

# MulphaLand



ANNUAL REPORT

2005



## Cover Rationale

The houses featured on the cover represent property – Mulpha Land's core business built on the Company's vision and expansive plans for the future. The grand, picturesque landscape communicates that Mulpha Land is perpetually insightful of the environment, and is always proactive in effecting the concept of harmonious living in our developments.

Publicly listed on the Second Board of Bursa Malaysia, Mulpha Land will continue to strive, focus and utilise our expertise and resources in ensuring better returns and added value to all our stakeholders, in our long-term efforts to secure our role as a formidable specialist partner in property development.



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# Corporate Information

## DIRECTORS

Mr Chung Tze Hien – Executive Chairman  
Mr Lai Meng – Chief Executive Officer  
Lt. Col. (R) Abdul Jalil bin Abdullah  
Mr Lim Kok Beng  
Mr Yong Wan Seong

## COMPANY SECRETARY

Mr Ng Seng Nam

## REGISTERED OFFICE

Bangunan Mulpha  
17, Jalan Semangat  
46100 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia

Tel : (603) 7958 1888/7958 6399

## REGISTRARS

Symphony Share Registrars Sdn Bhd (378993-D)  
Level 26, Menara Multi-Purpose, Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur

Tel : (603) 2721 2222

Fax : (603) 2721 2530/1

## AUDITORS

Ernst & Young

## PRINCIPAL BANKER

OCBC Bank (Malaysia) Berhad



# Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Seventeenth Annual General Meeting of Mulpha Land Berhad will be held on Tuesday, 27 June 2006 at 10.00 am at Crystal Crown Hotel, 12 Lorong Utara A, Off Jalan Utara, 46200 Petaling Jaya, Selangor Darul Ehsan for the following purposes:-

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the audited financial statements for the year ended 31 December 2005 and the Auditors' Report thereon. (Ordinary Resolution 1)
2. To re-elect the following Directors who retire in accordance with Article 76 of the Company's Articles of Association:  
Mr Chung Tze Hien (Ordinary Resolution 2)  
Mr Lim Kok Beng (Ordinary Resolution 3)
3. To approve the payment of Directors' fees for the year ended 31 December 2005. (Ordinary Resolution 4)
4. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. (Ordinary Resolution 5)

## AS SPECIAL BUSINESS

5. To consider, and if thought fit, to pass the following Ordinary Resolution:-

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

(Ordinary Resolution 6)

# Notice Of Annual General Meeting

6. To transact any other business of which due notice shall have been received.

## By order of the Board

Ng Seng Nam  
Company Secretary

Petaling Jaya  
5 June 2006

## Notes

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its attorney.
3. The instrument appointing the proxy must be deposited at the Company's Registered Office at No. 17, Jalan Semangat, 46100 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the Meeting or any adjournment thereof.

## Explanatory Note on Special Business

Ordinary Resolution 6 – Authority to issue shares pursuant to Section 132D of the Companies Act 1965.

The proposed Resolution is to empower the Directors to issue shares in the Company up to an aggregate amount not exceeding 10% of the total issued share capital of the Company for such purposes as they consider would be in the interest of the Company. This will avoid any delay and cost involved in convening a general meeting to approve such issue of shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next annual general meeting of the Company.

# Statement Accompanying Notice Of Annual General Meeting

## DIRECTORS STANDING FOR RE-ELECTION

The Directors who are standing for re-election are as follows:

- i) Mr Chung Tze Hien
- ii) Mr Lim Kok Beng

Please refer to "Directors' Profile" on Pages 14 to 15 for information on the Directors who are standing for re-election.

## ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Tuesday 27 June 2006 at 10.00 am at Crystal Crown Hotel, 12 Lorong Utara A, Off Jalan Utara, 46200 Petaling Jaya, Selangor Darul Ehsan.



Desa Aman provides homeowners affordable living amidst a tranquil environment

# Audit Committee Report

## Constitution

The Audit Committee ("the Committee") was established pursuant to a resolution of the Board of Directors passed on 10 April 1997. The current members of the Committee are as follows:-

**Mr Lim Kok Beng\*** (Chairman)  
– Independent Non-Executive Director

**Lt. Col. (R) Abdul Jalil Bin Abdullah**  
– Independent Non-Executive Director

**Mr Yong Wan Seong<sup>+</sup>**  
– Non-Independent Executive Director

\* Member of the Malaysian Institute of Accountants

<sup>+</sup> Appointed on 16 March 2006



## Terms of reference

The terms of reference of the Committee are as follows:-

## Composition

The Committee shall be appointed by the Board of Directors from amongst the directors of the Company. The Committee shall comprise of not less than three members, a majority of whom are independent non-executive directors. One of the members of the Committee who is an independent non-executive director shall be appointed Chairman of the Committee by the members of the Committee.



Spread over 426 acres of freehold land, Desa Aman comprises residential, commercial and industrial units

# Audit Committee Report

## Meetings and minutes

The Committee shall meet at least four times a year. A quorum shall be at least two members present, the majority of whom shall be independent non-executive directors. The Committee may request any member of the management and representatives of the external auditors to be present at meetings of the Committee. Minutes of each Committee meeting are to be prepared and distributed to each member of the Committee and Board of Directors. The Company Secretary or his Assistant shall be the Secretary of the Committee.

## Authority

The Committee is authorised by the Board of Directors:-

- (a) to investigate any matter of the Company and its subsidiaries within its terms of reference;
- (b) to seek any information it requires from any employee for the purpose of discharging its functions and responsibilities and all employees are directed to cooperate with any request made by the Committee; and
- (c) to obtain legal or other independent professional advice and to secure the attendance of outsiders with the experience and expertise if it considers it necessary to do so.

## Duties and responsibilities

The duties and responsibilities of the Committee shall be as follows and will cover the Company and its subsidiaries:-

- (a) to consider the appointment of external auditors, their terms of appointment and reference and any questions of resignation or dismissal;
- (b) to review with the external auditors their audit plan, scope and nature of audit;
- (c) to review the quarterly and annual financial statements before submission to the Board, focussing particularly on:-
  - any changes in accounting policies and practices;
  - major judgemental areas;
  - significant adjustments resulting from the audit;
  - the going concern assumption;
  - compliance with accounting standards; and
  - compliance with stock exchange and legal requirements.
- (d) to review and assess the adequacy and effectiveness of the systems of internal control and accounting control procedures by reviewing the external auditors' management letters and management response;



The residential sector in Kulim has been identified as the most active sector due mainly to the increasing local demand as well as the spillover demand from Penang

# Audit Committee Report

- (e) to hear from and discuss with the external auditors any problem and reservation arising from their interim and final audits or any other matter that the external auditors may wish to highlight;
- (f) to review the internal audit programme, consider the findings of internal audit and the actions and steps taken by management in response to such findings and ensure co-ordination between the internal and external auditors;
- (g) to review related party transactions entered into by the Company and the Group to ensure that such transactions are undertaken on the Group's normal commercial terms and that the internal control procedures relating to such transactions are adequate;
- (h) to review the process for identifying, evaluating, monitoring and managing significant risks;
- (i) to undertake such other responsibilities as may be delegated by the Board of Directors from time to time; and
- (j) to report to the Board of Directors its activities and findings.

## Attendance at meetings

During the year, the Committee held five meetings. The attendance of the Committee members are as follows:-

Name of Committee member	No. of meetings attended
Mr Lim Kok Beng	5/5
Lt. Col. (R) Abdul Jalil Bin Abdullah	5/5
Mr Hee Choi (resigned on 10 March 2006)	5/5



Desa Aman, Kulim, focuses primarily to accommodate the working executives of Kulim Hi-Tech Park, as well as the middle income executives working in Seberang Prai

# Audit Committee Report



Desa Aman is a self-contained township located at a prime location

## Activities

During the year, the Committee carried out its activities in line with its terms of reference.

## Internal Audit functions

The internal audit functions of the Company are performed by the Internal Audit Department of Mulpha International Bhd, the Company's holding company. The principal objective of the internal audit functions is to undertake regular reviews of the systems of controls, procedures and operations so as to provide reasonable assurance that the internal control system is sound, adequate and operating satisfactorily.

The attainment of such objective involves the following major activities being carried out by the Department:-

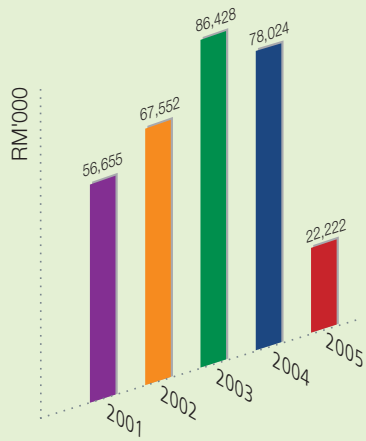
- (a) review and appraise the adequacy, effectiveness and reliability of internal control systems, policies and procedures;
- (b) monitor the adequacy, reliability, integrity, security and timeliness of financial and other management information systems;
- (c) determine the extent of compliance with relevant laws, codes, standards, regulations, policies, plans and procedures;
- (d) review the efficiency and effectiveness of operations and identify risk exposure; and
- (e) review and verify the means used to safeguard assets.

# Five Years Financial Highlights

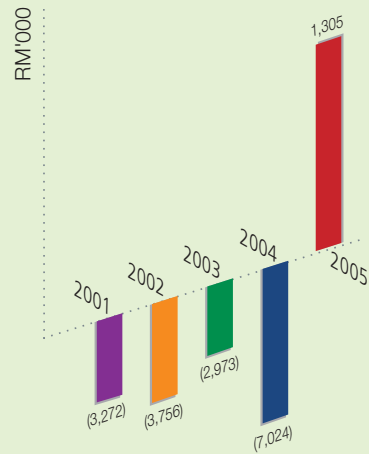
	YEAR ENDED 31 DECEMBER				
	2005 RM'000	2004 RM'000	2003 RM'000	2002 RM'000	2001 RM'000
Revenue	<b>22,222</b>	78,024	86,428	67,552	56,655
Profit/(loss) before taxation	<b>1,305</b>	(7,024)	(2,973)	(3,756)	(3,272)
Profit/(loss) after taxation	<b>1,985</b>	(6,984)	(3,283)	(4,146)	(2,329)
Profit/(loss) after minority interests	<b>1,966</b>	(6,983)	(3,271)	(4,131)	(2,197)
Guaranteed sum receivable	-	-	-	-	1,824
Profit/(loss) attributed to shareholders	<b>1,966</b>	(6,983)	(3,271)	(4,131)	(2,197)
Issued share capital	<b>91,321</b>	60,490	60,490	60,490	60,490
Reserves	<b>7,575</b>	21,454	28,437	31,708	35,838
Total shareholders' funds	<b>98,896</b>	81,944	88,927	92,198	96,328
Total assets	<b>122,364</b>	107,428	119,730	164,803	107,967
Total liabilities	<b>22,997</b>	25,032	30,350	72,142	11,158
Minority interests	<b>471</b>	452	453	465	480
Earnings/(loss) per share (sen)	<b>3.25</b>	(11.54)	(5.41)	(6.83)	(3.63)
Net tangible assets per ordinary share (RM)	<b>1.63</b>	1.34	1.39	1.43	1.52

# Five Years Financial Highlights

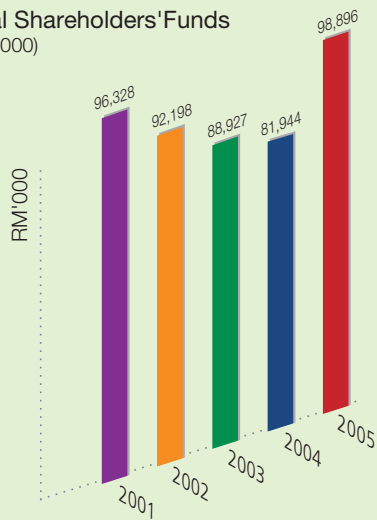
**Revenue**  
(RM '000)



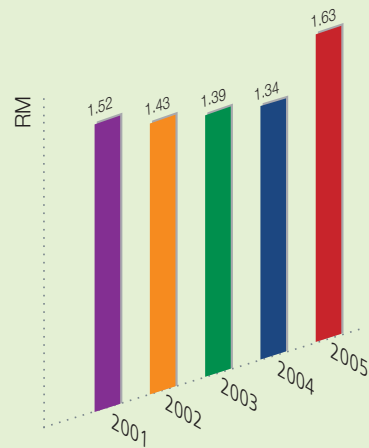
**Profit / (Loss) Before Tax**  
(RM '000)



**Total Shareholders' Funds**  
(RM '000)



**Net Tangible Assets Per Share (RM)**



# Directors' Profile

## Mr Chung Tze Hien

Non-Independent Non-Executive Chairman

Chairman of Nomination Committee

Member of Remuneration Committee

Mr Chung, aged 55, a Malaysian, was appointed a Director of the Company on 2 March 2001. He graduated from the University of Otago, New Zealand with a Commerce Degree and later proceeded to qualify as an Associate Member of the Institute of Chartered Accountants of New Zealand and the Institute of Chartered Secretaries and Administrators of United Kingdom. Prior to joining the Company, Mr Chung worked for and held senior managerial positions in several public listed companies in Hong Kong, Singapore and Malaysia involving a variety of industries and businesses. He is also a Director and Chief Executive Officer of Mulpha International Bhd and a Director of Greenfield Chemical Holdings Limited, Mulpha Australia Limited and Mudajaya Group Berhad.

