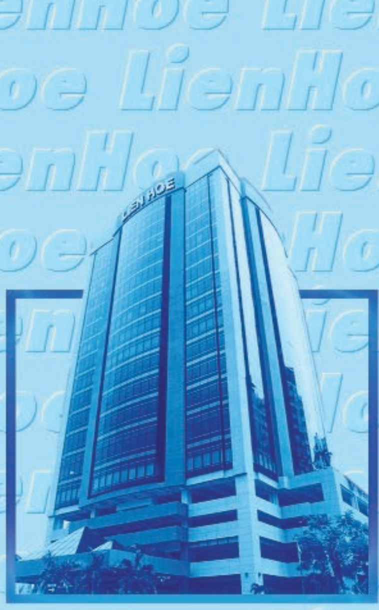
ANNUAL REPORT 2005



LienHoe

CORPORATION BERHAD

(Company No. 8507-X)

Contents

Corporate Information

DIRECTORS

Tun Dato' Seri Abdul Hamid bin Omar
Chairman
(Independent and Non Executive Director)

Mr. Chan Wah Long
Vice Chairman
(Executive Director)

Dr. Teoh Kim Loon
Non Independent and Non Executive Director

Mr. Kenneth Vun @ Vun Yun Liun
Non Independent and Non Executive Director

Dato' Yap Sing Hock
Managing Director
(Executive Director)

Mr. Cheong Marn Seng, Allen
Executive Director

Mr. Yeoh Chong Keat
Independent and Non Executive Director

SECRETARY

Lee Sook Peng (MAICSA 0810465)

REGISTERED OFFICE

18th Floor, Menara Lien Hoe
No. 8, Persiaran Tropicana
Tropicana Golf & Country Resort
47410 Petaling Jaya, Selangor Darul Ehsan
Tel: 03-7805 1331 Fax: 03-7805 3112

AUDITORS

Ernst & Young
Chartered Accountants
Level 23A, Menara Milenium, Jalan Damanlela
Pusat Bandar Damansara, 50490 Kuala Lumpur
Tel: 03-7495 8000 Fax: 03-7495 9076

PRINCIPAL FINANCIAL INSTITUTIONS

United Overseas Bank (Malaysia) Berhad
Affin Merchant Bank Berhad

REGISTRAR

Tenaga Koperat Sdn. Bhd.
20th Floor, Plaza Permata
Jalan Kampar, Off Jalan Tun Razak
50400 Kuala Lumpur
Tel: 03-4041 6522 Fax: 03-4042 6352

STOCK EXCHANGE LISTING

The Main Board of the Bursa Malaysia
Securities Berhad

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 36th Annual General Meeting of the members of Lien Hoe Corporation Berhad will be held at 4th Floor, Menara Lien Hoe, No. 8 Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 27 June 2006 at 10.00 a.m. for the purpose of transacting the following businesses:-

AS ORDINARY BUSINESS

1. To lay the Audited Financial Statements of the Company for the financial year ended 31 December 2005 together with the Directors' and Auditors' Reports thereon *(Resolution 1)*

2. To approve the payment of Directors’ Fees. *(Resolution 2)*

3. To re-elect Mr Cheong Marn Seng, Allen who retires in accordance with Article 84 of the Company's Articles of Association. *(Resolution 3)*

4. To re-elect Mr Yeoh Chong Keat who retires in accordance with Article 84 of the Company's Articles of Association. *(Resolution 4)*

5. To re-elect Mr Kenneth Vun @ Vun Yun Liun who retires in accordance with Article 91 of the Company's Articles of Association. *(Resolution 5)*

6. To re-appoint Tun Dato' Seri Abdul Hamid bin Omar as Director of the Company pursuant to Section 129 (6) of the Companies Act, 1965. *(Resolution 6)*

7. To re-appoint Messrs Ernst & Young as Auditors of the Company, to hold office until the conclusion of the next Annual General Meeting of the Company, at a remuneration to be determined by the Directors. *(Resolution 7)*

AS SPECIAL BUSINESS

To consider and if thought fit, pass the following Resolution:-

8. “THAT pursuant to the provision of Section 132D of the Companies Act, 1965 and approvals from Bursa Malaysia Securities Berhad and other relevant governmental/regulatory authorities where such approvals shall be necessary, authority be and is hereby given to the Directors of the Company to issue and allot 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 numbers of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and such authority shall continue in force until the next Annual General Meeting of the Company.”
(Resolution 8)

9. To transact any other business of the Company for which due notice shall be given.

BY ORDER OF THE BOARD

LEE SOOK PENG (MAICSA 0810465)
Secretary

Petaling Jaya, Selangor Darul Ehsan
2 June 2006

NOTES

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint a Proxy to attend and vote instead of him. A Proxy need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

2. In the case of a corporate member, the form of proxy appointing a corporate representative must be executed under seal or under the hand of an officer or attorney duly authorised.

3. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account the authorised nominee holds with ordinary shares of the Company standing to the credit of the securities account.

4. The form of proxy must be deposited at the registered office of the Company at 18th Floor, Menara Lien Hoe, No. 8 Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan, not less than 48 hours before the time appointed for holding the meeting.

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. Resolution 8, if passed will empower the Directors of the Company to allot and issue new ordinary shares up to an amount not exceeding 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority will commence from the date of this Annual General Meeting and unless revoked or varied by the Company at a General Meeting, will expire at the next Annual General Meeting.

2005 ANNUAL REPORT

The 2005 Annual Report is in the CD-ROM format. Printed copy of the Annual Report shall be provided to the members upon request. Members who wish to receive the printed copy of the Annual Report and who require assistance with viewing the CD-ROM, kindly contact Ms Lee Sook Peng or Ms Wong Ngoke Meng at Tel. No. 03-78051331.

Statement Accompanying Notice of Annual General Meeting

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. The Directors who are standing for re-election are:-

   Tun Dato' Seri Abdul Hamid bin Omar
   Mr Cheong Marn Seng, Allen
   Mr Yeoh Chong Keat
   Mr Kenneth Vun @ Vun Yun Liun

2. The details of attendance of directors at Board Meeting are as reported on page 12 of the Annual Report.

3. The profile of the Directors who are standing for re-election can be found on pages 6 to 8 of the Annual Report.

Profile of Directors

Tun Dato' Seri Abdul Hamid bin Omar
(77 years of age – Malaysian)
Chairman, Independent and Non Executive Director

He was appointed the Chairman of the Company on 26 February 2003. He also serves as the Chairman of the Board's Audit Committee and a member of the Risk Management, Remuneration and Nomination Committees.

He studied law in England, was called to the English Bar on 22 November 1955 and is a member of the Honourable Society of Lincoln's Inn, London. He had served the Judicial and Legal Service of the Government of Malaysia from 1956 and carved out an illustrious career which culminated with his appointment as Lord President of the Supreme Court on 10 November 1988 until he retired in September 1994. He was then re-appointed for a further term of six months in accordance with the provisions of the Constitution as his services were still required by the nation. His wealth of knowledge and contributions to the legal profession earned him several State and Federal awards since 1966, the highest being the Federal award of Seri Setia Mahkota (SSM) which carries the title TUN.

He is also a Director of Olympia Industries Bhd, a company listed on the Main Board of Bursa Malaysia Securities Berhad.

Dato' Yap Sing Hock
(57 years of age – Malaysian)
Managing Director (Executive Director)

He was appointed the Managing Director of the Company on 30 January 2002. He also serves as a member of the Board's Nomination, Remuneration, Risk Management and Director Executive Committees.

He started his career as a property developer and has since then been in the property industry.

Mr Chan Wah Long
(52 years of age – Malaysian)
Vice Chairman (Executive Director)

He was appointed the Vice Chairman of the Company on 7 July 2004. He also serves as a member of the Board's Audit and Director Executive Committees.

He graduated from the London School of Economics with Bachelor of Science in economics in 1977 and began his career in the property industry by joining Rahim & Co. in 1979. He was the Managing Director of the Company from 1988 and resigned on 18 January 2002. Subsequently he remains the Advisor of the Company until his re-appointment as the Vice Chairman of the Company.

Mr Cheong Marn Seng, Allen
(41 years of age – Malaysian)
Executive Director

He was appointed a Director of the Company on 28 December 2001. He also serves as a member of the Board's Director Executive Committee.

He joined the Company in the year 2001 as the General Manager in charge of corporate finance. He has nearly 8 years of experience in investment banking, having served in senior position in the corporate finance department of a local merchant bank. He has had extensive exposure to corporate finance techniques such as corporate restructuring, equity and debt issue, business valuation and acquisition. Prior to his stint with the investment banking industry, he worked for two international accounting firms for over 4 years during which he was involved in several aspects of auditing, financial management and consultancy. He holds a Bachelor of Commerce in economic and finance from the University of Melbourne, Australia and is presently a member of the Malaysian Institute of Accountants.

Dr. Teoh Kim Loon
(52 years of age – Malaysian)
Non Independent and Non Executive Director

He was appointed a Director of the Company on 7 July 2004.

He graduated in medicine with the MBBS from University of Malaya in 1979. He started his own general practice in 1983. In 1999, he was appointed an independent non executive director of Pharmaniaga Bhd, a company listed on the second board of Bursa Malaysia Securities Berhad. He resigned as a director from Pharmaniaga Bhd in 2001 and assumed the post of Director/Chief Executive of TDMC Hospital Sdn Bhd which owns a 128 bed private hospital in Kuala Lumpur.

He is also the founder member of Korporatif Doctor Malaysia, a life member of Malaysian Medical Association and a member of the American Board of Independent Medical Examiner.

Mr Yeoh Chong Keat
(47 years of age – Malaysian)
Independent and Non Executive Director

He was appointed a Director of the Company on 6 December 2001. He also serves as a member of the Board's Audit and Risk Management Committees and Chairs the Remuneration and Nomination Committees.

He is a chartered accountant by profession and is a Fellow of the Institute of Chartered Accountants in England and Wales, Fellow of the Malaysian Institute of Taxation, Chartered Accountant (M) and member of the Malaysian Institute of Certified Public Accountants.

He is currently a practising accountant and has been in practice upon his return from the United Kingdom in 1982 where he trained and later qualified as a chartered accountant with the firm now known as PricewaterhouseCoopers, United Kingdom. He was also formerly the Head of the Corporate Services Division of a "Big 4" accounting firm in Kuala Lumpur for over 10 years.

Currently he is the external company secretary of a number of public companies listed on Bursa Malaysia Securities Berhad. He is also a Director of Hiap Teck Venture Bhd, a company listed on the Main Board of Bursa Malaysia Securities Berhad.

Mr Kenneth Vun @ Vun Yun Liun
(32 years of age – Malaysian)
Non Independent and Non Executive Director

He was appointed a Director of the Company on 15 July 2005.

He is the founder and Managing Director of FTEC Resources Berhad (FRB). He obtained his Certified Solutions Consultant Certification (Information Technology) from Intel Corporation in 2000, CompTIA Server+ Certified Professional certificate from the Computing Technology Industry Association in 2001 and CIW Associates certifications in Internet and Web skills and Internet skills and Knowledge from CIW Certification in 2001. In

1992, with his keen interest in the IT industry, he started his career in the IT industry by incorporating FRB in 1994 with business operations in Sabah. He expanded the FRB Group operation to West Malaysia in 1998 and has since accumulated 10 years of working experience in the IT industry.

He leads a team of management in formulating the Group's business strategy and development, which are the key in the better performance of the FRB Group through the years.

In recognition of his success, he was awarded one of "The Outstanding Young Malaysian 2003" for the category "Business, Economic and/or Entrepreneurial Accomplishment" by the Junior Chamber, Malaysia. He was also selected as one of the Top 3 Nominees in ICT Entrepreneur category of the Ernst & Young Entrepreneur of the Year - Malaysia 2004.

OTHER DISCLOSURE BY THE BOARD OF DIRECTORS

None of the Directors has any family relationship with any director and/or substantial shareholders of the Company. The Directors do not have any conflict of interest with the Company and they have not convicted any offences within the past 10 years.

None of the Directors has any interest in the securities of the Company except for:-

Name	**Direct Holdings**		**Indirect Holdings**	
	No.	**%**	**No.**	**%**
Dato' Yap Sing Hock	10,248,250	3.38	821,250	0.27
Mr Chan Wah Long	445,249	0.15	19,809,037	6.53
Mr Cheong Marn Seng, Allen	325,000	0.11	–	–
Dr. Teoh Kim Loon	675,550	0.22	–	–
Mr Kenneth Vun @ Vun Yun Liun	60,000,000	19.77	–	–

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the 2005 Annual Report and Audited Financial Statements for the financial year ended 31 December 2005.

Last year has been very difficult for the Group both operationally and financially. The industries within which the Group operates are facing diminishing profit margins and intensifying competition. Despite an increase in revenue to RM101.9 million from the previous year of RM97.9 million boosted by stronger performance from the hotel and construction businesses, the Group posted a lower operating profit of RM7.4 million as compared to RM13.6 million in year 2004. In comparison to the preceding year's loss of RM38.5 million, the Group registered a loss of RM27.8 million in 2005, a result mainly attributable to high interest cost associated to our borrowings and rising interest rate.

I would like to extend the warmest welcome to a new member to the Board, Mr. Kenneth Vun, who is a businessman in the local information technology industry. At the same time, on behalf of the Board, I wish to convey our deepest gratitude to Dato' Yaacob bin Md Amin who resigned from the Board on 15 July 2005. Dato' Yaacob's guidance and advice during his tenure in office are much appreciated and will be missed.

On behalf of the Board I would like to express our appreciation to our financiers, business associates and valued customers for their continued support and confidence during this very challenging environment for the Group. I also wish to thank the management and staff for their contribution and commitment and finally to our investors, thank you for your unwavering support and understanding.

Tun Dato' Seri Abdul Hamid bin Omar
Chairman
22 May 2006

Review of Operations

The focus of the management for the past year had been on

(1) sustaining our business volume and protecting our profit margins amidst the immense pressure from competition and rising cost of operations; and

(2) actively identifying and seeking opportunities to realise the value of our assets.

