</b>   | <b>2005</b>   | <b>2006</b>    | <b>2005</b>   |
|   | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| <b>Capital expenditure</b>  |               |               |                |               |
| Approved and contracted for:  |               |               |                |               |
| Universal Broadband Inc   |               |               |                |               |
| - Licence fee for content programmes  | 436           | 177           | -              | -             |
| FSBM I-Centre Sdn Bhd   |               |               |                |               |
| - ICTEE development assets  | 1,000         | -             | -              | -             |
| FSBM Holdings Berhad  |               |               |                |               |
| - Remaining RM0.50 uncalled preference shares in Asian Technology Resources Sdn Bhd | -             | -             | 3,550          | 3,550         |
| Approved but not contracted for:  |               |               |                |               |
| FSBM MSC Gateway Sdn Bhd  |               |               |                |               |
| - UNOS development assets   | 382           | -             | -              | -             |
|   | <u>1,818</u>  | <u>177</u>    | <u>3,550</u>   | <u>3,550</u>  |

**32. CONTINGENT LIABILITIES**

|  | <b>Group</b>        |                     | <b>Company</b>      |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | <b>2006</b>         | <b>2005</b>         | <b>2006</b>         | <b>2005</b>         |
|  | <b>RM'000</b>       | <b>RM'000</b>       | <b>RM'000</b>       | <b>RM'000</b>       |
| Performance bond extended to third parties on behalf of: |                     |                     |                     |                     |
| <b>Secured</b>   |                     |                     |                     |                     |
| - associates   | 1,968               | 1,968               | 1,968               | 1,968               |
|  | <u>1,968</u>        | <u>1,968</u>        | <u>1,968</u>        | <u>1,968</u>        |
| <b>Unsecured</b>   |                     |                     |                     |                     |
| - subsidiaries   | -                   | -                   | -                   | 1,014               |
| - associates   | 684                 | 1,146               | 684                 | 1,146               |
|  | <u>684</u>          | <u>1,146</u>        | <u>684</u>          | <u>2,160</u>        |
| <b>Total</b>   | <u><b>2,652</b></u> | <u><b>3,114</b></u> | <u><b>2,652</b></u> | <u><b>4,128</b></u> |

**33. RELATED PARTY DISCLOSURES**

- (a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year.

|   | <b>2006</b>   | <b>2005</b>   |
|---|---------------|---------------|
|   | <b>RM'000</b> | <b>RM'000</b> |
| <b>Group</b>  |               |               |
| Sales of goods and services to:                           |               |               |
| (1) Associated companies                                  |               |               |
| (i) Technitium Sdn. Bhd.                                  |               |               |
| - sale of hardware, software and services                 | 6,560         | 7,395         |
| (ii) Prestariang Technology Sdn. Bhd.                     |               |               |
| - subcontracting services                                 | 36,123        | 35,786        |
| (iii) AiNB Solutions (Malaysia) Sdn. Bhd.                 |               |               |
| - sale of hardware, software and services                 | 20,330        | -             |
| effected between February and May 2006                    |               |               |
| (became associates since 1 June 2006)                     |               |               |
| (iv) Prestige Strategies Concept Sdn. Bhd.                |               |               |
| - sale of hardware, software and services                 | 307           | -             |
| (2) M2B World Pte. Ltd. (Note (a))                        |               |               |
| - sale of multimedia contents and programmes services     | -             | 8,907         |
| Purchase of goods and services from:                      |               |               |
| (1) M2B World Pte. Ltd. (Note (a))                        |               |               |
| - purchase of multimedia contents and programmes services | -             | 10,039        |
| Rental charged to associated companies                    |               |               |
| (i) Technitium Sdn. Bhd.                                  | 109           | 152           |
| (ii) Prestariang Technology Sdn. Bhd.                     | 231           | 231           |
| <b>Company</b>  |               |               |
| Sales to subsidiary companies                             | 543           | 32            |
| Purchases from subsidiary companies                       | 14,057        | 14,092        |
| Royalty fee payable to a subsidiary company               | 6,314         | 10,840        |
| Gross dividend received from a subsidiary company         | -             | 5,698         |
| Rental charged to subsidiary companies                    | 38            | 92            |
| Management fee receivable from a subsidiary company       | -             | 36            |
| Interest charged by subsidiary companies                  | -             | 27            |

**33. RELATED PARTY DISCLOSURES (CONTD.)**

Note (a) M2B World Pte. Ltd. is a company incorporated in Singapore. In addition, in the period up to 10 May 2005, a former director of FSBM M2B Sdn. Bhd. was during that period, also a shareholder of FSBM M2B Sdn. Bhd., a director of M2B World Pte. Ltd. and owns an indirect equity interest in M2B World Pte. Ltd..