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## Mr Lai Meng

Chief Executive Officer

Mr Lai, aged 50, a Malaysian, was appointed a Director and Chief Executive Officer on 31 March 2004. He graduated from the University of Malaya with a Bachelor of Economics and Statistics (1st Class Hons). He has served as Executive Director to the Board of IGB Berhad, Director (Corporate Affairs) with IGB Berhad, General Manager (Finance & Administration) with Tan & Tan Development Berhad, Corporate Planner with Kinta Kellas Investments Plc., Corporate Planner with Hong Kong Tin Corporation (Malaysia) Berhad (now known as YTL Corporation Berhad) and Senior Administration Officer in Bank Negara Malaysia.

## Lt. Col. (R) Abdul Jalil bin Abdullah

Independent Non-Executive Director

Chairman of Remuneration Committee

Member of Audit and Nomination Committee

Lt. Col (R) Abdul Jalil, aged 59, a Malaysian, has been a Director of the Company since 5 March 1997. He graduated with a Diploma in Automatic Data Processing from US Army Computer Management School in Fort Benjamin, USA in 1982 and Certificate in Personnel Management from Institute Tadbiran Awam Negara in 1976. Lt. Col (R) Abdul Jalil retired from the Malaysian Armed Forces in 1996 after serving for nearly 30 years.

## Directors' Profile

### Mr. Lim Kok Beng

Independent Non-Executive Director  
 Chairman of Audit Committee  
 Member of Nomination and Remuneration Committee

Mr. Lim, aged 59, a Malaysian, was appointed to the Board on 28 August 2001. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a Council member of the Malaysian Institute of Certified Public Accountants and a member of the Malaysian Institute of Accountants. He has broad experience gained internationally in the fields of investment banking and corporate planning and has held Chief Executive positions in industrial, trading, development and information technology companies. He is a Senior Partner in a Chartered Accountants firm and a Director of UEM Builders Bhd.

### Mr. Yong Wan Seong

Non-Independent Executive Director  
 Member of Audit Committee


Mr. Yong, aged 41, was appointed to the Board on 25 November 2002. He is a registered architect in Ohio and has practised in the United States for 5 years as an architect with Van Dijk Pace Westlake Architects in Cleveland. He later joined a major foreign development group for 3 years as Development Project Manager overseeing daily operations of a 4000-acre Integrated Residential Development with Golf and Country Club with marina and equestrian facilities, northeast of Houston, Texas. He is also the General Manager of the property division of Mulpha International Bhd and involved in master planning development townships, interior design works, sales and marketing and daily operations of the Group's projects.

Mr. Yong has vast experience in urban design planning, historical preservation, architecture and interior design. He has also gained several state and national design awards, mention in various publications and participated in exhibitions overseas.

### Other information on Directors

The abovenamed five Directors have no family relationship with any director and/or major shareholder of the Company, no conflict of interest with the Company and no convictions for any offences within the past 10 years.

# Chairman's Statement



On behalf of the Board of Directors, I am pleased to present the Annual Report of your Company for the year ended 31 December 2005.

## FINANCIAL HIGHLIGHTS

The Group recorded a net profit of RM1.966 million for the year under review compared to the loss of RM6.983 million in 2004. Group revenue was reduced from RM78.024 million to RM22.222 million year on year. The return to profit and reduction in revenue is largely due to the disposal of the ready-mixed concrete business in the first quarter of 2005 and the smaller amount of provisions for asset impairment, doubtful debts and write off of goodwill.

The successful rights issue of Irredeemable Convertible Preference Shares completed during the year and the profit for the year increased the Group's shareholders' funds from RM81.944 million to RM98.896 million. Consequently the Group net tangible assets per ordinary share was up by 22% from RM1.34 to RM1.63.

## REVIEW OF OPERATIONS

With the disposal of the ready-mixed concrete business in March 2005, the Group's strategy is to focus on property development and investments, building on property assets it already owns. The quarry under TAHB Granite Quarry Sdn Bhd has temporarily stopped operation but is expected to recommence after reorganisation of its worksite.

## Chairman's Statement

### Taman Desa Aman

Taman Desa Aman is a 426-acre mixed development project located in Kulim, Kedah, a 20-minute drive from Penang via the Butterworth-Kulim Expressway. A loss was incurred for 2005 on the back of a smaller revenue which reflected the sluggish demand for its property. The market for Taman Desa Aman comprises the low to medium income group as well as the growing high-tech industry workforce within the vicinity. To cater to this market, Taman Desa Aman will launch more affordable single-storey terrace houses in 2006.

### Raintree Terrace

Raintree Terrace, a luxurious 5-storey, 12 units of serviced apartment, is located off Jalan Ampang Hilir, Kuala Lumpur. Raintree Terrace contributed positively to the Group earnings in 2005. Its occupancy rate continued to be strong averaging 87% for 2005.

In the effort to further improve returns and enhance the value of Raintree Terrace, significant upgrading and refurbishing for this property is scheduled in 2006. The last of the existing tenancies will expire by the fourth quarter of 2006, after which the property will be closed for approximately six months to allow for such upgrading works.



Raintree Terrace is a luxurious 5-storey service apartment, which consists of 4 penthouses and 8 typical units



## Chairman's Statement



The readily available and constant upgrading of infrastructure and highways make daily commuting to and fro between Penang island, Butterworth and Sg Petani/Kulim more convenient and efficient

### CORPORATE DEVELOPMENTS

In August 2005, your Company completed the rights issue of 30,831,000 Irredeemable Convertible Preference Shares ("ICPS") of RM1.00 each. The ICPS were paid in two calls, with RM0.50 paid in cash and the balance RM0.50 paid out of the share premium account of the Company. The rights issue raised approximately RM15.4 million. As at 31 December 2005, RM2.1 million has been utilised, leaving a balance of RM13.3 million earmarked for the Taman Desa Aman project and working capital of the Group.

The ready-mixed concrete business of the Company was disposed of in March 2005. Thereafter, property became the core business and the Group increased its landbank. Four adjoining parcels of vacant bungalow lots within the Leisure Farm Resort in Johor and four pieces of adjoining land located along Jalan Medang Tanduk, Bukit Bandaraya, Bangsar, Kuala Lumpur were acquired.

In addition, a proposal was announced in April 2006 whereby the Company will acquire 70% of Bukit Punchor Development Sdn Bhd ("BPDSB") from a subsidiary of the holding company. BPDSB has an ongoing mixed property development project in Seberang Prai, Penang. The proposal involves a revision of the utilisation of the balance of the proceeds from the rights issue which will now be used to finance the consideration and repayment of intercompany amount in respect of the acquisition of BPDSB. As the proposal is a related party transaction, the Company will seek the approval of its shareholders at a meeting to be convened.

In line with the change of its core business to property, the Company changed its name to Mulpha Land Berhad on 7 July 2005 and its ordinary shares listed on Bursa Malaysia Securities Berhad were reclassified from the "Industrial Products" sector to the "Properties" sector with effect from 25 November 2005.

The Company has in February 2006 submitted an application to Bursa Malaysia to seek an upliftment of its PN17 classification. The Board of Directors is hopeful that the application will be approved given the Group's financial position, its existing projects and the new projects to be undertaken.

# Chairman's Statement

## PROSPECTS

Efforts will continue in 2006 to maximise the returns from Taman Desa Aman. Plans will be submitted shortly for the Bangsar land to be amalgamated to be developed into a luxurious gated residential development comprising 20 semi-detached houses. This project is significant as it marks the Group's entry into the high-end niche residential market in the Klang Valley.

In addition, the ongoing property project of BPDSB will contribute immediately to the Group's earnings when the proposed acquisition of BPDSB is completed in the third quarter of 2006.

## APPRECIATION

Mr Hee Choi resigned as a Director of the Company on 10 March 2006. On behalf of the Board of Directors, I would like to record our deep appreciation for his service and contributions.

I wish to also express my appreciation to our shareholders, financiers and customers for their consistent support.

### **CHUNG TZE HIEN**

Chairman  
25 May 2006



The residential development of Desa Aman includes bungalow lots, semi-detached houses, terrace houses, low-cost houses and medium-cost houses

# Statement On Corporate Governance

The Listing Requirements of Bursa Malaysia Securities Berhad made it mandatory for listed companies to disclose their compliance with the Malaysian Code on Corporate Governance ("Code"). Set out below is a statement on how the Company has applied the principles and complied with the best practices laid down in the Code for the year ended 31 December 2005.

## BOARD OF DIRECTORS

### The Board

The Board has the overall responsibility for corporate governance, strategic direction, development and control of the Company. The Board has adopted all the six specific responsibilities as listed in the Code.

The Board meets at least four times a year, with additional meetings convened when necessary. Due notice is given for the meetings and matters to be dealt with. In the intervals between Board meetings, Board decisions for urgent matters are obtained via circular resolutions to which are attached sufficient information required for an informed decision.

During the year ended 31 December 2005, four Board meetings were held on 24 February, 16 May, 25 August and 25 November. Full attendance was recorded by the six Directors for the four meetings.



### Board balance

The Board currently has five members comprising two executive Directors and three non-executive Directors. Of the three non-executive Directors, two are independent, thereby fulfilling the one-third requirement. A brief profile of each Director is presented on pages 14 to 15.

The Chairman is responsible for ensuring Board effectiveness and conduct. The Chief Executive Officer oversees the day-to-day operations and implementation of the Board's policies and decisions. There is active and unrestricted participation in the deliberations and decision making of the Board.



Raintree Terrace, off Jalan Ampang Hilir, has provided a consistently high occupancy rate throughout the years

# Statement On Corporate Governance



## Supply of information

All Directors are provided with an agenda and a set of Board papers in sufficient time prior to a Board meeting to enable the Directors to review and consider the items to be discussed at the Board meeting. The Board papers include, inter alia, the following:-

- (i) quarterly progress report by the Chief Executive Officer;
- (ii) quarterly financial report and
- (iii) minutes/decisions of meetings of the Committees of the Board.

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Directors may obtain independent professional advice in the furtherance of their duties at the Company's expense.

All Directors have access to the advice and services of the Company Secretary in carrying out their duties.

The Directors have extensive working experience and are from diverse professional backgrounds with a wide range of business and financial experience and knowledge.

There is proper balance in the Board with the presence of the Independent Directors. The role of the Independent Directors is particularly important as they provide unbiased and independent opinions and advice.

Mr Lim Kok Beng has been appointed by the Board as the Independent Non-Executive Director to whom any concern regarding the Company may be conveyed.



Raintree Terrace continues to contribute positively to the Group's earnings

## Statement On Corporate Governance



These 4-bedroom units at Raintree Terrace boast spacious balconies and a family hall

### **Appointments to the Board**

The Nomination Committee recommends the appointment of new Directors to the Board. Visits to the Group's businesses and meetings with senior management will be arranged for the new Directors to facilitate their understanding of the Group. During 2005, the Continuing Education Programme for Directors was implemented via the attendance of seminars and courses to keep abreast of current and regulatory matters.

