

Kota  
**MASAI**  
馬來西亞

saujana  
**o-lot**  
.....luxurious hilltop villas



# Focal Aims Holdings Berhad

(17777-V)

Annual Report

# 2006



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Focal  
Aims

The logo features a stylized 'A' composed of three concentric, curved bands in red, green, and orange, with a red circle in the center. Below the logo, the words 'Focal' and 'Aims' are written in a bold, 3D, metallic font.





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A New Standard,  
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# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** THAT the Thirty-Third Annual General Meeting of Focal Aims Holdings Berhad will be held at the **Ballroom 1, Hyatt Regency Johor Bahru, Jalan Sungai Chat, 80720 Johor Bahru, Johor Darul Ta'zim** on **Wednesday, 28 February 2007 at 10.30 a.m.** for the following purposes:-

## AGENDA

- To receive the Directors' Report and Audited Financial Statements for the financial year ended 30 September 2006 together with the Auditors' Report thereon. *(Resolution 1)*
- To approve the Directors' Fees for the financial year ended 30 September 2006. *(Resolution 2)*
- To approve the declaration of a final dividend of 0.45% less income tax for the financial year ended 30 September 2006. *(Resolution 3)*
- To re-elect the following Directors who are retiring in accordance with Article 80 of the Articles of Association of the Company:-
  - E. Seng Kiw @ Yee Oy Chong *(Resolution 4)*
  - Yee Yok Sen *(Resolution 5)*
  - Phang Piow @ Pang Choo Ing *(Resolution 6)*
- To re-appoint Messrs. Ernst & Young as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. *(Resolution 7)*
- As Special Business**  
To consider and, if thought fit, to pass the following resolution:-

## ORDINARY RESOLUTION

### - Authority to issue and allot shares

"That subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental / regulatory authorities, the directors be and are hereby authorised, pursuant to Section 132D of the Companies Act, 1965 to issue and allot shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10 per centum of the issued share capital of the Company for the time being." *(Resolution 8)*

- To transact any other ordinary business for which due notice has been given.

## NOTICE OF DIVIDEND ENTITLEMENT

**NOTICE IS ALSO HEREBY GIVEN** that the Record of Depositors of the Company will be closed at 5.00 p.m. on 30 March 2007 for the purpose of determining shareholders' entitlement to the final dividend of 0.45% less income tax in respect of the financial year ended 30 September 2006.

The dividend, if approved, will be paid on 26 April 2007 to shareholders whose names appear in the Record of Depositors (ROD) on 30 March 2007.

A Depositor shall qualify for entitlement only in respect of:-

- Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 30 March 2007 in respect of ordinary transfers; and
- Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

*By Order of the Board*

**Chua Siew Chuan**  
**Lim Yew Heang**  
*Company Secretaries*

*Kuala Lumpur*  
*31 January 2007*

## Explanatory Note to Special Business:

The proposed adoption of the Ordinary Resolution is primarily to give flexibility to the Board of Directors to issue and allot shares at any time in their absolute discretion without convening a general meeting.

## Notes:-

- A member entitled to attend and vote at the Meeting is entitled to appoint more than one proxy to attend and vote in his stead. A proxy may but does not need to be a member of the Company and the provisions of Section 149 (1)(b) of the Companies Act, 1965 need not be complied with. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
- In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.
- The instrument appointing a proxy must be deposited at the Company's Registered Office, Suite 338, 3rd Floor, Johor Tower, Jalan Gereja, 80100 Johor Bahru not less than 48 hours before the time for holding the Meeting or any adjournment thereof.

## Statement accompanying the Notice of Annual General Meeting

The Directors standing for re-election at the Thirty-Third Annual General Meeting of the Company to be held at the **Ballroom 1, Hyatt Regency Johor Bahru, Jalan Sungai Chat, 80720 Johor Bahru, Johor Darul Ta'zim** on **Wednesday, 28 February 2007 at 10.30 a.m.** are as follows:-

- E. Seng Kiw @ Yee Oy Chong  
*(Article 80 of the Company's Articles of Association)*
- Yee Yok Sen  
*(Article 80 of the Company's Articles of Association)*
- Phang Piow @ Pang Choo Ing  
*(Article 80 of the Company's Articles of Association)*

Their particulars can be found on page 4 - 5 of the Annual Report. Their shareholdings in the Company are stated on page 68 of the Annual Report.

## Information on Board Meetings

The information on Board Meetings and attendance of the Directors can be found on page 22 of the Annual Report.

# Corporate Information & Board of Directors



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## BOARD OF DIRECTORS

*Chairman*

**Tan Sri Datuk Mohd Razali bin Abdul Rahman**

*Group Managing Director*

**E. Seng Kiw @ Yee Oy Chong**

*Group Executive Director*

**Yee Yok Sen**

*Members*

**Datuk Che Mokhtar bin Che Ali**

**Wan Mustapha bin Wan Ismail**

**Phang Piow @ Pang Choo Ing**

**Pang Tin @ Pang Yon Tin**

**Woon See Chin**

**Tee Boon Hin**

## REGISTERED OFFICE

Suite 338, 3<sup>rd</sup> Floor

Johor Tower

Jalan Gereja

80100 Johor Bahru

Johor Darul Ta'zim

Tel No: 07-2211833

Fax No: 07-2246066

## AUDIT COMMITTEE

**Datuk Che Mokhtar bin Che Ali**

*Chairman (Independent Non-Executive Director)*

**Yee Yok Sen**

*Group Executive Director*

**Woon See Chin**

*Independent Non-Executive Director*

**Tee Boon Hin**

*Independent Non-Executive Director*

## COMPANY SECRETARIES

**Chua Siew Chuan** (MAICSA No: 0777689)

**Lim Yew Heang** (MAICSA No: 7007653)

## REGISTRAR

Securities Services (Holdings) Sdn Bhd  
(Co. No. 36869-T)

Level 7, Menara Milenium

Jalan Damanlela

Pusat Bandar Damansara

Damansara Heights

50490 Kuala Lumpur

Tel No: 03-20849000

Fax No: 03-20949940

## AUDITORS

Ernst & Young

Chartered Accountants

Suite 11.2A, Level 11

Menara Pelangi

2, Jalan Kuning

Taman Pelangi

80400 Johor Bahru

## PRINCIPAL BANKERS

AmBank Berhad

AmlInvestment Bank Berhad

*(formerly known as AmMerchant Bank Berhad)*

Public Bank Berhad

## STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad

*(Main Board)*





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# Profile of Directors

## TAN SRI DATUK MOHD RAZALI BIN ABDUL RAHMAN

Tan Sri Datuk Mohd Razali bin Abdul Rahman, aged 60, a Malaysian, is a Non-Independent Non-Executive Director and the Chairman of Focal Board of Directors. Tan Sri was appointed to the Board on 18 February 2003. He holds a Bachelor's Degree in Commerce from the University of New Castle, Australia in 1972 and Master's Degree in Financial Management from the University of Queensland, Australia in 1980. He is a Fellow of the CPA Australia. He has been the Chairman of Company subsidiary, Focal Aims Sdn Bhd ("FASB") and Focal Aims Properties Sdn Bhd ("FAPSB") since 1994 and 1998 respectively. He is currently Chairman of Peremba (Malaysia) Sdn Bhd. He also serves in the board of Saujana Resort (M) Berhad and Pembangunan Mas Melayu Berhad. He is the major shareholder of Peremba (Malaysia) Sdn Bhd. He has attended three (3) out of five (5) Board Meetings held during the financial year ended 30 September 2006. He also sits and chair on the Remuneration Committee of the Company.

## E. SENG KIW @ YEE OY CHONG

Mr. E. Seng Kiw @ Yee Oy Chong, aged 66, a Malaysian, is a Non-Independent Executive Director and the Group Managing Director of Focal. He was appointed to the Board of Focal on 9 November 1999. He holds a Masters Degree in Business Administration from Honolulu University in the United States of America ("USA"). He is also the Managing Director of the subsidiary companies, Focal Aims Properties Sdn Bhd ("FAPSB") and Focal Aims Sdn Bhd ("FASB"). He held the position of Managing Director of Menang Corporation Berhad, a company listed on the Main Board of the KLSE from 1985 to 1989. He has over thirty (30) years working experience in property development, logging and saw milling and is the driving force behind the Focal Group's growth. He is also responsible for the overall management and formulation of the Focal Group's strategic plans and policies. He holds directorships in several private limited companies. He has attended all the five (5) Board Meetings held during the financial year ended 30 September 2006. He is the brother of Mr. Yee Yok Sen. Mr. E. Seng Kiw @ Yee Oy Chong also sits in the Executive Committee of the Company.

## YEE YOK SEN

Mr. Yee Yok Sen, aged 50, a Malaysian, is a Non-Independent Group Executive Director of Focal. He was appointed to the Board of Focal on 9 November 1999. He has over twenty (20) years experience in the property development sector. He also holds directorships in several private limited companies. He has attended all the five (5) Board Meetings held during the financial year ended 30 September 2006. He is the brother of Mr. E. Seng Kiw @ Yee Oy Chong. Mr. Yee Yok Sen is also a member of the Audit Committee and Budget Committee of the Company.

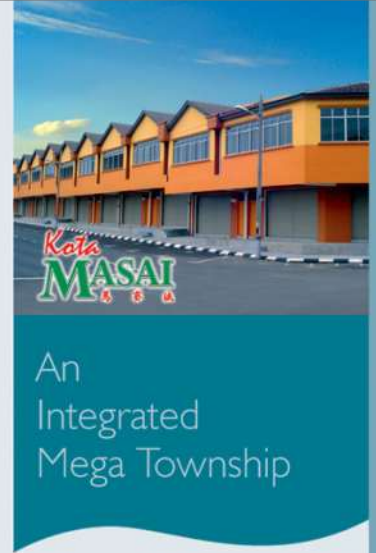
## DATUK CHE MOKHTAR BIN CHE ALI

Datuk Che Mokhtar bin Che Ali, aged 53, a Malaysian, is an Independent Non-Executive Director and the Chairman of the Audit Committee of Focal. He has been on the Board of Focal since 31 January 1997. He obtained his Bachelor of Arts (B.A) and Bachelor of Law (LLB) degrees from Victoria University of Wellington, New Zealand. He was a former Magistrate and Deputy Public Prosecutor. He has been an Advocate and Solicitor of the High Court of Malaya since 1983. He has attended four (4) out of five (5) Board Meetings held during the financial year ended 30 September 2006. Datuk also sits on the Executive and Remuneration Committee of the Company.

## WAN MUSTAPHA BIN WAN ISMAIL

Encik Wan Mustapha bin Wan Ismail, aged 58, a Malaysian, is a Non-Independent Non-Executive Director and he was appointed to the Board of Focal on 9 November 1999. He graduated with a Bachelor of Commerce from the University of Newcastle, New South Wales, Australia in 1973. He is an Associate Member of the Institute of Chartered Accountant of Australia and also a Chartered Accountant with the Malaysian Institute of Accountants. He was attached to General Lumber Fabricators and Builders Berhad ("GLFB"), a company listed on the Second Board of the KLSE as the Group Managing Director for seven (7) years until he resigned in July 2000. He was re-appointed to the Board of GLFB in November 2000 and was subsequently appointed as the Executive Director in February 2001 until 21 August 2003. In addition, he also holds directorships in several private limited companies. He has attended all the five (5) Board Meetings held during the financial year ended 30 September 2006. He also sits and chair on the Nomination and Budget Committee of the Company.

## Profile of Directors (cont'd)



### PHANG PIOW @ PANG CHOO ING

Mr. Phang Piow @ Pang Choo Ing, aged 65, a Malaysian, is a Non-Independent Non-Executive Director and he was appointed to the Board of Focal on 9 November 1999. He holds a Bachelor of Business Administration from Honolulu University, USA and a Masters of Business Administration from Greenwich University, Australia. Mr. Phang Piow is also an Executive Director of FAPSB and has been an Executive Director of FASB since 1994. He has over thirty (30) years experience in property development, property investment, quarrying, construction, manufacturing and hotel management. He also holds directorships in several private limited companies. He has attended all the five (5) Board Meetings held during the financial year ended 30 September 2006. He is the brother of Mr. Pang Tin @ Pang Yon Tin. Mr. Phang Piow also sits in the Remuneration Committee of the Company.

### PANG TIN @ PANG YON TIN

Mr. Pang Tin @ Pang Yon Tin, aged 60, a Malaysian, is a Non-Independent Non- Executive Director and he was appointed to the Board of Focal on 9 November 1999. He has been a director of FASB since 1996. He has over twenty-eight (28) years experience in various sectors, encompassing property development, property investment, construction, quarrying, manufacturing and hotel management. He also holds directorships in several private limited companies. He has attended all the five (5) Board Meetings held during the financial year ended 30 September 2006. He is the brother of Mr. Phang Piow @ Pang Choo Ing.

### WOON SEE CHIN

Mr. Woon See Chin, aged 63, a Malaysian, is an Independent Non-Executive Director and he was appointed as a Director of Focal on 9 November 1999. He graduated from the law school of University of Singapore and is an advocate and solicitor by profession and has been in legal practice in Johor Bahru for more than twenty-eight (28) years. He was also a Johor State Assembly member in 1982 and was elected as a Member of Parliament of Malaysia from 1986 to 1995. He served as a Deputy Minister of Education of Malaysia for four (4) years from 1986 to 1990. He has attended all the five (5) Board Meetings held during the financial year ended 30 September 2006. He is also a Chairman of the Executive Committee and a member of Audit Committee and Nomination Committee of the Company.

### TEE BOON HIN

Mr. Tee Boon Hin, aged 45, a Malaysian, is an Independent Non-Executive Director and he was appointed as a Director of Focal on 9 November 1999. He is an Accountant by profession and has been in public practice in Johor Bahru since 1993. He graduated with a Bachelor of Commerce Degree from the University of Canterbury, New Zealand, in 1985. He is a member of the Institute of Chartered Accountants of New Zealand, an associate member of the Chartered Secretaries New Zealand Incorporated, a Chartered Accountant with the Malaysian Institute of Accountants and a Fellow member of the Malaysian Institute of Taxation. He has been attached to a number of public accounting firms, both overseas and in Malaysia, for over twenty (20) years. He has attended all the five (5) Board Meetings held during the financial year ended 30 September 2006. He also sits on the Executive Committee and a member of Audit Committee, Nomination and Budget Committee of the Company.

### Other Information

All the directors have no conviction for any offences and they all have no conflict of interests with the Company.



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# Chairman's Statement

“On behalf of the Board of Directors of Focal Aims Holdings Berhad, I am pleased to present to you the Annual Report and the Financial Statements of the Group and the Company for the financial year ended 30 September 2006.”

## OVERVIEW

During the financial year under review, the rising of fuel prices and interest rates have affected the property market significantly. The rise in fuel prices has inevitably led to increase in transportation and material costs, which essentially exerts downward pressure for the profit margin. The increase in interest rates poses another negative impact simply because the cost of borrowing has increase and less people are willing to borrow. The concern for inflation by general public as a result of the rise in fuel prices also dampens the purchasing sentiment for big ticket items such as houses. Nevertheless, the Group managed to achieve positive results amidst the backdrop of these tough operating conditions.





# New Concept



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# Chairman's Statement (cont'd)



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## FINANCIAL HIGHLIGHTS

For the financial year under review, the Group recorded a profit before tax of RM2.0 million on revenue of RM46.9 million compared to profit before tax of RM7.0 million on revenue of RM66.3 million in 2005. The revenue and profit before tax decreased mainly due to low sentiment in purchasing properties. The Group's earnings per share was 0.22 sen per share, and the total assets and shareholders' funds as at 30 September 2006 stood at RM495.7 million and RM298.3 million respectively.

The impact of diversified location of development has not been factored into the results because the launching of the Group's maiden project in the Klang Valley has been rescheduled to the first quarter of financial year 2007 (October-December 2006).

## OPERATIONAL REVIEW

### Johor Bahru

The Group's flagship project in Johor Bahru is the township development known as Kota Masai. It is already a township of more than ten (10) years since the first handover of units in 1996. The Group has managed to build and develop the place from a 2,500-acre oil palm estate into a mixed housing development comprising residential, industrial and commercial properties, and more importantly it is now home to more than 70,000 people.

As mentioned in the last Annual Report, the two (2) road linkages both internally within Kota Masai and externally to the nearby Taman Pasir Putih and Pasir Gudang/Johor Port area has been completed. The completion of these roads has improved the traffic flow within Kota Masai and also enhances the connectivity with the surrounding areas. The undertaking to improve the road system is actually initiated by the Group. Being a responsible corporate citizen, we view this as our Corporate Social Responsibility to create value and convenience for our residents. In fact, the Group has taken upon itself to maintain the landscaping of the whole of Kota Masai including approximately 10-km length of dual carriage highway even though the responsibility has been handed to local authority. The millions of investment are directed to only one goal, which is to create a clean and harmonious environment for all Kota Masai residents.