Property Investment

Property investment continues to be the Group's mainstay both in terms of net assets value and revenue contribution for the financial year under review. The Group generates income mainly from the following four commercial buildings which have a combined net lettable area of around 1.34 million square feet :-

Building	Location	Type	Lettable Area (sq. ft)
Kompleks Lien Hoe	Johor Bahru	Retail	821,212
Plaza Armada	Petaling Jaya	Retail	105,407
The Atria Shopping Centre	Petaling Jaya	Retail	204,726
Menara Lien Hoe	Petaling Jaya	Office	207,966

Revenue earned from property investment totalled RM29.6 million in year 2005, down from RM32.5 million in the preceding year. We consider last year was a transition period for Kompleks Lien Hoe and The Atria Shopping Centre as both properties have had to endure a major shift in tenant profile arising from loss of key tenants. In tandem with the lower revenue, operating income from property investment declined from RM19.4 million in year 2004 to RM15.4 million last year.

Building Construction

The Group's building construction business, notwithstanding a relatively lacklustre market, remained busy last year with a turnover of RM48.9 million works completed, up from RM43.3 million in the previous year. The already thin profit margin in the construction industry was last year further hit by higher cost of raw materials, labour and transportation. As a result of the worsening profit margin, the operating profit from building construction business dropped from RM1.4 million in the previous year to RM0.5 million last year.

Hotel

The Group's hotel business recorded a revenue of RM23.1 million for the year under review, representing an increase of RM1.4 million over the previous year's revenue of RM21.7 million. The higher revenue was achieved on the back of improved occupancy rate and stronger sales of food & beverage. The hotel industry in general was burdened with increased cost of operations arising particularly from higher government duty on alcoholic beverage and imported food. Due to the price-sensitive nature of the industry, not all the increased cost was passed on to the consumers. Despite all these pressures on margins, the hotel business was able to maintain last year's operating income at the previous year's level of RM8.2 million.

Property Development

Last year we saw the Group's property development business took a big step forward with the sale of 8.5 acres of the 128.5 acres vacant development land in Puchong-Seri Kembangan to Tesco Stores (Malaysia) Sdn. Bhd. This was followed by the signing of a joint venture agreement this year with a strategic partner for the purpose of carrying out a commercial development on a further 50 acres of the aforesaid land. These were undertaken to accelerate the development of our land bank in Puchong-Seri Kembangan and we believe that this will bring substantial benefits to the remaining 70 acres of our land in the form of enhancement in value and marketability which augur well for future development opportunity. In addition, the joint venture is expected to generate some RM70 million in net cashflow for the Group over the next few years.

Overall Results and Outlook for 2006

While we are generally satisfied with the overall efforts and performance of our businesses given the tough operating conditions last year, we were frustrated by the high finance cost of RM33.7 million resulting in the Group having to record a net loss of RM27.8 million for the financial year 2005. As the high debt level also gives rise to concern of the Group's financial sustainability, addressing the Group's borrowings has therefore been the overriding goal of our plan for the next two years. We have stated for some times that asset disposal is the only viable strategy to raise the needed cash to pare down the Group's debts. The Company has been prudent in negotiating the sale of its assets in order to maximize return and protect the interest of its shareholders. However, we are optimistic that we will conclude one or two sales of our properties this year to enable the Group to reduce its borrowings.

Dato' Yap Sing Hock
Group Managing Director
22 May 2006

Statement on Corporate Governance

The Board of Directors ("the Board") of Lien Hoe Corporation Berhad continues to endeavour compliance with all the key principles and practices of the Malaysian Code on Corporate Governance (the "Code"). The following statement outlines the corporate governance practices that were in place throughout the financial year ended 31 December, 2005.

1. BOARD OF DIRECTORS

1.1 Board Composition and Balance

The Board presently consists of seven members; comprising three Executive Directors, two Independent and Non Executive Directors and two Non Independent and Non Executive Directors. Collectively the Board has a mix of industry-specific knowledge and technical skills which are necessary for the leadership and management of the Group. The profile of each of the members of the Board can be found on pages 6 to 8 of this Annual Report.

There is balance in the Board represented by the presence of two Independent and Non Executive Directors who ensure that strategies proposed by the Executive Management are fully examined and the long term interests of minority shareholders are well taken into consideration.

1.2 Board Responsibilities

The Board is overall responsible for the strategic direction and business performance of the Group by specifically focusing on issues relating to strategic plan, business conduct, risk management and internal control.

The Board meets regularly to review the Group's corporate strategy, business operation, financial results and also to decide on matters significant to the Group's business and finances including approval of annual operating budget, major capital expenditure, material acquisition and disposal of assets.

1.3 Board Meetings

Five board meetings were held in the financial year ended 31 December, 2005 and the attendance record of each director is as follows :

Directors	Meeting Attendance
Tun Dato'Seri Abdul Hamid Bin Omar	5/5
Mr Chan Wah Long	5/5
Dato' Yap Sing Hock	4/5
Mr Cheong Marn Seng, Allen	4/5
Mr Yeoh Chong Keat	5/5
Dr Teoh Kim Loon	5/5
Mr Kenneth Vun @ Vun Yun Liun (appointed on 15/7/2005)	2/2
Dato' Yaacob Bin Md Amin (resigned on 15/7/2005)	3/3

During the year, the Board resolved and approved the Group's matters through board meetings or by way of circular resolutions.

1.4 Supply of Information

The Board had been supplied with complete and timely information to enable it to discharge its responsibilities. All notices of meetings together with the agenda and discussion papers were served on the Directors in advance of the meeting dates. The Board has access to advice and services of the Company Secretary who is responsible for ensuring that board meeting procedures are followed and that applicable rules and regulations are complied with.

1.5 Board Appointment and Re-election

In accordance with the Company's Articles of Association, all Directors appointed by the Board are subject to election by the shareholders at the Annual General Meeting following their appointment.

At least one third of the Directors are required to retire from office by rotation annually and shall be eligible for re-election at each Annual General Meeting.

1.6 Board Committee

The Board has delegated specific responsibilities to other Board Committees. The details of each of the said committees are set out below:-

1.6.1 Audit Committee

The Terms of Reference of the Audit Committee, its members and its activities during the financial year, details of attendance of each member and the number of meetings held are set out on pages 16 to 19 of this Annual Report.

1.6.2 Executive Committee

The Executive Committee which comprises Dato' Yap Sing Hock, Mr Chan Wah Long and Mr Cheong Marn Seng, Allen was established to be responsible for, inter-alia, the following duties and responsibilities:

1. To review and monitor the performance of all operating units and subsidiaries of the Company;

2. As approving authority for all capital expenditures and contractual commitments exceeding RM1,000,000 undertaken by the Group; and

3. To review and prescribe policies in relation to the day to day operations of the Group.

1.6.3 Nomination Committee

The Nomination Committee consist of the following members:-

Mr Yeoh Chong Keat
(*Chairman, Independent and Non Executive Director)*

Tun Dato'Seri Abdul Hamid Bin Omar
(*Independent and Non Executive Director)*

Dato' Yap Sing Hock
(Executive Director)

The Nomination Committee serves to facilitate appointment of new directors as and when necessary and will give due consideration to the mix of experience and skills required for an effective board.

1.6.4 Remuneration Committee

The Remuneration Committee consists of the following members:-

Mr Yeoh Chong Keat
(*Chairman, Independent and Non Executive Director)*

Tun Dato'Seri Abdul Hamid Bin Omar
(*Independent and Non Executive Director)*

Dato' Yap Sing Hock
(Executive Director)

The Remuneration Committee reviews and recommends to the Board the remuneration of the Executive Directors of the Company. The Directors do not participate in decisions on their own remuneration.

1.6.5 Risk Management Committee

The Risk Management Committee consists of the following members: -

Mr Yeoh Chong Keat
(*Independent and Non Executive Director)*

Tun Dato'Seri Abdul Hamid Bin Omar
(*Independent and Non Executive Director)*

Dato' Yap Sing Hock
(Executive Director)

The Risk Management Committee assists the Board to oversee the management of risk issues and review the efficacy of the internal controls of the Group.

2. DIRECTORS' REMUNERATION

Analysis of the Directors' Remuneration are set out on pages 64 to 65 of this Annual Report.

3. RELATIONS WITH SHAREHOLDERS AND INVESTORS

The Board acknowledges the need for shareholders to be informed of all material business matters affecting the Company. Announcements and release of financial results on a quarterly basis provide the shareholders and the investing public with an overview of the Group's performance and operations.

The Annual General Meeting ("AGM") is the principal forum for dialogue with individual shareholders and investors. At the Company's AGM, shareholders are encouraged to ask questions and express their views about the Company's business and financial issues.

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4. ACCOUNTABILITY AND AUDIT

4.1 Financial Reporting

The Board aims to provide a balanced and understandable assessment of the Company's financial position and prospects at the end of the financial year.

The Group publishes full financial statements annually and quarterly results announcements as required by the Listing Requirements. The Audit Committee assists the Board by reviewing the disclosure information to ensure accuracy and adequacy.

4.2 Internal Control

The Statement on Internal Control appended on page 20 of this Annual Report provides an overview of the Company's approach in maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets.

4.3 Relationship with the Auditors

The Company has always maintained a transparent and appropriate relationship with its auditors in seeking their professional advice and ensuring compliance with accounting standards in Malaysia.

The role of the Audit Committee in relation to the auditors is detailed in the Audit Committee Report set out on pages 16 to 19 of this Annual Report.

5. DIRECTORS' TRAINING

All the Directors have attended the Mandatory Accreditation Programme as prescribed by Bursa Malaysia Securities Berhad and all the Directors have attended trainings during the financial year ended 31 December 2005. The training programmes and seminars attended by the Directors are on areas relating to corporate governance, risk management and listing requirements of Bursa Malaysia Securities Berhad.

The Directors will continue to undergo other relevant training programmes and seminars to keep themselves abreast of the latest development in business and listing regulations.

6. DIRECTORS' RESPONSIBILITY STATEMENT

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

The Directors are to ensure that appropriate accounting policies have been used and applied consistently, and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements.

The Directors are responsible for ensuring the Group keeps proper accounting records so as to enable the preparation of the financial statements with reasonable accuracy.

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

Audit Committee

THE AUDIT COMMITTEE COMPRISES THE FOLLOWING DIRECTORS: -

TUN DATO' SERI ABDUL HAMID BIN OMAR
(Chairman, Independent and Non Executive Director)

MR YEOH CHONG KEAT
(Independent and Non Executive Director)

MR CHAN WAH LONG
(Executive Director)

TERMS OF REFERENCE

COMPOSITION

The Audit Committee shall be appointed by the Board from amongst its Directors which fulfils the following requirements:-

(a) the Audit Committee must be composed of no fewer than 3 members;

(b) a majority of the Audit Committee must be independent directors; and

(c) at least one member of the Audit Committee:-

  (i) must be a member of the Malaysian Institute of Accountants; or

  (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and: -

    (aa) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or

    (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

  (iii) fulfils such other requirements as prescribed by Bursa Malaysia Securities Berhad.

(d) no alternate director is appointed as a member of the Audit Committee.

In the event of any vacancy in the Audit Committee resulting in the non-compliance of the above paragraph, the Company must fill the vacancy within 3 months.

The members of the Audit Committee shall select a Chairman from among themselves who shall be an Independent Director.

The term of office and performance of the Audit Committee and each of its members shall be reviewed by the Board once every 3 years to determine whether the Audit Committee and members have carried out their duties in accordance with their terms of reference.

RIGHTS OF THE AUDIT COMMITTEE

The Company must ensure that wherever necessary and reasonable for the performance of its duties, the Audit Committee shall, in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:-

(a) have authority to investigate any matter within its terms of reference;

(b) have the resources which are required to perform its duties;

(c) have full and unrestricted access to any information pertaining to the Company;

(d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);

(e) be able to obtain independent professional or other advice; and

(f) be able to convene meetings with the external auditors, excluding the attendance of the executive members of the committee, whenever deemed necessary.

REPORTING OF BREACHES TO BURSA MALAYSIA SECURITIES BERHAD

Where the Audit Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of these requirements, the Audit Committee must promptly report such matter to Bursa Malaysia Securities Berhad.

FUNCTIONS

The functions of the Audit Committee shall be:-

(a) To review

- (i) with the external auditors, the audit plan;
- (ii) with the external auditors, his evaluation of the system of internal accounting controls;
- (iii) with the external auditors, his audit report;
- (iv) the assistance given by the Company's officers to the auditors;
- (v) the scope and results of the internal audit procedures;
- (vi) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- (vii) the quarterly results and year end Financial Statements, prior to the approval by the Board of Directors, focusing particularly on:-
  - changes in or implementation of major accounting policy changes;
  - significant and unusual events; and
  - compliance with accounting standards and other legal requirements;

(viii) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;

(ix) any letter of resignation from the external auditors of the Company; and

(x) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment.

(b) To consider the nomination of a person or persons as external auditors together with such other functions as may be agreed to by the Audit Committee and the Board of Directors.

MEETINGS

A representative of external auditors shall normally attend meetings. Meetings shall be held no fewer than 4 times a year and the external auditors may request a meeting if they consider that one is necessary.

In order to form a quorum in respect of a meeting of the Audit Committee, the majority of members present must be independent directors.

The Company Secretary shall be the Secretary of the Audit Committee and shall circulate the minutes of the meetings of the Audit Committee to all members of the Board.

NUMBER OF AUDIT COMMITTEE MEETINGS HELD IN THE FINANCIAL YEAR ENDED 31 DECEMBER 2005 AND ATTENDANCE OF EACH MEMBER

The Audit Committee met 6 times during the financial year ended 31 December 2005 and the attendance of each member of the Audit Committee are as follows:-

Composition of The Audit Committee	Meeting attendance
Tun Dato' Seri Abdul Hamid bin Omar *(Appointed on 29 March 2005)*	5/5
Mr Yeoh Chong Keat	6/6
Mr Chan Wah Long	6/6
Dato' Yaacob bin Md Amin *(Resigned on 15 July 2005)*	3/3

SUMMARY OF ACTIVITIES OF AUDIT COMMITTEE

During the financial year ended 31 December 2005, 6 Audit Committee meetings were held. The Audit Committee met once a year with the external auditors without the presence of the executive committee members.

In line with the Terms of Reference of the Committee, the following activities were carried out by the Audit Committee during the financial year ended 31 December 2005:–

1. Reviewed the quarterly and annual financial results announcements and recommending them for the approval by the Board of Directors, focusing particularly on compliance with accounting standards and regulatory requirements;

2. Reviewed the nature and scope of the audit with the external auditors, considered any significant changes in accounting and auditing issues, reviewed the management letter and management's response; and

3. Reviewed the scope of internal audit plan and the results of the audit work carried out by the internal audit function.