### **Re-election**

The Company's Articles of Association provide for all Directors who are appointed by the Board to be subject to election by the shareholders at the first opportunity after their appointment. The Articles also provide that at least one third of the remaining Directors be subject to re-election by rotation at each Annual General Meeting provided always that all Directors shall retire from office at least once every three years but shall be eligible for re-election.

# Statement On Corporate Governance

## Board Committees

The Board has delegated specific responsibilities to the following Committees:-

### (a) Audit Committee

Please refer to the Audit Committee Report on pages 8 to 11.

### (b) Nomination Committee

The Nomination Committee comprises exclusively of Non-Executive Directors, the majority of whom are independent, with Mr. Chung Tze Hien as Chairman and Lt. Col. (R) Abdul Jalil bin Abdullah and Mr. Lim Kok Beng as members.



Mulpha Land Berhad's team is dedicated to drive the Company's performance to greater heights

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The main responsibilities of the Nomination Committee are as follows:-

- (i) recommend new nominees to the Board as well as Board Committees;
- (ii) assist the Board in annually reviewing its required mix of skills, experience and other qualities of the Non-Executive Directors; and
- (iii) assessing the effectiveness of the Board and Board Committees and the contribution of each Director.

During the year, the Nomination Committee met once and the meeting was attended by all its members.

# Statement On Corporate Governance



## DIRECTORS' REMUNERATION

The Company has adopted the objectives as recommended by the Code to determine the remuneration of the Directors so as to ensure that the Company attracts and retains the Directors of the calibre needed to run the Group successfully. In the case of Executive Directors, the remuneration is structured so as to link rewards to corporate and individual performance. For Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by each Director.

The Remuneration Committee recommends to the Board the remuneration (including fees) for each Director of the Company. Fees are subject to the approval of the shareholders. Reasonable expenses incurred by the Directors in the course of carrying out their duties are reimbursed by the Company.

For the year ended 31 December 2005, the Directors' remuneration of the Company amounted to RM40,000 representing fees payable to the two independent Non-Executive Directors.

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### (c) Remuneration Committee

The Remuneration Committee comprises mainly Non-Executive Directors. Its members are Lt. Col. (R) Abdul Jalil bin Abdullah as Chairman and Mr. Chung Tze Hien and Mr. Lim Kok Beng as members.

The main responsibilities of the Remuneration Committee are to recommend to the Board the following:-

- (i) remuneration package of each Director of the Company; and
- (ii) incentive schemes, profit sharing arrangements or the like for management or other employees.

During the year, the Remuneration Committee met once and the meeting was attended by all its members.



Shopping malls, embassies, parks, playgrounds, dining and entertainment outlets are all located within the vicinity of Raintree Terrace

# Statement On Corporate Governance

## SHAREHOLDERS

### Communication between the Company and investors

The Board acknowledges the need for shareholders to be informed of all material business matters of the Company. Announcements to Bursa Malaysia are made on significant developments and matters within the Group. Financial results are released on a quarterly basis to provide shareholders with an overview of the Group's performance.

### Shareholders' Meeting

The Company's practice is to give as much notice as possible to shareholders of its general meetings. In addition, notices of general meetings with sufficient information of business to be dealt with thereat are published in one national newspaper to provide for wider dissemination of such notice to encourage shareholder participation. General meetings are a mean of direct communication and interaction between the Company and shareholders. It is the policy of the Board to have all its members present at shareholders' meetings. At such meetings, shareholders are encouraged to participate in the question and answer session.

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## ACCOUNTABILITY AND AUDIT

### Financial reporting

In preparing the annual financial statements and quarterly announcement of results to shareholders, the Board aims to present a balanced and understandable assessment of the Group's position and prospects. The Board considers that in preparing the financial statements and announcements, the Group has used appropriate accounting policies and standards, consistently applied and supported by reasonable and prudent judgements and estimates.



Taman Desa Aman will launch more affordable single-storey terrace houses in 2006



# Statement On Corporate Governance

## Internal Control

The Board has overall responsibility for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management. This system can only provide reasonable and not absolute assurance against material misstatement, loss or fraud. Please refer to the Statement of Internal Control on pages 27 to 28.

## Audit Committee

The information on the Audit Committee is presented in the Audit Committee Report on pages 8 to 11.

Through the Audit Committee, the Company has established an appropriate relationship with the Company's auditors, both internal and external. The external auditors attend the Audit Committee's meetings when necessary and may meet the Audit Committee without the presence of the management.

## DIRECTORS' RESPONSIBILITY STATEMENT

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

In preparing the financial statements, the Directors have:

- ensured that the financial statements are in accordance with the provisions of the Companies Act 1965, the applicable accounting standards and the Listing Requirements of Bursa Malaysia;



- adopted the appropriate accounting policies and applied them consistently and
- made judgements and estimates that are prudent and reasonable.

The Directors are responsible for ensuring that the Group and Company keep proper accounting records which disclose with reasonable accuracy the financial position of the Group and Company and which enable them to ensure that the financial statements comply with the Companies Act 1965.

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

## OTHER INFORMATION

### Material Contracts

Other than those disclosed in the financial statements, there were no material contracts entered into by the Company and its subsidiaries involving the interests of Directors and major shareholders.

# Statement Of Internal Control

## INTRODUCTION

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. The Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB") require directors of listed companies to include a statement in their annual reports on the state of their internal controls. The BMSB's Statement on Internal Control: Guidance for Directors of Public Listed Companies ("Guidance") provides guidance for compliance with these requirements. We set out below the Statement on Internal Control which has been prepared in accordance with the Guidance.

### Responsibility

The Board of Directors acknowledges responsibility for maintaining a sound system of internal control and for reviewing its adequacy and integrity. The system of internal control, designed to safeguard shareholders' investments and the Group's assets, covers not only

financial controls but also operational and compliance controls and risk management. Such systems, however, are designed to manage rather than eliminate risks that may hinder the achievement of the Group's business objectives. Accordingly, the systems can only provide reasonable and not absolute assurance against material misstatement, loss and fraud.

### Risk management

Risk management is considered by the Board of Directors as an integral part of the business operations. The risk management function is supervised by the Risk Management Department of the holding company. The Risk Management Committee of the holding company oversees the process. All reports on risk management are reviewed by the Audit Committee of the Company.



The Raintree Terrace will be temporarily closed for upgrading and refurbishment by the end of 2006

# Statement Of Internal Control

The Group has in place a risk management framework to identify, evaluate, monitor and manage risks that may affect the Group's businesses. Following the disposal of the ready-mixed concrete business in March 2005 and with property now being the core sector, steps have been taken to realign the framework to focus on the property sector.

## Key elements of internal control

The other key elements of the Group's internal control system include the following:-

- clearly defined delegation of responsibilities, organisation structure and appropriate authority limits have been established by the Board of Directors;
- internal policies and procedures are in place which are updated as and when necessary;
- reporting systems are in place which generate financial and other reports for the Board of Directors and management. Monthly management meetings are held during which the reports are discussed and the necessary action taken;
- annual business plans and budgets are prepared and actual performance is reviewed against the budgets on a monthly basis and
- the adequacy and effectiveness of the system of internal control is continuously reviewed and assessed by the Audit Committee.

## Internal audit

The internal audit functions of the Group are performed by the Internal Audit Department of the holding company. The Internal Audit Department undertakes review of the system of controls, procedures and operations so as to provide reasonable assurance that the internal control system is sound, adequate and operating satisfactorily.

## Monitoring and review of the system of internal controls

During the year, a number of improvements to internal controls were identified and implemented. No weaknesses were noted which have a material impact on the Group's financial performance or operations.

The monitoring, review and reporting procedures and systems in place give reasonable assurance that the controls are adequate and appropriate to the Group's operations and that risks are at an acceptable level. Such procedures and systems, however, do not eliminate the possibility of human error, the deliberate circumvention of control procedures by employees and others and the occurrence of unforeseeable circumstances.



Mulpha Land Berhad is committed in promoting a higher quality of lifestyle living with a strong concept in design, complemented with the right amenities and infrastructure



# Directors' Report

## DIRECTORS' REPORT

The directors present their report together with the audited financial statements of the Group and of the Company for the year ended 31 December 2005.

## CHANGE OF NAME

The Company changed its name from Mega Pascal Berhad to Mulpha Land Berhad on 7 July 2005.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, property development and property investments.

The subsidiaries are principally engaged in property development.

There have been no significant changes in the nature of these activities during the year other than the discontinuance of the ready-mixed concrete business as disclosed in Note 5 to the financial statements.

## RESULTS

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	<b>Group</b>	<b>Company</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit after taxation	1,985	3,388
Minority interests	(19)	-
Net profit for the year	1,966	3,388

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the gains/(losses) as disclosed in Note 6 to the financial statements.

## DIVIDENDS

A dividend of approximately 1.49% less 28% taxation on 30,831,000 irredeemable convertible preference shares ("ICPS") amounting to RM330,846, calculated on the basis of 4% per annum pro-rated from the date of issuance of the ICPS of 18 August 2005 to 31 December 2005, will be payable in respect of the financial year ended 31 December 2005. The financial statements for the current financial year do not reflect this proposed dividend. The dividend, which was declared and approved by the Board of Directors on 24 April 2006, will be payable on 15 May 2006 and will be accounted for during the financial year ending 31 December 2006.

# Directors' Report

## 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:

Mr Chung Tze Hien  
 Mr Lai Meng  
 Mr Hee Choi (Resigned 10 March 2006)  
 Mr Lim Kok Beng  
 Lt. Col. (R) Abdul Jalil Bin Abdullah  
 Mr Yong Wan Seong

## DIRECTORS' INTEREST

The following directors who held office at the end of the financial year had according to the register required to be kept under Section 134 of the Companies Act, 1965 an interest in shares and warrants of the Company and its related corporations as stated below.

	Number of Ordinary Shares of RM1 Each			
	At 1.1.2005	Bought	Sold	At 31.12.2005
<b>Direct interest in shares of the Company</b>				
Mr Hee Choi	3,125,492	-	-	3,125,492
Lt. Col. (R) Abdul Jalil Bin Abdullah	24,000	-	-	24,000
Mr Yong Wan Seong	28,000	-	28,000	-

	Number of Ordinary Shares of RM0.50 Each			
	At 1.1.2005	Bought	Sold	At 31.12.2005
<b>Direct interest in shares of Mulpha International Bhd, the ultimate holding company</b>				
Mr Yong Wan Seong	35,000	-	5,000	30,000

	Warrants issued pursuant to a Deed Poll dated 11 May 2000 exercisable at any time from 22 August 2000 to 21 August 2010			
	At 1.1.2005	Bought	Sold	At 31.12.2005
<b>Direct interest in warrants of the Company</b>				
Lt. Col. (R) Abdul Jalil Bin Abdullah	12,000	-	-	12,000

Other than as disclosed above, none of the other directors in office at the end of the financial year held any interest in shares of the Company and its related corporations.

## Directors' Report

### 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 is a party, whereby directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than by virtue of warrants held in the Company as disclosed above.

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 shown in 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 the director is a member or with a company in which the director has a substantial financial interest required to be disclosed by Section 169(8) of the Companies Act, 1965.

### IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES

The shareholders of the Company had, at an Extraordinary General Meeting held on 28 October 2004, approved the implementation of a Proposed rights issue of up to 90,735,000 Irredeemable Convertible Preference Shares ("ICPS") of RM1.00 each ("Rights Share") in the Company at an indicative issue price of RM1.00 per Rights Share payable in two (2) calls upon application on the renounceable basis of one (1) Rights Share for every one (1) existing share in the Company ("Proposed Rights Issue of ICPS"). The Proposed Rights Issue of ICPS was completed on 18 August 2005 with the issuance by the Company of 30,831,000 ICPS of RM1.00 each paid in two (2) calls, with the first call amount of RM0.50 paid in cash and the second call amount of RM0.50 paid out of the share premium account of the Company.

The salient features of the ICPS are disclosed in Note 26 to the financial statements.