During the financial year under review, the Group has sold 348 units of properties encompass of double storey low medium houses, single and double storey terrace houses, double storey semi-detached houses, double storey shop offices, bungalow lots and semi-detached factory. To-date, the Group has sold more than 14,000 units of properties and it is just crossing the half way mark for the entire development. It will take at least another ten (10) years to fully develop the whole Kota Masai.



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## Chairman's Statement (cont'd)

### Klang Valley

The launch of the Group's maiden project known as **Saujana O-lot** in the Klang Valley has been rescheduled to the first (1st) quarter of financial year 2007 (October - December 2006). The soft launch commenced in October 2006 has attracted commendable response with encouraging sales. The official launch will be conducted upon completion of the show units estimated to be around February 2007.

As mentioned in the last Annual Report, the Group has incorporated a O-lot concept for all residential units for this project. The O-lot concept essentially means pushing one side of the building to the boundary line, leaving spacious area in the garden for leisure activities. The first phase of **Saujana O-Lot** comprises 45 units of SD Villa and 3 units of D Villa.

The SD Villa is the O-lot version of the conventional semi-detached houses. The SD Villa will let you own a bungalow unit at semi-detached prices, and let your friends and visitors admire the beauty and privacy of your new bungalow home. The D Villa is the O-lot concept of bungalow houses. The difference is the non-requirement of ten-foot setback for one side of the house, which means the car porch structure can be fully extended sideway to touch the boundary line. Similarly, this leaves plenty more room for better usage and design. The entire **Saujana O-Lot** covers an area of 25 acres to be developed in three (3) phases over a period of five (5) years.

## PROSPECTS

The Malaysian economy is expected to grow at satisfactory rate in the coming year 2007. In spite of the increased competition from neighbouring countries and challenging world economy due to globalization of economy and information, Malaysia remains confident and optimistic to achieve a positive growth rate in year 2007 due to the continued expansion of private sector activities complemented by government's expansionary fiscal policy.



# New Lifestyle



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## Chairman's Statement (cont'd)



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With the US interest rate stops hiking, the interest rate in Malaysia should stabilize. Coupling with moderating inflation and unemployment rate in check, the Malaysia business environment should remain conducive. The announcement of the Ninth Malaysian Plan (9MP) has indicated an allocation of RM200 billion of government spending in 2006-2010. Under the 9MP, Johor Bahru has been earmarked as South Johor Economic Region, or more recently known as Iskandar Development Region (IDR). With a target funding of RM47 billion within five years, many industries will be benefited in particular property development.

The construction of the Senai-Desaru Highway and the widening of the Pasir Gudang Highway, alongside the target growth area of Pasir Gudang Johor Port and Tanjung Langsat Technology Park, will enhance the property development of Kota Masai.

The Group believes expansion is the key to continual growth. As such, the Group has taken the first step in the right direction by purchasing land in the Klang Valley. The launch of **Saujana O-Lot** will be beneficial to the Group as it serves as a platform for the Group to further explore development opportunities in the Klang Valley although there is no shortage of land bank.

Going forward, barring any unforeseen circumstances, the Group is confident to improve its current performance and achieve a better result for the financial year 2007.

### DIVIDEND

The Board is pleased to recommend for the shareholders' approval at the forthcoming Annual General Meeting, a final dividend of 0.45% less income tax for the financial year ended 30 September 2006.

### ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express my sincere gratitude and appreciation to our bankers, business associates, customers, various government agencies and local authorities for their continuing support. I also wish to thank my fellow directors, management and staff for their hard work, commitment and unwavering dedication to the Group. Last but not least, I would like to offer my deepest appreciation to our shareholders for your continued support and confidence in the Group.



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## Financial Highlights

	2006	2005	2004	2003	2002
Paid-up capital (RM'000)	253,317	253,317	253,317	253,317	253,317
Shareholders' funds (RM'000)	298,265	298,977	297,246	296,336	286,574
Net Assets (RM'000)	301,907	302,619	300,888	299,978	290,216
Net Assets per share (sen)	119	119	119	118	115
Revenue (RM'000)	46,855	66,320	78,467	71,496	62,054
Profit/(Loss) before taxation & after exceptional item (RM'000)	1,994	6,989	8,720	17,955	25,194
Profit/(Loss) after taxation & after exceptional item (RM'000)	565	4,467	5,404	12,497	17,437
Net earnings/(loss) per share (sen)	0.22	1.76	2.13	4.93	6.88
Pretax profit/(loss) margin (%)	4.3	10.5	11.1	25.1	40.6
Current ratio	3.56	3.21	3.26	3.18	2.65
Return on capital employed (%)	0.7	2.3	2.9	6.0	8.7
Total borrowings (RM'000)	105,288	46,148	50,602	52,732	60,271
Gearing (times)	0.35	0.15	0.17	0.18	0.21

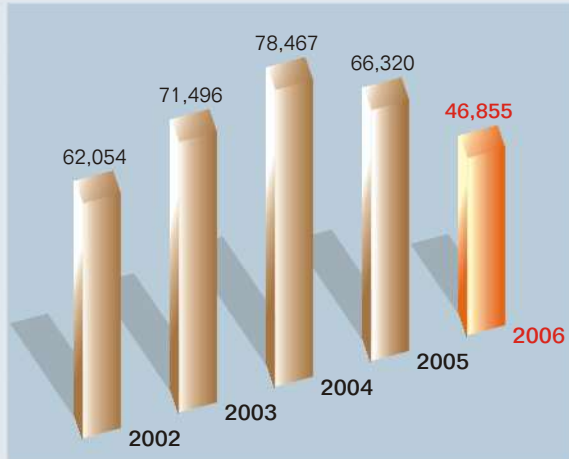




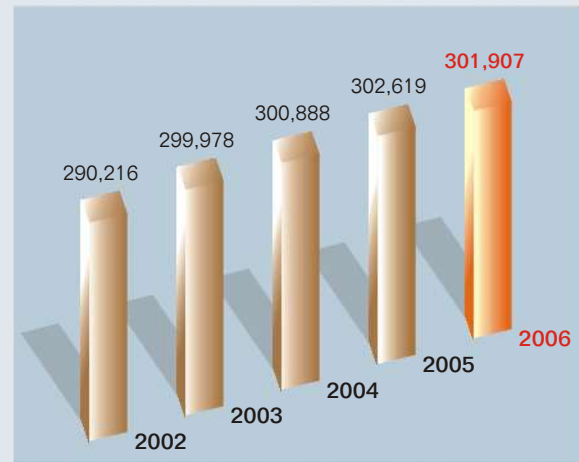
# Financial Highlights (cont'd)

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**GROUP REVENUE (RM'000)**



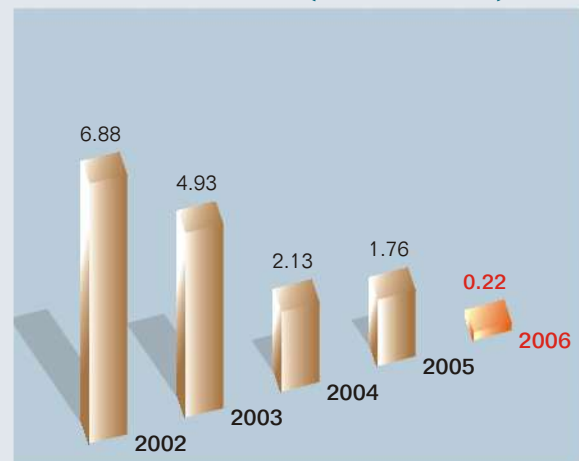
**NET ASSETS (RM'000)**



**PROFIT/(LOSS) BEFORE TAX (RM'000)**



**EARNING PER SHARE (Sen Per Share)**



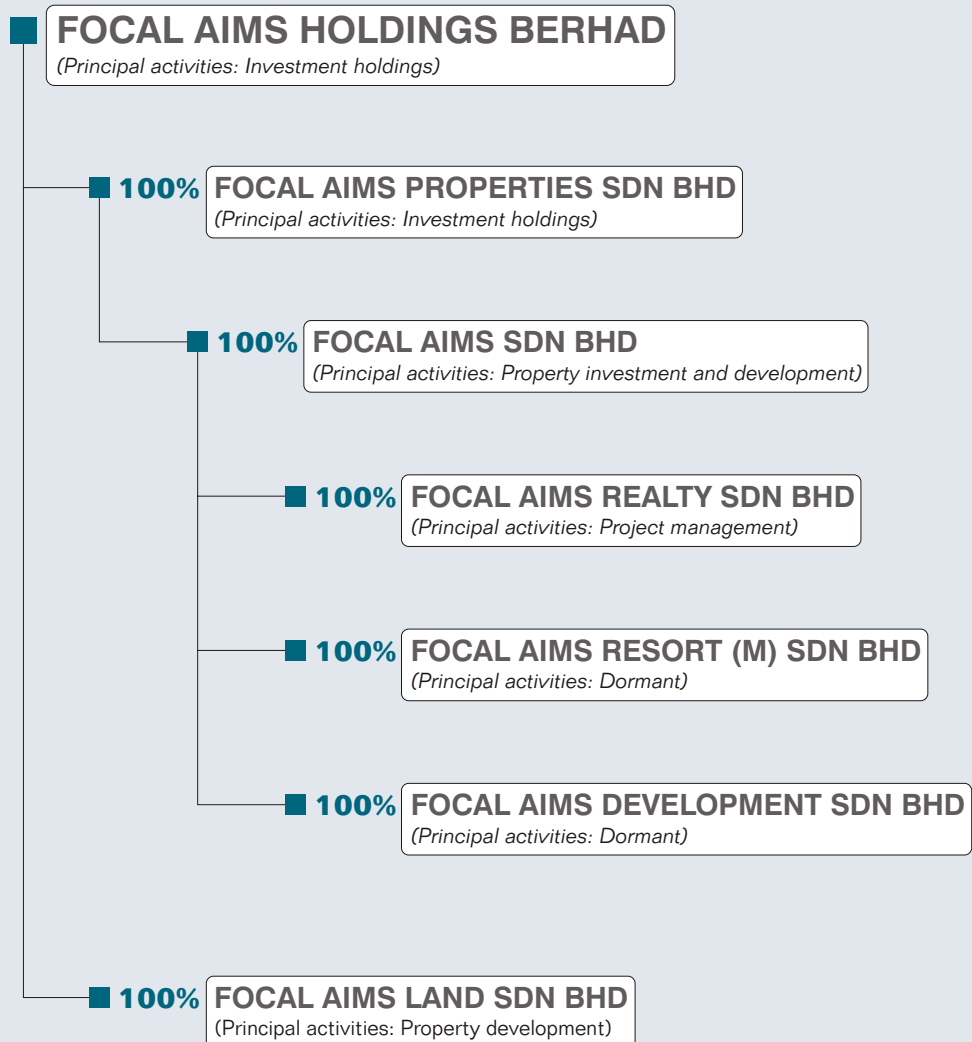
**PROFIT/(LOSS) AFTER TAX (RM'000)**

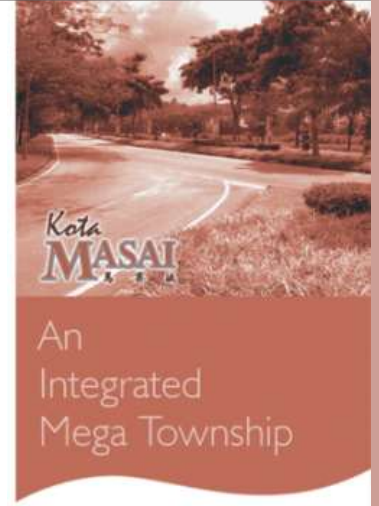




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# Group Corporate Structure





# Audit Committee Report

## Size and Composition

The members of the Audit Committee comprised of three (3) independent non-executive directors and one (1) executive director.

During the financial year ended 30 September 2006, the Committee held a total of five (5) meetings and the meetings were held on the 29 November 2005, 6 January 2006, 27 February 2006, 29 May 2006 and 28 August 2006.

The Audit Committee has been re-appointed for another term of three (3) years expiring on 8 November 2009.

## Members

The present members of the Audit Committee of the Company are:-

<u>Name</u>	<u>Designation</u>	<u>Attendance of meetings</u>
(a) Datuk Che Mokhtar Bin Che Ali (Chairman)	Independent Non-Executive Director	Attended 4 of the 5 meetings
(b) Woon See Chin	Independent Non-Executive Director	Attended all 5 meetings
(c) Tee Boon Hin	Independent Non-Executive Director	Attended all 5 meetings
(d) Yee Yok Sen	Group Executive Director	Attended all 5 meetings

## TERMS OF REFERENCE OF AUDIT COMMITTEE

### Composition of members

The Board shall elect the Audit Committee members from amongst themselves, comprising no fewer than three (3) directors, where the majority shall be independent directors. The term of office of the audit committee is three (3) years and may be re-nominated and appointed by the Board of Directors.

In this respect, the Board adopts the definition of "independent director" as defined under the Bursa Malaysia ("BM") Listing Requirements.

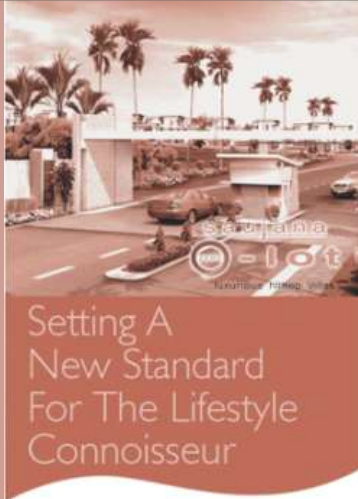
At least one member of the Audit Committee must be:-

- (a) a member of the Malaysian Institute of Accountant ("MIA"); or
- (b) if he is not a member of MIA, he must have at least 3 years of working experience and:
  - i. he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
  - ii. he must be a member of one of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967.
- (c) fulfils such other requirements as prescribed by the Exchange.

No alternate director of the Board shall be appointed as a member of the Audit Committee.

### Retirement and resignation

If a member of the Audit Committee resigns, dies, or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall within three (3) months of the event appoint such number of the new members as may be required to fill the vacancy.



## Audit Committee Report (cont'd)

### **Chairman**

The Chairman of the Audit Committee, elected from amongst the Audit Committee members, shall be an independent director. The Chairman of the Committee shall be approved by the Board of Directors.

### **Secretary**

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

The Secretary shall be responsible for drawing up the agenda with concurrence of the Chairman and circulating it, supported by explanatory documentation to members of the Audit Committee prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Audit Committee, circulating them to members of the Audit Committee and to the other members of the Board of Directors and for following up outstanding matters.

### **Meetings**

The Audit Committee meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.

In the absence of the Chairman, the other independent director shall be the Chairman for that meeting.

The members of the Audit Committee, Group General Manager, Manager of the Finance Division and the head of internal audit will normally be in attendance at the meetings. Representatives of the external auditors are to be in attendance at meeting where matters relating to the audit of the statutory accounts and/ or external auditors are to be discussed.

Other directors, officers and employees of the Company and/ or Group may be invited to attend, except for those portions of the meetings where their presence is considered inappropriate, as determined by the Audit Committee. However, at least once a year the Audit Committee shall meet with the external auditors without any executive board member present.

Minutes of each meeting shall be kept and distributed to each member of the Audit Committee and also to the other members of the Board of Directors. The Audit Committee Chairman shall report on each meeting to the Board of Directors.

### **Quorum**

The quorum for the Audit Committee meeting shall be the majority of members present whom must be independent directors.

### **Reporting**

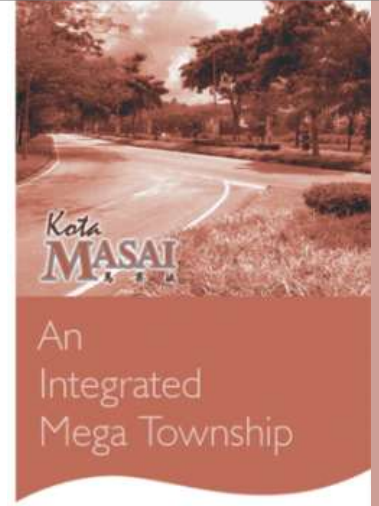
The Audit Committee shall report to the Board of Directors, either formally in writing, or verbally, as it considers appropriate on the matters within its terms of reference at least once a year, but more frequently if it so wishes.