Statement on Internal Control

Effective internal control and risk management practices are important in safeguarding the Group's assets and the shareholders' investment in the Company. Set out below is a statement outlining the state of the system of internal control of the Group during the financial year ended 31 December 2005.

1. Board's Responsibilities

It is the primary duty of the Board to maintain a sound system of internal control and to review its adequacy and integrity. The system of internal controls, covering risk management and the financial, operational and compliance controls, involves all key operating units within the Group and is designed to meet the Group's business objectives and to manage the risks to which it is exposed. This system, by virtue of its limitations, can only provide reasonable, and not absolute, assurance against material misstatemant, loss or fraud.

2. Key Elements of the Group's Internal Control System

2.1 Control Environment and Control Activities

- An organization structure with defined lines of responsibility and a process of hierarchical reporting is in place.
- Experienced and competent staff are placed in areas of responsibility to support and continuously monitor the effectiveness of the Group's system of internal controls.
- Clearly defined authorization limits at appropriate levels are set out in an authority matrix for controlling and approving capital expenditure and expenses.
- Clearly documented Internal Policies, Standard Operating Procedures and Personnel Manual set to provide a clear framework for good internal control practices. These policies manuals are the subject of regular reviews to meet new business requirements.

2.2 Monitoring and Communication

- Regular Board and management meetings are held to assess performance and controls.
- Regular visits to operating units are carried out by members of the Board and senior management whenever appropriate.
- Regular review of business processes to assess the effectiveness of internal controls is conducted by the independent internal audit unit. Reports on findings of the internal audit are presented to the Audit Committee of the Board for consideration.

2.3 Risk Management

- The Group adopts an ongoing process to identify, manage and respond to internal and external factors that may affect the achievement of the Group's business objectives and performance. During the year under review, the Group's operating units, with the support of the Control & Development department, carried out risk assessment exercise to affirm the Corporate Risk Profile.

3. Review of Effectiveness

During the year under review, the Board is of the opinion that the internal control system currently in place is adequate and effective to safeguard the Group's interest and assets.

For the coming year, the Board will continually assess the adequancy and effectiveness of the Group's system of internal control and to strengthen it, as and when necessary.

SHARE BUY-BACK

The Company did not buy any of its own shares during the financial year ended 31 December 2005.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

Pursuant to a Trust Deed dated 11 July 2002, the Company issued RM107,490,084 nominal value of 5-year 2% Irredeemable Convertible Unsecured Loan Stocks ('ICULS') at 100% of its nominal value in satisfaction of the purchase consideration for the acquisition of two subsidiary companies, Billiontex Industries Sdn Bhd and Russella Teguh Sdn Bhd. As at 31 December 2005, RM48,904,388 nominal value of ICULS were converted into new ordinary shares of RM1 each in the capital of the Company. Other than the above, there was no exercise of options or warrants.

AMERICAN DEPOSITORY RECEIPT ('ADR') OR GLOBAL DEPOSITORY RECEIPT ('GDR')

The Company did not sponsor any ADR or GDR programme.

SANCTIONS AND/OR PENALTIES

Since the end of the previous financial year, there were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the regulating bodies.

NON-AUDIT FEES

The amount of non-audit fees paid to the external auditors in the financial year ended 31 December 2005 is RM8,000.

VARIATION IN RESULTS

There were no variances of 10% or more between the audited results for the financial year ended 31 December 2005 and the unaudited results previously announced by the Company.

PROFIT GUARANTEE

For the financial year ended 31 December 2005, there were no profit guarantees given by the Company.

MATERIAL CONTRACTS

Since the end of the previous financial year, there were no material contracts entered into by the Company and its subsidiaries, involving the Directors and substantial shareholders.

REVALUATION POLICY

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

Directors' Report

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

PRINCIPAL ACTIVITIES

The Company is a property and investment holding company.

The principal activities of its subsidiaries consist of:

(i) property and investment holding;
(ii) property development;
(iii) building and civil works; and
(iv) operation of hotels.

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

RESULTS

	Group RM'000	Company RM'000
(Loss)/profit before taxation	(27,735)	59,219
Taxation	(118)	335
Net (loss)/profit for the year	(27,853)	59,554

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

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

DIVIDENDS

No dividend has been paid or declared since the end of the previous financial year. The directors do not recommend the payment of any dividend for the current financial year.

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:

Tun Dato' Seri Abdul Hamid bin Omar
Dato' Yap Sing Hock
Cheong Marn Seng
Yeoh Chong Keat
Dr. Teoh Kim Loon
Chan Wah Long
Kenneth Vun @ Vun Yun Liun (appointed on 15 July 2005)
Dato' Yaacob bin Md Amin (resigned on 15 July 2005)

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 22 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

	Number of Ordinary Shares of RM1 each			
	1 January 2005/Date of Appointment	**Bought**	**Sold**	**31 December 2005**
The Company				
Direct Interest				
Dato' Yap Sing Hock	9,843,250	–	–	9,843,250
Chan Wah Long	2,034,003	–	1,588,754	445,249
Dr. Teoh Kim Loon	965,550	–	290,000	675,550
Cheong Marn Seng	–	325,000	–	325,000
Kenneth Vun @ Vun Yun Liun	50,493,200	9,506,800	–	60,000,000
Indirect Interest				
Dato' Yap Sing Hock	821,250	–	–	821,250
Chan Wah Long	21,333,537	–	1,524,500	19,809,037

Dato' Yap Sing Hock, Chan Wah Long, Dr. Teoh Kim Loon, Cheong Marn Seng and Kenneth Vun @ Vun Yun Liun by virtue of their interests in shares in the Company are also deemed interested in shares in all the Company's subsidiaries to the extent the Company has an interest.

None of the other directors who held office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

ISSUE OF SHARES

During the year, the Company's issued and paid-up share capital was increased to RM303,156,545 comprising 303,156,545 ordinary shares of RM1 each arising from the conversion of RM1,126,999 nominal value of 5-year 2% ICULS into 1,126,999 new ordinary shares of RM1 each.

The new ordinary shares rank pari passu in all respects with existing ordinary shares except that they will not be entitled to any dividend, rights and other distribution declared in respect of the financial period prior to the financial period in which the ICULS are converted.

OTHER STATUTORY INFORMATION

(a) Before the balance sheets and income statements 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 which would render:

   (i) the amount 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; and

   (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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

(e) As at the date of this report, there does not exist:

   (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

   (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

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

   (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

The Group incurred net loss of RM27,853,000 for the year ended 31 December 2005 and as of that date, the current liabilities of the Group and of the Company exceeded their current assets by RM138,468,000 and RM148,817,000 respectively.

As disclosed in Note 13(b) to the financial statements, certain borrowings of the Group and of the Company are overdue for repayment, and one of the financial institutions has commenced legal action against the Group and the Company. The Group is currently evaluating some of the offers received for its assets and is also in negotiation with other potential buyers. The Directors of the Company are of the opinion that the cash flows to be generated from the eventual disposal of these assets will be sufficient to meet the Group's and the Company's repayment obligations.

SIGNIFICANT EVENTS

Significant events during the year are as disclosed in Note 30 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

Dato' Yap Sing Hock

Cheong Marn Seng

Kuala Lumpur, Malaysia
25 April 2006

Statement by Directors & Statutory Declaration

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

We, Dato' Yap Sing Hock and Cheong Marn Seng, being two of the directors of Lien Hoe Corporation Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 29 to 75 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

Dato' Yap Sing Hock

Cheong Marn Seng

Kuala Lumpur, Malaysia
25 April 2006

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

I, Cheong Marn Seng, being the director primarily responsible for the financial management of Lien Hoe Corporation Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 29 to 75 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 Cheong Marn Seng
at Kuala Lumpur in the Federal Territory
on 25 April 2006

Cheong Marn Seng

Before me,

Soh Ah Kau, AMN
Pesuruhjaya Sumpah
Kuala Lumpur, Malaysia

REPORT OF THE AUDITORS TO THE MEMBERS OF
LIEN HOE CORPORATION BERHAD
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 29 to 75. These financial statements are the responsibility of the Company's directors.

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

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

In our opinion:

(a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act 1965 and applicable 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' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

Without qualifying our opinion, we draw attention to Note 2 to the financial statements which indicates that the Group incurred a net loss of RM27,853,000 for the year ended 31 December 2005 and as of that date, the current liabilities of the Group and of the Company exceeded their current assets by RM138,468,000 and RM148,817,000 respectively. The ability of the Group and of the Company to continue as going concerns is dependant on the timely and successful implementation of the Group's and Company's plans for disposal of assets and debt reduction.

The financial statements of the Group and of the Company do not include any adjustments relating to the amounts and classifications of assets and liabilities that might be necessary should the Group and the Company be unable to continue as going concerns.

Ernst & Young	Lee Seng Huat
AF: 0039	No. 2518/12/07 (J)
Chartered Accountants	Partner

Kuala Lumpur, Malaysia
25 April 2006

BALANCE SHEETS
AS AT 31 DECEMBER 2005

	Note	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	4	**381,458**	384,023	**11,300**	91,059
Land held for development	5(a)	**190,745**	187,710	**–**	–
Subsidiaries	6	**–**	–	**514,475**	446,031
Goodwill on consolidation	7	**6,426**	7,090	**–**	–
		578,629	578,823	**525,775**	537,090
CURRENT ASSETS					
Property development costs	5(b)	**5,939**	4,872	**–**	–
Amount due from customers for contract work	8	**2,976**	1,796	**–**	–
Inventories	9	**21,835**	22,342	**–**	–
Receivables	10	**39,177**	34,182	**6,886**	9,685
Tax recoverable		**1,507**	670	**1,329**	492
Fixed deposits with licensed banks	11	**544**	204	**–**	–
Cash and bank balances		**4,637**	1,948	**466**	332
		76,615	66,014	**8,681**	10,509
CURRENT LIABILITIES					
Bank overdrafts (Secured)	12	**15,762**	17,170	**12,161**	13,267
Borrowings (Secured)	13	**128,712**	132,249	**118,304**	114,087
Amount due to customers for contract work	8	**1,268**	1,405	**–**	–
Payables	14	**67,622**	59,341	**27,033**	32,790
Tax payable		**1,719**	2,112	**–**	–
		215,083	212,277	**157,498**	160,144
NET CURRENT LIABILITIES		**(138,468)**	(146,263)	**(148,817)**	(149,635)
		440,161	432,560	**376,958**	387,455

	Note	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
FINANCED BY:					
Share capital	15	**303,156**	302,029	**303,156**	302,029
Reserves	16	**74,148**	73,927	**70,393**	70,393
Accumulated losses		**(165,643)**	(137,790)	**(66,412)**	(125,966)
Shareholders' funds		**211,661**	238,166	**307,137**	246,456
Deferred tax liabilities	17	**41,985**	41,702	**–**	–
Borrowings (Secured)	13	**127,929**	92,979	**11,235**	81,286
Irredeemable convertible unsecured loan stocks ("ICULS")	18	**58,586**	59,713	**58,586**	59,713
Non-current liabilities		**228,500**	194,394	**69,821**	140,999
		440,161	432,560	**376,958**	387,455

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

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Revenue	19	**101,975**	97,902	**3,228**	13,267
Cost of sales	20	**(49,615)**	(42,961)	**–**	–
Gross profit		**52,360**	54,941	**3,228**	13,267
Other income		**1,738**	421	**84,096**	9,088
Operating and administration expenses		**(46,206)**	(41,226)	**(11,375)**	(14,109)
Selling expenses		**(527)**	(524)	**(48)**	(154)
Other expenses		**(1,359)**	(27,620)	**(7,381)**	(21,045)
Profit/(loss) from operations	21	**6,006**	(14,008)	**68,520**	(12,953)
Finance costs	23	**(33,741)**	(23,084)	**(9,301)**	(16,482)
(Loss)/profit before taxation		**(27,735)**	(37,092)	**59,219**	(29,435)
Taxation	24	**(118)**	(1,431)	**335**	(1,078)
Net (loss)/profit for the year		**(27,853)**	(38,523)	**59,554**	(30,513)
Loss per ordinary share of RM1 each (sen)					
– Basic	25	**(9.21)**	(12.89)		
– Diluted	25	**(9.21)**	(12.89)		

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

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

		← Non-distributable		→	Distributable			
	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Exchange reserve RM'000	Capital reserve RM'000	Total reserves RM'000	Accumulated losses RM'000	Total RM'000
Group								
At 1 January 2004	298,029	51,056	3,616	1,308	17,839	73,819	(99,267)	272,581
Conversion of 5–year 2% ICULS	4,000	–	–	–	–	–	–	4,000
Currency translation differences, representing net gain not recognised in the income statement	–	–	–	108	–	108	–	108
Net loss for the year	–	–	–	–	–	–	(38,523)	(38,523)
At 31 December 2004	302,029	51,056	3,616	1,416	17,839	73,927	(137,790)	238,166
Conversion of 5–year 2% ICULS	**1,127**	**–**	**–**	**–**	**–**	**–**	**–**	**1,127**
Currency translation differences, representing net gain not recognised in the income statement								
– Arising during the year	**–**	**–**	**–**	**1,637**	**–**	**1,637**	**–**	**1,637**
– Deregistration of a subsidiary [Note 6(c)]	**–**	**–**	**–**	**(1,416)**	**–**	**(1,416)**	**–**	**(1,416)**
Net loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(27,853)**	**(27,853)**
At 31 December 2005	**303,156**	**51,056**	**3,616**	**1,637**	**17,839**	**74,148**	**(165,643)**	**211,661**

		← Non-distributable →		Distributable			
	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Capital reserve RM'000	Total reserves RM'000	Accumulated losses RM'000	Total RM'000
Company							
At 1 January 2004	298,029	51,056	2,596	16,741	70,393	(95,453)	272,969
Conversion of 5-year 2% ICULS	4,000	–	–	–	–	–	4,000
Net loss for the year	–	–	–	–	–	(30,513)	(30,513)
At 31 December 2004	302,029	51,056	2,596	16,741	70,393	(125,966)	246,456
Conversion of 5-year 2% ICULS	**1,127**	**–**	**–**	**–**	**–**	**–**	**1,127**
Net profit for the year	**–**	**–**	**–**	**–**	**–**	**59,554**	**59,554**
At 31 December 2005	**303,156**	**51,056**	**2,596**	**16,741**	**70,393**	**(66,412)**	**307,137**