### OTHER STATUTORY INFORMATION

- a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
- i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - ii) to ensure that any current assets which were unlikely to realise their 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:
- i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent;
  - ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
  - iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

# Directors' Report

## OTHER STATUTORY INFORMATION (CONTD.)

- c) 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.
- d) As at the date of this report, there does not exist:
  - i) any charge on the assets of the Group and 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 liabilities in respect of the Group and of the Company which have arisen since the end of the financial year.
- e) In the opinion of the directors:
  - i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due; 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.

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## SIGNIFICANT EVENTS

The significant events that occurred during the financial year are disclosed in Note 36 to the financial statements.

## 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.

Lai Meng

Yong Wan Seong

Petaling Jaya, Malaysia  
24 April 2006

# Statement By Directors/Statutory Declaration

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

We, Lai Meng and Yong Wan Seong, being two of the directors of Mulpha Land Berhad (formerly known as Mega Pascal Berhad), do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 36 to 74 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 31 December 2005 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.

Lai Meng

Yong Wan Seong

Petaling Jaya, Malaysia  
24 April 2006

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

I, Ng Seng Nam, being the person primarily responsible for the financial management of Mulpha Land Berhad (formerly known as Mega Pascal Berhad), do solemnly and sincerely declare that the accompanying financial statements set out on pages 36 to 74 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 Ng Seng Nam  
at Petaling Jaya in the State of Selangor  
Darul Ehsan on 24 April 2006

Ng Seng Nam

Before me,

G.VIJAYAN@BASKARAN PPN  
Commissioner of Oaths  
Petaling Jaya

# Auditors' Report

## REPORT OF THE AUDITORS TO THE MEMBERS OF MULPHA LAND BERHAD (formerly known as Mega Pascal Berhad) (Incorporated in Malaysia)

We have audited the financial statements set out on pages 36 to 74. These financial statements are the responsibility of the Company's directors.

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

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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 are 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 31 December 2005 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 financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' report 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

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

Kuala Lumpur, Malaysia  
24 April 2006

# Income Statements

INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Revenue	3	22,222	78,024	19,649	71,936
Cost of sales	4	(21,785)	(71,872)	(19,339)	(66,723)
Gross profit		437	6,152	310	5,213
Other operating income		1,122	1,975	1,032	2,390
Administrative expenses		(1,088)	(4,126)	(849)	(3,356)
Other operating expenses		(6,475)	(10,930)	(4,242)	(14,466)
Gain on discontinued operations	5	7,399	-	7,399	-
Profit/(loss) from operations	6	1,395	(6,929)	3,650	(10,219)
Finance cost	8	(90)	(95)	(90)	(95)
Profit/(loss) before taxation		1,305	(7,024)	3,560	(10,314)
Taxation	9	680	40	(172)	(15)
Profit/(loss) after taxation		1,985	(6,984)	3,388	(10,329)
Minority interests		(19)	1	-	-
Net profit/(loss) for the year		1,966	(6,983)	3,388	(10,329)
Earnings/(loss) per share (sen)					
- basic	10	3.25	(11.54)	5.60	(17.08)
- diluted	10	3.25	(11.54)	5.60	(17.08)

# Balance Sheets

BALANCE SHEETS AS AT 31 DECEMBER 2005

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>NON-CURRENT ASSETS</b>					
Investment properties	12	13,286	13,286	13,272	13,272
Land held for development	13	63,941	49,127	22,410	-
Property, plant and equipment	14	6,408	10,176	6,426	10,193
Investments in subsidiaries	15	-	-	6,882	4,382
Investment in jointly- controlled entity	16	-	-	-	-
Goodwill on consolidation	17	-	1,188	-	-
		83,635	73,777	48,990	27,847
<b>CURRENT ASSETS</b>					
Property development costs	13	9,018	1,391	-	-
Inventories	18	4,803	5,097	-	1,272
Trade receivables	19	2,441	19,386	1,684	18,433
Other receivables	20	2,233	4,870	1,499	3,703
Amount due from related companies	21	75	319	-	-
Amount due from subsidiaries	22	-	-	45,438	47,401
Fixed deposits	23	19,367	104	19,367	-
Cash and bank balances		792	2,484	331	1,930
		38,729	33,651	68,319	72,739

## Balance Sheets

BALANCE SHEETS AS AT 31 DECEMBER 2005 (CONTD.)

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>CURRENT LIABILITIES</b>					
Bank borrowings	24	-	2,998	-	2,998
Trade payables		1,558	8,492	115	7,193
Other payables	25	7,000	4,119	6,097	3,114
Amount due to holding company	21	139	1,333	139	1,332
Amount due to related companies	21	-	-	630	496
Provision for taxation		37	169	35	-
		8,734	17,111	7,016	15,133
<b>NET CURRENT ASSETS</b>					
		29,995	16,540	61,303	57,606
		113,630	90,317	110,293	85,453
<b>FINANCED BY:</b>					
Share capital	26	91,321	60,490	91,321	60,490
Reserves	27	7,575	21,454	12,506	24,963
Shareholders' equity		98,896	81,944	103,827	85,453
Minority interests		471	452	-	-
Deferred tax liabilities	28	7,797	7,921	-	-
Bank borrowings	24	6,466	-	6,466	-
		113,630	90,317	110,293	85,453

# Statement Of Changes In Equity

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2005

	Share Capital					Total
	Ordinary shares	Irredeemable convertible preference shares	Share premium	Capital reserves	Accumulated losses	
	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Group</b>						
<b>At 1 January 2004</b>	60,490	-	32,024	26	(3,613)	88,927
Net loss for the year	-	-	-	-	(6,983)	(6,983)
<b>At 31 December 2004</b>	60,490	-	32,024	26	(10,596)	81,944
Issue of Non-cumulative Irredeemable convertible preference shares (Note 26)	-	30,831	(15,415)	-	-	15,416
Rights issue expenses	-	-	(430)	-	-	(430)
Net profit for the year	-	-	-	-	1,966	1,966
<b>At 31 December 2005</b>	60,490	30,831	16,179	26	(8,630)	98,896

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	Share Capital				Total
	Ordinary shares	Irredeemable convertible preference shares	Share premium	(Accumulated losses)/ Retained Profits	
	RM'000	RM'000	RM'000	RM'000	
<b>Company</b>					
<b>At 1 January 2004</b>	60,490	-	32,024	3,268	95,782
Net loss for the year	-	-	-	(10,329)	(10,329)
<b>At 31 December 2004</b>	60,490	-	32,024	(7,061)	85,453
Issue of Non-cumulative Irredeemable convertible preference shares (Note 26)	-	30,831	(15,415)	-	15,416
Rights issue expenses	-	-	(430)	-	(430)
Net profit for the year	-	-	-	3,388	3,388
<b>At 31 December 2005</b>	60,490	30,831	16,179	(3,673)	103,827

# Cash Flow Statements

CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit/(loss) before taxation	1,305	(7,024)	3,560	(10,314)
Adjustments for:				
Amortisation and write off of goodwill	1,188	3,847	-	-
Property, plant & equipment				
- depreciation	165	1,176	158	1,156
- impairment losses	2,627	2,769	2,627	-
- gain on disposal	(204)	(258)	(146)	(258)
- written off	324	55	324	55
Gain on discontinued operations (Note 5)	(7,399)	-	(7,399)	-
Provision for doubtful debts				
- current year	2,118	1,873	2,062	6,853
- written back	(538)	(1,038)	(538)	(1,038)
- written off	-	21	-	21
Inventories written off	164	-	-	-
Impairment loss of investment in subsidiaries	-	-	-	6,244
Impairment loss of investment in associate	-	5	-	5
Interest expense	90	95	90	95
Interest income	(558)	(394)	(497)	(305)
Write back of trade rebates	(1,474)	-	(1,474)	-
Operating (loss)/profit before working capital changes	(2,192)	1,127	(1,233)	2,514
Inventories	1,240	(537)	1,272	(139)
Receivables	17,020	(230)	16,460	(2,242)
Payables	(4,547)	(1,660)	(4,591)	(581)
Associate	-	(7)	-	(7)
Land held for development	-	124	-	-
Property development costs	(1,141)	(1,023)	-	-
Related companies	244	(4,714)	2,097	(4,897)
Holding company	(1,194)	(129)	(1,194)	(278)
Interest paid	(90)	(95)	(90)	(95)
Tax refund/(paid)	578	(115)	8	(12)
Net cash generated from/(used in) operating activities	9,918	(7,259)	12,729	(5,737)

## Cash Flow Statements

## CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (CONTD.)

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment in properties		-	(72)	-	(13,272)
Purchase of land held for development		(22,410)	-	(22,410)	-
Proceeds from disposal of property, plant and equipment		11,076	566	11,018	566
Purchase of property, plant and equipment		(24)	(246)	(19)	(6,744)
Interest received		558	394	497	305
Net cash (used in)/generated from investing activities		(10,800)	642	(10,914)	(19,145)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Subsidiaries		-	-	(2,500)	18,497
Proceeds from issuance of irredeemable convertible preferences shares less expenses		14,985	-	14,985	-
Net proceeds from borrowings		3,985	526	3,985	526
Net cash generated from financing activities		18,970	526	16,470	19,023
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>		18,088	(6,091)	18,285	(5,859)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		2,071	8,162	1,413	7,272
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	29	20,159	2,071	19,698	1,413

# Notes To The Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005

### 1 CORPORATE INFORMATION

The Company is principally engaged in investment holding, property development and property investments.

The subsidiaries are principally engaged in property development.

There have been no significant changes in the nature of these activities during the year other than the discontinuance of the ready-mixed concrete business as disclosed in Note 5 to the financial statements.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Second Board of the Bursa Malaysia Securities Berhad. The registered office and principal place of business of the Company is located at Bangunan Mulpha, 17 Jalan Semangat, 46100 Petaling Jaya, Selangor Darul Ehsan.

The Company changed its name from Mega Pascal Berhad to Mulpha Land Berhad on 7 July 2005.

The number of employees in the Group and in the Company at the end of the financial year were 6 (2004: 254) and 2 (2004: 250) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 April 2006.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### a) **Basis of Preparation**

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in this summary of the significant accounting policies notes, and comply with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965.

#### b) **Basis of Consolidation**

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

The consolidated financial statements include 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.

Subsidiaries are consolidated using the acquisition 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 a subsidiary 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 subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

# Notes To The Financial Statements

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### **i) Subsidiaries (Contd.)**

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 is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences which were not previously recognised in the consolidated income statement.

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

### **ii) Jointly-Controlled Entities**

A jointly-controlled entity is a joint-venture that involves the establishment of a corporation, partnership or other entity in which the Group has joint control over its economic activity established under a contractual arrangement.

Investments in jointly-controlled entities are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the jointly-controlled entities. Under the equity method of accounting, the Group's share of profits less losses of jointly-controlled entities during the year is included in the consolidated income statement. The Group's interest in jointly-controlled entities is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves as well as goodwill on acquisition.

Unrealised gains on transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interest in the jointly-controlled entities. Unrealised losses are eliminated unless the transaction provides evidence of impairment of the assets transferred.

### **c) Goodwill**

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or jointly-controlled entity at the date of acquisition.

Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(e). Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet while goodwill arising on the acquisition of jointly-controlled entities is included within the carrying amount of investments in jointly-controlled entities.

Goodwill is amortised on a straight-line basis over its estimated useful life of up to 20 years.

## Notes To The Financial Statements

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

#### **d) Investments in Subsidiaries and Jointly-Controlled Entities**

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

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

#### **e) 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 recognised as an expense in the income statement immediately. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

#### **f) Investment Properties**

Investment properties are land and buildings held for rental income and are not occupied substantially for use by, or in the operations of the Group.

Investment properties are stated at cost less impairment losses and are not subject to depreciation. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(e).

#### **g) Property, Plant and Equipment and Depreciation**

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(e).

Freehold land is stated at cost less impairment losses. Freehold land is not depreciated.

Leasehold land is amortised in equal instalments over the lease period.

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

Freehold buildings	2%
Batching plants	20%
Plant and machinery, heavy equipment and tools	20%
Trucks and motor vehicles	20%
Office equipment, furniture and fittings	10-20%

## Notes To The Financial Statements

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

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

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

#### **h) 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. 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(e).

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 costs**

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 of 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 on contracts within trade payables.