The Audit Committee shall report to the Board of Directors on any specific matters referred to it by the Board for investigation and report.

### **Objectives**

The principal objectives of the Audit Committee is to assist the Board of Directors in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the holding company and each of its subsidiaries. In addition, the Audit Committee shall:

- evaluate the quality of the audits performed by the internal and external auditors;
- provide assurance that the financial information presented by management is relevant, reliable and timely;



## Audit Committee Report (cont'd)

- oversee compliance with laws and regulations and observance of a proper code of conduct; and
- determine the quality, adequacy and effectiveness of the Group's control environment.
- provide assurance concerning the Group's risk profile and assist in the implementation of the risk management structure in the Group.

### **Authority**

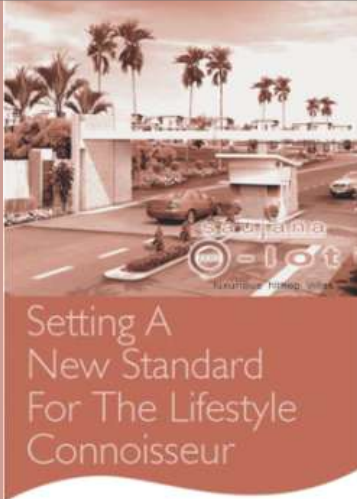
The Audit Committee shall, in accordance with a procedure to be determined by the Board of Directors and at the expense of the Company,

- (a) authorise to investigate any activity within its terms of reference. All employees shall be directed to co-operate as requested by members of the Audit Committee.
- (b) have full and unlimited / unrestricted access to all information and documents / resources which are required to perform its duties as well as to the internal and external auditors and senior management of the Company and Group.
- (c) obtain, at the expense of the Company, other independent professional advice or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.
- (d) be able to convene meetings with the external auditors, without the attendance of the executive members of the Audit Committee, whenever deemed necessary.
- (e) be able to make relevant reports when necessary to the relevant authorities if a breach of the Listing Requirements occurred.
- (f) and also in accordance with a procedure or process on the level of compliance by the Company and Group with *Listing Requirements including the Malaysian Code on Corporate Governance* to be determined and established by the Board of Directors and at the expense of the Company, to review & assess the extent of compliance with the *Listing Requirements including the Malaysian Code on Corporate Governance*; and report the same to the Board of Directors, with other independent professional advice or outside advice as necessary.

### **Duties and Responsibilities**

The duties and responsibilities of the Audit Committee are as follows:-

- To review the maintenance and control of an effective accounting system;
- To review the Group's public accountability and compliance with the law;
- To ensure the adequacy of internal and external audit procedures;
- To evaluate the quality of external auditors and make recommendations concerning their appointment and remuneration and to consider the nomination of a person or persons as external auditors;
- To provide liaison between the external auditors, the management and the Board of Directors and also to review the assistance given by the management to the external auditors;
- To review the findings of the internal and external auditors;
- To review the quarterly results and financial statements and annual report prior to submission to the Board of Directors;
- To monitor any related party transactions that may arise within the Group and to report, if any, transactions between the Group and any related party outside the Group which are not based on arms-length terms and on terms which are disadvantageous to the Group;



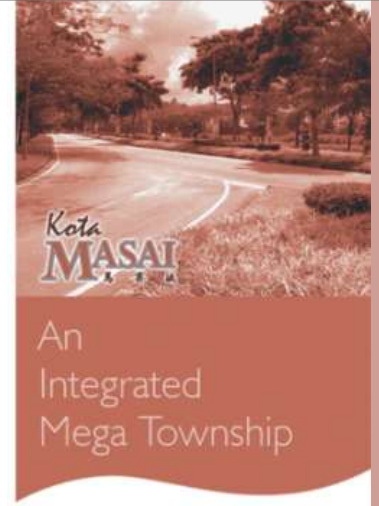
## Audit Committee Report (cont'd)

- To report its findings on the financial and management performance, and other material matters to the Board of Directors;
- To act in line with the directions of the Board of Directors;
- To advise the Board of Directors and make recommendations in respect of risk management as to the following matters:
  - To monitor risk management processes are integrated into all core business processes and that the culture of the organization reflects the risk consciousness of the Board;
  - Review the Risk Register and ensure that all risks are well managed;
  - Review the enterprise risk scorecard and determine the risks to be escalated to the Board once a year; and
  - Provide a consolidated risk and assurance report to the Board to support the statement relating to internal control in the company's annual report.
- To review and assess the extent of compliance by the Company and Group with the *Listing Requirements including the Malaysian Code on Corporate Governance*, with other independent professional advice or other outside advice as necessary;
- To report to the Board of Directors the extent of compliance by the Company and Group of the *Listing Requirements including the Malaysian Code on Corporate Governance*; and
- To consider and examine such other matters as the Audit Committee considers appropriate.

### Activities of the Committee during the year

During the year under review, the Committee carried out the following activities during the financial year ended 30 September 2006 in the discharge of its functions and duties.

1. Reviewed of financial statements:
  - (a) Reviewed the quarterly report and annual reports of the Company and Group prior to submission to the Board of Directors for consideration and approval.
  - (b) Reviewed the financial statements and ensure that the financial reporting and disclosure requirements of the relevant authorities are duly complied with.
2. Matters relating to External Audit:
  - (a) Reviewed the external auditor audit planning memorandum for the Company and Group covering the audit objectives and approach, key audit areas and relevant accounting standards issued by MASB and other relevant technical pronouncement.
  - (b) Reviewed the results of the audit, audit report and findings on the financial and management performance of the Company and Group and report to the Board of Directors.
  - (c) Reviewed the external auditor's evaluation of system of internal controls, management letter on internal control recommendations and management's response (if any).
  - (d) Evaluate the performance of external auditors and made recommendations to the Board on their appointment, scope of work and audit fee.
3. Matters relating to Internal Audit:
  - (a) Reviewed the annual audit plan to ensure adequate scope and coverage on the activities of the Group based on the identified and assessed key risk areas.



## Audit Committee Report (cont'd)

- (b) Reviewed the internal audit report in respect of the audit recommendation, management response as well as actions taken to improve the system of internal control and procedures. Report to the Board on major findings from the internal audit report and made recommendations to the Board for consideration and approval of the internal audit report.
- (c) Assessed the performance of the internal auditors and made recommendations to the Board on their appointment, scope of work and fees.

#### 4. Risk Management

- (a) Reviewed the risk register and enterprise risk scorecard prepared by the management to ensure that all risk were well managed and reported to the Board once a year.
- (b) Provided a consolidated risk and assurance report to the Board to support the statement relating to internal control in the Company's annual report.

#### 5. Other activities

- (a) Reviewed the disclosure of any related party transactions that arose within the Group and reported the relevant related party transactions.

#### Internal Audit Functions

The Company has outsourced the Internal Audit functions to Messrs KPMG Malaysia. Messrs KPMG has been re-appointed for another two (2) years term expiring on 30 September 2008. The Internal Auditor's scope of work is as follows:

- Develop internal audit strategy based on the risk assessment identified
- Audit Plan
- Execution
- Communicate results

The audit approaches adopted are based on the Risk Based Approach taking into view of the global best practices and industry standards.

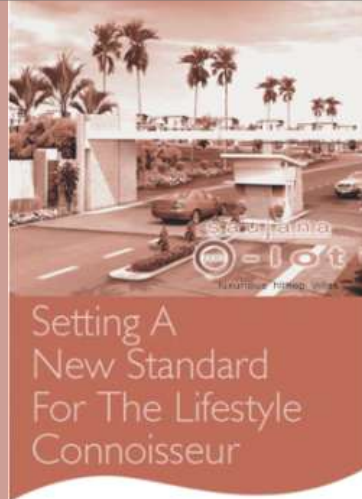
The internal audit plan would be reviewed and approved by the Audit Committee at the beginning of the financial year.

The principal responsibilities of the Internal Auditor is to provide assurance that the system of internal controls of the Group is operating satisfactorily and effectively by complying with the policies and procedures, with law and regulations and assessment of risk and adequacy of risk management as to provide assurance to the stakeholders and add value to the Group's operations.

The areas of audit conducted by the Internal Auditor during the financial year were as follows:

1. Audit work on safety, health and environment focusing on safety at the site, security and insurance coverage,
2. Audit work on financial management with regard to monitoring of cash flows,
3. Audit work on human resource management,
4. Audit work on management information system focusing on disaster recovery system and back up of information and
5. Follow-up and update of previous cycle of audit on project management and sales and marketing section.

The Internal Audit reports incorporating the findings, recommendations for improvements, management action, implementation of the recommendations and follow-up on the implementations were tabled at the Audit Committee and Board Meetings for approval.



# Statement of Corporate Governance

The Board of Directors of Focal is committed to ensure that good Corporate Governance is practiced throughout the Group with the objective of strengthening the Group's growth, corporate accountability and safeguarding the interests of the shareholders.

Set out below is a statement of how the Group has applied the principles of good governance and compliance of the best practices set out in the Malaysian Code of Corporate Governance.

## The Board of Directors

The Board's principal responsibilities for corporate governance are by setting out the strategic direction of the Group, establishing the objectives and achievement of the objectives or goals.

The current Board comprises two executive directors and seven non-executive directors. Three of the non-executive directors are independent directors, which complied with paragraph 15.02 of the Listing Requirements (Paragraph 15.02: A listed issuer must ensure that at least 2 directors or 1/3<sup>rd</sup> of the board of directors of a listed issuer, whichever is higher, are independent directors). The Directors collectively have wide range of experience in the area of legal, business, accounting and financial. Their expertise, experience and background are vital for the strategic direction of the Group. The profiles of the directors' are set out on pages 4 to 5.

The division of responsibilities is clearly defined between the Chairman and Group Managing Director. The Chairman is responsible for ensuring the effectiveness of the Board and conduct while the Group Managing Director has the overall responsibilities of managing the operation and performance of the Group, implementation policies and executive decision-making. The independent non-executive directors play an important role to ensure the views provided are professional and independent, and that the advice and judgment made to issues and decisions are to the best interest of the shareholders and the Group.

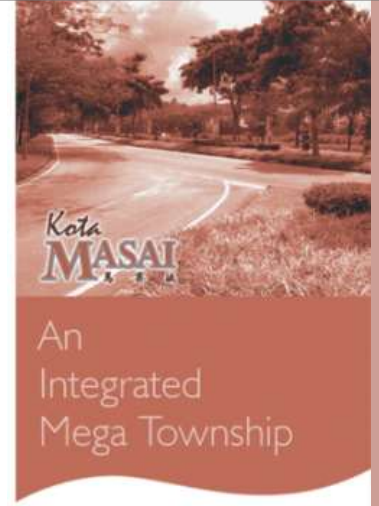
The Board is satisfied that investment of the minority shareholders in the Company is fairly reflected through Board representation.

Mr. Woon See Chin is the senior independent non-executive director of the Board to whom concerns maybe conveyed.

The Board meets at least four times a year, with additional meetings for particular matters convened as and when necessary. Five (5) Board meetings were held during the financial year ended 30 September 2006. The record of their meeting attendance was as follows:

Directors		Number of Board Meetings Attended / Held (during the Directors' tenure for the financial year ended 30 Sept 2006)
Tan Sri Datuk Mohd. Razali bin Abdul Rahman	Chairman	3 / 5
E. Seng Kiw @ Yee Oy Chong	Group Managing Director	5 / 5
Yee Yok Sen	Group Executive Director	5 / 5
Datuk Che Mokhtar bin Che Ali	Independent Non-Executive Director	4 / 5
Wan Mustapha bin Wan Ismail	Non-Executive Director	5 / 5
Phang Piow @ Pang Choo Ing	Non-Executive Director	5 / 5
Pang Tin @ Pang Yon Tin	Non-Executive Director	5 / 5
Woon See Chin	Independent Non-Executive Director	5 / 5
Tee Boon Hin	Independent Non-Executive Director	5 / 5





# Statement of Corporate Governance (cont'd)

## Supply of Information

All the directors are notified of the Board meetings scheduled by the Company Secretary before the meetings. Board papers together with the agenda are circulated to all the directors prior to Board Meetings. This is to ensure that the directors are given sufficient time to read the Board papers before the Board Meetings and enable all Directors to discuss the issues to be raised at the meetings as well as discharge their duties appropriately.

The Executive Directors lead the presentation and provides explanations on the papers.

All the directors have direct access to the Senior Management and the services of the Company Secretary. In addition, the directors may seek independent professional advice as and when necessary in discharging their responsibilities.

The Board has also established the following Committees to assist the Board in execution of its responsibilities. The Board has approved the terms of reference of each of the Committee.

### 1. Audit Committee

The Audit Committee's principal objectives is to assist the Board in discharging its statutory duties and responsibilities pertaining to the compliance with the law and regulations, accounting standards and review of the effectiveness of the internal control system and provide assurance concerning the Group's risk profile and assist in the implementation of the risk management structure.

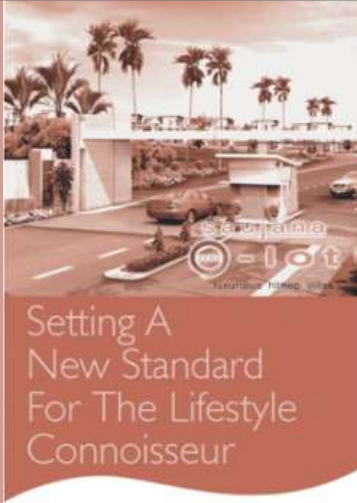
The report on the Audit Committee is on pages 17 to 21.

### 2. Executive Committee

The principal objective of the Executive Committee is to assist the Board in discharging its responsibilities in respect of various matters or aspects that the Board mandates. The existing issues dealt with by the Executive Committee is pertaining to the award of contracts where certain authority limit has been set for the Committee to approve the contract to be awarded. During the financial year ended 30 September 2006, a total of one (1) meeting was held.

Composition of Committee:

Members	Designation	No. of meetings attended
Woon See Chin (Independent Non-Executive Director)	Chairman	1
E. Seng Kiw @ Yee Oy Chong (Group Managing Director)	Member	1
Datuk Che Mokhtar bin Che Ali (Independent Non-Executive Director)	Member	1
Tee Boon Hin (Independent Non-Executive Director)	Member	1



## Statement of Corporate Governance (cont'd)

### 3. Remuneration Committee

The Remuneration Committee's principal objective is to assist the Board of Directors in their responsibilities in assessing the remuneration packages of the executive directors of the Company and Group. However, the Board makes the decisions on the level of remuneration packages after considering the recommendations of the Committee. The Remuneration Committee meeting was held on the 8 January 2007 and all the members attended the meeting.

The members of the Committee are as follows:

Tan Sri Datuk Mohd. Razali bin Abdul Rahman                      Chairman  
*(Non-Independent Non-Executive Director)*

Datuk Che Mokhtar bin Che Ali  
*(Independent Non-Executive Director)*

Phang Piow @ Pang Choo Ing  
*(Non-Executive Director)*

### 4. Nomination Committee

The principal objectives of the Nomination Committee is to assist the Board in nominating new nominees to the Board of Directors as well as assessing the Directors of the Company on an on-going basis as to their skills and experience and other qualities.

The Nomination Committee meeting was held on the 29 November 2006 and all the members attended the meeting. The committee has reviewed and assessed the Board as a whole and contribution of each individual director. The Committee concurred that the performance of all the directors' had been satisfactory and the composition of the Board members is satisfactory comprising Directors' of good caliber and with professional skills in all fields. All Directors' projected good attendance and good participation / contribution with their own respective skills at Board Meetings.

The members of the Committee are as follows:

Wan Mustapha bin Wan Ismail    Chairman  
*(Non-Independent Non-Executive Director)*

Woon See Chin  
*(Independent Non-Executive Director)*

Tee Boon Hin  
*(Independent Non-Executive Director)*

### 5. Corporate Planning Committee

The objective of the Corporate Planning Committee is to assist the Board in their responsibilities to expand business activities and seek new opportunities and proposals.

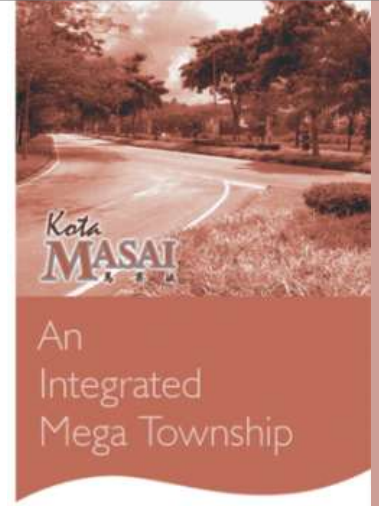
The compositions of the Committee are as follows:

Wan Mustapha Bin Wan Ismail    Chairman  
*(Non-Independent Non-Executive Director)*

E. Seng Kiw @ Yee Oy Chong  
*(Group Managing Director)*

Phang Piow @ Pang Choo Ing  
*(Non-Independent Non-Executive Director)*

Yee Yok Sen  
*(Group Executive Director)*



# Statement of Corporate Governance (cont'd)

## 6. Budget Committee

The objective of the Budget Committee is to assist the Board in their responsibilities to review and analyse the budget and business plan of the Group.