**(b) Compensation of key management personnel**

The remuneration of directors and other members of key management during the year was as follows:

|                              | <b>Group</b>  |               | <b>Company</b> |               |
|------------------------------|---------------|---------------|----------------|---------------|
|                              | <b>2006</b>   | <b>2005</b>   | <b>2006</b>    | <b>2005</b>   |
|                              | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| Short-term employee benefits | 2,216         | 2,077         | 1,718          | 1,726         |
| Post-employment benefits:    |               |               |                |               |
| Defined contribution plan    | 274           | 218           | 216            | 189           |
|                              | <u>2,490</u>  | <u>2,295</u>  | <u>1,934</u>   | <u>1,915</u>  |

Included in the key management personnel are:

|                                     |              |              |              |              |
|-------------------------------------|--------------|--------------|--------------|--------------|
| Directors' remuneration<br>(Note 9) | <u>2,027</u> | <u>1,808</u> | <u>1,549</u> | <u>1,441</u> |
|-------------------------------------|--------------|--------------|--------------|--------------|

Executive directors of the Group and the Company and other members of key management have been granted the following number of options under the FSBM Holdings Berhad's Executive Share Options Scheme ("FSBM ESOS").

|                | <b>Group</b> |              | <b>Company</b> |              |
|----------------|--------------|--------------|----------------|--------------|
|                | <b>2006</b>  | <b>2005</b>  | <b>2006</b>    | <b>2005</b>  |
|                | <b>'000</b>  | <b>'000</b>  | <b>'000</b>    | <b>'000</b>  |
| At 1 January   | 1,976        | 1,290        | 1,161          | 795          |
| Granted        | -            | 686          | -              | 366          |
| Exercised      | (1,486)      | -            | (816)          | -            |
| Expired        | (490)        | -            | (345)          | -            |
| At 31 December | <u>-</u>     | <u>1,976</u> | <u>-</u>       | <u>1,161</u> |

The share options were granted on the same terms and conditions as those offered to other employees of the Group (Note 23).

### 34. FINANCIAL INSTRUMENTS

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

The Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Financial risk management is carried out through risk reviews, internal control systems, adequate insurance programme and adherence to Group risk management framework. The Board manages these risks via regular reviews of these risks.

#### (b) Interest Rate Risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's borrowings and is managed through the use of fixed and floating rate debt.

#### (c) Foreign Exchange Risk

The Group is not exposed to significant foreign currency risk as majority of the Group's transactions are denominated in Ringgit Malaysia.

The Group is exposed to currency risk as a result of the foreign currency transactions entered into by subsidiaries in currencies other than their functional currency. The Group would consider entering into forward foreign currency exchange contracts to limit their exposure on foreign currency receivables and payables when necessary.

The net unhedged financial assets and financial liabilities of the Group companies that are not denominated in their functional currencies are as follows:

| Functional Currency of<br>Group Companies | Net Financial Assets/(Liability) Held in<br>Non Functional Currencies |                                   |                               | Total<br>RM'000 |
|---|---|-----------------------------------|-------------------------------|-----------------|
|   | Sterling<br>Pound<br>RM'000   | United States<br>Dollar<br>RM'000 | Hong Kong<br>Dollar<br>RM'000 |                 |
| <b>At 31 December 2006</b>                |   |                                   |                               |                 |
| Ringgit Malaysia                          | (393)   | (284)                             | 8                             | (669)           |
| Sterling Pound                            | -   | -                                 | (5)                           | (5)             |
|   | <u>(393)</u>  | <u>(284)</u>                      | <u>3</u>                      | <u>(674)</u>    |
| <b>At 31 December 2005</b>                |   |                                   |                               |                 |
| Ringgit Malaysia                          | 292   | (20)                              | 0                             | 272             |
| Sterling Pound                            | -   | -                                 | (5)                           | (5)             |
|   | <u>292</u>  | <u>(20)</u>                       | <u>(5)</u>                    | <u>267</u>      |

### **34. FINANCIAL INSTRUMENTS (CONTD.)**

#### **(d) Liquidity Risk**

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its liquidity risk management, the Group maintains sufficient cash and availability of funding through adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

#### **(e) Credit Risk**

Credit risk arises when sales are made on deferred credit terms. The Group seeks to control credit risk by setting credit limit and ensuring that sales of products and services are made to customers with an appropriate credit history.