## Notes To The Financial Statements

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

#### **i) Inventories**

Inventories are valued at the lower of cost and net realisable value. The cost of raw materials determined on a weighted average basis comprise the purchase price of goods and attributable expenditure.

Properties held for resale are stated at the lower of cost and net realisable value. Cost is determined on the specific identification basis and includes costs of land, construction and appropriate development overheads.

In arriving at net realisable value, due allowance is made for all obsolete and slow moving items.

#### **j) 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, 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 recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

#### **k) Provisions 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.

# Notes To The Financial Statements

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### **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) Sale of Goods**

Sales are recognised upon delivery of products and consumer acceptance, if any, or performance of services, net of sales tax and discounts.

#### **ii) Development Properties**

Profit on development properties are recognised on the percentage of completion basis where the work has progressed to a stage when profit recognition can reasonably be measured. The percentage of completion is determined based on works certified. Provision is made for all anticipated losses on development properties.

#### **iii) Dividend Income**

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

#### **iv) Rental Income**

Revenue is recognised on accrual basis unless collection is doubtful.

#### **v) Interest Income**

Interest income is recognised on accrual basis by reference to the principal outstanding and at the interest rate applicable.

## Notes To The Financial Statements

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

#### **n) Cash and Cash Equivalents**

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

#### **o) Financial Instruments**

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and 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 and Other Receivables**

Trade and other 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 and Other Payables**

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

#### **iii) Equity Instruments**

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

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

#### **iv) Off Balance Sheet Financial Instruments**

The financial instrument not recognised in the financial statements are warrants. The terms and conditions of the warrants are described in Note 26 to the financial statements.

## Notes To The Financial Statements

### 3. REVENUE

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

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Sale of goods	18,759	71,860	18,756	71,408
Sale of properties	2,569	5,201	-	-
Rental income	894	963	893	528
	22,222	78,024	19,649	71,936

### 4. COST OF SALES

Cost of sales represents the following :

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Sale of goods	19,055	66,658	18,964	66,236
Sale of properties	2,355	4,727	-	-
Rental of properties	375	487	375	487
	21,785	71,872	19,339	66,723

### 5. DISCONTINUED OPERATIONS

On 25 February 2005, the Company entered into an Asset Sale Agreement with Macro Dimension Concrete Sdn Bhd ("MDC") wherein the Company had disposed of its assets involved in the production and sale of ready-mixed concrete comprising batching plants, associated equipments and motor vehicles for a cash consideration of RM9.5 million. This transaction was duly completed on 3 March 2005. Subsequent to the aforesaid disposal, the Company further disposed of the remaining vehicles used in the ready-mixed concrete operations to MDC for a cash consideration of RM1.128 million.

The revenue, results and cash flows of the ready-mixed concrete business operations were as follows:

	31.12.2005*	31.12.2004
	RM'000	RM'000
Revenue	18,779	71,408
Operating income	258	2,390
Operating expenses	(22,670)	(84,058)
Loss from operations	(3,633)	(10,260)
Finance costs	(70)	(95)
Loss before taxation	(3,703)	(10,355)
Taxation	-	(15)
Loss for the year	(3,703)	(10,370)

## Notes To The Financial Statements

### 5. DISCONTINUED OPERATIONS (CONTD.)

	<b>31.12.2005*</b>	<b>31.12.2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash flows from operating activities	929	(5,737)
Cash flows from investing activities	77	(19,145)
Cash flows from financing activities	1,227	19,023
Total cash flows	<b>2,233</b>	<b>(5,859)</b>

\* The revenue, results and cash flows include certain sales transacted and collection of trade receivables subsequent to the completion date of 3 March 2005.

The carrying value of the assets of the ready-mixed concrete business operations that were disposed are as follows:

	<b>03.03.2005</b>
	<b>RM'000</b>
Net book value of property, plant and equipment disposed	(432)
Total disposal proceeds	10,628
Gain on disposal of property, plant and equipment	10,196
Less :Cost of damages to trucks	(325)
Plant set up cost written off	(502)
Termination benefits	(1,970)
Gain on discontinued operations	<b>7,399</b>

## Notes To The Financial Statements

## 6. PROFIT/(LOSS) FROM OPERATIONS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
This is arrived at after charging/(crediting) the following:				
Staff cost	860	5,908	806	6,921
Amortisation and write off of goodwill	1,188	3,847	-	-
Auditors' remuneration	77	79	45	51
Property, plant and equipment				
- depreciation	165	1,176	158	1,156
- impairment losses	2,627	2,769	2,627	-
- written off	324	55	324	55
- gain on disposal	(204)	(258)	(146)	(258)
Gain on discontinued operations (Note 5)	(7,399)	-	(7,399)	-
Directors' fees	40	45	40	45
Hire of plant and machinery	8	421	8	46
Provision for double debts				
- current year	2,118	1,873	2,062	6,853
- written off	-	21	-	21
- written back	(538)	(1,038)	(538)	(1,038)
Inventory written off	164	-	-	-
Impairment loss of investment in subsidiaries	-	-	-	6,244
Rental of land and buildings	360	536	337	450
Rental income				
- plant and machinery	-	-	(48)	(435)
Impairment loss of investment in associate	-	5	-	5
Write back of trade rebates	(1,474)	-	(1,474)	-
Interest income	(558)	(394)	(497)	(305)
Staff cost comprises :				
Salaries and allowances	769	5,224	721	6,250
EPF	83	603	78	591
Social security cost	8	81	7	80
	860	5,908	806	6,921

## Notes To The Financial Statements

### 6. PROFIT/(LOSS) FROM OPERATIONS (CONTD.)

As a result of the discontinuance of the ready-mixed concrete business, the Company incurred staff termination benefits of RM1,970,000 which has been set-off against the gain on discontinued operations as disclosed in Note 5 to the financial statements.

### 7. DIRECTORS' REMUNERATION

The aggregate amount of emoluments receive/receivable by the Directors of the Company during the year were as follows:

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
<b>Directors of the Company</b>				
Non-Executive:				
- fees	40		45	
- estimated value of benefits-in-kind	-		7	
	40		52	

The number of directors of the Company whose total remuneration during the year fall within the following bands is as follows:

	Number of Directors	
	2005	2004
	RM'000	RM'000
<b>Non-Executive Directors</b>		
Below RM50,000	2	3

### 8. FINANCE COST

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Interest payable to related company	-	35	-	35
Bankers acceptance	70	60	70	60
Term loan	20	-	20	-
	90	95	90	95

## Notes To The Financial Statements

## 9. TAXATION

	<b>Group</b>		<b>Company</b>	
	<b>2005 RM'000</b>	<b>2004 RM'000</b>	<b>2005 RM'000</b>	<b>2004 RM'000</b>
Malaysian income tax:				
Current	85	88	61	15
(Over)/underprovision in prior years	(641)	(14)	111	-
Deferred tax relating to origination and reversal of temporary differences (Note 28)	(124)	(114)	-	-
	<b>(680)</b>	<b>(40)</b>	<b>172</b>	<b>15</b>

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2004: 28%) of the estimated assessable profit for the year.

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

	<b>2005 RM'000</b>	<b>2004 RM'000</b>
<b>Group</b>		
Profit/(loss) before taxation	1,305	(7,024)
Taxation at Malaysian statutory tax rate of 28 % (2004: 28%)	365	(1,967)
Effect of income not subject to tax	(143)	(266)
Effect of expenses not deductible for tax purposes	1,844	2,352
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(2,133)	(374)
Overprovision of tax expense in prior years	(641)	(14)
Deferred tax assets not recognised in respect of current year's tax losses	28	229
Tax expense for the year	<b>(680)</b>	<b>(40)</b>

## Notes To The Financial Statements

### 9. TAXATION (CONTD.)

	2005 RM'000	2004 RM'000
<b>Company</b>		
Profit/(loss) before taxation	3,560	(10,314)
Taxation at Malaysian statutory tax rate of 28 % (2004: 28%)	997	(2,888)
Effect of income not subject to tax	(140)	(220)
Effect of expenses not deductible for tax purposes	1,329	3,497
Effect of utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(2,125)	(374)
Underprovision of tax expense in prior years	111	-
Tax expense for the year	172	15

### 10. EARNING/(LOSS) PER SHARE

The basic earnings/(loss) per share of the Group and of the Company is calculated by dividing the net profit/(loss) attributable to shareholders by the number of ordinary shares in issue during the year.

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	2005 RM'000	2004 RM'000
<b>Group</b>		
Net profit/(loss) for the year (RM'000)	1,966	(6,983)
Number of ordinary shares in issue ('000)	60,490	60,490
Basic earnings/(loss) per share (sen)	3.25	(11.54)
<b>Company</b>		
Net profit/(loss) for the year (RM'000)	3,388	(10,329)
Number of ordinary shares in issue ('000)	60,490	60,490
Basic earnings/(loss) per share (sen)	5.60	(17.08)

The effect on the basic earnings/(loss) per share for the current financial year arising from the assumed conversion of the warrants and irredeemable convertible preference shares is anti-dilutive. Accordingly, the diluted earnings/(loss) per share for the current year is presented as equal to basic earnings/(loss) per share.

## Notes To The Financial Statements

### 11. DIVIDENDS

A dividend of approximately 1.49% less 28% taxation on 30,831,000 irredeemable convertible preference shares ("ICPS") amounting to RM330,846, calculated on the basis of 4% per annum pro-rated from the date of issuance of the ICPS of 18 August 2005 to 31 December 2005, will be payable in respect of the financial year ended 31 December 2005. The financial statements for the current financial year do not reflect this proposed dividend. The dividend, which was declared and approved by the Board of Directors on 24 April 2006, will be payable on 15 May 2006 and will be accounted for during the financial year ending 31 December 2006.

### 12. INVESTMENT PROPERTIES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
At cost	13,286	13,286	13,272	13,272
At fair value, estimated by the directors	13,500	13,500	13,500	13,500

The investment properties consist of freehold land and a five-storey residential building located in the Mukim of Ampang, Kuala Lumpur.

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

	Group	
	2005 RM'000	2004 RM'000
<b><u>Land held for development</u></b>		
At 1 January	49,127	49,251
Addition during the year	22,410	-
Transfer/reclassification to property development costs	(7,596)	(124)
Carrying amount at 31 December	63,941	49,127



## Notes To The Financial Statements

## 14. PROPERTY, PLANT AND EQUIPMENT

## Group

Cost	Freehold	Leasehold	Batching	Plant and	Trucks	Office	Total
	Land and			Heavy		Equipment,	
	Building	Land	Plants	Equipment	and Motor	Furniture	
	RM '000	RM '000	RM '000	and Tools	Vehicles	and Fittings	RM '000
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
At 1 January 2005	10,438	765	6,035	22,058	16,738	3,036	59,070
Additions	-	-	-	-	-	24	24
Adjustments	159	-	-	428	180	(448)	319
Disposals	(230)	-	(6,035)	(5,537)	(16,379)	(1,802)	(29,983)
Write off	-	-	-	(2,749)	(120)	(439)	(3,308)
At 31 December 2005	10,367	765	-	14,200	419	371	26,122
<b>Accumulated Depreciation and Impairment Losses</b>							
At 1 January 2005							
Accumulated depreciation	204	128	5,900	10,986	16,662	2,631	36,511
Accumulated impairment losses	1,800	-	-	10,548	35	-	12,383
Depreciation charge for the year	41	14	11	47	9	43	165
Impairment losses	2,426	201	-	-	-	-	2,627
Adjustments	-	(13)	-	545	158	(371)	319
Disposals	(41)	-	(5,911)	(5,490)	(16,325)	(1,540)	(29,307)
Write off	-	-	-	(2,436)	(120)	(428)	(2,984)
At 31 December 2005	4,430	330	-	14,200	419	335	19,714
Analysed as:							
Accumulated depreciation	204	129	-	3,652	384	335	4,704
Accumulated impairment losses	4,226	201	-	10,548	35	-	15,010
<b>Net Book Value</b>							
At 31 December 2005	5,937	435	-	-	-	36	6,408
At 31 December 2004	8,434	637	135	524	41	405	10,176
<b>Depreciation charge 2004</b>	44	14	94	520	365	139	1,176