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

Cash Flow Statements

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

	Group		Company	
	2005	2004	**2005**	2004
	RM'000	RM'000	**RM'000**	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/profit before taxation	**(27,735)**	(37,092)	**59,219**	(29,435)
Adjustments for:				
Amortisation of goodwill	**414**	430	**–**	–
Bad debts written off	**143**	–	**124**	–
Impairment losses on goodwill	**–**	380	**–**	–
Depreciation	**7,834**	7,323	**1,280**	2,803
Property, plant and equipment written off	**800**	294	**–**	–
(Gain)/loss on disposal of property, plant and equipment	**(121)**	1,505	**(76,087)**	142
Loss on re-organisation	**–**	–	**6,022**	–
Gain on deregistration of a subsidiary	**(1,112)**	–	**–**	–
Interest income	**(103)**	(60)	**(7,904)**	(8,992)
Provision for doubtful debts	**1,401**	19,584	**1,359**	19,343
Writeback of provision for doubtful debts	**(13)**	–	**(13)**	–
Provision for impairment losses				
– property, plant and equipment	**–**	5,471	**–**	1,702
– development properties	**–**	2,242	**–**	–
Write-down of inventories	**142**	–	**–**	–
Development expenditure written off	**–**	408	**–**	–
Interest expense	**33,741**	23,084	**9,301**	16,482
Operating profit/(loss) before working capital changes	**15,391**	23,569	**(6,699)**	2,045
Working capital changes:				
Development properties	**(4,102)**	(1,825)	**–**	–
Inventories	**365**	1,782	**–**	–
Receivables	**(7,707)**	4,252	**1,329**	(810)
Payables	**11,491**	(3,704)	**(4,729)**	317
Subsidiaries	**–**	–	**(16,573)**	12,995
Cash generated from/(used in) operations	**15,438**	24,074	**(26,672)**	14,547
Taxes paid	**(1,065)**	(650)	**(822)**	–
Net cash generated from/(used in) operating activities	**14,373**	23,424	**(27,494)**	14,547

	Group		Company	
	2005	2004	**2005**	2004
	RM'000	RM'000	**RM'000**	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	**(5,378)**	(5,335)	**(631)**	(4,020)
Proceeds from disposal of property, plant and equipment	**211**	2,604	**105,197**	426
Acquisition of subsidiaries [Note 6(b)]	**–**	(893)	**–**	(980)
Additional investment in a subsidiary [Note 6(a)]	**(54)**	–	**(54)**	–
Deregistration of a subsidiary [Note 6(c)]	**(15)**	–	**–**	–
Interest received	**103**	60	**65**	56
Net cash (used in)/generated from investing activities	**(5,133)**	(3,564)	**104,577**	(4,518)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of revolving credits	**–**	(614)	**–**	–
Repayment of hire purchase and lease payables	**(805)**	(449)	**(456)**	(313)
Net (repayment)/drawdown of term loans	**(78,861)**	(598)	**(65,606)**	1,328
Net drawdown of bankers' acceptances	**491**	102	**–**	–
Issuance of Secured Notes	**105,620**	–	**–**	–
Net movement of fixed deposits pledged for banking facilities	**(340)**	–	**–**	–
Interest paid	**(31,248)**	(15,767)	**(9,781)**	(9,365)
Bank overdraft converted to term loan	**–**	7,500	**–**	7,500
Net cash used in financing activities	**(5,143)**	(9,826)	**(75,843)**	(850)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**4,097**	10,034	**1,240**	9,179
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**(15,222)**	(25,256)	**(12,935)**	(22,114)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**(11,125)**	(15,222)	**(11,695)**	(12,935)
Cash and cash equivalents comprise:				
Cash and bank balances (Note a)	**4,637**	1,948	**466**	332
Bank overdrafts	**(15,762)**	(17,170)	**(12,161)**	(13,267)
	(11,125)	(15,222)	**(11,695)**	(12,935)

Note a:
Included in the cash and bank balances of the Group is a sum of RM1,784,000 held in the Cash Reserve Account in accordance with the requirements of the Trust Deed in relation to the issuance of the Secured Notes by a subsidiary as disclosed in Note 13(a) to the financial statements. This sum is to be used to pay interest on the Secured Notes and therefore restricted from use in other operations.

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2005

1. CORPORATE INFORMATION

The principal activity of the Company is property and investment holding. The principal activities of the subsidiaries are property and investment holding, property development, building and civil works and operation of hotels. There have been no significant changes in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office and principal place of business of the Company is located at 18th Floor, Menara Lien Hoe, No. 8 Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan.

The number of employees in the Group and in the Company at the end of the financial year were 479 (2004: 480) and 50 (2004: 106) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 April 2006.

2. FUNDAMENTAL ACCOUNTING CONCEPT

The Group incurred net loss of RM27,853,000 for the year ended 31 December 2005 and as of that date, the current liabilities of the Group and of the Company exceeded their current assets by RM138,468,000 and RM148,817,000 respectively.

As disclosed in Note 13(b) to the financial statements, certain borrowings of the Group and of the Company are overdue for repayment, and one of the financial institutions has commenced legal action against the Group and the Company. The Group is currently evaluating some of the offers received for its assets and is also in negotiation with other potential buyers. The Directors of the Company are of the opinion that the cash flows to be generated from the eventual disposal of these assets will be sufficient to meet the Group's and the Company's repayment obligations.

The ability of the Group and of the Company to continue as going concerns is dependant on the timely and successful implementation of the Group's and Company's plans for disposal of assets and debt reduction.

The financial statements of the Group and of the Company do not include any adjustments relating to the amounts and classifications of assets and liabilities that might be necessary should the Group and the Company be unable to continue as going concerns.

3. 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 the accounting policies below and comply with the provisions of the Companies Act 1965 and applicable MASB Approved Accounting Standards in Malaysia.

(b) Basis of Consolidation

The consolidated financial statements 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 off 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.

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.

(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 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 3(o).

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

(d) Investments in Subsidiaries

The Company's investments in subsidiaries are stated at cost or valuation less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(o).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to accumulated losses.

(e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(o).

Certain short leasehold land and buildings have not been revalued since they were first revalued in 1988. The directors have not adopted a policy of regular revaluation of such assets. As permitted under the transitional provisions of IAS 16 (Revised): Property, Plant and Equipment, these assets continue to be stated at their 1988 valuation less accumulated depreciation and impairment losses.

Freehold land and capital work-in-progress are not depreciated. Leasehold land is depreciated over the period of the respective leases which range from 23 years to 93 years. 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:

Buildings	1% to 5%
Plant and machinery and motor vehicles	10% to 20%
Furniture, fittings and equipment	10% to 33%

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to accumulated losses.

(f) Land Held for Development and Property Development Costs

(i) Land held for development

Land held for development consists of land held for future development where no significant development has been undertaken, and is stated at cost less any accumulated impairment losses. Cost includes cost of land and attributable development expenditure. The policy for the recognition and the measurement of impairment losses is in accordance with Note 3(o).

Such assets are classified as development properties when significant development work has been undertaken and the development is expected to 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.

(g) Construction Contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

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

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

When costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is shown as amount due from customers for contract work. When progress billings exceed cost incurred plus recognised profits (less recognised losses), the balance is shown as amount due to customers for contract work.

(h) Inventories

Inventories are stated at the lower of cost (determined on weighted average basis) and net realisable value. Cost includes direct materials and other direct costs. Net realisable value represents the estimated selling price less estimated costs to completion and costs to be incurred in marketing, selling and distribution.

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 cost of land, construction and appropriate development overheads.

(i) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand, at banks, deposits at call (excluding deposits pledged for banking facilities granted to the Group and the Company), net of outstanding bank overdrafts.

(j) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

(i) Finance leases

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

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

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 3(e).

(ii) Operating leases

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the term of the relevant lease.

(k) Income Tax

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

Deferred tax is provided for 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.

(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. 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 state pension scheme, the Employees Provident Fund. 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 revenue can be measured reliably.

(i) Development properties

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

(ii) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 3(g).

(iii) Sale of goods

Revenue relating to sale of goods is recognised net of sales taxes and discount upon the transfer of risks and rewards.

(iv) Sale of services

Revenue from services rendered is recognised net of service taxes and discount as and when the services are performed.

(v) Revenue from hotel operations

Revenue from rental of hotel rooms, sale of food and beverages and other related income are recognised on an accrual basis.

(vi) Revenue from letting of properties and car parks

Revenue from letting of properties and car parks is recognised on an accrual basis.

(vii) Dividend income

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

(n) Foreign Currencies

(i) Foreign currency transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the dates of the transactions. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. All exchange differences are taken to the income statement.

(ii) Foreign entities

Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the assets and liabilities, and at average exchange rates for the period with respect to the income statement. All resulting translation differences are included in the foreign exchange reserve in shareholders' equity.

The principal exchange rate used for every unit of foreign currency ruling at the balance sheet date are as follows:

	Average rate		Closing Rate	
	2005	2004	2005	2004
	RM	RM	RM	RM
Australian Dollar	2.866	2.905	2.772	2.959
Singapore Dollar	2.299	2.280	2.271	2.326

(o) 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, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

(p) Financial Instruments

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

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

(i) Other non-current investments

Non-current investments other than investments in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(o).

On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is charged or credited to the income statement.

(ii) Receivables

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.

(iii) Payables

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

(iv) Interest-bearing borrowings

Interest-bearing borrowings are recorded at the amount of proceeds received, net of transaction costs. Borrowing costs directly attributable to the acquisition, construction and production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The amount of borrowing costs eligible for capitalisation for borrowings made specifically for the purpose of obtaining a qualifying asset is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of that borrowing.

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

(v) Irredeemable convertible unsecured loan stocks ("ICULS")

The Company has applied the transitional provisions of MASB 24: Financial Instruments: Disclosure and Presentation which became effective for financial statements covering periods beginning on or after 1 January 2002.

Under the transitional provisions of MASB 24, the classification of the component parts of the ICULS as required under MASB 24 need not be complied with for financial instruments that are issued before 1 January 2003. For the purpose of preparation of the financial statements, the ICULS are classified as a liability.

(vi) Equity instruments

Ordinary shares are classified as equity.

4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Freehold buildings RM'000	Long leasehold land and buildings RM'000	Short leasehold land and buildings RM'000	Plant and machinery and motor vehicles RM'000	Furniture, fittings and equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Cost/Valuation								
At 1 January 2005	110,088	88,606	197,980	10,693	6,212	35,099	1,630	450,308
Additions	–	–	–	–	**461**	**5,698**	–	**6,159**
Disposals	–	–	–	–	**(465)**	**(2)**	–	**(467)**
Write off	–	–	–	–	**(5)**	**(2,268)**	**(114)**	**(2,387)**
At 31 December 2005	**110,088**	**88,606**	**197,980**	**10,693**	**6,203**	**38,527**	**1,516**	**453,613**
Represented by:								
At cost	**110,088**	**88,606**	**197,980**	**7,463**	**6,203**	**38,527**	**1,516**	**450,383**
At valuation	–	–	–	**3,230**	–	–	–	**3,230**
	110,088	**88,606**	**197,980**	**10,693**	**6,203**	**38,527**	**1,516**	**453,613**
Accumulated Depreciation and Impairment Losses								
At 1 January 2005								
Accumulated depreciation	–	9,252	19,144	4,475	4,149	13,634	–	50,654
Accumulated impairment losses	11,956	3,070	419	–	–	–	186	15,631
	11,956	12,322	19,563	4,475	4,149	13,634	186	66,285
Charge for the year	–	**869**	**2,730**	**432**	**737**	**3,066**	–	**7,834**
Disposals	–	–	–	–	**(377)**	–	–	**(377)**
Write off	–	–	–	–	**(3)**	**(1,584)**	–	**(1,587)**
At 31 December 2005	**11,956**	**13,191**	**22,293**	**4,907**	**4,506**	**15,116**	**186**	**72,155**
Analysed as:								
Accumulated depreciation	–	**10,121**	**21,874**	**4,907**	**4,506**	**15,116**	–	**56,524**
Accumulated impairment losses	**11,956**	**3,070**	**419**	–	–	–	**186**	**15,631**
	11,956	**13,191**	**22,293**	**4,907**	**4,506**	**15,116**	**186**	**72,155**

	Freehold land RM'000	Freehold buildings RM'000	Long leasehold land and buildings RM'000	Short leasehold land and buildings RM'000	Plant and machinery and motor vehicles RM'000	Furniture, fittings and equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Net Book Value								
At 31 December 2005	**98,132**	**75,415**	**175,687**	**5,786**	**1,697**	**23,411**	**1,330**	**381,458**
Represented by:								
At cost	**98,132**	**75,415**	**175,687**	**4,620**	**1,697**	**23,411**	**1,330**	**380,292**
At valuation	**–**	**–**	**–**	**1,166**	**–**	**–**	**–**	**1,166**
	98,132	**75,415**	**175,687**	**5,786**	**1,697**	**23,411**	**1,330**	**381,458**
At 31 December 2004	98,132	76,284	178,417	6,218	2,063	21,465	1,444	384,023
Represented by:								
At cost	98,132	76,284	178,417	4,939	2,063	21,465	1,444	382,744
At valuation	–	–	–	1,279	–	–	–	1,279
	98,132	76,284	178,417	6,218	2,063	21,465	1,444	384,023
Details at 1 January 2004								
Cost	110,088	92,145	197,980	7,463	5,909	30,210	2,304	446,099
Valuation	–	–	–	3,230	–	–	–	3,230
Accumulated depreciation	–	8,383	16,352	4,104	3,585	11,241	–	43,665
Accumulated impairment losses	7,309	2,665	–	–	–	–	292	10,266
Depreciation charge for 2004	–	869	2,792	371	762	2,529	–	7,323