The members of the Committee are as follows:

Wan Mustapha Bin Wan Ismail                      Chairman  
*(Non-Independent Non-Executive Director)*

Yee Yok Sen  
*(Group Executive Director)*

Tee Boon Hin  
*(Independent Non-Executive Director)*

### Re-election of the Directors

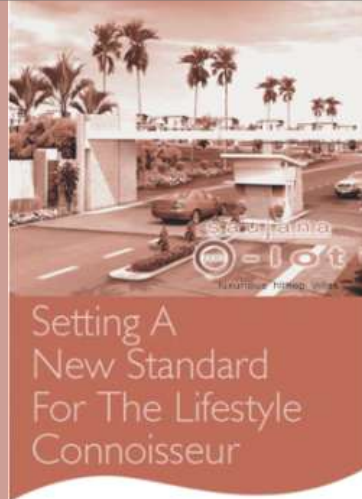
The Nomination Committee recommends the re-election of three directors to the Board at the forthcoming Annual General Meeting.

In accordance with the Bursa Malaysia Securities Berhad ("BMSB") Listing Requirements and Articles of Association of the Company, at least one-third of the Directors shall retire from office and at least once in every three years all directors shall retire and be eligible for re-election at the Annual General Meeting. The Group Managing Director is appointed for a period of not exceeding three years and shall be subject to retirement by rotation.

### Directors' Remuneration

The objective of the Company is to ensure the level of remuneration is sufficient to attract and retain the directors to run the company successfully. The remuneration packages of the executive directors are structured to link to the corporate and individual performance. Currently, the Remuneration Committee determines the directors' remuneration packages for recommendation to the Board for approval. The executive directors abstain themselves from participation in the discussion/decision-making in respect of their own remuneration packages.

The annual directors' fees payable to the Directors (excluding the executive directors) is determined by the Board with approval from shareholders at the Annual General Meeting. The level of remuneration for non-executive directors reflects the experience and level of responsibilities undertaken by them. Company reimburses expenses incurred by the directors in the course of their duties as Directors.



## Statement of Corporate Governance (cont'd)

The details of the Directors' remuneration of the Company and Group comprising remuneration received or receivable for the financial year ended 30 September 2006 are as follows:

1. Aggregate remuneration of Directors categorized into appropriate components:

Category	Executive Directors (RM'000)	Non-Executive Directors (RM'000)
Fees	-	215
Salaries	863	207* <sup>1</sup>
Bonus	100	17* <sup>1</sup>
Benefits-in-kind	226	38* <sup>1</sup>
Others	145	40* <sup>1</sup>
<b>Total</b>	<b>1,334</b>	<b>517</b>

2. Number of Directors whose remuneration falls into the following bands:

Range of remuneration	Number of Directors	
	Executive	Non-Executive
Below RM50,000	-	6
RM50,001 to RM100,000	-	-
RM100,001 to RM150,000	-	2* <sup>1</sup>
RM150,001 to RM155,000	-	-
RM155,001 to RM400,000	-	-
RM400,001 to RM450,000	-	-
RM450,001 to RM500,000	1	-
RM500,001 to RM550,000	-	-
RM550,001 to RM600,000	-	-
RM600,001 to RM650,000	1	-

Note:

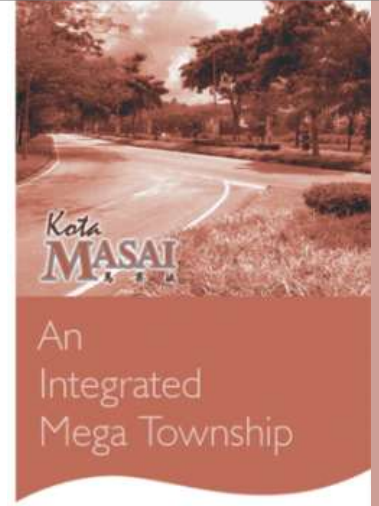
\*1 - The salary, bonus and other emoluments received or receivable relates to Non-Executive Directors of the Company but who are Executive Director of its subsidiary company.

### Directors Training

All the Directors have attended and successfully completed the Mandatory Accreditation Programme ("MAP") and have accumulated the required CEP points for the Continuous Education Programme ("CEP") as specified by the BMSB.

During the financial year, the Company has arranged workshop sessions for the directors in respect of Conversion to Revised and New Financial Reporting Standards and Enhancing Board Effectiveness. All the Directors have attended the Directors' training for the financial year 2006 in pursuant to paragraph 15.09 of the Listing Requirements of the BMSB.

The Company will continuously arrange for further training of the directors as part of the directors' obligation to update and enhance their skills and knowledge which are important for their carrying out an effective role as directors.



# Statement of Corporate Governance (cont'd)

## Non-audit fees

During the financial year ended 30 September 2006, non-audit fees paid to the external auditor amounted to RM52,528.00.

## Dialogue with Shareholders

The Group recognizes the need to inform the shareholders of all major developments concerning the Group on a timely basis. In accordance with the BMSB Listing Requirements, various announcements were made during the year such as quarterly report, related party transactions and corporate proposals. In addition, the Company has been using the Annual General Meeting to communicate with the shareholders and opportunities are given to them to raise questions or seek clarifications pertaining to the operation and financial performance of the Group.

## Accountability and Audit

### Financial reporting

The Board has undertaken the responsibilities to report a balanced and understandable assessment of the Group's financial performance and prospect through the release of the quarterly report and annual financial statements to shareholders. The Audit Committee assists the Board by scrutinizing the information disclosed in the financial statements as to its accuracy and adequacy.

The Audit Committee's report is set out on pages 17 to 21 of this Annual Report.

### Internal Control

The Board acknowledges the overall responsibilities in maintaining a sound and effective system of internal control as to safeguard the shareholders' investment and the Group's assets.

The system of internal control is already in operations and this will provide the assurance of effective and efficient operations of the Group.

The Board also undertakes on-going review of the financial and non-financial risk faced by the Group's business and ensuring compliance of the law and regulations.

The Statement of Internal Control set out on pages 28 to 29 of this Annual Report.

### Relationship with auditors

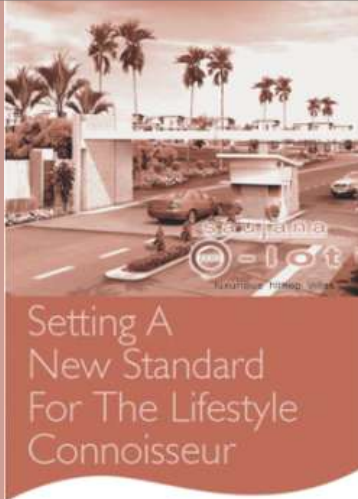
The Board has established a formal and transparent arrangement for maintaining an appropriate relationship with the external auditors through the Audit Committee. The external auditors attended all the meetings of the Audit Committee as well as the Board of Directors' meeting, upon invitation.

## Best Practices on Corporate Governance

The Board has to the best of their ability complied with the Best Practices on Corporate Governance as set out in Part 2 of the Malaysian Code of Corporate Governance.

## Material Contracts

There are no material contracts, not being contracts entered into in the ordinary course of business, which have been entered into by Focal and/or its subsidiaries during the financial year ended 30 September 2006.



# Statement of Internal Control

(Pursuant to paragraph 15.27(b) of the BMSB Listing Requirements)

## INTRODUCTION

The Malaysian Code on Corporate Governance requires the Board of Directors of listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. Set out below is the Board of Director's Statement on Internal Control ("Statement") as a Group for the financial year ended 30 September 2006 in compliance with paragraph 15.27(b) of the Bursa Malaysia Listing Requirements and Statement on Internal Control: Guidance for Directors of Public Listed Companies.

## THE BOARD'S RESPONSIBILITY

The Board of Directors ("the Board") recognises the importance of maintaining a sound system of internal control and risk management practices to ensure good corporate governance. Being committed in its responsibility to establish an appropriate control environment and framework for the Group, the Board regularly reviews the adequacy, effectiveness and integrity of the Group's internal control system. However, such system is designed to manage rather than eliminate the risk of failure to achieve business objectives. As such, the system can only provide reasonable but not absolute assurance against material misstatement or loss to the Group.

### Monitoring Mechanisms and Management Style

The Board acknowledges that good business management practice requires effective risk management. A sound system of internal control should be capable of managing principal risks of the Group and be embedded into the operations of the Group.

In striving to operate a system of internal control that will drive the Group towards achieving its goals, the Board has set in place an appropriate formal oversight structure that has an appropriate balance of both the Board and Management's involvement in managing the Group. This is seen from the formal organisation structure which comprises of the Group Managing Director ('GMD'), Group Executive Director ('GED') and management. The GMD and GED actively communicate the Board's expectations to management personnel at management meetings. At these meetings, operational and financial risks are discussed and dealt with.

The Board relies on the experienced GMD, GED and qualified Group General Managers and General Manager with relevant industry experience to run and manage the operations and business of the Group in an effective and efficient manner. The GMD, GED and Management of the Group practise a 'hands on' style in managing the businesses of the Group. This close-to-operations management style enables timely identification and reporting of any significant matters. Further, there is a staff handbook, which outlines policies and guidelines in relation to human resource matters.

Throughout the financial year, the Board has evaluated and managed the significant risks faced by the Group through the monitoring of the Group's operations, performance and profitability at its Board meetings. The Board has also delegated its fiduciary responsibility for overseeing the conduct of the Group's operations through its various Board Committees. All Board Committees have formal terms of references outlining the committee's functions and duties.

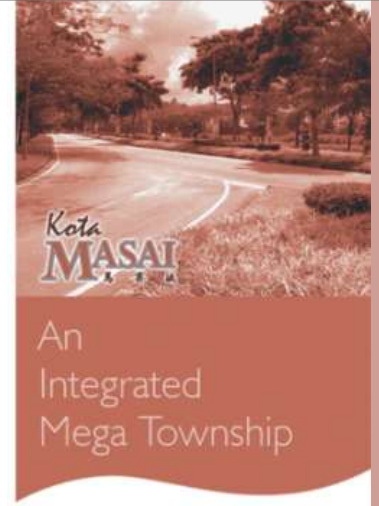
### Risk Management

The risk management framework that has been established by the Board enables the systematic identification, assessment, treatment and monitoring of the principal risks of the Group that affect the achievement of the Group's business objectives within defined risk parameters and standards in a timely and effective manner.

The Enterprise Risk Management ("ERM") framework allows for a structured and focused approach in managing the Group's existing and emerging principal business risks and enables the adoption of a risk-based internal control system that is embedded within the Group.

The Risk Manager conducts an annual review on the business risk profile of the Group. New risks are being identified and existing risk that no longer applicable are being removed. Reports on the ERM are presented to the Audit Committee and Board for approval.

During the financial year 2006, the Members of the Board and management staff has attended a workshop in respect of "Conversion to Revised Financial Reporting Standards" to update their knowledge on the revision that has taken place in the financial reporting regime and also the impact of the revision on the financial statements.



# Statement of Internal Control

(Pursuant to paragraph 15.27(b) of the BMSB Listing Requirements)

(cont'd)

## Other Key Elements of the Group's Internal Control System

Other key elements of Group's internal control system are described as below:

- The Group's business objectives are transpired through mission statement and budgets;
- Scheduled meetings both at management and operational levels, which are attended by the GMD and GED to deliberate and resolve business, financial and operational matters;
- Formal authority limits disseminated to employees within the Group;
- Job description that defines the reporting lines and responsibilities are stipulated in the Company's Operating Manual;
- Policies and procedures manual, which acts as a comprehensive guide in carrying out daily tasks;
- Close monitoring of development progress through regular visits to sites by GMD, GED and management;
- Financial information and operational reports generated on a timely basis and deliberated at appropriate management meetings;
- Formal appraisal system for all levels of staff, which is performed annually;
- Tender Committee consisting of the GED and key management with the purpose of evaluating tenders and contracts; and
- An independent outsourced Internal Audit Function to assess the adequacy and effectiveness of the Group's system of internal control.

## ASSURANCE MECHANISMS

The Audit Committee ("AC") performs periodic review and monitoring on the effectiveness of the Group's system of internal control. The Group has outsourced its internal audit function, which provides the AC with periodic reports, based on the audits conducted, highlighting observations, recommendations and management action plans to improve the Group's system of internal control. The internal audit function adopts a risk-based approach, which focuses on the principal risks affecting the key business processes of the Group identified during the ERM process.

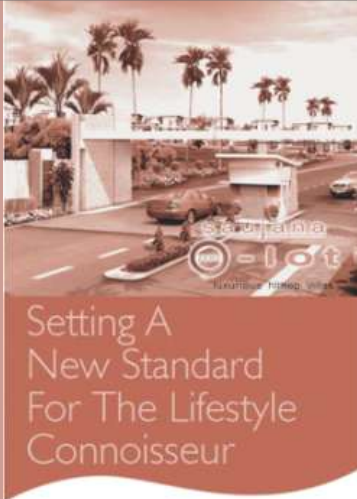
In addition, AC also reviews and deliberates on any matters relating to internal control highlighted by the external auditors in the course of their statutory audit of the Financial Statements of the Group through management letters, or are articulated at AC meeting.

The Board also reviews the minutes of the Audit Committee's meetings. The Report of the AC is set out on pages 17 to 21, of this Annual Report.

## THE BOARD'S COMMITMENT

The Board recognises that the Group operates in a dynamic business environment in which the internal control system must be responsive in order to be able to continuously support its business objective. To achieve this end, the Board remains committed towards maintaining a sound system of internal control and therefore recognises that the system must continuously evolve to support the growth and dynamics of the Group. As such, the Board, in striving for continuous improvement, will put in place appropriate action plans, when necessary to further enhance the Group's system of internal control and to keep abreast with the ever-changing business environment.

The Board of Directors  
Focal Aims Holdings Berhad  
Date : 21 December 2006



# Statement of Directors' Responsibilities

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE AUDITED FINANCIAL STATEMENT

The Directors are required by the Companies Act, 1965 ("the Act") to prepare financial statements for each financial year as to give a true and fair view of the financial position of the Group and of the Company and the results and cash flows of the Group and of the Company for the financial year then ended.

During the preparation of the financial statements, the Directors have ensured that:

- the financial statements have been prepared in accordance with applicable approved accounting standards in Malaysia;
- the accounting and other records and the registers required by the Act are properly kept and disclose with reasonable accuracy the financial position of the Group and of the Company which enable them to ensure the financial statements comply with the Act;
- appropriate accounting policies are adopted and applied consistently; and
- reasonable judgements and estimates that are prudent and reasonable have been made.

The Directors have general responsibility for taking such steps as are reasonable open to them to safeguard the assets of the Group and of the Company and to prevent and detect fraud and other irregularities.

## STATEMENT OF REVALUATION POLICY

The Group does not adopt any revaluation policy on the landed properties.



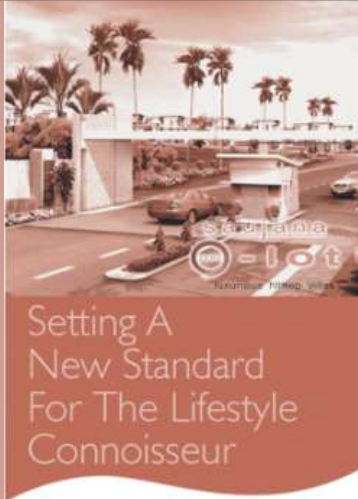


An  
Integrated  
Mega Township

# Financial Statements

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# 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 30 September 2006.

## PRINCIPAL ACTIVITIES

The principal activities of the Group are property investment and development and investment holding. The principal activity of the Company is investment holding. The principal activities of the subsidiary companies are as disclosed in Note 14 to the financial statements.

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

## RESULTS

	Group RM	Company RM
Profit after taxation	<u>565,039</u>	<u>1,538,666</u>

There were no material transfers to or from reserves or provisions during the financial year.

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.