## Notes To The Financial Statements

## 14.PROPERTY, PLANT AND EQUIPMENT (CONTD.)

## Company

Cost	Freehold	Leasehold	Batching	Plant and	Trucks	Office	Total
	Land and Building RM '000	Land RM '000	Plants RM '000	Heavy Equipment and Tools RM '000	and Motor Vehicles RM '000	Equipment, Furniture and Fittings RM '000	
At 1 January 2005	8,833	765	6,035	7,983	16,016	2,147	41,779
Additions	-	-	-	-	-	19	19
Disposals	(230)	-	(6,035)	(5,660)	(16,076)	(1,679)	(29,680)
Adjustments	-	-	-	530	180	37	747
Write off	-	-	-	(2,749)	(120)	(439)	(3,308)
At 31 December 2005	8,603	765	-	104	-	85	9,557
<b>Accumulated Depreciation</b>							
At 1 January 2005	204	128	5,900	7,458	15,976	1,920	31,586
Depreciation charge for the year	41	14	11	49	9	34	158
Impairment loss	2,426	201	-	-	-	-	2,627
Disposals	(41)	-	(5,911)	(5,567)	(16,021)	(1,463)	(29,003)
Adjustments	-	(13)	-	600	156	4	747
Write off	-	-	-	(2,436)	(120)	(428)	(2,984)
At 31 December 2005	2,630	330	-	104	-	67	3,131
<b>Net Book Value</b>							
At 31 December 2005	5,973	435	-	-	-	18	6,426
At 31 December 2004	8,629	637	135	525	40	227	10,193
<b>Depreciation charge for 2004</b>							
	44	14	94	525	366	113	1,156

The Group's impairment losses of RM2,627,000 (2004: RM2,769,000) comprise the following :-

- i) An impairment loss of RM2,426,000 (2004: Nil) on freehold land was based on the directors' estimated realisable value of the land as at 31 December 2005. In arriving at the value, the directors have considered the current market value of the land;
- ii) An impairment loss of RM201,000 (2004:Nil) on leasehold land was based on the difference between the carrying value of the land and its selling price upon its disposal subsequent to year end; and
- iii) The previous year's impairment loss of RM2,769,000 was based on the directors' estimated realisable value of certain plant and machinery as at 31 December 2004.

## Notes To The Financial Statements

## 15. INVESTMENT IN SUBSIDIARIES

	Company	
	2005 RM'000	2004 RM'000
Unquoted shares, at cost	13,126	10,626
Less: Accumulated impairment losses	(6,244)	(6,244)
	6,882	4,382

Details of the subsidiaries are as follows:

Name of Companies	Country of incorporation	Principal activities	Effective equity interest	
			2005 %	2004 %
Dynamic Unity Sdn. Bhd.	Malaysia	Investment holding	100	100
Golden Cignet Sdn. Bhd.	Malaysia	Property development	100	100
Asas Struktur Sdn. Bhd.	Malaysia	Inactive	51	51
Indahview Sdn. Bhd.	Malaysia	Inactive	100	100
Pintar Citra Sdn. Bhd.	Malaysia	Inactive	100	100
Purnama Suri Sdn. Bhd.	Malaysia	Inactive	100	100
Prudent Gain Sdn. Bhd	Malaysia	Inactive	51	51
Prudent Design Sdn. Bhd.	Malaysia	Inactive	51	51
TAHB Granite Quarry Sdn. Bhd.	Malaysia	Inactive	60	60
Mega Readymixed Sdn. Bhd.	Malaysia	Dormant	100	100
Mega Pascal EC Sdn. Bhd.	Malaysia	Dormant	100	100

## Notes To The Financial Statements

### 16. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Unquoted investment, at cost	50	50	50	50
Share of accumulated losses of jointly- controlled entity	(460)	(460)	-	-
	(410)	(410)	50	50
Amount due from joint- venture	654	654	654	654
Provision for doubtful debts	(244)	(244)	(704)	(704)
	-	-	-	-

The Group has a 50% (2004: 50%) interest in a Malaysian jointly-controlled entity, Farlin-Mega Pascal Joint-Venture, which is involved in the production and sale of ready-mixed concrete. The jointly-controlled entity ceased operations in 2002.

The Group's interest in the assets and liabilities, revenue and expenses of the jointly-controlled entity are as follows:

	Group	
	2005 RM'000	2004 RM'000
Property, plant and equipment	21	21
Current assets	96	96
Current liabilities	(577)	(577)
Net liabilities	(460)	(460)
Revenue	-	-
Expenses	-	-
Net loss from ordinary activities	-	-

## Notes To The Financial Statements

## 17. GOODWILL ON CONSOLIDATION

	Group	
	2005 RM'000	2004 RM'000
<b>Cost</b>		
At 1 January/31 December	9,010	9,010
<b>Accumulated amortisation</b>		
At 1 January	7,822	3,975
Current year-amortisation and write off	1,188	3,847
At 31 December	9,010	7,822
	-	1,188

## 18. INVENTORIES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>At Cost</b>				
Properties held for sale	4,803	3,660	-	-
Raw materials	-	1,234	-	1,235
	4,803	4,894	-	1,235
<b>At Net Realisable Value</b>				
Finished goods	-	164	-	-
Spare parts and consumables	-	39	-	37
	-	203	-	37
	4,803	5,097	-	1,272

## 19. TRADE RECEIVABLES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Amounts receivable	10,508	26,063	9,170	24,518
Provision for doubtful debts	(8,067)	(6,677)	(7,486)	(6,085)
	2,441	19,386	1,684	18,433

The Group's normal trade credit term is within 30 days (2004: 30 days to 60 days).

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

## Notes To The Financial Statements

### 20. OTHER RECEIVABLES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Sundry receivables	9,782	10,257	8,996	9,557
Other assets	2,383	2,383	2,383	2,383
Provision for doubtful debts	(10,835)	(10,687)	(10,131)	(10,008)
	1,330	1,953	1,248	1,932
Deposits	838	2,278	198	1,111
Prepayments	53	504	42	503
Tax recoverable	12	135	11	157
	2,233	4,870	1,499	3,703

Other assets relate to properties received as repayment of debts. These properties are pending completion and transfer of titles from the developer.

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

### 21. HOLDING AND RELATED COMPANIES

The holding company is Mulpha International Bhd., a company incorporated in Malaysia and listed on the Main Board of the Bursa Malaysia Securities Berhad.

Related companies refer to subsidiaries of Mulpha International Bhd.

The amount due (to)/from holding and related companies are interest free and unsecured with no fixed terms of repayment.

### 22. AMOUNT DUE FROM SUBSIDIARIES

	Company	
	2005 RM'000	2004 RM'000
Amount due from subsidiaries	67,363	69,326
Provision for doubtful debts	(21,925)	(21,925)
	45,438	47,401

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

## Notes To The Financial Statements

## 23. FIXED DEPOSITS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Deposits with:				
- licensed banks	18,517	104	18,517	-
- licensed discount house	850	-	850	-
	19,367	104	19,367	-

## 24. BANK BORROWINGS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Short-Term Borrowings</b>				
Unsecured:				
Bank overdraft (Note 29)	-	517	-	517
Bankers' acceptances	-	2,481	-	2,481
	-	2,998	-	2,998
<b>Long-Term Borrowings</b>				
Secured:				
Term loan	6,466	-	6,466	-
Total Borrowings	6,466	2,998	6,466	2,998

The bank overdraft and bankers' acceptances of the Group and of the Company of the previous year are secured by way of corporate guarantee from the holding company.

The term loan is secured by first party fixed charge over freehold land as disclosed in Note 13.

The weighted average effective interest rates during the financial year for bank borrowings were as follows:

	Group		Company	
	2005 %	2004 %	2005 %	2004 %
Bank overdraft	8.00	8.00	8.00	8.00
Bankers' acceptances	3.00	3.40	3.00	3.40
Term loan	7.25	-	7.25	-

## Notes To The Financial Statements

### 24. BANK BORROWINGS (CONTD.)

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Maturity of borrowings:				
Within one year	-	2,998	-	2,998
More than 2 years and less than 5 years	6,466	-	6,466	-
	6,466	2,998	6,466	2,998

### 25. OTHER PAYABLES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Amount payable for acquisition of land	5,534	-	5,534	-
Sundry payables	1,063	1,576	384	911
Accruals	403	2,543	179	2,203
	7,000	4,119	6,097	3,114

### 26. SHARE CAPITAL

	Group/Company	
	2005 RM'000	2004 RM'000
Authorised:		
Ordinary Shares of RM1 each		
As at 1 January	200,000	100,000
Created during the year	-	100,000
As at 31 December	200,000	200,000
Irredeemable Convertible Preference Shares of RM1 each		
As at 1 January	100,000	-
Created during the year	-	100,000
As at 31 December	100,000	100,000
Total	300,000	300,000
Issued and fully paid:		
Ordinary shares of RM1 each		
As at 1 January and 31 December	60,490	60,490
Irredeemable Convertible Preference Shares of RM1 each		
Issue of shares during the year	30,831	-
Total	91,321	60,490

## Notes To The Financial Statements

### 26.SHARE CAPITAL (CONTD.)

#### **Irredeemable Convertible Preference Shares**

The shareholders of the Company had, at an Extraordinary General Meeting held on 28 October 2004, approved the implementation of a Proposed rights issue of up to 90,735,000 Irredeemable Convertible Preference Shares ("ICPS") of RM1.00 each ("Rights Share") in the Company at an indicative issue price of RM1.00 per Rights Share payable in two (2) calls upon application on the renounceable basis of one (1) Rights Share for every one (1) existing share in the Company ("Proposed Rights Issue of ICPS"). The Proposed Rights Issue of ICPS was completed on 18 August 2005 with the issuance by the Company of 30,831,000 ICPS of RM1.00 each paid in two (2) calls, with the first call amount of RM0.50 paid in cash and the second call amount of RM0.50 paid out of the share premium account of the Company.

The salient features of the ICPS are as follows:

- a) The ICPS shall be for a period of five (5) years from the date of issue and shall mature upon the expiry of the five (5) year period. The ICPS was issued on 18 August 2005.
- b) The ICPS shall be convertible at the option of the ICPS holders into new ordinary shares at any time throughout the remaining tenure during which they are outstanding. The conversion rate shall be satisfied by surrendering RM1.00 nominal value of the ICPS for each new ordinary share in the Company.
- c) The ICPS shall not be redeemable for cash. All outstanding ICPS are mandatorily converted into new ordinary shares on the maturity date at the conversion rate.
- d) Non-cumulative preference dividend at a rate of four percent (4%) and payable annually in arrears on 31 December of each year during the five (5) year period when the ICPS remains outstanding.
- e) The ICPS ranks in preference to holders of ordinary shares in the event the Company is wound up.

#### **Warrants**

Pursuant to the rights issue exercise in year 2000, the Company has issued 30,245,000 detachable warrants on the basis of one new ordinary share together with one warrant for every existing ordinary share held. The 30,245,000 detachable warrants are constituted by a Deed Poll dated 11 May 2000 executed by the Company. The warrants were issued on 22 August 2000 and listed on the Bursa Malaysia Securities Berhad. The main features of the 30,245,000 detachable warrants are as follows:

- a) Each warrant will entitle the registered holders to subscribe for one new ordinary share of RM1.00 each in the Company at an exercise price of RM3.50 per share, subject to the adjustment from time to time in accordance with the conditions as stipulated in the Deed Poll.
- b) The warrants may be exercised at any time, for a period of ten (10) years, between 22 August 2000, being the date of the issue of the warrants and the expiry date of 21 August 2010. Warrants not exercised during the exercise period will thereafter lapse and cease to be valid. To date, none of the warrants have been exercised.

## Notes To The Financial Statements

### 26. SHARE CAPITAL (CONTD.)

#### Warrants (Contd.)

c) The new ordinary shares of RM1.00 each to be issued pursuant to the exercise of the warrants will rank pari passu in all respects with the existing issued ordinary shares of the Company except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, at the record date of which is on or before the date of allotment and issue of the new ordinary shares of the Company pursuant to the exercise of the warrants.

For the purpose hereof, record date means the date as at the close of business on which the shareholders must be registered as members of the Company in order to participate in any dividends, rights allotments or any other distributions.