	Freehold land RM'000	Freehold building RM'000	Short leasehold land and building RM'000	Plant and machinery and motor vehicles RM'000	Furniture, fittings and equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Company							
Cost/Valuation							
At 1 January 2005	24,603	55,545	2,240	3,421	26,671	1,180	113,660
Additions	**–**	**–**	**–**	**14**	**617**	**–**	**631**
Disposals	**(14,623)**	**(55,545)**	**–**	**(414)**	**(23,053)**	**–**	**(93,635)**
At 31 December 2005	**9,980**	**–**	**2,240**	**3,021**	**4,235**	**1,180**	**20,656**
Represented by:							
At cost	**9,980**	**–**	**–**	**3,021**	**4,235**	**1,180**	**18,416**
At valuation	**–**	**–**	**2,240**	**–**	**–**	**–**	**2,240**
	9,980	**–**	**2,240**	**3,021**	**4,235**	**1,180**	**20,656**
Accumulated Depreciation and Impairment Losses							
At 1 January 2005							
Accumulated depreciation	–	8,053	1,406	2,268	8,986	–	20,713
Accumulated impairment losses	1,702	–	–	–	–	186	1,888
	1,702	8,053	1,406	2,268	8,986	186	22,601
Charge for the year	**–**	**139**	**83**	**386**	**672**	**–**	**1,280**
Disposals	**–**	**(8,192)**	**–**	**(326)**	**(6,007)**	**–**	**(14,525)**
At 31 December 2005	**1,702**	**–**	**1,489**	**2,328**	**3,651**	**186**	**9,356**
Analysed as:							
Accumulated depreciation	**–**	**–**	**1,489**	**2,328**	**3,651**	**–**	**7,468**
Accumulated impairment losses	**1,702**	**–**	**–**	**–**	**–**	**186**	**1,888**
	1,702	**–**	**1,489**	**2,328**	**3,651**	**186**	**9,356**

	Freehold land RM'000	Freehold building RM'000	Short leasehold land and building RM'000	Plant and machinery and motor vehicles RM'000	Furniture, fittings and equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Net Book Value							
At 31 December 2005	**8,278**	**–**	**751**	**693**	**584**	**994**	**11,300**
Represented by:							
At cost	**8,278**	**–**	**–**	**693**	**584**	**994**	**10,549**
At valuation	**–**	**–**	**751**	**–**	**–**	**–**	**751**
	8,278	**–**	**751**	**693**	**584**	**994**	**11,300**
At 31 December 2004	22,901	47,492	834	1,153	17,685	994	91,059
Represented by:							
At cost	22,901	47,492	–	1,153	17,685	994	90,225
At valuation	–	–	834	–	–	–	834
	22,901	47,492	834	1,153	17,685	994	91,059
Details at 1 January 2004							
Cost	24,603	55,545	–	2,910	22,792	1,854	107,704
Valuation	–	–	2,240	–	–	–	2,240
Accumulated depreciation	–	7,498	1,323	1,798	7,291	–	17,910
Accumulated impairment losses	–	–	–	–	–	292	292
Depreciation charge for 2004	–	555	83	470	1,695	–	2,803

(a) The property, plant and equipment of the Group and of the Company are stated at cost except for certain short leasehold land and buildings which were revalued in 1988 at RM3,230,000 and RM2,240,000 respectively by the directors based on valuations carried out by independent valuers on an open market basis. As permitted under the transitional provisions of International Accounting Standard No. 16 (Revised): Property, Plant and Equipment, these assets continued to be stated at their 1988 valuations.

	Group		**Company**	
	2005	2004	**2005**	2004
	RM'000	RM'000	**RM'000**	RM'000
Net book value of revalued short leasehold land and buildings had these assets been carried at cost less depreciation and impairment	**226**	238	**96**	102

(b) During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM6,159,000 (2004: RM5,705,000) and RM631,000 (2004: RM4,390,000) respectively, of which RM781,000 (2004: RM370,000) and Nil (2004: RM370,000) respectively were acquired under hire purchase arrangements.

(c) Included in property, plant and equipment of the Group and of the Company are plant and machinery and motor vehicles under hire purchase and lease arrangements with a total net book value of RM1,658,000 (2004: RM1,446,000) and RM670,000 (2004: RM1,128,000) respectively.

(d) As at 31 December 2005, net book value of leasehold land and buildings of the Group and the Company of RM1,166,000 (2004: RM1,279,000) and RM751,000 (2004: RM834,000) respectively are charged to financial institutions for facilities granted to a former subsidiary.

The balance of land and buildings of the Group and the Company are charged to financial institutions for facilities granted to the Company and its subsidiaries as disclosed in Notes 12 and 13.

(e) As at 31 December 2005, the title deeds of freehold land of the Group and the Company of RM13,590,000 (2004: RM13,590,000) and RM9,980,000 (2004: RM9,980,000) are in the process of being transferred to the Group and the Company.

(f) During the year, the Company disposed land held in Mukim of Plentong, Daerah Johor Bahru, Johor with a commercial building erected thereon as "Kompleks Lien Hoe" to a wholly owned subsidiary, Advantage Equity Sdn. Bhd. for a purchase consideration of RM155,000,000, which was satisfied by cash of RM105,000,000 and issuance of 50,000,000 Advantage Equity Sdn. Bhd. shares of RM1 each.

5. LAND HELD FOR DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

(a) Land held for development

	Group	
	2005	2004
	RM'000	RM'000
Freehold land, at cost		
At 1 January	**40,375**	42,524
Transfer to property development cost	**–**	(2,149)
At 31 December	**40,375**	40,375
Accumulated impairment losses		
At 1 January	**(14,261)**	(12,019)
Impairment losses for the year	**–**	(2,242)
At 31 December	**(14,261)**	(14,261)
Carrying amount for freehold land	**26,114**	26,114
Leasehold land, at valuation		
At 1 January/31 December	**156,500**	156,500
Development expenditure		
At 1 January	**5,096**	6,402
Cost incurred during the financial year	**3,035**	1,274
Write off	**–**	(408)
Transfer to property development cost	**–**	(2,172)
At 31 December	**8,131**	5,096
Net carrying amount of land held for development	**190,745**	187,710

(b) Property development cost

	2005 RM'000	2004 RM'000
Freehold land, at cost		
At 1 January	**2,149**	–
Transfer from land held for development	**–**	2,149
At 31 December	**2,149**	2,149

	Group	
	2005	2004
	RM'000	RM'000
Development expenditure		
At 1 January	**2,723**	–
Cost incurred during the financial year	**1,067**	551
Transfer from land held for development	**–**	2,172
At 31 December	**3,790**	2,723
Net carrying amount of property development costs	**5,939**	4,872

Development expenditure included borrowing cost capitalised during the year of RM457,000 (2004: RM484,000).

The freehold land are charged to financial institutions for banking facilities granted to the Group and the Company as disclosed in Notes 12 and 13.

On 8 December 2005, the Company's wholly owned subsidiary, Billiontex Industries Sdn. Bhd., entered into a Sale and Purchase Agreement for a part disposal of the leasehold land for a cash consideration of RM14,810,400. The proposed disposal is only expected to be completed within the next 24 months from the Sales and Purchase Agreement.

6. SUBSIDIARIES

	Company	
	2005	2004
	RM'000	RM'000
Unquoted shares		
– at cost	**251,747**	207,715
– at valuation	**870**	870
	252,617	208,585
Accumulated impairment losses	**(15,262)**	(15,262)
	237,355	193,323
Amount owing by subsidiaries	**358,672**	331,103
Amount owing to subsidiaries	**(9,920)**	(6,763)
	586,107	517,663
Provision for doubtful debts	**(71,632)**	(71,632)
	514,475	446,031

The amounts owing by subsidiaries are in respect of advances to and payments made on behalf of the subsidiaries. These amounts are unsecured, have no fixed terms of repayment and bear interest at 0.5% to 8.6% (2004: 0.5% to 8.6%) per annum.

The amounts owing to subsidiaries are interest free, unsecured and have no fixed terms of repayment.

Details of the subsidiaries are as follows:

Name of Company	**Country of Incorporation**	**Principal Activities**	**Effective Interest** **2005** **%**	2004 %
Advantage Equity Sdn. Bhd.	Malaysia	Property investment	**100**	100
Atria Properties Sdn. Bhd.	Malaysia	Property investment	**100**	100
Beta Management Services Sdn. Bhd.	Malaysia	Property investment	**100**	100
Bondmark Construction Services Sdn. Bhd.	Malaysia	Inactive	**100**	100
Billiontex Industries Sdn. Bhd.	Malaysia	Property development	**100**	100
Broadland Food Industries Sdn. Bhd.	Malaysia	Management of food court	**100**	100
Christine Inn & Recreation Sdn. Bhd.	Malaysia	Operation of hotel	**100**	100
Dominion Bay Sdn. Bhd.	Malaysia	Snooker operator	**100**	100
Hasil Andalas Sdn. Bhd.	Malaysia	Car park operator	**100**	100
Holiday Plaza Complex Management Sdn. Bhd.	Malaysia	Inactive	**100**	100
Hotel Armada (PJ) Sdn. Bhd.	Malaysia	Property investment and operation of hotel	**100**	100
Hotel Armada Group Sdn. Bhd.	Malaysia	Investment holding	**100**	100
Irama Serangkai Sdn. Bhd.	Malaysia	Inactive	**100**	100
Leboh Ampang Plaza Sdn. Bhd.	Malaysia	Inactive	**100**	100
LH Bintang Development Sdn. Bhd.	Malaysia	Land and housing development	**100**	100

Name of Company	Country of Incorporation	Principal Activities	Effective Interest 2005 %	2004 %
LH Commercials Pte. Ltd.	Singapore	Investment holding	**100**	100
LH Indah Apartments Sdn. Bhd.	Malaysia	Property investment	**100**	100
LH Indah Apartments (First) Sdn. Bhd.	Malaysia	Property investment	**100**	100
LH Indah Apartments (Second) Sdn. Bhd.	Malaysia	Property investment	**100**	100
LH Properties (Aust.) Pty. Ltd.*	Australia	Inactive	**–**	100
Lien Hoe Property Management Sdn. Bhd.	Malaysia	Inactive	**100**	100
Lien Hoe Resorts Sdn. Bhd.	Malaysia	Property investment	**100**	100
Lien Hoe Square Sdn. Bhd.	Malaysia	Property investment	**100**	100
Lien Hoe Tower Sdn. Bhd.	Malaysia	Property investment	**100**	100
Macro Resources Sdn. Bhd.	Malaysia	Building and civil works	**100**	75
Macro Technology Sdn. Bhd.	Malaysia	Inactive	**100**	75
Menara Lien Hoe Sdn. Bhd.	Malaysia	Inactive	**100**	100
Pembinaan Macro Resources Sdn. Bhd.	Malaysia	Building and civil works	**100**	75
Russella Teguh Sdn. Bhd	Malaysia	Property development	**100**	100
Taman Templer Sdn. Bhd	Malaysia	Inactive	**100**	100

* Not audited by Ernst & Young or member firms of Ernst & Young Global.

(a) Additional Investment in a Subsidiary

During the financial year, the Company acquired the remaining balance of the 25% equity interest in Macro Resources Sdn. Bhd. for a cash consideration of RM50,000. Subsequent to the acquisition, Macro Resources Sdn. Bhd. and its subsidiaries, Pembinaan Macro Resources Sdn. Bhd. and Macro Technology Sdn. Bhd., became wholly owned subsidiaries of the Company.

	2005 RM'000
Purchase consideration	**50**
Expenses attributable to the acquisition	**4**
Goodwill on acquisition (Note 7)	**54**
Purchase consideration satisfied by cash, representing net cash outflow of the Group and Company	**(54)**

(b) Acquisition of Subsidiaries

In the previous financial year, the Company acquired 100% equity interest in Christine Inn & Recreation Sdn. Bhd., a company incorporated in Malaysia and LH Commercials Pte. Ltd., a company incorporated in Singapore, for a total consideration of RM980,000 and SGD1 respectively.

The acquisitions had the following effect on the Group's financial results in the previous financial year:

	2004 RM'000
Revenue	1,228
Profit from operations	293
Net profit for the year	293

The acquisitions had the following effect on the financial position of the Group as at the end of the previous financial year:

	2004 RM'000
Property, plant and equipment	172
Inventories	1
Trade and other receivables	291
Cash and bank balances	69
Trade and other payables	(61)
Group's share of net assets	472

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

	2004 RM'000
Property, plant and equipment	117
Inventories	2
Trade and other receivables	50
Cash and bank balances	87
Trade and other payables	(77)
Fair value of total net assets	179
Goodwill on acquisition (Note 7)	801
Cost of acquisition	980
Purchase consideration satisfied by:	
Cash	980

Cash outflow arising on acquisition:	
Purchase consideration satisfied by cash, representing total cash outflow of the Company	980
Cash and cash equivalents of subsidiaries acquired	(87)
Net cash outflow of the Group	893

(c) Deregistration of a Subsidiary

The Company's subsidiary, Leboh Ampang Plaza Sdn. Bhd. deregistered its wholly owned subsidiary, LH Properties (Aust.) Pty. Ltd. during the year. The deregistration had the following effect on the Group's financial results for the year:

	2005 RM'000
Revenue	**–**
Loss from operations	**117**
Net loss for the year	**117**

The deregistration had the following effects on the financial position of the Group as at the end of the financial year:

	2005 RM'000
Receivables	2
Cash and bank balances	15
Payables	(17)
	–
Attributable unamortised goodwill (Note 7)	304
Transfer from foreign exchange reserve	(1,416)
	(1,112)
Gain on deregistration	1,112
Consideration on deregistration	–

Cash outflow arising on deregistration:	
Consideration on deregistration	–
Cash and bank balances of subsidiary deregistered	15
Net cash outflow of the Group on deregistration of subsidiary	15

(d) Re-organisation of Group Shareholding Structure

During the year, the Company disposed its entire equity interest in its wholly-owned subsidiaries comprising Advantage Equity Sdn. Bhd. and Atria Properties Sdn. Bhd. to wholly-owned subsidiary, LH Commercials Pte. Ltd. for an amount of SGD41,595,201 (RM96,126,509).

The purchase consideration was satisfied by issuance of new shares amounting to SGD41,595,201 at SGD1 each by LH Commercials Pte. Ltd. to the Company.

The re-organisation of the shareholding structure has no effect on the Group but had the following effects on the financial results of the Company:

	2005 RM'000
Total re-organisation proceeds	96,126
Cost of investment	(102,148)
Loss on re-organisation (Note 21)	(6,022)

During the year, the Company had also increased its equity interest in Advantage Equity Sdn. Bhd. by RM50,000,000 as disclosed in Note 4(f) to the financial statements, prior to the re-organisation of the Group's shareholding structure.