## DIVIDENDS

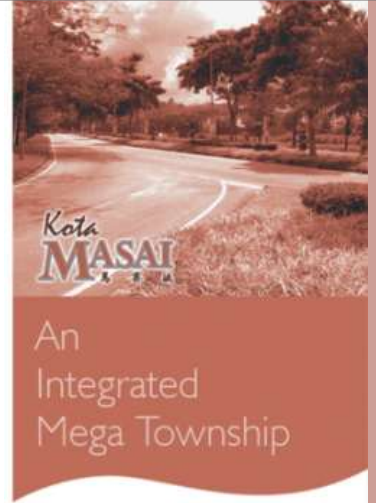
During the financial year, the Company paid a final dividend of 0.7% less 28% tax amounting to RM1,276,718 in respect of financial year ended 30 September 2005.

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 30 September 2006, of 0.45% less 27% taxation on 253,317,000 ordinary shares amounting to a dividend payable of RM832,146 (0.33 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 30 September 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 :

Tan Sri Datuk Mohd Razali Bin Abdul Rahman  
E. Seng Kiw @ Yee Oy Chong  
Yee Yok Sen  
Datuk Che Mokhtar bin Che Ali  
Wan Mustapha bin Wan Ismail  
Phang Piow @ Pang Choo Ing  
Pang Tin @ Pang Yon Tin  
Woon See Chin  
Tee Boon Hin



## Directors' Report (cont'd)

### DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive any benefits (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Notes 5, 6 and 7 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in the financial statements.

### DIRECTORS' INTEREST

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

#### The Company

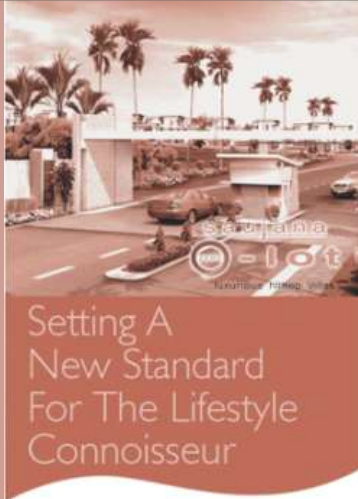
	Number of Ordinary Shares of RM1 each			
	1 October 2005	Bought	Sold	30 September 2006
<b>Direct Interest</b>				
Tan Sri Datuk Mohd Razali Bin Abdul Rahman	14,721,216	-	-	14,721,216
E. Seng Kiw @ Yee Oy Chong	31,807,944	-	-	31,807,944
Yee Yok Sen	9,088,888	100,000	-	9,188,888
Wan Mustapha Bin Wan Ismail	8,438,833	-	-	8,438,833
Phang Piow @ Pang Choo Ing	16,731,892	-	-	16,731,892
Pang Tin @ Pang Yon Tin	25,097,838	-	-	25,097,838
Woon See Chin	20,000	-	-	20,000
Tee Boon Hin	35,000	-	-	35,000
<b>Deemed Interest</b>				
Tan Sri Datuk Mohd Razali Bin Abdul Rahman	6,672	-	-	6,672
Wan Mustapha Bin Wan Ismail	53,381	-	-	53,381

#### Subsidiary - Focal Aims Sdn. Bhd.

	Number of Preference Shares of RM1 each			
	1 October 2005	Bought	Sold	30 September 2006
<b>Direct Interest</b>				
Tan Sri Datuk Mohd Razali Bin Abdul Rahman	250,000	-	-	250,000
E. Seng Kiw @ Yee Oy Chong	550,000	-	-	550,000
Yee Yok Sen	125,000	-	-	125,000
Wan Mustapha Bin Wan Ismail	250,000	-	-	250,000
Phang Piow @ Pang Choo Ing	250,000	-	-	250,000
Pang Tin @ Pang Yon Tin	375,000	-	-	375,000

Tan Sri Datuk Mohd Razali Bin Abdul Rahman, E. Seng Kiw @ Yee Oy Chong, Phang Piow @ Pang Choo Ing and Pang Tin @ Pang Yon Tin by virtue of their interests in shares in the Company are also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

The other director in office at the end of the financial year had no interest in shares in the Company or its related corporations during the financial year.



## Directors' Report (cont'd)

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

### AUDITORS

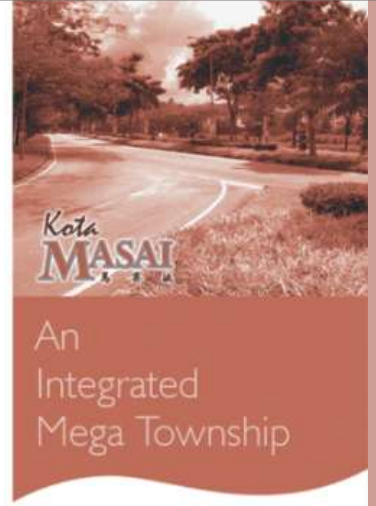
The auditors, Ernst & Young, have expressed their willingness to continue in office.

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

E.SENG KIW @ YEE OY CHONG

WAN MUSTAPHA BIN WAN ISMAIL

Johor Bahru  
Dated : 21 December 2006



# Statement by Directors

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

We, E. SENG KIW @ YEE OY CHONG and WAN MUSTAPHA BIN WAN ISMAIL, being two of the directors of FOCAL AIMS HOLDINGS BERHAD, do hereby state that, in the opinion of the directors, the financial statements set out on pages 38 to 63 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 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.

E. SENG KIW @ YEE OY CHONG

WAN MUSTAPHA BIN WAN ISMAIL

Johor Bahru

Dated : 21 December 2006



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# Statutory Declaration

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

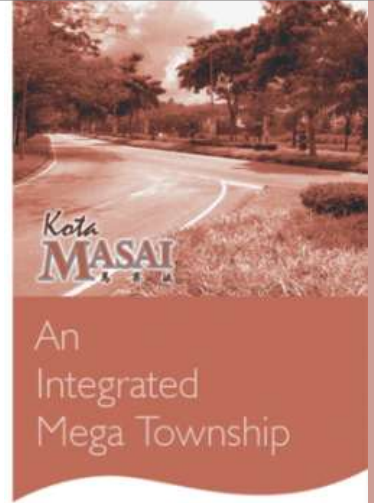
I, WAN MUSTAPHA BIN WAN ISMAIL, being the director primarily responsible for the financial management of FOCAL AIMS HOLDINGS BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 38 to 63 are in my opinion correct, and I make this solemn declaration conscientiously 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 WAN MUSTAPHA BIN WAN )  
ISMAIL at Johor Bahru in the State of )  
Johor Darul Ta'zim on 21 December 2006 )

WAN MUSTAPHA BIN WAN ISMAIL

Before me,

# Report of The Auditors



## REPORT OF THE AUDITORS TO THE MEMBERS OF FOCAL AIMS HOLDINGS BERHAD

We have audited the accompanying financial statements set out on pages 38 to 63. 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 statement are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion :

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of :
  - (i) the financial position of the Group and of the Company as at 30 September 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 have been properly kept in accordance with the provisions of the Act.

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

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 Companies Act, 1965.

ERNST & YOUNG  
AF : 0039  
Chartered Accountants

ABRAHAM VERGHESE A/L T.V ABRAHAM  
1664/10/08 (J)  
Partner

Johor Bahru  
Dated : 21 December 2006



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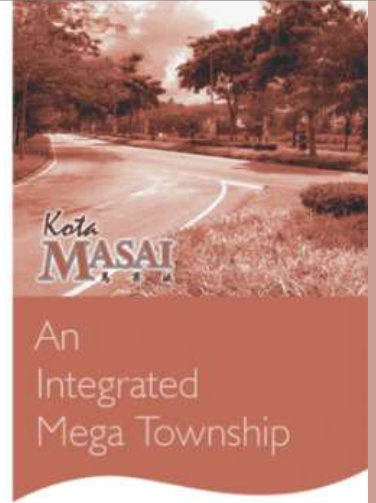
# Income Statements

## INCOME STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2006

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
Revenue	3	46,855,163	66,320,015	2,777,778	4,861,111
Cost of sales	4	(36,489,962)	(50,523,583)	-	-
Gross profit		10,365,201	15,796,432	2,777,778	4,861,111
Other operating income		1,780,534	1,234,671	-	-
Administrative expenses		(10,045,669)	(9,825,326)	(540,794)	(776,493)
Profit from operations	5	2,100,066	7,205,777	2,236,984	4,084,618
Finance costs	8	(106,159)	(216,295)	-	-
Profit before taxation		1,993,907	6,989,482	2,236,984	4,084,618
Taxation	9	(1,428,868)	(2,522,556)	(698,318)	(1,341,560)
Profit after taxation		565,039	4,466,926	1,538,666	2,743,058
Earnings per share (sen)	10	0.22	1.76		
Net dividend per ordinary share in respect of the year (sen)	11	0.50	1.08	0.50	1.08

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



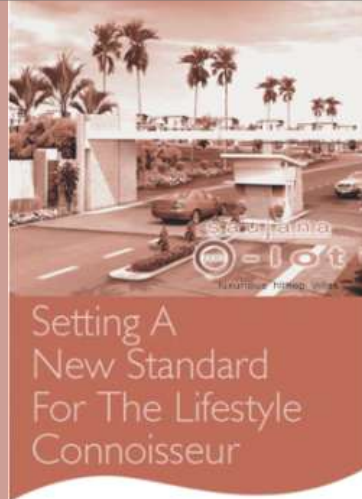


# Balance Sheets

## BALANCE SHEETS AS AT 30 SEPTEMBER 2006

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	12	2,975,264	2,287,716	-	-
Land held for property development	13	328,179,220	286,689,789	-	-
Investment in subsidiaries	14	-	-	166,817,000	166,817,000
Reserve on consolidation		(3,642,357)	(3,642,357)	-	-
		<u>327,512,127</u>	<u>285,335,148</u>	<u>166,817,000</u>	<u>166,817,000</u>
<b>CURRENT ASSETS</b>					
Property development costs	13	124,518,104	94,509,185	-	-
Inventories	15	23,744,520	20,011,070	-	-
Receivables	16	7,028,557	14,728,917	7,524	6,607
Amount due from subsidiaries	17	-	-	53,011,620	50,941,473
Tax recoverable		697,581	139,181	111,040	48,871
Cash and bank balances	18	8,532,651	16,699,869	329,324	76,643
		<u>164,521,413</u>	<u>146,088,222</u>	<u>53,459,508</u>	<u>51,073,594</u>
<b>CURRENT LIABILITIES</b>					
Borrowings	19	28,788,479	30,547,918	-	-
Payables	21	17,357,816	15,015,699	415,765	501,649
Taxation		4,523	14,783	-	-
		<u>46,150,818</u>	<u>45,578,400</u>	<u>415,765</u>	<u>501,649</u>
<b>NET CURRENT ASSETS</b>					
		<u>118,370,595</u>	<u>100,509,822</u>	<u>53,043,743</u>	<u>50,571,945</u>
<b>FINANCED BY :</b>					
Share capital	22	253,317,000	253,317,000	253,317,000	253,317,000
Reserves	23	44,948,030	45,659,709	(35,666,107)	(35,928,055)
Shareholders' funds		<u>298,265,030</u>	<u>298,976,709</u>	<u>217,650,893</u>	<u>217,388,945</u>
Borrowings	19	76,499,447	15,600,000	-	-
Amount due to a subsidiary		-	-	2,209,850	-
Minority interests		2,500,000	2,500,000	-	-
Deferred taxation	24	68,618,245	68,768,261	-	-
Non-current liabilities		<u>147,617,692</u>	<u>86,868,261</u>	<u>2,209,850</u>	<u>-</u>
		<u>445,882,722</u>	<u>385,844,970</u>	<u>219,860,743</u>	<u>217,388,945</u>

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

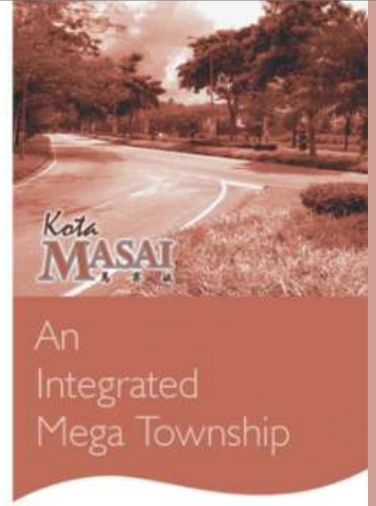


# Consolidated Statement of Changes In Equity

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2006

	Note	Share capital RM	Share premium RM	Retained profits RM	Total RM
<b>At 1 October 2004</b>					
As previously stated		253,317,000	22,343	47,257,400	300,596,743
Prior year adjustments		-	-	(3,351,136)	(3,351,136)
<b>As 1 October 2004 (restated)</b>		<b>253,317,000</b>	<b>22,343</b>	<b>43,906,264</b>	<b>297,245,607</b>
Net profit for the year		-	-	4,466,926	4,466,926
Dividends paid	11	-	-	(2,735,824)	(2,735,824)
<b>At 30 September 2005</b>		<b>253,317,000</b>	<b>22,343</b>	<b>45,637,366</b>	<b>298,976,709</b>
Net profit for the year		-	-	565,039	565,039
Dividends paid	11	-	-	(1,276,718)	(1,276,718)
<b>At 30 September 2006</b>		<b><u>253,317,000</u></b>	<b><u>22,343</u></b>	<b><u>44,925,687</u></b>	<b><u>298,265,030</u></b>

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



# Company Statement of Changes In Equity

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2006

	Note	Share capital RM	Share premium RM	Accumulated losses RM	Total RM
<b>At 1 October 2004</b>		253,317,000	22,343	(35,957,632)	217,381,711
Net profit for the year		-	-	2,743,058	2,743,058
Dividends paid	11	-	-	(2,735,824)	(2,735,824)
<b>At 30 September 2005</b>		253,317,000	22,343	(35,950,398)	217,388,945
Net profit for the year		-	-	1,538,666	1,538,666
Dividends paid	11	-	-	(1,276,718)	(1,276,718)
<b>At 30 September 2006</b>		<u>253,317,000</u>	<u>22,343</u>	<u>(35,688,450)</u>	<u>217,650,893</u>

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

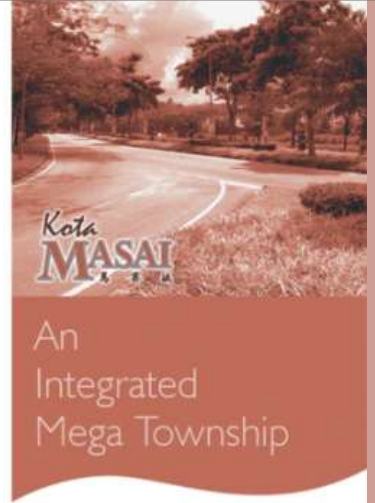


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# Cash Flow Statements

## CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2006

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	1,993,907	6,989,482	2,236,984	4,084,618
Adjustments for :				
Depreciation	204,290	1,216,589	-	-
Provision for doubtful debts	2,721	-	-	-
Interest expense	106,159	216,295	-	-
Interest income	(431,737)	(1,147,395)	-	-
Property, plant and equipment written off	2,098	624	-	-
(Gain)/Loss on disposal of property, plant and equipment	(108,996)	1,266	-	-
Operating profit before working capital changes	1,768,442	7,276,861	2,236,984	4,084,618
(Increase)/Decrease in development expenditure	(6,636,706)	4,043,900	-	-
(Increase)/Decrease in inventories	(3,733,450)	2,474,230	-	-
Decrease/(Increase) in trade and other receivables	7,697,639	10,129,242	(918)	(1,529)
Increase/(Decrease) in trade and other payables	2,342,118	(6,070,543)	(85,884)	42,803
Cash generated from operations	1,438,043	17,853,690	2,150,182	4,125,892
Dividends paid	(1,276,718)	(2,735,824)	(1,276,718)	(2,735,824)
Interest received	431,737	1,147,395	-	-
Interest paid	(106,159)	(216,295)	-	-
Tax paid	(2,214,539)	(2,208,877)	(777,778)	(1,361,111)
Tax refund	66,995	-	17,292	-
Net cash (used in) /generated from operating activities	(1,660,641)	13,840,089	112,978	28,957



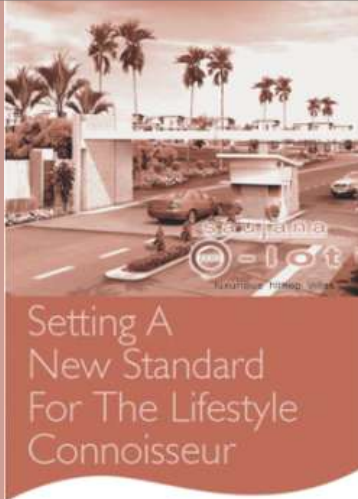
## Cash Flow Statements (cont'd)

### CASH FLOW STATEMENTS (CONT'D) FOR THE YEAR ENDED 30 SEPTEMBER 2006

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of land held for property development	(64,861,644)	-	-	-
Purchase of property, plant and equipment	(663,941)	(102,985)	-	-
Proceeds from disposal of property, plant and equipment	109,000	7,116	-	-
Advance from/(Repayment to) subsidiary companies	-	-	139,703	(40,175)
Net cash (used in)/generated from investing activities	<u>(65,416,585)</u>	<u>(95,869)</u>	<u>139,703</u>	<u>(40,175)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Drawdown of revolving credit	-	5,000,000	-	-
Drawdown of term loans	65,830,732	1,800,000	-	-
Repayment of hire purchase payables	(74,924)	(463,552)	-	-
Repayment of term loans	<u>(10,567,911)</u>	<u>(10,790,882)</u>	-	-
Net cash generated from/ (used in) financing activities	<u>55,187,897</u>	<u>(4,454,434)</u>	-	-
<b>NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(11,889,329)</u>	<u>9,289,786</u>	<u>252,681</u>	<u>(11,218)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<u>16,699,869</u>	<u>7,410,083</u>	<u>76,643</u>	<u>87,861</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note 18)</b>	<u>4,810,540</u>	<u>16,699,869</u>	<u>329,324</u>	<u>76,643</u>

Dividends received from a subsidiary company amounting to RM720,000 (2005: RM3,500,000) were advanced back to the subsidiary company for working capital purposes.