### 27. RESERVES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Non-distributable</b>				
Share premium	16,179	32,024	16,179	32,024
Capital reserves	26	26	-	-
	16,205	32,050	16,179	32,024
<b>Distributable</b>				
Accumulated losses	(8,630)	(10,596)	(3,673)	(7,061)
	7,575	21,454	12,506	24,963

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

The capital reserve is in respect of the capitalisation of reserves arising from bonus issue of a subsidiary.

## Notes To The Financial Statements

### 28. DEFERRED TAX LIABILITIES

	<b>Group</b>	
	<b>2005 RM'000</b>	<b>2004 RM'000</b>
At 1 January	7,921	8,035
Recognised in the income statement (Note 9)	(124)	(114)
At 31 December	7,797	7,921

Deferred tax liabilities are due to temporary differences arising from the fair valuation at group level on the acquisition of land held for development and investment properties.

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

	<b>Group</b>		<b>Company</b>	
	<b>2005 RM'000</b>	<b>2004 RM'000</b>	<b>2005 RM'000</b>	<b>2004 RM'000</b>
Unutilised reinvestment allowances	16,228	16,228	8,145	8,145
Unabsorbed capital allowances	15,985	19,642	2,271	9,335
Unutilised tax losses carried forward	16,586	16,926	6,508	7,026
	48,799	52,796	16,924	24,506

The unutilised tax losses, unutilised reinvestment allowances and unabsorbed capital allowances are available indefinitely for offset against future taxable profits of subsidiaries in the Group and of the Company in which those items arose. Deferred tax assets have not been recognised in respect of these items as they may not be used to offset taxable profits of subsidiaries in the Group and of the Company due to the Group and the Company's history of losses.

## Notes To The Financial Statements

### 29. CASH AND CASH EQUIVALENTS

	<b>Group</b>		<b>Company</b>	
	<b>2005 RM'000</b>	<b>2004 RM'000</b>	<b>2005 RM'000</b>	<b>2004 RM'000</b>
Bank overdraft (Note 24)	-	(517)	-	(517)
Cash and bank balances	792	2,484	331	1,930
Fixed deposits (Note 23)	19,367	104	19,367	-
	<b>20,159</b>	<b>2,071</b>	<b>19,698</b>	<b>1,413</b>

Included in cash and bank balances of the Group are the following amounts which are restricted from use in other operations :-

- i) Amount of RM166,673 (2004:RM146,195) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966; and
- ii) Amount of RM13,307,000 (2004: Nil) held pursuant to the Company's rights issue of 30,831,000 4% non-cumulative Irredeemable Convertible Preference Shares of RM1.00 each (Note 37).

The weighted average interest rates during the financial year were as follows:

	<b>Group and Company</b>	
	<b>2005 %</b>	<b>2004 %</b>
Licensed banks	3.00	3.00
Licensed discount house	2.70	2.68

The average maturities of fixed deposits as at balance sheet date were as follows:

	<b>Group and Company</b>	
	<b>2005 Days</b>	<b>2004 Days</b>
Licensed banks	31	30
Licensed discount house	98	16

## Notes To The Financial Statements

### 30. SIGNIFICANT RELATED PARTY TRANSACTIONS

i) Set out below are the Group's and the Company's significant related party transactions:

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Holding company</b>				
<b>Mulpha International Bhd.</b>				
Management fee and secondment fee payable	234	248	234	248
<b>Subsidiaries of</b>				
<b>Mulpha International Bhd.</b>				
Rental payable to Mulpha Properties Sdn. Bhd.	184	181	161	158
Management/marketing fees payable to Mulpha Land and Properties Sdn. Bhd.	77	128	-	-
Interest payable to Bukit Punchor Holdings Sdn. Bhd.	-	35	-	35

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

#### b) Profit Guarantee

The Company entered into a Profit Guarantee Agreement with three principal shareholders in conjunction with the Company's listing on the Second Board of the Bursa Malaysia Securities Berhad in 1997. The total balance outstanding from a principal shareholder as at year end amounted to RM821,526 (2004: RM921,526), which will be recognised in the financial statements on a receipt basis.

## Notes To The Financial Statements

### 31. CONTINGENT LIABILITIES/LITIGATION

a) In 2000, legal action was brought against a subsidiary of the Group by a third party to revise the rate of royalties payable to the plaintiff. No provision has been made in the financial statements as the directors are of the opinion that the contingent liabilities are unlikely to materialise. It is not possible to determine with reasonable accuracy the cost arising from revised rates, if any, which may become payable.

b) There is an amount currently under dispute in a legal suit filed by a third party against a subsidiary of the Group, initiated in July 2000. The plaintiff is claiming RM340,000 (2004: RM340,000) plus interests from 1 July 1999. The Group has filed a counterclaim of RM92,000 (2004: RM92,000). A provision of RM400,000 (2004: RM400,000) has been made in the financial statements and the directors are of the opinion that the claim has been adequately provided for.

### 32.COMMITMENTS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Approved and contracted for land held for development	-	3,802	-	3,802

## Notes To The Financial Statements

## 33. SEGMENTAL REPORTING

	Property Development		Property Investments		Manufacturing		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>REVENUE AND EXPENSES</b>								
Revenue								
External sales	2,569	5,201	894	963	18,759	71,860	22,222	78,024
<b>RESULT</b>								
(Loss)/profit from operations	(1,866)	(1,200)	518	331	(4,656)	(6,060)	(6,004)	(6,929)
Gain on discontinued operations							7,399	-
Finance cost							(90)	(95)
Taxation							680	40
<b>Profit/(loss) after tax</b>							1,985	(6,984)
Minority interest							(19)	1
<b>Profit/(loss) for the year</b>							1,966	(6,983)
<b>ASSETS AND LIABILITIES</b>								
Segment assets	99,580	67,649	19,694	22,376	3,090	17,403	122,364	107,428
<b>Consolidated total assets</b>	<b>99,580</b>	<b>67,649</b>	<b>19,694</b>	<b>22,376</b>	<b>3,090</b>	<b>17,403</b>	<b>122,364</b>	<b>107,428</b>
Segment liabilities	13,738	1,384	-	8	1,933	16,171	15,671	17,563
<b>Consolidated total liabilities</b>	<b>13,738</b>	<b>1,384</b>	<b>-</b>	<b>8</b>	<b>1,933</b>	<b>16,171</b>	<b>15,671</b>	<b>17,563</b>
<b>OTHER INFORMATION</b>								
Capital expenditure	5	-	-	-	19	246	24	246
Depreciation	7	8	55	-	103	1,168	165	1,176
Amortisation of goodwill	1,188	639	-	-	-	3,208	1,188	3,847
Impairment losses	-	-	2,627	-	-	2,769	2,627	2,769
Non-cash expenses other than depreciation, amortisation and impairment losses	-	-	-	-	2,068	916	2,068	916

The Group is organised into three main business segments namely Property Development, Property Investments and Manufacturing.

Other business activities which include quarry operations, dealers in granite products and rental of mixer trucks have been reported under the manufacturing segment. The level of operations of the manufacturing segment has reduced significantly during the financial year following the discontinuance of the ready-mixed concrete business as disclosed in Note 5.

Segmental information relating to geographical areas of operation has not been presented as the Group operates in Malaysia.

## Notes To The Financial Statements

### 34. COMPARATIVE FIGURES

The following comparative figures in the financial statements have been restated to conform with current year's presentation to reflect appropriate classification:

		<b>As Previously Reported RM'000</b>	<b>Adjustments RM'000</b>	<b>As Restated RM'000</b>
31 December 2004				
<b>Group</b>				
Revenue	Note 3	77,496	528	78,024
Cost of goods sold	Note 4	71,385	487	71,872
Other operating income		2,503	(528)	1,975
Other operating expenses		11,417	(487)	10,930
<b>Company</b>				
Revenue	Note 3	71,408	528	71,936
Cost of goods sold	Note 4	66,236	487	66,723
Other operating income		2,918	(528)	2,390
Other operating expenses		14,953	(487)	14,466

### 35. FINANCIAL RISK MANAGEMENT

The Group's exposure to currency, interest rate, credit and liquidity risks arise in the normal course of business. The Company's risk management policies and guidelines are summarised below:

The Group does not hold or issue derivative financial instruments for trading purposes or to hedge against transactions in interest and foreign exchange rates.

#### **i) Currency risk**

The Group's operational activities are carried out in Ringgit Malaysia which is the functional currency. All transactions are paid for in local currency. There is no risk arising from movement in foreign currencies exchange rates.

#### **ii) Interest rate risk**

The investment in financial assets are mainly short-term in nature and they are not held for speculative purposes but have been mostly placed in short-term deposits.

## Notes To The Financial Statements

### 35. FINANCIAL RISK MANAGEMENT (CONTD.)

#### iii) Credit risk

Credit risk is controlled by the application of credit approvals, limits and monitoring procedures as outlined in the Company's credit control policies and which are strictly adhered to. Credit risk and receivables are monitored on an ongoing basis. These procedures substantially mitigate credit risk of the Company.

Cash is held with financial institutions of good standing.

At balance sheet date, there were no significant concentrations of credit risk. Maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

#### iv) Liquidity risk

The Group actively manages its operating cash flows and availability of funding so as to ensure funding needs are met in a timely and cost-effective manner.

#### v) Financial Instruments

##### i) Fair value

The carrying amounts of financial assets and financial liabilities as reflected in the balance sheet of the Group and of the Company as at the end of the financial year approximate their respective fair values except for amounts due from/(to) subsidiaries, holding and related companies where it is not practical to estimate the fair value due principally to a lack of fixed repayment terms.

### 36. SIGNIFICANT EVENTS

- a) On 26 February 2004, the Company received the approval for the implementation of a Proposed rights issue of up to 90,735,000 Irredeemable Convertible Preference Shares ("ICPS") of RM1.00 each ("Rights Shares") in the Company at an indicative issue price of RM1.00 per Rights Share payable in two (2) calls upon application on the renounceable basis of one (1) Rights Share for every one (1) existing Share in the Company ("Proposed Rights Issue Of ICPS"). The Proposed Rights Issue of ICPS was completed on 18 August 2005 with the issuance by the Company of 30,831,000 ICPS of RM1.00 each paid in two (2) calls, with the first call amount of RM0.50 paid in cash and the second call amount of RM0.50 paid out of the share premium account of the Company.
- b) On 25 February 2005, the Company entered into an Asset Sale Agreement with Macro Dimension Concrete Sdn. Bhd. ("MDC") wherein the Company had disposed of its assets involved in the production and sale of ready-mixed concrete comprising batching plants, associated equipments and motor vehicles to MDC for a cash consideration of RM9.5 million. This transaction was duly completed on 3 March 2005. Subsequent to the aforesaid disposal, the Company further disposed of the remaining vehicles used in the ready-mixed concrete operations to MDC for a cash consideration of RM1.128 million.

## Notes To The Financial Statements

### 36. SIGNIFICANT EVENTS (CONTD.)

- c) On 15 March 2005 and following the disposal of the Company's ready-mixed concrete business which contributed 70% or more of the Group's revenue, the Company had announced that it is an affected listed issuer pursuant to Paragraph 8.14C and Practice Note 17/2005 of the Listing Requirements. The Company has submitted an application dated 27 February 2006 to Bursa Malaysia Securities Berhad to seek an upliftment of its PN17 classification.
  
- d) On 15 September 2005, the Company entered into four Sale and Purchase Agreements to acquire four pieces of adjoining land located along Jalan Medang Tanduk, Bukit Bandaraya, Bangsar, Kuala Lumpur for a total cash consideration of RM17.097 million ("Proposed Acquisitions"). The land will be amalgamated for the purpose of developing a high-end gated residential project. The Proposed Acquisitions were completed in February 2006.
  
- e) On 26 May 2004, the Company entered into four conditional Sale & Purchase Agreements with Banjaran Plus Sdn Bhd for the proposed acquisition of four adjoining parcels of vacant bungalow lots within Leisure Farm Resort, Gelang Patah, Johor Bahru for a consideration of RM5.0 million ("Proposed Acquisition"). The Proposed Acquisition was completed in July 2005.