The Group does not have significant exposure to any individual customer or counter party nor does it have any major concentration credit risk related to any financial assets other than the amounts due from Associates as disclosed in Note 19(a). The Group seeks to control credit risk over amount due from Associates by having effective management over the Associates' control over credit risks and their fund management.

#### **(f) Market Risk**

The Group's operations are subject to market risk factors inherent within the various business segments of the Group, which include the ability to secure new projects and to maintain existing market share in the future. The Group has also established procurement policies and procedures to source for the most competitive suppliers for purchases and subcontracting works.

The Group does not face significant exposures from the risk of changes in market value of marketable securities.

**34. FINANCIAL INSTRUMENTS (CONTD.)****(g) Fair Values**

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

|                            |             | <b>Group</b>                          |                                  | <b>Company</b>                        |                                  |
|----------------------------|-------------|---------------------------------------|----------------------------------|---------------------------------------|----------------------------------|
|                            | <b>Note</b> | <b>Carrying<br/>Amount<br/>RM'000</b> | <b>Fair<br/>Value<br/>RM'000</b> | <b>Carrying<br/>Amount<br/>RM'000</b> | <b>Fair<br/>Value<br/>RM'000</b> |
| <b>Financial Asset</b>     |             |                                       |                                  |                                       |                                  |
| <b>At 31 December 2006</b> |             |                                       |                                  |                                       |                                  |
| Other investments          | 21          | 2,585                                 | 20,757                           | -                                     | -                                |
| Term loans                 |             | 4,587                                 | 4,062                            | 4,587                                 | 4,062                            |
| Hire purchase              |             | 380                                   | 336                              | 245                                   | 217                              |
|                            |             | <hr/>                                 | <hr/>                            | <hr/>                                 | <hr/>                            |
| <b>At 31 December 2005</b> |             |                                       |                                  |                                       |                                  |
| Other investments          | 21          | 2,766                                 | 46,736                           | -                                     | -                                |
| Term loans                 |             | 7,876                                 | 6,752                            | 7,876                                 | 6,752                            |
| Hire purchase              |             | 340                                   | 336                              | 63                                    | 58                               |
|                            |             | <hr/>                                 | <hr/>                            | <hr/>                                 | <hr/>                            |

The methods and assumptions used by the management to determine fair values of financial instruments other than those whose carrying amounts reasonably approximate their fair values are as follows:

**(i) Other investments**

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

**(ii) Borrowings**

Fair value has been determined using discounted estimated cash flows. The discount rates used the current market incremental lending rates for similar types of borrowings.

### **35. SEGMENT INFORMATION**

The Group's is organised on a worldwide basis into four major business segments:

**(a) Solution**

Distribution of computer products and provision of related services; and development of software applications and system integrations.

**(b) Smart community**

Provider of smart community solutions.

**(c) Communication and Multimedia**

Provider of multimedia design, development and production services, especially in web-based training programmes, interactive broadband content and network services.

**(d) Education**

Institution of higher learning, provider of teacher training, development of online multimedia courseware and delivering education related products and services.

**(e) Investment Holding and Others**

Other business segments include investment holding and other ICT related services, neither of which constitutes a separately reportable segment.