7. GOODWILL ON CONSOLIDATION

	Group 2005 RM'000	2004 RM'000
At 1 January	**7,090**	7,099
Additional investment in a subsidiary [Note 6(a)]	**54**	–
Acquisition of subsidiaries [Note 6(b)]	**–**	801
	7,144	7,900
Less:		
Impairment losses	**–**	(380)
Amortisation recognised in income statement	**(414)**	(430)
Deregistration of a subsidiary [Note 6(c)]	**(304)**	–
At 31 December	**6,426**	7,090

8. AMOUNT DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	Group 2005 RM'000	2004 RM'000
Construction costs incurred to date	**47,413**	110,615
Attributable profit	**1,991**	8,273
	49,404	118,888
Progress billings	**(47,696)**	(118,497)
	1,708	391
Amount due from customers for contract work	**2,976**	1,796
Amount due to customers for contract work	**(1,268)**	(1,405)
	1,708	391
Retention sums on contracts, included within trade receivables (Note 10)	**6,325**	4,754
Construction costs recognised as an expense (Note 20)	**45,632**	39,529
Contract revenue recognised as an income (Note 19)	**48,962**	43,313

9. INVENTORIES

	Group	
	2005	2004
	RM'000	RM'000
At cost:		
Shophouses	**–**	140
Consumables	**638**	538
At net realisable value:		
Land, completed apartments and office lots	**21,197**	21,664
	21,835	22,342

The title deeds for office lots with book value of RM598,000 (2004: RM3,029,000) are in the process of being transferred to the Group.

Land, completed apartments and office lots stated at net realisable value of RM20,752,000 (2004: RM18,775,000) are charged to financial institutions to secure banking facilities granted to the Group as disclosed in Notes 12 and 13.

10. RECEIVABLES

	Group		Company	
	2005	2004	**2005**	2004
	RM'000	RM'000	**RM'000**	RM'000
Trade receivables	**28,492**	24,641	**54**	1,085
Retention sums on contracts (Note 8)	**6,325**	4,754	**–**	–
Provision for doubtful debts	**(5,660)**	(6,426)	**–**	–
	29,157	22,969	**54**	1,085
Other receivables	**43,790**	43,844	**39,828**	40,301
Provision for doubtful debts	**(33,770)**	(32,631)	**(32,996)**	(31,701)
	10,020	11,213	**6,832**	8,600
Deposits for investments and related advances	**300**	300	**300**	300
Provision for doubtful debts	**(300)**	(300)	**(300)**	(300)
	–	–	**–**	–
	39,177	34,182	**6,886**	9,685

Included in other receivables are the following:

(i) an unsecured interest free advance of RM10,655,000 (2004: RM10,655,000) was given to a third party by a subsidiary, prior to the acquisition of this subsidiary by the Group. In the previous financial year, this said amount was assigned to the Company by the subsidiary and a provision of RM7,512,000 has been made. During the current financial year, the third party has entered into a settlement agreement with the Company for an amount of RM4,262,000 as full settlement of the outstanding balance.

(ii) advances, payments on behalf and deposits paid in connection with the acquisition of Billiontex Industries Sdn. Bhd. and Russella Teguh Sdn. Bhd. amounting to RM15,999,000 (2004: RM15,999,000). As at 31 December 2005, ICULS of the Company with nominal value of RM14,300,000 (2004: RM14,300,000) were deposited by the vendors with a stakeholder as collateral for the amounts due. The market value of the ordinary shares as at 31 December 2005, had these ICULS been converted, amounted to RM2,860,000 (2004: RM4,219,000). The shortfall of RM13,139,000 has been fully provided for.

The Group's normal trade credit term ranges from 7 to 30 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors other than the amounts due from the debtors as stated in (i) and (ii) above.

11. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits are pledged to financial institutions for banking facilities granted to the Group. The deposits earn interest of 3% (2004: 3%) per annum and have average maturities of 1 year (2004: 1 year).

12. BANK OVERDRAFTS (SECURED)

The bank overdrafts bear interest at rates ranging from 5.1% to 10.2% (2004: 5.6% to 10.2%) per annum. The bank overdrafts are secured on the freehold and leasehold properties of the Company and its subsidiaries and other fixed and floating assets and liabilities of the subsidiaries.

13. BORROWINGS (SECURED)

	Group		**Company**	
	2005	2004	**2005**	2004
	RM'000	RM'000	**RM'000**	RM'000
Short Term Borrowings:				
Revolving credits	**25,900**	25,900	**25,900**	25,900
Bankers' acceptances	**5,715**	5,224	**–**	–
Term loans	**96,638**	100,625	**92,268**	87,784
Hire purchase and lease payables (Note 26)	**459**	500	**136**	403
	128,712	132,249	**118,304**	114,087

	Group		Company	
	2005	2004	**2005**	2004
	RM'000	RM'000	**RM'000**	RM'000
Long Term Borrowings:				
Secured notes (Note 13(a))	**109,581**	–	**–**	–
Term loans	**17,604**	92,250	**10,884**	80,746
Hire purchase and lease payables (Note 26)	**744**	729	**351**	540
	127,929	92,979	**11,235**	81,286
Total Borrowings:				
Revolving credits	**25,900**	25,900	**25,900**	25,900
Bankers' acceptances	**5,715**	5,224	**–**	–
Secured notes	**109,581**	–	**–**	–
Term loans	**114,242**	192,875	**103,152**	168,530
Hire purchase and lease payables (Note 26)	**1,203**	1,229	**487**	943
	256,641	225,228	**129,539**	195,373
Maturity of borrowings (excluding hire purchase and lease payables):				
Within 1 year	**128,253**	131,749	**118,168**	113,684
More than 1 year and less than 5 years	**127,185**	45,063	**10,884**	35,871
5 years or more	**–**	47,187	**–**	44,875
	255,438	223,999	**129,052**	194,430

The range of effective interest rates at the balance sheet date for borrowings, excluding hire purchase and lease payables, was as follows:

	Group		Company	
	2005	2004	**2005**	2004
	%	%	**%**	%
Revolving credits	**5.8 - 8.8**	5.4 - 9.3	**5.8 - 7.3**	5.4 - 7.5
Bankers' acceptances	**5.2 - 5.7**	5.3 - 5.6	**–**	–
Secured Notes (Note 13(a))	**24.0**	–	**–**	–
Term loans	**6.9 - 11.0**	7.1 - 11.0	**6.9 - 11.0**	7.1 - 11.0

The revolving credits, bankers' acceptances, secured notes and term loans of the Group and of the Company are secured on the freehold and leasehold properties of the Company and its subsidiaries as disclosed in Notes 4, 5 and 9 and other fixed and floating assets and liabilities of its subsidiaries.

Note 13(a): Secured Notes

On 29 March 2005, the wholly owned subsidiary company, LH Commercials Pte. Ltd., a company incorporated in Singapore, issued SGD46,500,000 17.777778 per cent Secured Notes due 2007 ("Secured Notes"). The Secured Notes are secured by:

(a) legal charges over the landed properties of two subsidiaries, constituting (i) a land held in Mukim of Sungei Buloh, District of Petaling, Selangor together with the commercial building erected thereon known as "The Atria Shopping Centre" and (ii) a land held in Mukim of Plentong, Daerah Johor Bahru, Johor with a commercial building erected thereon known as "Kompleks Lien Hoe";

(b) first fixed and floating charges over all the properties, undertaking and assets of LH Commercials Pte. Ltd., and its subsidiaries of (i) Advantage Equity Sdn. Bhd. and (ii) Atria Properties Sdn. Bhd.; and

(c) a charge over all moneys in the Cash Reserve Account.

Note 13(b): Default in Banking Facilities

On 21 December 2005, a financial institution has given its demand for repayment of the outstanding principal sum of the term loan facilities together with interest amounting to RM14,857,807, failing which it will proceed with legal action or apply for an order of sale of the securities pledged.

On 29 March 2006, the financial institution has served the Company with a Notice pursuant to the National Land Code 1965, for the application of an order of sale of some of the pledged assets.

The Company is currently seeking legal advice from its solicitors on the next course of action.

14. PAYABLES

	Group		Company	
	2005	2004	**2005**	2004
	RM'000	RM'000	**RM'000**	RM'000
Trade payables	**28,714**	21,086	**665**	4,591
Other payables:				
– Accruals	**24,900**	24,940	**17,268**	17,916
– Others	**14,008**	13,315	**9,100**	10,283
	38,908	38,255	**26,368**	28,199
	67,622	59,341	**27,033**	32,790

The normal trade credit terms granted to the Group range from 7 to 90 days.

15. SHARE CAPITAL

	Number of ordinary shares of RM1 each		Amount	
	2005	2004	**2005**	2004
	'000	'000	**RM'000**	RM'000
Authorised:				
1 January/31 December	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Issued and fully paid:				
At 1 January	**302,029**	298,029	**302,029**	298,029
Conversion of ICULS (Note 18)	**1,127**	4,000	**1,127**	4,000
At December	**303,156**	302,029	**303,156**	302,029

During the year, the Company's issued and paid-up share capital was increased to RM303,156,545 comprising 303,156,545 ordinary shares of RM1 each arising from the conversion of RM1,126,999 nominal value of 5-year 2% Irredeemable Convertible Unsecured Loan Stocks ("ICULS") into 1,126,999 new ordinary shares of the Company of RM1 each.

The new ordinary shares rank pari passu in all respects with existing ordinary shares except that they will not be entitled to any dividend, rights and other distributions declared in respect of a financial period prior to the financial period in which the ICULS are converted.

16. RESERVES

		Group		Company	
		2005	2004	**2005**	2004
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Share premium - non-distributable		**51,056**	51,056	**51,056**	51,056
Reserves					
(i) Non-distributable:					
– Revaluation reserve		**3,616**	3,616	**2,596**	2,596
– Exchange reserve	(a)	**1,637**	1,416	**–**	–
		5,253	5,032	**2,596**	2,596
(ii) Distributable:					
– Capital reserve	(b)	**17,839**	17,839	**16,741**	16,741
		74,148	73,927	**70,393**	70,393

(a) Movement in exchange reserve is disclosed in the statement of changes in equity.

(b) The capital reserve relates to the revaluation reserve portion for land and buildings which have been previously disposed.

17. DEFERRED TAX LIABILITIES

	Group	
	2005	2004
	RM'000	RM'000
At 1 January	**(41,702)**	(41,299)
Recognised in the income statement (Note 24)	**(283)**	(403)
At 31 December	**(41,985)**	(41,702)

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

Deferred Tax Liabilities of the Group

	Accelerated capital allowances RM'000	Fair value adjustment arising from business combination RM'000	Revaluation of properties RM'000	Total RM'000
At 1 January 2005	(6,066)	(8,903)	(32,572)	(47,541)
Recognised in the income statement	**78**	**104**	**8**	**190**
At 31 December 2005	**(5,988)**	**(8,799)**	**(32,564)**	**(47,351)**
At 1 January 2004	(161)	(9,018)	(32,606)	(41,785)
Recognised in the income statement	(5,905)	115	34	(5,756)
At 31 December 2004	(6,066)	(8,903)	(32,572)	(47,541)

Deferred Tax Assets of the Group

	Tax losses and unabsorbed capital allowances RM'000	Provisions RM'000	Others RM'000	Total RM'000
At 1 January 2005	5,590	227	22	5,839
Recognised in the income statement	**(332)**	**(141)**	**–**	**(473)**
At 31 December 2005	**5,258**	**86**	**22**	**5,366**
At 1 January 2004	314	150	22	486
Recognised in the income statement	5,276	77	–	5,353
At 31 December 2004	5,590	227	22	5,839

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

	Group	
	2005	2004
	RM'000	RM'000
Unused tax losses	**14,510**	11,300
Unabsorbed capital allowances	**14,136**	13,909
	28,646	25,209

The unused tax losses and unabsorbed capital allowances are available indefinitely for offset against future taxable profits of the subsidiaries 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 against taxable profits of other subsidiaries in the Group and they have arisen in subsidiaries that have a recent history of losses.

18. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

	Group and Company	
	2005	2004
	RM'000	RM'000
At 1 January	**59,713**	63,713
Converted to new ordinary shares of the Company (Note 15)	**(1,127)**	(4,000)
At 31 December	**58,586**	59,713

On 13 July 2002, the Company issued RM107,490,084 5-year 2% ICULS at 100% of its nominal value towards full settlement of the consideration for the acquisition of 100% equity interest in Billiontex Industries Sdn. Bhd. and Russella Teguh Sdn. Bhd.

The terms of the ICULS are as follows:

(a) maturity date - 5 years ending from and including the date of issue of the ICULS;

(b) conversion rate - on the basis of RM1 nominal value of ICULS for 1 new fully paid ordinary share of RM1 in the Company;

(c) conversion rights - the ICULS shall be convertible into new ordinary shares in the Company at any time throughout the tenure of the ICULS during which they are outstanding;

(d) the remaining ICULS outstanding on the maturity date will be mandatorily converted by the Company into new ordinary shares in the Company;

(e) the ICULS bear interest at 2% per annum, payable annually in arrears from the date of issue during the 5-year period that they remain outstanding, except that the last coupon payment shall be made on the maturity date of the ICULS; and

(f) upon conversion of the ICULS into new ordinary shares, such shares shall rank pari passu in all respects with the existing ordinary shares of the Company except that they shall not be entitled to any dividend, rights and other distribution declared in respect of the financial period prior to the financial period in which the ICULS are converted.