# Analysis Of Shareholdings As at 30 April 2006

Class of share	: Ordinary share of RM1.00 each
Authorised share capital	: 200,000,000 ordinary shares of RM1.00 each.
Issued and fully paid-up share capital	: 60,490,000 ordinary shares of RM1.00 each
Voting right	: One vote per ordinary share

## DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	Number of Shareholders	% of Shareholders	Number of Shares held	% of Issued Capital
1 – 99	126	3.97	1,114	-
100 – 1,000	1,032	32.51	1,024,160	1.69
1,001 – 10,000	1,777	55.99	6,055,933	10.01
10,001 – 100,000	214	6.74	5,969,494	9.87
100,001 – 3,024,499*	23	0.73	13,051,699	21.58
3,024,500 and above#	2	0.06	34,387,600	56.85
	3,174	100.00	60,490,000	100.00

\* Less than 5% of issued shares

# 5% and above of issued shares

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## THIRTY (30) LARGEST SHAREHOLDERS

Name of Shareholders	Shareholding	Percentage
1. Mulpha International Bhd	30,590,000	50.57
2. Kuala Lumpur City Nominees (Asing) Sdn Bhd Sun Hung Kai Investment Services Ltd for Honest Opportunity Limited	3,797,600	6.28
3. Cartaban Nominees (Asing) Sdn Bhd Sun Hung Kai Investment Services Ltd for Top Champ Assets Limited	2,740,100	4.53
4. Mayban Nominees (Asing) Sdn Bhd Nomura Singapore Limited for Reginvest International Limited	2,500,000	4.13
5. Mulpha International Bhd	1,767,900	2.92
6. Amsec Nominees (Tempatan) Sdn Bhd Ambank (M) Berhad for Hee Choi	1,648,000	2.72
7. Arab-Malaysian Credit Berhad Pledged securities account for Hee Choi	1,434,000	2.37
8. Citigroup Nominees (Asing) Sdn Bhd Citigroup GM Inc For Asia Network Management Limited	592,099	0.98
9. Liew Yin Mooi	223,000	0.37
10. Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged securities account for Low Kim Soi @ Low Tien Sang	215,600	0.36
11. Seet Ah Bai	207,000	0.34

## Analysis Of Shareholdings

### THIRTY (30) LARGEST SHAREHOLDERS (CONTD.)

Name of shareholders	Shareholding	Percentage
12. Kuala Lumpur City Nominees (Tempatan) Sdn Bhd Pledged securities account for Teh Siew Wah	200,000	0.33
13. Cheah Wei Jeng	160,000	0.26
14. Kyang Meng Choon	156,000	0.26
15. Tam Shuk Yi	143,000	0.24
16. Quek Phaik Im	121,000	0.20
17. Su An Lee	110,000	0.18
18. Ngu See Hing	110,000	0.18
19. Kyang Meng Choon	110,000	0.18
20. Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged securities account for Quek Phaik Im	105,000	0.17
21. Toh Kim Hua	103,000	0.17
22. Yap Chop Yin	102,000	0.17
23. Tan Ah Kow @ Tan Chee Lin	102,000	0.17
24. Teoh Hin Heng	101,000	0.17
25. Soong Kueng Poh @ Song Ah Bah	101,000	0.17
26. Kenanga Nominees (Tempatan) Sdn Bhd Pledged securities account for Tan Chun Ming	100,000	0.17
27. Lee Kee Huat	94,000	0.16
28. TASEC Nominees (Asing) Sdn Bhd Sun Hung Kai Investment Services Ltd for Katong Assets	91,000	0.15
29. Tan Hock Kien	89,000	0.15
30. Soo Meng Chong Holdings Sdn Bhd	88,000	0.15
	47,901,299	79.19

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### SUBSTANTIAL SHAREHOLDERS

Name of shareholders	< Direct >		< Indirect >	
	Shareholding	Percentage	Shareholding	Percentage
Mulpha International Bhd	32,357,900	53.49	-	-
Honest Opportunity Limited	3,797,600	6.28	-	-
Hee Choi	3,125,492	5.17	-	-

### SHAREHOLDING OF DIRECTOR

Name of Director	< Direct >		< Indirect >	
	Shareholding	Percentage	Shareholding	Percentage
Abdul Jalil bin Abdullah	24,000	0.04	-	-

# Analysis Of Warrantholdings As at 30 April 2006

Number of outstanding Warrants	: 30,245,000
Exercise period	: 22 August 2000 to 21 August 2010
Exercise price	: RM3.50
Warrant entitlement	: Each warrant entitles the holder during the exercise period to subscribe for one new ordinary share of RM1.00 each at the exercise price.

## DISTRIBUTION OF WARRANTHOLDINGS

Size of Holdings	Number of Holders	% of Holders	Number of Warrants held	% of Issued Warrants
1 – 99	11	0.41	201	-
100 – 1,000	873	32.22	868,700	2.87
1,001 – 10,000	1,338	49.39	6,202,449	20.51
10,001 – 100,000	437	16.13	13,290,850	43.94
100,001 – 1,512,249*	50	1.85	9,882,800	32.68
1,512,250 and above#	-	-	-	-
	2,709	100.00	30,245,000	100.00

\* Less than 5% of total Warrants

# 5% and above of total Warrants

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## THIRTY (30) LARGEST WARRANTHOLDERS

Name of Warrantholders	Number of Warrants Held	Percentage
1. Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged securities account for Low Kim Soi @ Low Tien Sang	968,900	3.20
2. Gan Ah Huat	682,000	2.25
3. Lim Bee San	543,600	1.80
4. Tan Yu Wei	529,800	1.75
5. Chong Teck Seng	273,000	0.90
6. Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged securities account for Quek Phaik Im	250,000	0.83
7. RC Nominees (Tempatan) Sdn Bhd Tan Choong Hor	250,000	0.83
8. Teoh Hin Heng	240,900	0.80
9. Quek Phaik Im	230,000	0.76
10. Kong Chee Choong	213,000	0.70
11. Choi Choi Yoke @ Choy Foong Ying	212,000	0.70
12. Chow Soon Meng	210,000	0.69
13. Liew Yin Mooi	203,000	0.67
14. Kuala Lumpur City Nominees (Tempatan) Sdn Bhd Pledged securities account for Teh Siew Wah	202,000	0.67
15. Seet Ah Bai	200,000	0.66
16. Chai Min Hon	194,000	0.64
17. Choong Wei Seng	190,000	0.63
18. Su An Lee	172,200	0.57
19. Yap Nam Fee	170,000	0.56

## Analysis Of Warrantholdings

### THIRTY (30) LARGEST WARRANTHOLDERS (CONTD.)

Name of Warrantholders	Number of Warrants Held	Percentage
20. JF Apex Nominees (Tempatan) Sdn Bhd Lim Gaik Bway @ Lim Chiew Ah	168,000	0.56
21. Ng Kuang Liang	168,000	0.56
22. Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged securities account for Lee Siu Wah	167,200	0.55
23. Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged securities account for Low Sook Aik	165,000	0.55
24. Tan Yong Siang	163,500	0.54
25. Chang Phek Kian	163,000	0.54
26. Doris Law Chiew Jen	161,000	0.53
27. Aik Seaw Gee	150,000	0.50
28. TA Nominees (Tempatan) Sdn Bhd Pledged securities account for Lau Kam Yoke	141,000	0.47
29. Song Kee Sang	141,000	0.47
30. Tan Kwee Guan	140,500	0.46
	7,662,600	25.34

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### WARRANTHOLDING OF DIRECTOR

Name of Director	Direct		Indirect	
	< Warrantholding	> Percentage	< Warrantholding	> Percentage
Abdul Jalil bin Abdullah	12,000	0.04	-	-

### ANALYSIS OF IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES AS AT 30 APRIL 2006

Number of 4% Irredeemable

Convertible Preference  
Shares ("ICPS")

of RM1.00 each : 30,831,000

Conversion period : 18 August 2005 to 18 August 2010

Conversion rate : Each RM1.00 nominal value of the ICPS is convertible into one new ordinary share of RM1.00 each.

#### Holders of ICPS

Name of holder	Holding	Percentage
1. Mulpha International Bhd	30,809,000	99.93
2. Siew Seng Teck	10,000	0.03
3. Ng Choy Lin	6,000	0.02
4. Tan Meng Choon	2,000	0.01
5. Tee Geok Chong	2,000	0.01
6. Mastura binti Hj Shaari	1,000	-
7. Soo Chee Peng	1,000	-
	30,831,000	100.00

# Properties Of The Group As At 31 December 2005

Location	Tenure	Lease Expiring Year	Year of Acquisition	Age of Building	Land Area	Description	Net Book Value RM '000
HS(D) 2801/95 Mukim Sungai Petani Daerah Kuala Muda Kedah Darul Aman	Leasehold	2094	1997	N/A	8,093.6 Sq Meters	Land for industrial use	435
B1005 & B1003 Pusat Dagangan Phileo Damansara II No. 15, Jalan 16/11 Off Jalan Damansara 46350 Petaling Jaya	Freehold	N/A	1999	6 years	465.6 Sq Meters	Office lot	1,153
Unit No. B045/C/1-2 1st Floor, Block C Sri Damansara Business Park Bandar Sri Damansara 52200 Kuala Lumpur	Freehold	N/A	2001	6 years	120 Sq Meters	Office lot	373
Lot Type C Unit No. PT 36834 Mah Sing Intergrated Industrial Park Sungai Buloh	Leasehold	2096	2001	5 years	223 Sq Meters	1 1/2-storey terrace factory  lot	251
Geran No. 10561 Lot 11279 Mukim Ampang Wilayah Persekutuan	Freehold	N/A	2001	15 years	3,635 Sq Meters	5-storey apartment	13,286
Geran No. 28513 Lot 6629 Mukim Kapar Daerah Klang	Freehold	N/A	2001	N/A	13.531 Acres	Vacant land	4,126
Lot No. 1524 HS(D) 3059/95 Padang Meha Kulim, Kedah	Freehold	N/A	2002	N/A	316 Acres	Land being used for residential and commercial development	41,878
PTD 86864, 86865, 86866, 86867 Mukim of Pulau District of Johor Bahru	Freehold	N/A	2005	N/A	5.106 Acres	Vacant land	4,755

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Mulpha Land Berhad (182350-H)  
(formerly known as Mega Pascal Berhad)  
Incorporated in Malaysia

# PROXY FORM

No. of shares held

CDS Account No.

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member/members of the abovenamed Company, hereby appoint \_\_\_\_\_

of \_\_\_\_\_

or failing him \_\_\_\_\_

of \_\_\_\_\_

as my/our proxy to vote on my/our behalf at the Annual General Meeting of the Company to be held on Tuesday, 27 June 2006 at 10.00 am and at any adjournment thereof at Crystal Crown Hotel, 12 Lorong Utara A, Off Jalan Utara, 46200 Petaling Jaya, Selangor Darul Ehsan.

Ordinary Resolutions	* For	* Against
1) To adopt the audited financial statements		
To re-elect the following Directors:		
2) Mr Chung Tze Hien		
3) Mr Lim Kok Beng		
4) To approve the payment of Directors' fees		
5) To re-appoint Auditors		
6) Authority for Directors to issue shares pursuant to Section 132D of the Companies Act 1965		

\* Please indicate with (x) in the spaces provided how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.

As witness my/our hand(s) this \_\_\_\_\_ day of \_\_\_\_\_ 2006.

\_\_\_\_\_  
Signature(s) of shareholder/  
joint shareholders

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. The Instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its attorney.
3. The Form of Proxy must be deposited at the Company's Registered Office at No 17 Jalan Semangat, 46100 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the Meeting or any adjournment thereof.

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The Company Secretary  
**MULPHA LAND BERHAD**  
Bangunan Mulpha, 17 Jalan Semangat,  
46100 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

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**MULPHA LAND BERHAD**<sup>(182350-H)</sup>

*(a listed subsidiary of Mulpha Internayional Bhd.)*

**Bangunan Mulpha, 17 Jalan Semangat,  
46100 Petaling Jaya, Selangor, Malaysia.  
Tel: (603) 7958 1888 Fax: (603) 7958 4013**

*The front cover visual and visuals of properties featured  
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