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

**35. SEGMENT INFORMATION****(a) Primary reporting format - business segments**

|                               | <b>Solution<br/>RM'000</b> | <b>Smart<br/>Community<br/>RM'000</b> | <b>Communication<br/>and<br/>Multimedia<br/>RM'000</b> | <b>Education<br/>RM'000</b> | <b>Investment<br/>holding<br/>and Others<br/>RM'000</b> | <b>Elimination<br/>RM'000</b> | <b>Consolidated<br/>RM'000</b> |
|-------------------------------|----------------------------|---------------------------------------|--|-----------------------------|---|-------------------------------|--------------------------------|
| <b>31 December 2006</b>       |                            |                                       |  |                             |   |                               |                                |
| <b>Revenue</b>                |                            |                                       |  |                             |   |                               |                                |
| Sales to external customers   | 46,990                     | -                                     | 15,601   | 36,123                      | 3,030   | -                             | 101,744                        |
| Inter-segment sales           | 22,630                     | -                                     | 11   | 14,057                      | 39  | (36,737)                      | -                              |
| Total revenue                 | <u>69,620</u>              | -                                     | <u>15,612</u>  | <u>50,180</u>               | <u>3,069</u>  | <u>(36,737)</u>               | <u>101,744</u>                 |
| <b>Result</b>                 |                            |                                       |  |                             |   |                               |                                |
| Segmental results             | 16,485                     | (5)                                   | (1,945)  | 3,825                       | (659)   | (1,732)                       | 15,969                         |
| Finance costs                 | (69)                       | -                                     | (14)   | -                           | (912)   | -                             | (995)                          |
| Share of losses of associates |                            |                                       |  |                             |   |                               | (357)                          |
| Profit before tax             |                            |                                       |  |                             |   |                               | <u>14,617</u>                  |
| Income tax expense            |                            |                                       |  |                             |   |                               | (587)                          |
| Net profit for the year       |                            |                                       |  |                             |   |                               | <u>14,030</u>                  |

**35. SEGMENT INFORMATION (CONTD.)****(a) Primary reporting format - business segments (Contd.)**

|                                      | <b>Solution<br/>RM'000</b> | <b>Smart<br/>Community<br/>RM'000</b> | <b>Communication<br/>and<br/>Multimedia<br/>RM'000</b> | <b>Education<br/>RM'000</b> | <b>Investment<br/>holding<br/>and Others<br/>RM'000</b> | <b>Elimination<br/>RM'000</b> | <b>Consolidated<br/>RM'000</b> |
|--------------------------------------|----------------------------|---------------------------------------|--|-----------------------------|---|-------------------------------|--------------------------------|
| <b>31 December 2006<br/>(Contd.)</b> |                            |                                       |  |                             |   |                               |                                |
| <b>Assets</b>                        |                            |                                       |  |                             |   |                               |                                |
| Segment assets                       | 62,636                     | 9,547                                 | 14,026   | 1,756                       | 126,049   | (73,873)                      | 140,141                        |
| Associates                           | -                          | 64                                    | -  | -                           | 243   | 251                           | 558                            |
|                                      |                            |                                       |  |                             |   |                               | <u>140,699</u>                 |
| Unallocated assets                   |                            |                                       |  |                             |   |                               | 196                            |
| Consolidated total assets            |                            |                                       |  |                             |   |                               | <u><u>140,895</u></u>          |
| <b>Liabilities</b>                   |                            |                                       |  |                             |   |                               |                                |
| Consolidated total liabilities       | 38,804                     | 991                                   | 15,867   | 9,411                       | 59,263  | (71,876)                      | 52,460                         |
| Unallocated liabilities              |                            |                                       |  |                             |   |                               | 5,454                          |
| Consolidated total liabilities       |                            |                                       |  |                             |   |                               | <u><u>57,914</u></u>           |
| <b>Other Information</b>             |                            |                                       |  |                             |   |                               |                                |
| Capital expenditure                  | 1,531                      | 1,760                                 | 1,142  | 206                         | 6,424   | (8)                           | 11,055                         |
| Depreciation & amortisation          | 319                        | 21                                    | 2,053  | 187                         | 497   | (150)                         | 2,927                          |
| Impairment losses:                   |                            |                                       |  |                             |   |                               |                                |
| - investment in quoted shares        | (164)                      | -                                     | -  | -                           | -   | -                             | (164)                          |