19. REVENUE

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Rental income				
– subsidiaries	**–**	–	**154**	240
– others	**29,605**	32,530	**3,074**	13,027
Contract revenue from construction contracts (Note 8)	**48,962**	43,313	**–**	–
Revenue from operation of hotels	**23,135**	21,764	**–**	–
Others	**273**	295	**–**	–
	101,975	97,902	**3,228**	13,267

20. COST OF SALES

	Group 2005 RM'000	Group 2004 RM'000
Cost of inventories and others	**3,983**	3,432
Contract cost from construction contracts (Note 8)	**45,632**	39,529
	49,615	42,961

21. PROFIT/(LOSS) FROM OPERATIONS

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Profit/(Loss) from operations is stated after charging/(crediting):				
Auditors' remuneration	**209**	201	**52**	52
Amortisation of goodwill	**414**	430	**–**	–
Impairment losses on goodwill	**–**	380	**–**	–
Staff costs [Note (a)]	**11,988**	11,196	**2,552**	3,422
Directors' emoluments (Note 22)	**2,610**	1,896	**1,668**	1,097
Depreciation	**7,834**	7,323	**1,280**	2,803
Property, plant and equipment written off	**800**	294	**–**	–
Realised foreign exchange loss	**–**	67	**–**	–
(Gain)/loss on disposal of property, plant and equipment	**(121)**	1,505	**(76,087)**	142
Gain on deregistration of a subsidiary	**(1,112)**	–	**–**	–
Interest income from:				
– subsidiaries	**–**	–	**(7,839)**	(8,936)
– others	**(103)**	(60)	**(65)**	(56)
Provision for doubtful debts:				
– trade receivables	**42**	85	**–**	–
Other expenses [Note (b)]	**1,359**	27,620	**7,381**	21,045

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Writeback of provision for doubtful debts	**(13)**	–	**(13)**	–
Write-down of inventories	**142**	–	**–**	–
Bad debts written off	**143**	–	**124**	–
Rental expense of buildings				
– subsidiaries	**–**	–	**749**	749
– others	**77**	77	**–**	–
Rental of equipment	**14**	19	**14**	19

Note (a) – Staff costs comprise:

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Wages and salaries	**10,726**	10,019	**2,322**	3,097
Social security costs	**118**	104	**23**	31
Pension costs – defined contribution plans	**934**	891	**207**	294
Other staff related expenses	**210**	182	**–**	–
	11,988	11,196	**2,552**	3,422

Note (b) – Other expenses comprise:

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Provision for doubtful debts:				
– other receivables	**1,359**	19,499	**1,359**	19,343
Provision for impairment losses:				
– property, plant and equipment	**–**	5,471	**–**	1,702
– development properties	**–**	2,242	**–**	–
Development expenditure written off	**–**	408	**–**	–
Loss on re-organisation [Note 6(d)]	**–**	–	**6,022**	–
	1,359	27,620	**7,381**	21,045

22. DIRECTORS' EMOLUMENTS

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Directors of the Company:				
Executive:				
Salaries and other emoluments	**1,975**	1,475	**1,579**	1,007
Benefits-in-kind	**37**	54	**37**	41
	2,012	1,529	**1,616**	1,048
Non-executive:				
Fees	**89**	90	**89**	90
	2,101	1,619	**1,705**	1,138

Directors of Subsidiaries:

	Group		Company	
	2005	2004	**2005**	2004
	RM'000	RM'000	**RM'000**	RM'000
Executive:				
Salaries and other emoluments	**546**	331	**-**	-
Benefits-in-kind	**13**	7	**-**	-
	559	338	**-**	-
Total	**2,660**	1,957	**1,705**	1,138
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration excluding benefits-in-kind	**2,521**	1,806	**1,579**	1,007
Total non-executive directors' remuneration excluding benefits-in-kind	**89**	90	**89**	90
Total directors' remuneration excluding benefits-in-kind	**2,610**	1,896	**1,668**	1,097

The number of directors of the Company whose total remuneration for the year ended 31 December fell within the following bands is as follows:

	Number of Directors	
	2005	2004
Executive directors:		
RM50,001 to RM100,000	**–**	2
RM100,001 to RM150,000	**–**	1
RM200,001 to RM250,000	**–**	1
RM300,001 to RM350,000	**–**	1
RM350,001 to RM400,000	**1**	–
RM500,001 to RM550,000	**1**	–
RM600,001 to RM650,000	**–**	1
RM1,000,001 to RM1,050,000	**1**	–
Non–executive directors:		
Below RM50,000	**4**	4

23. FINANCE COSTS

	Group		Company	
	2005	2004	**2005**	2004
	RM'000	RM'000	**RM'000**	RM'000
Hire purchase and lease interest	**147**	108	**93**	77
Revolving credit, bank overdrafts, bankers' acceptances and trust receipts	**3,406**	4,113	**2,864**	3,018
ICULS	**560**	1,259	**560**	1,259
Secured notes	**18,287**	–	**–**	–
Term loans	**11,798**	18,088	**5,784**	12,128
	34,198	23,568	**9,301**	16,482
Interest capitalised in qualifying assets: Development properties	**(457)**	(484)	**–**	–
	33,741	23,084	**9,301**	16,482

24. TAXATION

	Group		Company	
	2005	2004	**2005**	2004
	RM'000	RM'000	**RM'000**	RM'000
Current year income tax	**198**	1,440	**–**	1,100
Deferred tax relating to origination and reversal of temporary differences (Note 17)	**337**	403	**–**	–
Overprovision of deferred tax in prior years (Note17)	**(54)**	–	**–**	–
Overprovision of income tax expense in prior years	**(363)**	(412)	**(335)**	(22)
	118	1,431	**(335)**	1,078

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

	2005 RM'000	2004 RM'000
Group		
Loss before taxation	**(27,735)**	(37,092)
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	**(7,766)**	(10,386)
Effect of income not subject to tax	**–**	(2,518)
Effect of expenses not deductible for tax purposes	**8,470**	15,825
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	**(633)**	(1,103)
Deferred tax assets not recognised during the year	**464**	25
Overprovision of deferred tax in prior years	**(54)**	–
Overprovision of income tax expense in prior years	**(363)**	(412)
Tax expense for the year	**118**	1,431
Company		
Profit/(loss) before taxation	**59,219**	(29,435)
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	**16,581**	(8,242)
Effect of income not subject to tax	**(21,274)**	(2,518)
Effect of expenses not deductible for tax purposes	**4,398**	11,860
Deferred tax assets not recognised during the year	**295**	–
Overprovision of tax expense in prior years	**(335)**	(22)
Tax expense for the year	**(335)**	1,078

25. LOSS PER ORDINARY SHARE

(a) Basic

The basic loss per ordinary share is calculated by dividing the net loss for the year by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2005	2004
Net loss for the year (RM'000)	**(27,853)**	(38,523)
Weighted average number of ordinary shares in issue ('000)	**302,305**	298,780
Basic loss per share (sen)	**(9.21)**	(12.89)

(b) Diluted

For the current year as well as the previous financial year, the outstanding ICULS have been excluded from the computation of fully diluted loss per share as their conversion to ordinary shares would be anti-dilutive in nature. Accordingly, the basic and fully diluted loss per share are the same.

26. HIRE PURCHASE AND LEASE PAYABLES

	Group		Company	
	2005	2004	**2005**	2004
	RM'000	RM'000	**RM'000**	RM'000
Minimum lease payments:				
Not later than 1 year	**536**	616	**162**	496
Later than 1 year and not later than 2 years	**497**	587	**149**	496
Later than 2 year and not later than 5 years	**381**	282	**271**	147
	1,414	1,485	**582**	1,139
Less: Future finance charges	**(211)**	(256)	**(95)**	(196)
Present value of finance lease liabilities	**1,203**	1,229	**487**	943
Present value of finance lease liabilities:				
Not later than 1 year	**459**	500	**136**	403
Later than 1 year and not later than 2 years	**423**	478	**126**	403
Later than 2 year and not later than 5 years	**321**	251	**225**	137
	1,203	1,229	**487**	943
Analysed as:				
Due within 12 months included as current liabilities (Note 13)	**459**	500	**136**	403
Due after 12 months included as non-current liabilities (Note 13)	**744**	729	**351**	540
	1,203	1,229	**487**	943

The hire purchase and lease payables bear interest at the balance sheet date of 6.0% to 13.0% (2004: 6.0% to 13.0%) per annum.

27. CONTINGENT LIABILITIES

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Secured:				
Bank facilities granted to a former subsidiary	**1,166**	1,279	**751**	834
Unsecured:				
Corporate guarantees issued in respect of banking/credit facilities granted to subsidiaries	**–**	–	**23,535**	22,624
Corporate guarantees issued in respect of banking facilities granted to former subsidiaries	**3,600**	3,600	**3,600**	3,600
Claims by third parties for the supply of goods and other charges	**958**	251	**–**	–
	5,724	5,130	**27,886**	27,058

Bank facilities granted to a former subsidiary are secured by fixed charges over the leasehold land and buildings of the Company and a subsidiary as disclosed in Note 4.

The Company has agreed to provide continued financial support to certain subsidiaries for a period of twelve months from 1 January 2006 to enable them to meet their obligations as and when they fall due during this period.

28. COMMITMENTS

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Commitment under non-cancellable operating leases on property, plant and equipment is as follows:				
Amount payable within one year	**14**	14	**14**	14
Amount payable within one to five years	**6**	20	**6**	20
	20	34	**20**	34
Capital commitments not provided for in the financial statements:				
Approved and not contracted for	**–**	26,371	**–**	–
Approved and contracted for	**–**	2,562	**–**	–
	–	28,933	**–**	–

29. LITIGATIONS

(a) The Company had on 20 March 1989, taken legal action against various parties to recover RM53,000,000 excluding interest and expenses of RM35,000,000 arising from certain transactions entered into by the Company and its subsidiaries. These transactions were:

(i) The aborted acquisition of 10,125,000 shares in Oriental Bank Berhad for a cash consideration of RM45,675,000 in 1983 and the full payment to the vendors notwithstanding that the conditions in the Sale and Purchase Agreement have not been fulfilled.

(ii) The acquisition of the entire share capital of Taman Templer Sdn. Bhd. and a piece of land situated in Likas Bay, Kota Kinabalu from Sapan Development Sdn. Bhd. in 1985 for a total consideration of RM16,000,000 and RM22,750,000 respectively by a Deed of Mutual Arrangement with the vendors of the Oriental Bank Berhad shares and the assumption of a loan due by a third party to a financial institution of RM6,000,000 and interest thereon. This loan was secured on the development land belonging to a subsidiary, Taman Templer Sdn. Bhd.

The above case is pending trial.

(b) On 19 November 2002, the Company was served with a writ of summons by two third parties claiming the refund of a sum of RM5,000,000 which was paid in relation to the sale and purchase agreement between them and the Company on 3 March 1997. The said sale and purchase agreement had since lapsed due to non-fulfilment of the terms therein by the third parties.

The Board of Directors of the Company is of the opinion that there is no valid basis for this claim and has filed a defence and counterclaim against these parties.

(c) On 26 May 2005 and 31 May 2005, the Company was served with writ of summons by two financial institutions for a sum of RM2,968,000 and RM2,399,000 respectively pursuant to corporate guarantees issued in respect of banking facilities granted to former subsidiaries.

These cases are pending trial.

30. SIGNIFICANT EVENTS

(a) In 2003, the Company entered into a conditional Sale and Purchase agreement ("SPA") with ISG Asia Limited ("ISG") for the proposed disposal of its subsidiaries and property, namely Atria Properties Sdn. Bhd., Billiontex Industries Sdn. Bhd., Russella Teguh Sdn. Bhd., Advantage Equity Sdn. Bhd. and Kompleks Lien Hoe for a total sale consideration of SGD180 million (equivalent to RM392.4 million based on an agreed exchange rate of SGD1 to RM2.18 as set out in the SPA).

Subsequently, the Company has agreed with ISG to exclude the sale of subsidiary companies, Russella Teguh Sdn. Bhd. and Billiontex Industries Sdn. Bhd. from the SPA, and during the year, entered into a supplemental to the conditional sale and purchase agreement ("SSPA") with ISG in relation to the proposed disposal of LH Commercials Pte. Ltd., the new holding company of Atria Properties Sdn. Bhd. (which owns the Atria Shopping Centre) and Advantage Equity Sdn. Bhd. (which owns Kompleks Lien Hoe), for a sale consideration of SGD50,542,616 (equivalent to RM116,248,117 based on an agreed exchange rate of SGD1 to RM2.30 as set out in the SSPA), to be satisfied by 631,782,701 new ordinary shares of SGD0.05 each in ISG at an issue price of SGD0.08 per share.

On 6 April 2006, the Company had announced that as at 31 March 2006 ("the cut-off date"), certain conditions precedent as mentioned in the SPA had yet to be fulfilled or satisfied. In view of the above, it was decided by the Company and ISG not to further extend the cut-off date and accordingly the conditional SPA has lapsed.

(b) Re-organisation of Group Shareholding Structure

During the year, the Company disposed its entire equity interest in its wholly-owned subsidiaries comprising Advantage Equity Sdn. Bhd. and Atria Properties Sdn. Bhd. to wholly-owned subsidiary, LH Commercials Pte. Ltd. as disclosed in Note 6(d).

31. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

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

(b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debts. The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

(c) Liquidity Risk

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

(d) Credit Risk

Credit risks are managed by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

At balance sheet date, there were no significant concentrations of credit risk other than as disclosed in Note 10 to the financial statements. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

(e) Foreign Exchange Risk

The foreign exchange exposure of the Group is minimal as the international operations of the Group have been scaled down to an insignificant level.

(f) Fair Values

The aggregate net fair value of financial assets and financial liabilities which are not carried at fair value on the balance sheets of the Group and of the Company as at the end of the financial year are represented as follows:

	Note	Group Carrying amount RM'000	Group Fair value RM'000	Company Carrying amount RM'000	Company Fair value RM'000
Financial Liabilities					
At 31 December 2005:					
Hire purchase and lease payables	26	**1,203**	**1,205**	**487**	**481**
At 31 December 2004:					
Hire purchase and lease payables	26	1,229	1,320	943	969

It is not practicable to determine the fair value of:

- the amounts due from/to subsidiaries due principally to a lack of fixed repayment terms between the parties involved and without incurring excessive costs.
- the ICULS due to the uncertainties of timing on the conversion of ICULS into ordinary shares of the Company.