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



# Notes To The Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS 30 SEPTEMBER 2006

### 1. CORPORATE INFORMATION

The principal activities of the Group are property investment and development and investment holding. The principal activity of the Company is investment holding. The principal activities of the subsidiary companies are as disclosed in Note 14 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office and principal place of business of the Company is located at Suite 338, 3rd Floor, Johor Tower, Jalan Gereja, 80100 Johor Bahru, Johor Darul Ta'zim.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 November 2006.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of Preparation

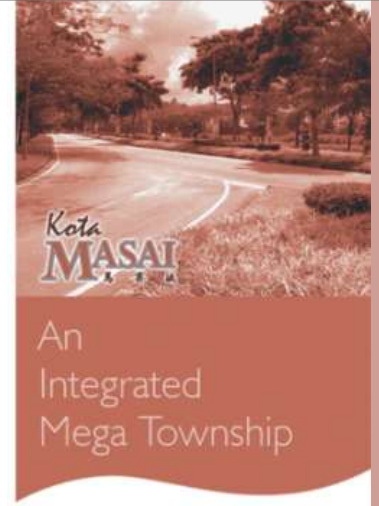
The financial statements of the Group and Company have been prepared under the historical cost convention and comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia.

#### (b) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom. All the subsidiaries are consolidated using the acquisition method of accounting except for Focal Aims Properties Sdn. Bhd. group which is consolidated using the merger method of accounting.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of subsidiaries are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiaries at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Under the merger method of accounting, the results of subsidiaries are presented as if the companies have been combined throughout the current and previous financial years. The difference between the cost of acquisition and the nominal value of the share capital of the subsidiaries is treated as a reserve arising on consolidation if the carrying value of the investments is less than the nominal value of the shares transferred or treated as a reduction of reserves where the carrying value is more than the nominal value of the shares transferred.



# Notes To The Financial Statements (cont'd)

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

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill which were not previously recognised in the consolidated income statement.

Minority interests in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

## (c) Reserve on Consolidation

The excess of the fair value of the net assets acquired over the purchase consideration is reflected in the financial statements as reserve on consolidation and is not amortised.

## (d) Investments in Subsidiaries

The Company's investments in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(n).

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

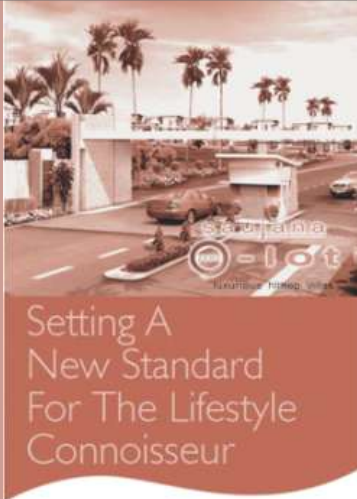
## (e) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(n).

Freehold land is not depreciated. Depreciation of other property, plant and equipment is provided for on a straight line method to write off the cost of each asset to its residual value at the following annual rates:

Leasehold land and buildings	2%
Motor vehicles	20%
Office equipment and fittings	10% - 33%
Other assets	10% - 20%

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



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

### (f) Land Held for Property Development and Property Development Costs

#### (i) Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle of three years. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(n).

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

#### (ii) Property development cost

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

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

Any expected loss on a development project including costs to be incurred over the defects liability period, is recognised as an expense immediately.

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

The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the income statement is classified as progress billings within trade payables.

### (g) Inventories

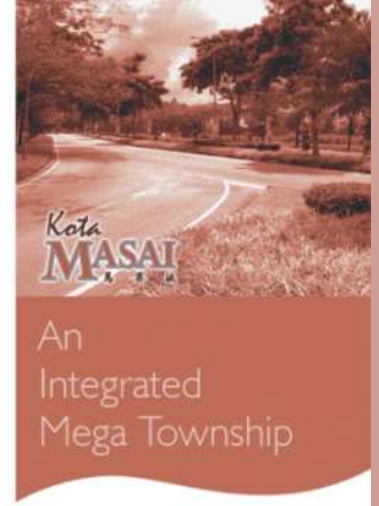
Inventories of unsold properties are stated at the lower of cost or net realisable value. Cost is determined on the specific identification basis and comprises cost associated with the acquisition of land, construction costs and appropriate proportions of development overheads.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs to be incurred in marketing, selling and distribution.

### (h) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand, cash at bank and deposits at call, net of outstanding bank overdrafts.





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

### (i) Hire Purchase and Finance Lease

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.

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 as an expense 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 consistent with that for depreciable property, plant and equipment as described in Note 2(e).

### (j) Provision for Liabilities

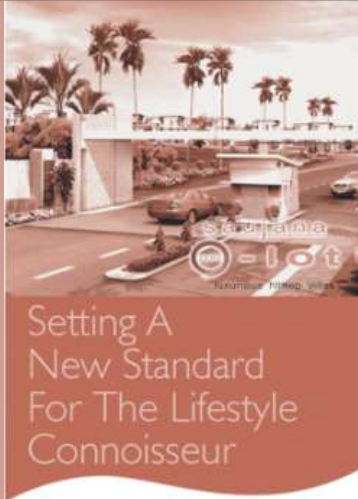
Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

### (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.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited 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 negative goodwill.



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

### (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.

#### (ii) Defined contribution plans

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

### (m) Revenue Recognition

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

#### (i) Development properties

Revenue from sale of development properties is accounted for by the stage of completion method in respect of all building units that have been sold. The stage of completion is determined by reference to the costs incurred to date to the total estimated costs where the outcome of the projects can be reliably estimated.

#### (ii) Interest income

Interest is recognised on the accrual basis that reflects the effective yield on the asset, except for interest receivable from house buyers where the collectibility may be doubtful.

#### (iii) Rental income

Rental received and receivable is recognised on the accrual basis.

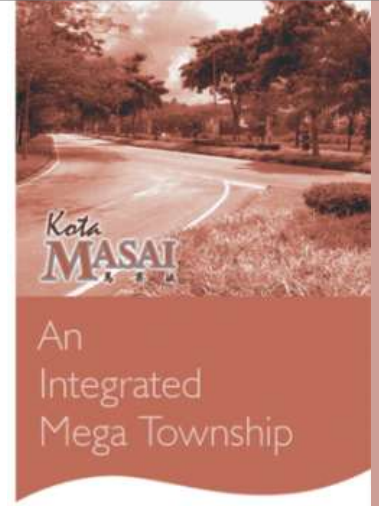
#### (iv) Dividend income

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

### (n) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is charged to the income statement immediately. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased.



# Notes To The Financial Statements (cont'd)

## (o) 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) Trade Receivables

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

### (ii) Trade Payables

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

### (iii) Interest-Bearing Borrowings

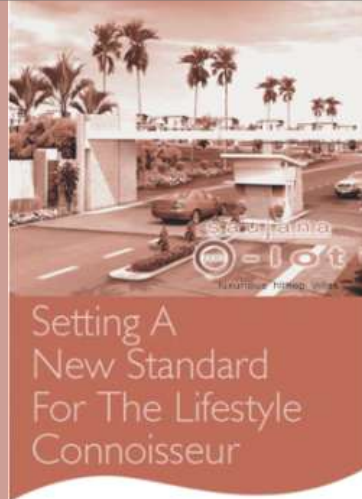
Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets until such time as the assets are substantially ready for their intended use or sale. For development costs, these costs are in turn recognised in the income statement based on the percentage of completion of the project.

All other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

### (iv) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which the obligation to pay is established.



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

### 3. REVENUE

Revenue of the Group and of the Company consists of the following:

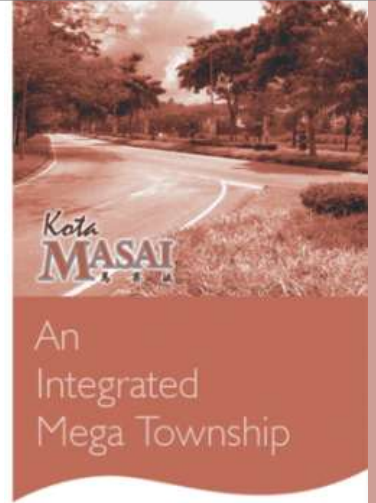
	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Gross dividend received from subsidiary company	-	-	2,777,778	4,861,111
Sale of properties	46,435,163	65,903,715	-	-
Rental income	420,000	416,300	-	-
	<u>46,855,163</u>	<u>66,320,015</u>	<u>2,777,778</u>	<u>4,861,111</u>

### 4. COST OF SALES

	Group	
	2006 RM	2005 RM
Property development costs (Note 13)	35,061,357	47,592,010
Cost of inventories sold	1,428,605	2,931,573
	<u>36,489,962</u>	<u>50,523,583</u>

### 5. PROFIT FROM OPERATIONS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
This is stated after charging :				
Auditors' remuneration	55,100	52,100	18,000	18,000
Depreciation	204,290	1,216,589	-	-
Non-executive directors' fees	215,000	255,000	190,000	225,000
Loss on disposal of property, plant and equipment	-	1,266	-	-
Property, plant and equipment written off	2,098	624	-	-
Provision for doubtful debts	2,721	-	-	-
Rental of office	243,436	154,176	-	9,000
Staff cost (Note 6)	4,196,742	3,954,449	26,100	33,300
And crediting :				
Dividends received	-	-	2,777,778	4,861,111
Gain on disposal of property, plant and equipment	108,996	-	-	-
Interest income	431,737	1,147,395	-	-
Rental income	19,200	83,000	-	-
	<u>4,852,766</u>	<u>5,453,629</u>	<u>2,803,878</u>	<u>4,903,411</u>



# Notes To The Financial Statements (cont'd)

## 6. STAFF COST

	Group	
	2006 RM	2005 RM
Salaries and allowances	3,727,972	3,515,739
EPF and SOCSO	468,770	438,710
	<u>4,196,742</u>	<u>3,954,449</u>

Included in staff costs of the Group are executive and non-executive directors' remuneration (comprising salaries, bonus and other emoluments excluding fees and benefits-in-kinds) amounting to RM1,769,713 (2005 : RM1,936,493) as further disclosed in Note 7.

## 7. DIRECTORS' REMUNERATION

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Directors of the Company</b>				
Executives :				
Salaries and other emoluments	1,007,240	970,440	-	-
Bonus	100,622	96,603	-	-
Benefits-in-kind	226,189	309,308	-	-
	<u>1,334,051</u>	<u>1,376,351</u>	<u>-</u>	<u>-</u>
Non-executives :				
Salaries and other emoluments	246,860	247,642	26,100	33,300
Bonus	17,363	16,767	-	-
Benefits-in-kinds	37,615	43,074	-	-
Fees	190,000	225,000	190,000	225,000
	<u>491,838</u>	<u>532,483</u>	<u>216,100</u>	<u>258,300</u>
<b>Directors of subsidiaries</b>				
Non-executives alternate directors who are under employment of the subsidiaries during the financial year:				
Salaries and other emoluments	325,172	477,042	-	-
Bonus	72,456	127,999	-	-
Benefits-in-kinds	31,618	50,347	-	-
Non-executive director :				
Fees	25,000	30,000	-	-
	<u>454,246</u>	<u>685,388</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>2,280,135</u>	<u>2,594,222</u>	<u>216,100</u>	<u>258,300</u>



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

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

	Number of Directors	
	2006	2005
Executive directors :		
RM350,000 below	-	-
RM350,001 - RM400,000	-	-
RM400,001 - RM450,000	-	1
RM450,001 - RM500,000	1	-
RM501,000 - RM550,000	-	-
RM550,001 - RM600,000	-	-
RM600,001 - RM650,000	1	1
RM650,001 - RM700,000	-	-
Non-executive directors :		
RM50,000 below	5	5
RM50,001 - RM100,000	-	-
RM100,001 - RM150,000	2	2
RM150,001 - RM200,000	-	-

### 8. FINANCE COSTS

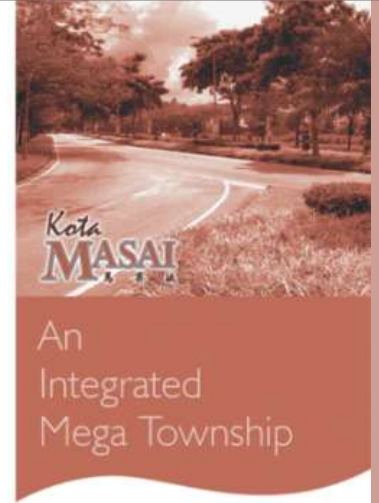
	Group	
	2006 RM	2005 RM
Interest expense on borrowings	5,633,135	3,502,067
Less : Interest expense capitalised in property development costs (Note 13)	(5,526,976)	(3,285,772)
	<u>106,159</u>	<u>216,295</u>

### 9. TAXATION

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Malaysian income tax				
Income tax expense for the year	1,570,807	2,946,341	698,318	1,341,560
Under/(over) provision in prior year	8,077	(108,616)	-	-
	<u>1,578,884</u>	<u>2,837,725</u>	<u>698,318</u>	<u>1,341,560</u>
Deferred tax (Note 24):				
Relating to origination and reversal of temporary differences	(131,849)	(315,169)	-	-
Overprovision in prior years	(18,167)	-	-	-
	<u>(150,016)</u>	<u>(315,169)</u>	<u>-</u>	<u>-</u>
	<u>1,428,868</u>	<u>2,522,556</u>	<u>698,318</u>	<u>1,341,560</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2005 : 28%) of the estimated assessable profit for the year.

A reconciliation of income tax expense applicable to 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:



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

Group	2006 RM	2005 RM
Profit before taxation	1,993,907	6,989,482
Taxation at Malaysian statutory tax rate of 28% (2005 : 28%)	558,294	1,957,055
Effect of tax rate of 20% (2005 : 20%) on first RM500,000 (2005 : RM500,000) of chargeable income for qualified small and medium enterprise	(58,295)	(57,008)
Effect of expenses not deductible for tax purposes	542,112	715,568
Deferred tax assets not recognised in respect of current year tax losses and unabsorbed capital allowances	396,847	15,557
Overprovision of deferred tax in prior years	(18,167)	-
Under/(over) provision of tax expense in prior years	8,077	(108,616)
Tax expense for the year	1,428,868	2,522,556

Company	2006 RM	2005 RM
Profit before taxation	2,236,984	4,084,618
Taxation at Malaysian statutory tax rate of 28% (2005 : 28%)	626,356	1,143,693
Expenses not deductible for tax purposes	71,962	197,867
	698,318	1,341,560

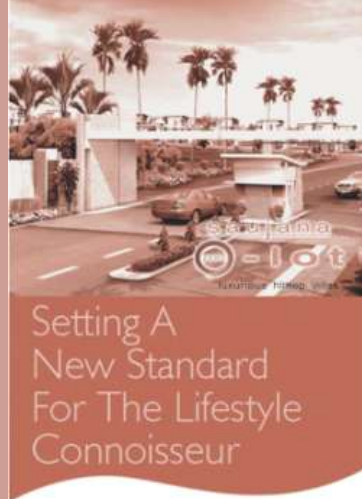
### 10. EARNINGS PER SHARE

Earnings per ordinary share is calculated based on Group's profit after taxation of RM565,039 (2005: RM4,466,926) over the number of ordinary shares in issue during the year of 253,317,000 (2005 : 253,317,000).