**35. SEGMENT INFORMATION (CONTD.)****(a) Primary reporting format - business segments (Contd.)**

|                               | <b>Solution<br/>RM'000</b> | <b>Smart<br/>Community<br/>RM'000</b> | <b>Communication<br/>and<br/>Multimedia<br/>RM'000</b> | <b>Education<br/>RM'000</b> | <b>Investment<br/>holding<br/>and Others<br/>RM'000</b> | <b>Elimination<br/>RM'000</b> | <b>Consolidated<br/>RM'000</b> |
|-------------------------------|----------------------------|---------------------------------------|--|-----------------------------|---|-------------------------------|--------------------------------|
| <b>31 December 2005</b>       |                            |                                       |  |                             |   |                               |                                |
| <b>Revenue</b>                |                            |                                       |  |                             |   |                               |                                |
| External sales                | 11,841                     | -                                     | 22,395   | 35,786                      | 2,659   | -                             | 72,681                         |
| Inter-segment sales           | 11,157                     | -                                     | 8  | 13,975                      | 5,790   | (30,930)                      | -                              |
| Total revenue                 | 22,998                     | -                                     | 22,403   | 49,761                      | 8,449   | (30,930)                      | 72,681                         |
| <b>Result</b>                 |                            |                                       |  |                             |   |                               |                                |
| Segmental results             | 11,520                     | 633                                   | (907)  | 5,645                       | 3,891   | (10,350)                      | 10,432                         |
| Finance cost, net             | (43)                       | -                                     | -  | -                           | (855)   | 27                            | (871)                          |
| Share of profit of associates |                            |                                       |  |                             |   |                               | (103)                          |
| Profit before tax             |                            |                                       |  |                             |   |                               | 9,458                          |
| Income tax expense            |                            |                                       |  |                             |   |                               | (37)                           |
| Net profit for the year       |                            |                                       |  |                             |   |                               | 9,421                          |

**35. SEGMENT INFORMATION (CONTD.)****(a) Primary reporting format - business segments (Contd.)**

|                                      | <b>Solution<br/>RM'000</b> | <b>Smart<br/>Community<br/>RM'000</b> | <b>Communication<br/>and<br/>Multimedia<br/>RM'000</b> | <b>Education<br/>RM'000</b> | <b>Investment<br/>holding<br/>and Others<br/>RM'000</b> | <b>Elimination<br/>RM'000</b> | <b>Consolidated<br/>RM'000</b> |
|--------------------------------------|----------------------------|---------------------------------------|--|-----------------------------|---|-------------------------------|--------------------------------|
| <b>31 December 2005<br/>(Contd.)</b> |                            |                                       |  |                             |   |                               |                                |
| <b>Assets</b>                        |                            |                                       |  |                             |   |                               |                                |
| Segment assets                       | 34,970                     | 8,548                                 | 16,275   | 5,320                       | 84,003  | (46,498)                      | 102,618                        |
| Associates                           | -                          | 800                                   | -  | -                           | 1,364   | 203                           | 2,367                          |
|                                      |                            |                                       |  |                             |   |                               | <u>104,985</u>                 |
| Unallocated assets                   |                            |                                       |  |                             |   |                               | <u>126</u>                     |
| Consolidated total assets            |                            |                                       |  |                             |   |                               | <u><u>105,111</u></u>          |
| <b>Liabilities</b>                   |                            |                                       |  |                             |   |                               |                                |
| Consolidated total liabilities       | 22,184                     | 728                                   | 15,092   | 17,607                      | 26,882  | (51,552)                      | 30,941                         |
| Unallocated liabilities              |                            |                                       |  |                             |   |                               | <u>4,965</u>                   |
| Consolidated total liabilities       |                            |                                       |  |                             |   |                               | <u><u>35,906</u></u>           |
| <b>Other Information</b>             |                            |                                       |  |                             |   |                               |                                |
| Capital expenditure                  | 350                        | -                                     | 3,279  | 42                          | 193   | (2)                           | 3,862                          |
| Depreciation & amortisation          | 690                        | 45                                    | 1,518  | 140                         | 2,371   | (254)                         | 4,510                          |
| Impairment losses:                   |                            |                                       |  |                             |   |                               |                                |
| - investment in quoted shares        | -                          | -                                     | -  | -                           | 97  | -                             | 97                             |

**35. SEGMENT INFORMATION (CONTD.)**

Segment result for investment holding and others include rental income, interest income, dividend from quoted shares, gain on disposal of unquoted shares and corporate expenses. Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash, and exclude tax recoverable. Segment liabilities comprise operating liabilities and exclude items such as current tax liabilities and deferred taxation.