The nominal/notional amounts and net fair values of financial instruments not recognised in the balance sheets of the Group and of the Company as at the end of the financial year are:

	Note	Group Nominal/ notional amount RM'000	Group Net fair value RM'000	Company Nominal/ notional amount RM'000	Company Net fair value RM'000
At 31 December 2005:					
Contingent liabilities	27	**5,724**	**	**27,886**	**
At 31 December 2004:					
Contingent liabilities	27	5,130	**	27,058	**

** It is not practical to estimate the fair value of contingent liabilities reliably due to the uncertainties of timing, costs and eventual outcome.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Cash and bank balances, Receivables/Payables, Bank Overdrafts and Borrowings

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

(ii) Hire Purchase and Lease Payables

The fair value of hire purchase and lease payables is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

32. SEGMENTAL REPORTING

(a) Business Segment

	Property investment RM'000	Property development RM'000	Construction RM'000	Hotel operations RM'000	Other operations RM'000	Eliminations RM'000	Consolidated RM'000
2005							
REVENUE							
Revenue	31,658	–	48,962	23,135	318	(2,098)	101,975
Less: Inter–segment revenue	(2,053)	–	–	–	(45)	2,098	–
External revenue	29,605	–	48,962	23,135	273	–	101,975
RESULT							
Segment result	2,119	(1,493)	574	6,811	(10)	(2,098)	5,903
Interest expense							(33,741)
Interest income							103
Loss before taxation							(27,735)
Taxation							(118)
Loss after taxation							(27,853)
OTHER INFORMATION							
Segment assets	336,405	213,708	29,708	73,466	450		653,737
Tax recoverable	1,329	70	–	–	108		1,507
Consolidated total assets	337,734	213,778	29,708	73,466	558		655,244
Segment liabilities	40,129	5,268	20,866	2,541	86		68,890
Tax payable	1,707	–	–	–	12		1,719
Deferred taxation	9,644	32,299	42	–	–		41,985
Borrowings	196,560	78,081	7,244	49,104	–		330,989
Consolidated total liabilities	248,040	115,648	28,152	51,645	98		443,583

	Property investment RM'000	Property development RM'000	Construction RM'000	Hotel operations RM'000	Other operations RM'000	Eliminations RM'000	Consolidated RM'000
2005							
Capital expenditure	**5,341**	**5**	**14**	**799**	**–**		**6,159**
Depreciation	**5,768**	**293**	**199**	**1,518**	**56**		**7,834**
Amortisation of goodwill	**310**	**61**	**1**	**42**	**–**		**414**
Significant non–cash expenses other than depreciation and amortisation							
Provision for doubtful debts – other receivables	**1,359**	**–**	**–**	**–**	**–**		**1,359**
Property, plant and equipment written off	**114**	**663**	**3**	**20**	**–**		**800**

	Property investment RM'000	Property development RM'000	Construction RM'000	Hotel operations RM'000	Other operations RM'000	Eliminations RM'000	Consolidated RM'000
2004							
REVENUE							
Revenue	34,422	–	43,313	21,764	475	(2,072)	97,902
Less: Inter–segment revenue	(1,892)	–	–	–	(180)	2,072	–
External revenue	32,530	–	43,313	21,764	295	–	97,902
RESULT							
Segment result	(15,267)	(4,854)	1,455	6,803	(133)	(2,072)	(14,068)
Interest expense							(23,084)
Interest income							60
Loss before taxation							(37,092)
Taxation							(1,431)
Loss after taxation							(38,523)
OTHER INFORMATION							
Segment assets	336,589	211,523	21,222	74,381	452		644,167
Tax recoverable	492	70	–	–	108		670
Consolidated total assets	337,081	211,593	21,222	74,381	560		644,837
Segment liabilities	41,336	3,840	12,802	2,630	138		60,746
Tax payable	2,100	–	–	–	12		2,112
Deferred taxation	9,379	32,299	24	–	–		41,702
Borrowings	165,446	79,461	7,085	50,119	–		302,111
Consolidated total liabilities	218,261	115,600	19,911	52,749	150		406,671

2004	Property investment RM'000	Property development RM'000	Construction RM'000	Hotel operations RM'000	Other operations RM'000	Eliminations RM'000	Consolidated RM'000
Capital expenditure	4,509	17	101	878	200		5,705
Depreciation	5,325	293	217	1,472	16		7,323
Amortisation of goodwill	329	61	–	40	–		430
Impairment losses on goodwill	7	29	–	–	344		380
Significant non–cash expenses other than depreciation and amortisation							
Loss on disposal of property, plant and equipment	1,505	–	–	–	–		1,505
Provision for doubtful debts	19,430	–	–	–	154		19,584
Provision for impairment losses	4,005	3,708	–	–	–		7,713
Property, plant and equipment written off	48	143	103	–	–		294
Development expenditure written off	–	408	–	–	–		408

(b) Geographical Segments

No information is prepared on the geographical segments as the Group principally operates within Malaysia.

Schedule of Major Properties

Held by the Company and its Subsidiary Companies as at 31 December 2005

Location of Properties	Description	Date of Acquisition (Date of Revaluation)	Expiration of lease	Land Area (Acres)	Lettable Area (Sq. Ft.)	Approximate Age of Building (Years)	Net Book Value (RM'000)
Lot 11592, Mukim of Plentong, Johor Bahru, Johor	Eight blocks of 5 storey and two blocks of 6 storey commercial buildings *Known as Kompleks Lien Hoe*	May 1990	Freehold	7.73	821,212	22	61,559
Lot TLO 432A, Jalan Tampoi, Johor Bahru, Johor	Single storey factory buildings	(June 1998)	24 October 2020	6.69	103,355	30	751
Lot 1845, Mukim of Tebrau, Johor	Vacant development land	April 2003	Freehold	5.43	N/A	N/A	8,278
Lot 9234, Jalan Tampoi, Johor Bahru, Johor	Single storey factory buildings	(June 1998)	9 January 2031	2.59	33,486	30	415
Lots PTB 19176 to 19178, Johor Bahru, Johor	Single storey factory buildings	January 1997	30 March 2021	4.66	24,877	30	4,420
Lots 2911 and 2912, Johor Bahru, Johor	Vacant development land	May 1992	Freehold	1.37	N/A	N/A	3,275
Lots 1589 and 1592, Mukim of Tebrau, Johor	Double storey office building	May 1994	Freehold	4.14	9,935	29	4,955
Lot 6367, Lots 3824 to 3827 and Lots 5975 to 5979, Mukim of Senai-Kulai, Johor	Development land	January 1992	Freehold	74.73	N/A	N/A	21,824
Lot 290, Mukim of Tebrau, Johor	Vacant development land	June 1996	Freehold	5.96	N/A	N/A	7,788
Lots PTD 5358 to 5379, Township and District of Johor Bahru, Johor	68 units apartments *Known as Pelita Indah Condominium Apartments*	May 1995	Freehold	Strata title	127,372	11	18,775
Lots 214 and 215, Mukim of Plentong, Johor Bahru, Johor	Vacant development land	June 1996	Freehold	20.69	N/A	N/A	4,500
Lot 51, Section 27, Town of Petaling Jaya, Selangor	4 storey podium with a basement car park and 23 storey hotel with 242 rooms *Known as Plaza Armada and Hotel Armada*	June 1993	6 February 2071	2.44	105,407	9	113,549
PT 31339, Mukim of Sungai Buloh, Selangor	20 storey office building with a 5-level car park. *Known as Menara Lien Hoe*	June 1996	25 October 2090	1.93	207,966	8	61,038
PT 9089, 9090, 10166, 10197 and 10198, Mukim of Sungai Buloh, Selangor	4 storey shopping complex with 2 blocks of car park building Known as *The Atria Shopping Centre*	April 2001	Freehold	5.48	204,726	24	90,980
Lots 254 and 256, Section III, Pekan Klebang, Melaka	Vacant development land	November 1997	Freehold	3.12	N/A	N/A	4,000
Lot PT 4161, Mukim of Setapak, Wilayah Persekutuan	Vacant development land	June 1999	15 May 2090	1.22	N/A	N/A	1,100
Lot PT 45264, Mukim of Petaling, District of Petaling, Selangor	Vacant development land	July 2002	27 May 2097	64.01	N/A	N/A	81,431
Lot PT 45265, Mukim of Petaling, District of Petaling, Selangor	Vacant development land	July 2002	27 May 2097	64.51	N/A	N/A	81,641

Statistics of Shareholdings
(as at 2 May 2006)

SHARE CAPITAL

Authorised share capital	RM1,000,000,000
Issued and fully paid share capital	RM303,456,545
Class of shares	Ordinary share of RM1 each
Voting rights	1 vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shares	% of Issued Capital	No. of Shareholders	% of Shareholders
1 - 99	18,175	0.01	395	2.07
100 - 1,000	3,831,672	1.26	5,392	28.22
1,001 - 10,000	40,942,618	13.49	11,100	58.10
10,001 - 100,000	54,654,965	18.01	2,025	10.60
100,001 - 15,172,826	158,087,484	52.10	192	1.00
15,172,827 & above	45,921,631	15.13	2	0.01
Total	303,456,545	100.00	19,106	100.00

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 2 MAY 2006
(as shown in the Register of Substantial Shareholders)

Name	No. of Shares (Direct)	No. of Shares (Indirect)	% of Issued Capital
1. Kenneth Vun @ Vun Yun Liun	60,000,000	-	19.77
2. Yeap Yu Lin	29,050,146	-	9.57
3. Beta Holdings Sdn. Bhd.	19,809,037	-	6.53
4. Chan Wah Long	445,249	19,809,037*	6.67

Note :-
* Deemed interest in the Company by virtue of his interest in Beta Holdings Sdn. Bhd.

LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 2 MAY 2006
(as per Register of Members and Record of Depositors)

	Name	No. of Shares	% of Issued Capital
1.	TASEC NOMINEES (TEMPATAN) SDN. BHD. Yeap Yu Lin	28,500,000	9.39%
2.	HSBC NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Kenneth Vun @ Vun Yun Liun	17,421,631	5.74%
3.	UNITED OVERSEAS NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Kenneth Vun @ Vun Yun Liun (MKL)	13,094,700	4.32%
4.	TA NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Chan Wah Long	9,872,000	3.25%
5.	MAYBAN NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Kenneth Vun @ Vun Yun Liun (888AF0541)	9,241,700	3.05%
6.	KENANGA NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Wong Chin Hee	8,592,000	2.83%
7.	KENANGA NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Kenneth Vun @ Vun Yun Liun	8,431,669	2.78%
8.	SIVASH HOLDINGS BERHAD	7,127,000	2.35%
9.	KE-ZAN NOMINEES (ASING) SDN. BHD. Kim Eng Securities Pte. Ltd. for Cube Capital Group Limited	4,575,300	1.51%
10.	KENNETH VUN @ VUN YUN LIUN	4,500,000	1.48%
11.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. Dat Lee Credit Sdn. Bhd. for Beta Holdings Sendirian Berhad	4,320,000	1.42%
12.	LIM SENG CHEE	3,654,400	1.20%
13.	UNITED KOTAK BERHAD	3,363,000	1.11%
14.	KENANGA NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Yap Sing Hock	3,358,700	1.11%
15.	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Kenneth Vun @ Vun Yun Liun (E-KKU)	3,000,000	0.99%
16.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. Dat Lee Credit Sdn. Bhd. for Yap Sing Hock	2,805,000	0.92%
17.	CIMSEC NOMINEES (ASING) SDN. BHD. Exempt An for CIMB-GK Securities Pte. Ltd. (Retail Clients)	2,765,749	0.91%

18.	HSBC NOMINEES (TEMPATAN) SDN. BHD. Coutts Bk Von Ernst HK for Ong Yoong Nyock	2,757,500	0.91%
19.	TASEC NOMINEES (TEMPATAN) SDN. BHD. TA First Credit Sdn. Bhd. for Chan Wah Long	2,536,500	0.84%
20.	KENNETH VUN @ VUN YUN LIUN	2,500,000	0.82%
21.	LEE YEW SING	2,303,600	0.76%
22.	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Beta Holdings Sdn. Bhd. (JSS)	2,231,000	0.74%
23.	LIANG & LIANG SDN. BHD.	2,214,500	0.73%
24.	SIVASH HOLDINGS BERHAD	1,944,700	0.64%
25.	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Yap Terng Sheng (473913)	1,900,000	0.63%
26.	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Kenneth Vun @ Vun Yun Liun (473729)	1,810,300	0.60%
27.	UNITED OVERSEAS NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Yap Sing Hock (MKL)	1,518,500	0.50%
28.	UNITED OVERSEAS NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Yong Sow Lan (MKL)	1,341,900	0.44%
29.	AMSEC NOMINEES (TEMPATAN) SDN. BHD. AmBank (M) Berhad for Beta Holdings Sdn.Bhd.	1,190,000	0.39%
30.	EB NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Wong Chin Hee	1,140,800	0.38%
	Total	**160,012,149**	**52.74%**

LIEN HOE CORPORATION BERHAD

(Company No: 8507-X)
(Incorporated in Malaysia under the Companies Act, 1965)

No. of shares held	
CDS Account No. of Authorised Nominee	

FORM OF PROXY

I/We.. Company No./NRIC No. ....

of..

being a member(s) of LIEN HOE CORPORATION BERHAD hereby appoint...

NRIC No. .... or failing him/her ....

NRIC No. .... or failing him/her the Chairman of the meeting as my/our proxy to vote for me/us/ on my/our behalf at the 36th Annual General Meeting of Lien Hoe Corporation Berhad to be held at 4th Floor, Menara Lien Hoe, No. 8, Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 27 June 2006 at 10.00 a.m.

My / our proxy is to vote as indicated below :

No.	RESOLUTION	FOR	AGAINST
1.	To lay the Audited Financial Statements together with the Directors' and Auditors' Reports thereon		
2.	To approve payment of Directors' fees		
3.	To re-elect Mr Cheong Marn Seng, Allen as a Director of the Company		
4.	To re-elect Mr Yeoh Chong Keat as a Director of the Company		
5.	To re-elect Mr Kenneth Vun @ Vun Yun Liun as a Director of the Company		
6.	To re-appoint Tun Dato' Seri Abdul Hamid bin Omar pursuant to Section 129 (6) of the Companies Act, 1965		
7.	To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Board of Directors to determine their remuneration		
8.	To approve Ordinary Resolution pursuant to Section 132(D) of the Companies Act,1965		

Please indicate with an 'X' in the appropriate spaces how you wish your votes to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy will vote as he thinks fit or, at his discretion, abstain from voting.

Signed this ___________________________day of___________________ 2006

____
Signature / Common Seal of Shareholder(s)

Notes:-

1. *A member of the Company entitled to attend and vote at this meeting is entitled to appoint a Proxy to attend and vote instead of him. A Proxy need not be a member of the Company and the provisions of Section 149(1)(b)of the Companies Act, 1965 shall not apply to the Company.*

2. *In the case of a corporate member, the form of proxy appointing a corporate representative must be executed under seal or under the hand of an officer or attorney duly authorised.*

3. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account the authorised nominee holds with ordinary shares of the Company standing to the credit of the securities account.*

4. *The form of proxy must be deposited at the registered office of the Company at 18th Floor, Menara Lien Hoe, No. 8 Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan, not less than 48 hours before the time appointed for holding the meeting.*