### 11. DIVIDENDS

	Amount		Net Dividend per Share	
	2006 RM	2005 RM	2006 Sen	2005 Sen
Final dividend of 1.5% less 28% taxation in respect of financial year ended 30 September 2004 paid on 8 April 2005	-	2,735,824	-	1.08
Final dividend of 0.7% less 28% taxation in respect of financial year ended 30 September 2005 paid on 25 April 2006	1,276,718	-	0.50	-
	1,276,718	2,735,824	0.50	1.08

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 30 September 2006 of 0.45% less 27% taxation on 253,317,000 ordinary shares amounting to a dividend payable of RM832,146 (0.33 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 30 September 2007.



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

### 12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Buildings RM	Motor vehicles RM	Office equipment and fittings RM	Other assets RM	Total RM
<b>Cost</b>						
At 1 October 2005	24,689	2,374,216	3,805,989	1,593,965	387,892	8,186,751
Additions	-	-	425,800	319,554	148,587	893,941
Written off	-	-	-	(43,977)	-	(43,977)
Disposals	-	-	(447,071)	-	-	(447,071)
At 30 September 2006	<u>24,689</u>	<u>2,374,216</u>	<u>3,784,718</u>	<u>1,869,542</u>	<u>536,479</u>	<u>8,589,644</u>
<b>Accumulated Depreciation and Impairment Losses</b>						
At 1 October 2005	-	1,721,712	2,398,918	1,408,908	369,497	5,899,035
Charge for the year	-	3,128	70,053	106,861	24,248	204,290
Written off	-	-	-	(41,878)	-	(41,878)
Disposals	-	-	(447,067)	-	-	(447,067)
At 30 September 2006	<u>-</u>	<u>1,724,840</u>	<u>2,021,904</u>	<u>1,473,891</u>	<u>393,745</u>	<u>5,614,380</u>
<b>Net Book Value</b>						
At 30 September 2006	<u>24,689</u>	<u>649,376</u>	<u>1,762,814</u>	<u>395,651</u>	<u>142,734</u>	<u>2,975,264</u>
At 30 September 2005	<u>24,689</u>	<u>652,504</u>	<u>1,407,071</u>	<u>185,057</u>	<u>18,395</u>	<u>2,287,716</u>
Depreciation charge for 2005	<u>-</u>	<u>446,694</u>	<u>620,698</u>	<u>137,970</u>	<u>11,227</u>	<u>1,216,589</u>

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM893,941 (2005 : RM102,985) of which RM230,000 (2005 : NIL) were acquired by means of hire purchase arrangements.

The net book values of motor vehicles held under hire purchase arrangements was RM325,996 (2005: RM518,663).

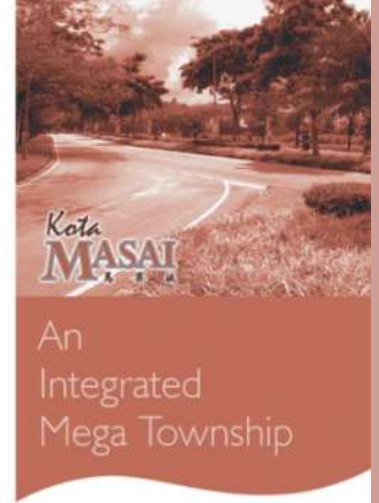
### 13. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

#### (a) Land Held for Property Development

	Group	
	2006 RM	2005 RM
Freehold land at cost:		
At 1 October	286,689,789	286,689,789
Addition	64,861,644	-
Transfer to property development costs	(23,372,213)	-
At 30 September	<u>328,179,220</u>	<u>286,689,789</u>

The land is pledged as security for borrowings as referred to in Note 19.





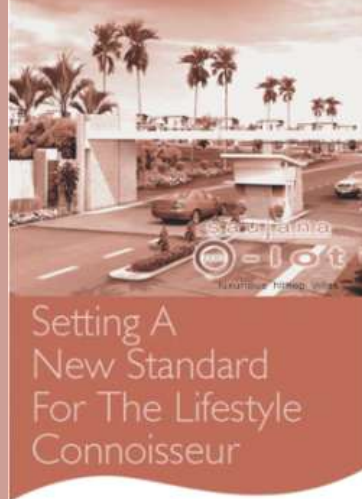
# Notes To The Financial Statements (cont'd)

## (b) Property Development Costs

	Group	
	2006 RM	2005 RM
Property Development Costs at 1 October		
Freehold land	39,836,452	44,771,341
Development costs	75,498,279	92,247,538
	<u>115,334,731</u>	<u>137,018,879</u>
Costs incurred during the year :		
Development costs	46,584,872	43,956,376
Costs recognised in income statement :		
At 1 October	(20,825,546)	(38,465,795)
Recognised during the year (Note 4)	(35,061,357)	(47,592,010)
At 30 September	<u>(55,886,903)</u>	<u>(86,057,805)</u>
Transfers :		
From land held for property development to inventories	23,372,213 (4,886,809)	- (408,265)
	<u>18,485,404</u>	<u>(408,265)</u>
Property development costs at 30 September	<u>124,518,104</u>	<u>94,509,185</u>
Included in property development costs incurred during the financial year is :		
Interest expense (Note 8)	<u>5,526,976</u>	<u>3,285,772</u>

## 14. INVESTMENT IN SUBSIDIARIES

	Company	
	2006 RM	2005 RM
Unquoted shares, at cost	170,017,000	170,017,000
Provision for impairment losses	(3,200,000)	(3,200,000)
	<u>166,817,000</u>	<u>166,817,000</u>



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

The subsidiaries, all of which were incorporated in Malaysia, are as follows :

Name of Subsidiaries	Equity Interest Held		Principal Activities
	2006	2005	
Focal Aims Land Sdn. Bhd.	100%	100%	Property development
Focal Aims Properties Sdn. Bhd. ("FAPSB")	100%	100%	Investment holding
Subsidiaries of FAPSB :			
Focal Aims Sdn. Bhd. ("FASB")	100%	100%	Property investment and development
Subsidiaries of FASB :			
Focal Aims Realty Sdn. Bhd.	100%	100%	Project management
Focal Aims Development Sdn Bhd	100%	100%	Dormant
Focal Aims Resort (M) Sdn. Bhd.	100%	100%	Dormant

### 15. INVENTORIES

These comprise completed properties held for sale stated at cost.

### 16. RECEIVABLES

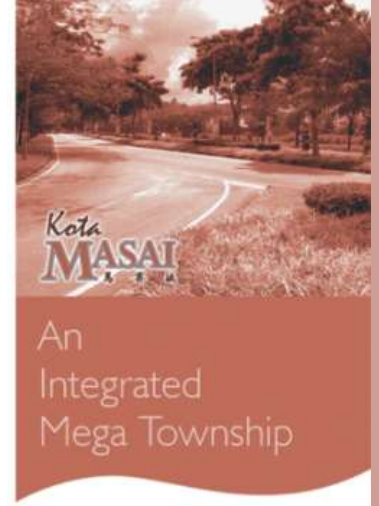
	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Trade receivables	4,237,005	11,123,190	-	-
Less : Provision for doubtful debts	(21,727)	(40,760)	-	-
	<u>4,215,278</u>	<u>11,082,430</u>	-	-
Accrued billings in respect of property development costs	1,220,900	129,632	-	-
Deposits for acquisition of land	-	3,102,561	-	-
Other deposits	493,670	216,286	-	-
Prepayments	149,055	90,524	7,524	6,607
Other receivables	949,654	107,484	-	-
	<u>7,028,557</u>	<u>14,728,917</u>	<u>7,524</u>	<u>6,607</u>

The Group's normal trade credit term ranges from 21 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to a group of debtors.

In prior year, the deposits for acquisition of land was paid to a Company in which a director, Tan Sri Datuk Mohd Razali Bin Abdul Rahman has an interest.

Included in other deposits is rental deposit of RM39,088 (2005 : RM39,088) paid to a company in which a director, Tan Sri Datuk Mohd Razali Bin Abdul Rahman has an interest.



# Notes To The Financial Statements (cont'd)

## 17. AMOUNT DUE FROM SUBSIDIARIES

	Company	
	2006 RM	2005 RM
Amount due from subsidiaries	57,302,608	55,232,461
Less : Provision for doubtful debts	(4,290,988)	(4,290,988)
	<u>53,011,620</u>	<u>50,941,473</u>

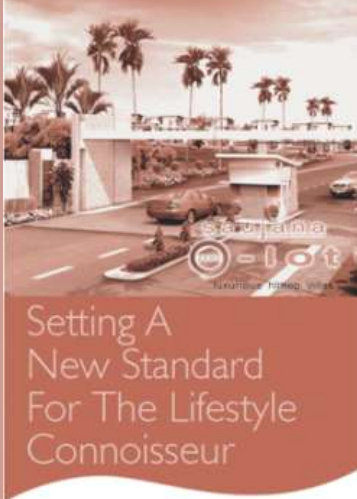
The amount due from subsidiaries which arose from advances, are unsecured, interest-free and have no fixed terms of repayment.

## 18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Cash on hand and at banks	7,532,651	12,999,869	329,324	76,643
Repurchase agreements	1,000,000	3,700,000	-	-
	<u>8,532,651</u>	<u>16,699,869</u>	<u>329,324</u>	<u>76,643</u>
Bank overdraft (Note 19)	(3,722,111)	-	-	-
Cash and cash equivalents	<u>4,810,540</u>	<u>16,699,869</u>	<u>329,324</u>	<u>76,643</u>

Included in cash and bank balances of the Group are restricted bank balances amounting to RM5,406,967 (2005 : RM11,241,593) being monies held pursuant to Section 7A of the Housing Developers (Control and Licensing) Act 1966 and therefore restricted from use in other operations.

The effective interest rate and maturity days for repurchase agreements of the Group at the balance sheet date were 3.10% (2005 : 2.65%) and 14 days (2005 : 3 days).



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

### 19. BORROWINGS

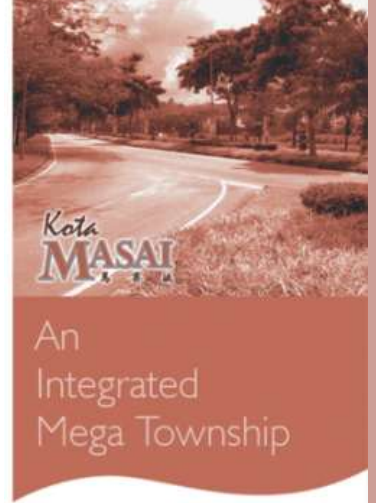
	Group	
	2006 RM	2005 RM
<b>Short term borrowings</b>		
Secured :		
Term loans	4,948,420	10,516,331
Revolving credit	20,000,000	20,000,000
Bank overdraft (Note 18)	3,722,111	-
Hire purchase payables (Note 20)	117,948	31,587
	<u>28,788,479</u>	<u>30,547,918</u>
<b>Long term borrowings</b>		
Secured :		
Term loans	76,430,732	15,600,000
Hire purchase payables (Note 20)	68,715	-
	<u>76,499,447</u>	<u>15,600,000</u>
<b>Total borrowings</b>		
Term loans	81,379,152	26,116,331
Revolving credit	20,000,000	20,000,000
Bank overdraft (Note 18)	3,722,111	-
Hire purchase payables (Note 20)	186,663	31,587
	<u>105,287,926</u>	<u>46,147,918</u>

The bank borrowings are secured by :

- i) Legal charge over all the land held for development of certain subsidiaries;
- ii) Debenture by way of fixed and floating charges over all present and future assets of certain subsidiaries; and
- iii) Corporate guarantee by the Company.

The term loans are repayable by quarterly instalments over a period not exceeding 5 years from the date of first drawdown. The revolving credit is repayable on demand.

The weighted average effective interest rates at the balance sheet date for borrowings, excluding hire purchase was 7.70% (2005 : 7.06%)



# Notes To The Financial Statements (cont'd)

## 20. HIRE PURCHASE PAYABLES

	Group	
	2006 RM	2005 RM
<b>Minimum hire purchase payments:-</b>		
Not later than one year	121,428	33,718
Later than 1 year and not later than 2 years	75,640	-
	<u>197,068</u>	<u>33,718</u>
Less: Future finance charges	(10,405)	(2,131)
Present value of hire purchase liabilities	<u>186,663</u>	<u>31,587</u>
<b>Present value of hire purchase liabilities:</b>		
Not later than 1 year	117,948	31,587
Later than 1 year and not later than 2 years	68,715	-
	<u>186,663</u>	<u>31,587</u>
<b>Analysed as :</b>		
Due within 12 months (Note 19)	117,948	31,587
Due after 12 months (Note 19)	68,715	-
	<u>186,663</u>	<u>31,587</u>

The hire purchase liabilities bore interest of 2.75% to 2.90% (2005 : 3.35% to 3.40%) per annum at the balance sheet date.

## 21. PAYABLES

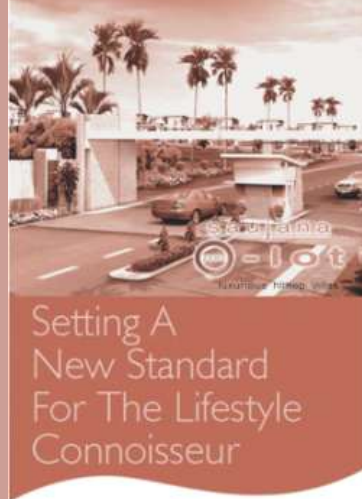
	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Trade payables	12,596,481	9,488,268	-	-
Progress billings in respect of property development costs	940,412	3,112,299	-	-
Sundry payables	254,231	377,095	10,543	37,732
Accrued expenses	2,622,682	1,355,355	242,755	301,450
Deposit received	298,910	56,500	-	-
Payroll liability	455,490	449,259	-	-
Others	189,610	176,923	162,467	162,467
	<u>17,357,816</u>	<u>15,015,699</u>	<u>415,765</u>	<u>501,649</u>

The normal credit term granted to the Group is 30 days.

Included in trade payables of the Group are debts owing to companies in which certain directors have substantial financial interest amounting to RM1,119 (2005 : RM184,191).

## 22. SHARE CAPITAL

	Number of Shares of RM1 Each		Amount	
	2006	2005	2006 RM	2005 RM
Authorised :				
At beginning/end of the year	<u>300,000,000</u>	<u>300,000,000</u>	<u>300,000,000</u>	<u>300,000,000</u>
Issued and fully paid:				
Ordinary shares				
At beginning/end of the year	<u>253,317,000</u>	<u>253,317,000</u>	<u>253,317,000</u>	<u>253,317,000</u>



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

### 23. RESERVES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Non-distributable</b>				
Share premium	22,343	22,343	22,343	22,343
<b>Distributable</b>				
Retained profits/(Accumulated losses)	44,925,687	45,637,366	(35,688,450)	(35,950,398)
	<u>44,948,030</u>	<u>45,659,709</u>	<u>(35,666,107)</u>	<u>(35,928,055)</u>

The movements in the reserves are shown in the statements of changes in equity.

Share premium of the Group and of the Company represents the premium arising from the issue of shares.

### 24. DEFERRED TAXATION

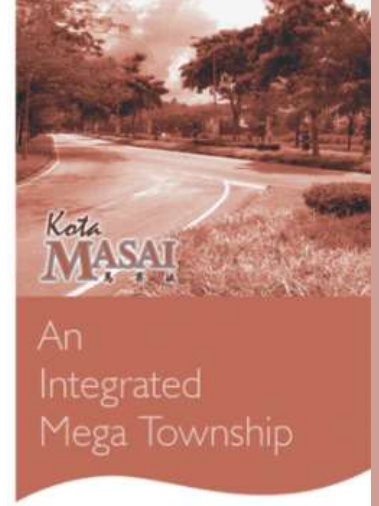
	Group	
	2006 RM	2005 RM
At beginning of the year	68,768,261	69,083,430
Recognised in the income statement (Note 9)	(150,016)	(315,169)
At end of the year	<u>68,618,245</u>	<u>68,768,261</u>

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

Deferred Tax Liabilities of the Group :	Land and development expenditure at group cost RM	Accelerated capital allowances RM	Others RM	Total RM
	At 1 October 2005	68,714,261	50,000	4,000
Recognised in the income statement	(195,698)	49,682	(4,000)	(150,016)
At 30 September 2006	<u>68,518,563</u>	<u>99,682</u>	<u>-</u>	<u>68,618,245</u>
At 1 October 2004	69,029,430	50,000	4,000	69,083,430
Recognised in the income statement	(315,169)	-	-	(315,169)
At 30 September 2005	<u>68,714,261</u>	<u>50,000</u>	<u>4,000</u>	<u>68,768,261</u>

### 25. CAPITAL COMMITMENTS

	Group	
	2006 RM	2005 RM
Approved and contracted for:		
Acquisition of land	-	58,948,659
Rental commitment	-	329,664
Approved but not contracted for:		
Acquisition of property, plant and equipment	665,000	1,074,000
	<u>665,000</u>	<u>60,352,323</u>



# Notes To The Financial Statements (cont'd)

## 26. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Gross dividend received from subsidiary company	-	-	2,777,778	4,861,111
Rental paid to Kumpulan Citra Emas Sdn. Bhd.*	116,352	9,000	-	9,000
Progress claims paid to Kimlun Sdn. Bhd.**	228,177	-	-	-
Deposit paid to a company in which a director has interest (Note 16)	-	3,141,649	-	-
Purchase of development land from Peremba (Malaysia) Sdn. Bhd.*	62,051,220	-	-	-

The above transactions have been entered into in the normal course of business and have been established under mutually agreed terms.