Capital expenditure comprises additions to property, plant and equipment (Note 13) and intangible assets (Note 15), including additions resulting from acquisitions through business combinations (Note 16) if any, however, there is no significant acquisition during the previous and current financial years.

**36. SUBSEQUENT EVENTS**

- (a) On 8 February 2007, the Company subscribed for 1 share of US\$1 each, representing 100% equity interest in Worldwide Link Inc. (BVI), for a total cash consideration of US\$1.
- (b) On 10 April 2007, the Company subscribed for 55,000 ordinary shares of GBP0.10 each, representing 55% equity interest in Europelink Technology Limited (UK), for a total cash consideration of GBP5,500.
- (c) On 25 April 2007, the Company subscribed for 1,000 ordinary shares of S\$1.00 each, representing 100% equity interest in MyUnos Solutions (Singapore) Pte Ltd, for a total cash consideration of S\$1,000.

**37. COMPARATIVE FIGURES**

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

| <b>Group</b>  | <b>As previously<br/>stated<br/>RM'000</b> | <b>Reclassifica-<br/>tions<br/>RM'000</b> | <b>As<br/>restated<br/>RM'000</b> |
|---|--|---|-----------------------------------|
| <b>Income Statement</b>                                 |  |   |                                   |
| Other income  | 290  | (167)                                     | 123                               |
| Cost of hardware, software and<br>auxiliaries purchased | (14,575)                                   | 14,575                                    | -                                 |
| Purchase of services                                    | (13,506)                                   | 13,506                                    | -                                 |
| Changes in work performed and<br>capitalised            | (79)                                       | 79  | -                                 |

**37. COMPARATIVE FIGURES (CONTD.)**

| <b>Group (Contd.)</b>                                   | <b>As previously<br/>stated</b> | <b>Reclassifica-<br/>tions</b> | <b>As<br/>restated</b> |
|---|---------------------------------|--------------------------------|------------------------|
|   | <b>RM'000</b>                   | <b>RM'000</b>                  | <b>RM'000</b>          |
| <b>Income Statement</b>                                 |                                 |                                |                        |
| Cost of sales   | -                               | (37,798)                       | (37,798)               |
| Staff cost  | (16,762)                        | 7,973                          | (8,789)                |
| Depreciation  | (4,382)                         | 4,382                          | -                      |
| Amortisation of intangible assets                       | (128)                           | 128                            | -                      |
| Selling related expenses                                | (9,579)                         | 1,372                          | (8,207)                |
| Office expenses   | (2,127)                         | 2,127                          | -                      |
| Other operating expenses                                | (1,401)                         | (6,177)                        | (7,578)                |
| Share of results of associates                          | (93)                            | (10)                           | (103)                  |
| Taxation  | (47)                            | 10                             | (37)                   |
| <b>Balance Sheet</b>                                    |                                 |                                |                        |
| Intangible assets                                       | 3,571                           | 501                            | 4,072                  |
| Other investment - non current                          | -                               | 348                            | 348                    |
| Trade and others receivables                            | 33,192                          | (849)                          | 32,343                 |
| <b>Company</b>  |                                 |                                |                        |
| Other income  | 5,097                           | (4,998)                        | 99                     |
| Cost of hardware, software and<br>auxiliaries purchased | (18,673)                        | 18,673                         | -                      |
| Purchase of services                                    | (15,708)                        | 15,708                         | -                      |
| Changes in work performed and<br>capitalised            | (1,241)                         | 1,241                          | -                      |
| Cost of sales   |                                 | (35,987)                       | (35,987)               |
| Staff cost  | (5,535)                         | 272                            | (5,263)                |
| Depreciation  | (2,371)                         | 2,371                          | -                      |
| Amortisation of intangible assets                       | -                               | -                              | -                      |
| Selling related expenses                                | (643)                           | 66                             | (577)                  |
| Office expenses   | (1,538)                         | 1,538                          | -                      |
| Other operating expenses                                | (785)                           | 1,116                          | 331                    |
| <b>Balance Sheet</b>                                    |                                 |                                |                        |
| Advance to subsidiaries                                 | 10,275                          | (10,275)                       | -                      |
| Trade and other receivables                             | 23,035                          | 10,189                         | 33,224                 |
| Trade and other payables                                | 21,540                          | (86)                           | 21,454                 |