Related parties are those enterprises whereby significant influence can be exercised over the parties through common directors and shareholders.

\* A director of the Company, Tan Sri Datuk Mohd Razali Bin Abdul Rahman is deemed interested in this company.

\*\* Certain directors of the Company, Mr Phang Piow @ Pang Choo Ing and Mr Pang Tin @ Pang Yon Tin are deemed interested in this company.

## 27. CONTINGENT LIABILITIES

	Company	
	2006 RM	2005 RM
Unsecured : Corporate guarantees given to financial institutions for banking facilities granted to subsidiary companies	105,101,263	46,116,331

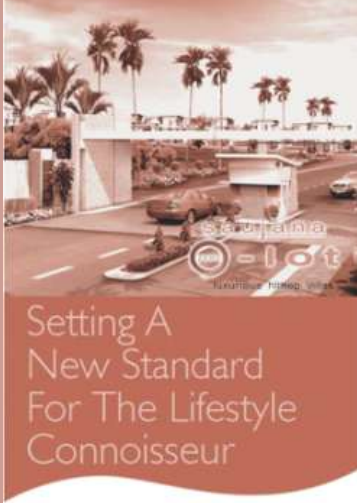
## 28. FINANCIAL INSTRUMENTS

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

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

### (b) Interest Rate Risk

The Group's exposure to interest rate risk relates primarily to interest bearing debts. The Group monitors the interest rate on borrowings closely to ensure that the borrowings are maintained at favourable rates. The Group does not use derivative financial instruments to hedge interest rate risk.



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

### (c) Liquidity Risk

The Group actively manages its operating cash flows and the availability of funding to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements.

### (d) Credit Risk

The credit risk in the property development activity is negligible as sales are mainly to purchasers who obtain financing from financial institutions. As such, the credit risk has been effectively transferred to the financial institutions as provided for in the sale and purchase agreements. For those sales on cash basis which only forms an insignificant portion of sales, credit risk is also negligible as titles will only be surrendered after full payments is received. This is currently the normal industry practice.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

### (e) Fair Values

It is not practical to estimate the fair value of amounts due from subsidiaries principally due to a lack of fixed repayment terms entered by the parties involved and without incurring excessive costs. However, the Group and the Company do not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

For cash and cash equivalents, trade and other receivables/payables and short term borrowing, the carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

The fair value of long term borrowings also approximate their fair values since interest charged on these borrowings vary with the prevailing market interest rates.

## 29. SEGMENT INFORMATION

Business Segments:

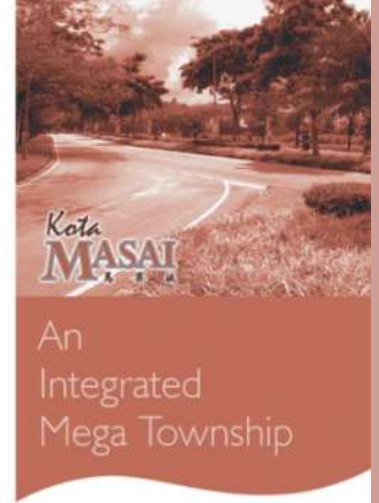
Segmental reporting by geographic location has not been presented as the Group's operations are within the same economic environment.

The Group is organised into two major business segments:

- (i) Property development - the development of residential and commercial properties;
- (ii) Investment holding - management and operations of buildings;

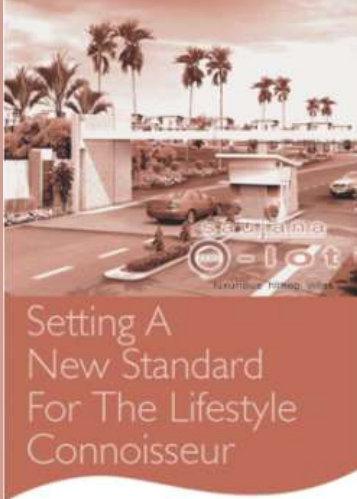
The directors are of the opinion that all inter-segment transactions have been entered in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.





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

	Property Development RM	Investment Holding RM	Elimination RM	Consolidated RM
<b>2006</b>				
<b>Revenue</b>				
External sales	46,855,163	-	-	46,855,163
Inter-segment sales	-	2,777,778	(2,777,778)	-
Total revenue	<u>46,855,163</u>	<u>2,777,778</u>	<u>(2,777,778)</u>	<u>46,855,163</u>
<b>Results</b>				
Segment results	2,640,860	2,236,984	(2,777,778)	2,100,066
Finance cost				(106,159)
Taxation				<u>(1,428,868)</u>
Net profit for the year				<u>565,039</u>
<b>Assets</b>				
Segment assets	<u>495,238,456</u>	<u>220,276,508</u>	<u>(219,839,067)</u>	<u>495,675,897</u>
<b>Liabilities</b>				
Segment liabilities	<u>246,064,553</u>	<u>2,625,615</u>	<u>(57,421,658)</u>	<u>191,268,510</u>
<b>Other Information</b>				
Capital expenditures	893,941	-	-	893,941
Depreciation	204,290	-	-	204,290
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>2005</b>				
<b>Revenue</b>				
External sales	66,320,015	-	-	66,320,015
Inter-segment sales	-	4,861,111	(4,861,111)	-
Total revenue	<u>66,320,015</u>	<u>4,861,111</u>	<u>(4,861,111)</u>	<u>66,320,015</u>
<b>Results</b>				
Segment results	7,982,270	4,084,618	(4,861,111)	7,205,777
Finance cost				(216,295)
Taxation				<u>(2,522,556)</u>
Net profit for the year				<u>4,466,926</u>
<b>Assets</b>				
Segment assets	<u>434,935,088</u>	<u>217,890,593</u>	<u>(217,759,954)</u>	<u>435,065,727</u>
<b>Liabilities</b>				
Segment liabilities	<u>184,787,557</u>	<u>501,649</u>	<u>(55,342,545)</u>	<u>129,946,661</u>
<b>Other Information</b>				
Capital expenditures	102,985	-	-	102,985
Depreciation	1,216,589	-	-	1,216,589
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

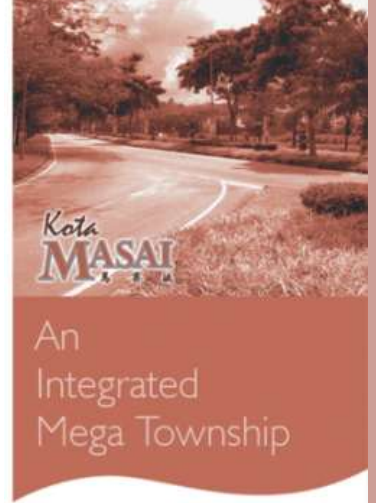


## Particulars of Properties

<u>Location</u>	<u>Land Area/ Build Area</u>	<u>Tenure</u>	<u>Existing Use</u>	<u>Net Book Value as at 30 September 2006 (RM)</u>
Lots 1041, 1832, 1833, 1834, 2516, 2517, 2934, 6006, 6007, 6018, 6872 and 6873, Mukim Plentong, Daerah Johor Bahru	1,053.80 acres	Freehold	Vacant land Proposed golf resort, residential, commercial and industrial development	286,689,789
PT16853, HS (D) 103030, Mukim Damansara, Daerah Petaling, Selangor	16.58 acres	Freehold	Vacant land Proposed residential and commercial development	41,489,431
<b>Total</b>				<u><u>328,179,220</u></u>

The freehold land held under Lots 1041, 1832, 1833, 1834, 2516, 2517, 2934, 6006, 6007, 6872 and 6873 at Mukim Plentong, Daerah Johor Bahru was acquired in the year 1994.

The acquisition for the piece of land held under HS (D) 103030 No. PT16853 at Mukim Damansara, Daerah Petaling Selangor was completed during the financial year.



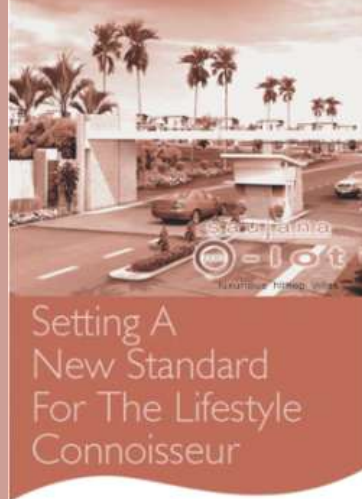
# Statistics on Shareholdings

## SHARE CAPITAL AS AT 29 DECEMBER 2006

Authorised	-RM300,000,000-00
Issued and fully paid up	-RM253,317,000-00
Class of Share	-Ordinary shares of RM1.00 each
Voting Rights	-One vote per share

## DISTRIBUTION OF SHAREHOLDERS AS AT 29 DECEMBER 2006

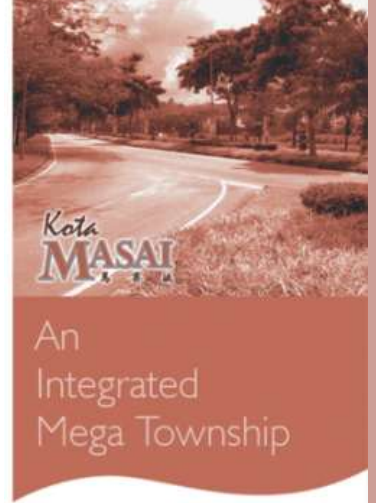
<u>Size of Shareholdings</u>	<u>No. of Shares</u>	<u>%</u>	<u>No. of Holders</u>
Less than 99	179	0.00	5
100 - 1,000	1,799,331	0.71	1,814
1,001 - 10,000	15,525,354	6.13	3,729
10,001 - 100,000	17,361,399	6.85	631
100,001 - less than 5% of issued shares	122,201,007	48.24	86
5% and above of issued shares	96,429,730	38.07	5
Grand Total	253,317,000	100.00	6,270



## Statistics on Shareholdings (cont'd)

### THE THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS AS AT 29 DECEMBER 2006

No.	Name	No. of Shares	%
1.	AMMB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for E. Seng Kiw @ Yee Oy Chong</i>	26,000,000	10.26
2.	Pang Tin @ Pang Yon Tin	25,097,838	9.91
3.	Phang Piow @ Pang Choo Ing	16,731,892	6.61
4.	Mohd Razali Bin Abdul Rahman	14,300,000	5.65
5.	Hassan Bin Che Abas	14,300,000	5.65
6.	Nik Mahmood Bin Nik Hassan	11,084,253	4.38
7.	Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Rosman Bin Abdullah</i>	10,000,000	3.95
8.	AMMB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Yee Yok Sen</i>	9,100,000	3.59
9.	Lee Ban Hin @ Michael Lee Ban Hin	7,416,000	2.93
10.	RHB Merchant Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Rewardwise Sdn Bhd</i>	7,000,000	2.76
11.	Pang Khong Nam	6,166,946	2.43
12.	E. Seng Kiw @ Yee Oy Chong	5,807,944	2.29
13.	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Abu Bakar Mohd Nor</i>	5,000,000	1.97
14.	Yee Gee Min	3,829,198	1.51
15.	ABB Nominee (Tempatan) Sdn Bhd <i>Pledged Securities Account for Yee Chun Voon</i>	3,500,000	1.38
16.	MAYBAN Securities Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Wan Mustapha Bin Wan Ismail</i>	3,500,000	1.38
17.	BIMSEC Nominees (Asing) Sdn Bhd <i>Bank Islam (L) Ltd. for Nik Mahmood Nik Hassan</i>	2,800,000	1.11
18.	BIMSEC Nominees (Asing) Sdn Bhd <i>Bank Islam (L) Ltd. for Wan Mustapha Wan Ismail</i>	2,800,000	1.11
19.	Yee Chun Syan	2,623,043	1.04
20.	EB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Pang Khong Nam</i>	2,500,000	0.99
21.	ABB Nominee (Tempatan) Sdn Bhd <i>Pledged Securities Account for Yee Chun Syan</i>	2,500,000	0.99
22.	BUMIPUTRA-COMMERCE Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Hassan Bin Che Abas</i>	2,421,216	0.96
23.	William Pang	2,106,667	0.83
24.	Yuningsih Binti Abdul Wahid	2,000,000	0.79
25.	Wan Farah Alifa Binti Wan Mustapha	1,750,000	0.69
26.	Yee Chang Lin	1,668,170	0.66
27.	Wan Mustapha Bin Wan Ismail	1,654,216	0.65
28.	BUMIPUTRA-COMMERCE Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Othman Bin Hashim</i>	1,550,000	0.61
29.	Wang Ah Yu	1,540,667	0.61
30.	Wan Adleena Binti Wan Mustapha	1,500,000	0.59
		<u>198,248,050</u>	<u>78.26</u>



## Statistics on Shareholdings (cont'd)

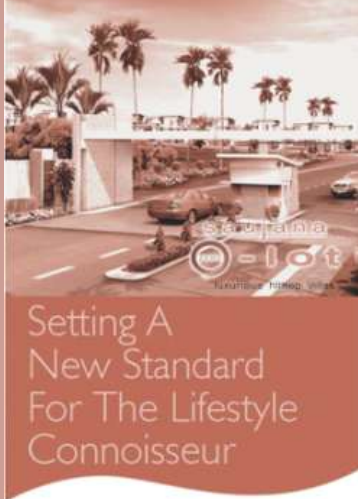
### SUBSTANTIAL SHAREHOLDERS AS AT 29 DECEMBER 2006

Substantial Shareholders	No. of Shares Held			
	Direct	%	Indirect	%
Tan Sri Datuk Mohd Razali bin Abdul Rahman	14,721,216	5.81	6,672*1	- *3
Datuk Hassan bin Che Abas	16,721,216	6.60	6,672*1	- *3
E. Seng Kiw @ Yee Oy Chong	31,807,944	12.56	-	-
Pang Tin @ Pang Yon Tin	25,097,838	9.91	-	-
Phang Piow @ Pang Choo Ing	16,731,892	6.61	-	-
Nik Mahmood bin Nik Hassan	15,897,869	6.28	370,355*2	0.15

\*1 Deemed interested by virtue of his interests in Sri Hanasia Sdn Bhd and Eranas Construction Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

\*2 Deemed interested by virtue of his interests in Purple Point Sdn Bhd pursuant to Section 6A of the Companies Act, 1965 and his wife's and daughter's interest in Focal.

\*3 Less than 0.01%.



## Statistics on Shareholdings (cont'd)

### DIRECTORS' SHAREHOLDINGS AS AT 29 DECEMBER 2006

Name of Directors	Direct	No. of Shares Held		%
		%	Indirect	
Tan Sri Datuk Mohd. Razali bin Abdul Rahman	14,721,216	5.81	6,672* <sup>1</sup>	- * <sup>3</sup>
E. Seng Kiw @ Yee Oy Chong	31,807,944	12.56	-	-
Yee Yok Sen	9,188,888	3.63	-	-
Pang Tin @ Pang Yon Tin	25,097,838	9.91	-	-
Phang Piow @ Pang Choo Ing	16,731,892	6.61	-	-
Wan Mustapha bin Wan Ismail	8,438,833	3.33	53,381* <sup>2</sup>	0.02
Woon See Chin	20,000	0.01	-	-
Tee Boon Hin	35,000	0.01	-	-
Datuk Che Mokhtar bin Che Ali	-	-	-	-

\*1 Deemed interested by virtue of his interests in Sri Hanasia Sdn Bhd and Eranas Construction Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

\*2 Deemed interested by virtue of his interests in Watan Makmur Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

\*3 Less than 0.01%.