

Inverfin Sdn. Bhd.

(Company No. 132205-A)

(Incorporated in Malaysia)

**Financial statements for the year
ended 31 December 2007**

Domiciled in Malaysia
Principal place of business
Level 4, Menara Citibank
165, Jalan Ampang
50450 Kuala Lumpur

Inverfin Sdn. Bhd.

(Company No. 132205-A)
(Incorporated in Malaysia)

Directors' report for the year ended 31 December 2007

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended 31 December 2007.

Principal activities

The Company is principally engaged in property investment, office and food court management. The principal activity of special purpose entity, namely the Management Corporation, is to provide car park management services. There has been no significant change in the nature of these activities during the financial year.

Results

	Company RM'000
Net profit for the year	20,375 <u>=====</u>

Reserves and provisions

There were no material transfers to or from reserves and provisions during the year under review except as disclosed in the financial statements.

Dividend

No dividend was paid during the year and the Directors do not recommend any dividend to be paid for the year under review.

Directors of the Company

Directors who served since the date of the last report are:

Cheng Yong Liang
Cheng Kok Chin
Tang Wan Chee
Andrew James Kennewell
Chan Say Yeong
Ong Kek Seng (alternate director to Cheng Yong Liang; resigned on 31.8.2007)
Tan Jen Lai
Chuah Say Chin (alternate director to Cheng Yong Liang; appointed on 31.8.2007)

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The holdings in the ordinary shares of the ultimate holding company, Citigroup Inc., a company incorporated in the United States of America is as follows:

Number of ordinary shares of USD0.01

	At 1.1.2007	Bought/ Granted	Sold	At 31.12.2007
Shares in Citigroup Inc.				
Cheng Kok Chin	400	-	-	400
Tang Wan Chee	1,664	3,934	(622)	4,976
Andrew James Kennewell	23	-	-	23
Capital Accumulation Program in Citigroup Inc.				
Tang Wan Chee	2,050	1,088	(854)	2,284
Andrew James Kennewell	431	-	-	431

Number of options over ordinary shares of USD0.01

	At 1.1.2007	Granted	Exercised	At 31.12.2007
Share Option Plan in Citigroup Inc.				
Tang Wan Chee	14,762	-	(3,080)	11,682
Andrew James Kennewell	983	-	-	983

None of the other Directors holding office at 31 December 2007 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related company with the 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.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

There were no changes in the issued and paid-up capital of the Company during the year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the year.

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Other statutory information

Before the balance sheets and income statements of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) there are no bad debts to be written off and no provision need to be made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render it necessary to write off any bad debts or provide for any doubtful debts, or
- ii) that would render the value attributed to the current assets in the Company financial statements misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or in the financial statements, that would render any amount stated in the financial statements of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

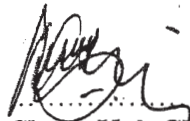
In the opinion of the Directors, the results of the operations of the Company for the financial year ended 31 December 2007 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

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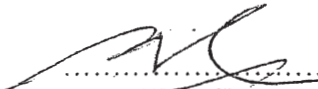
Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors:



Cheng Kok Chin



Tang Wan Chee

Kuala Lumpur,

Date: 04 JUN 2008

Inverfin Sdn. Bhd.

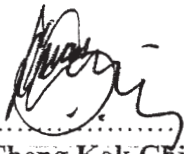
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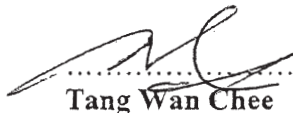
**Statement by Directors pursuant to
Section 169(15) of the Companies Act, 1965**

In the opinion of the Directors, the financial statements set out on pages 8 to 25 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Company at 31 December 2007 and its results and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:



.....
Cheng Kok Chin



.....
Tang Wan Chee

Kuala Lumpur,

Date: 04 JUN 2008

Inverfin Sdn. Bhd.

(Company No. 132205-A)
(Incorporated in Malaysia)

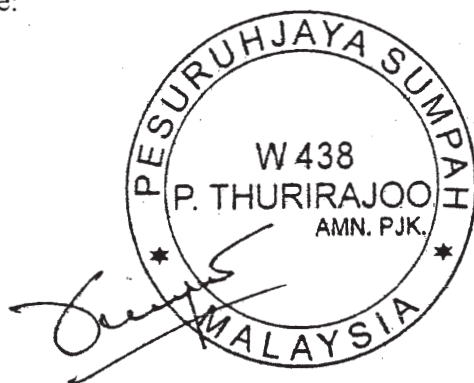
**Statutory declaration pursuant to
Section 169(16) of the Companies Act, 1965**

I, **Tang Wan Chee**, the Director primarily responsible for the financial management of Inverfin Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 8 to 25 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed in Kuala Lumpur on
04 JUN 2008


Tang Wan Chee

Before me:



NO. 656, TINGKAT 2,
BATU 4, JALAN IPOH,
51200 KUALA LUMPUR.



KPMG (Firm No. AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Telephone +60 (3) 7721 3388
Fax +60 (3) 7721 3399
Internet www.kpmg.com.my

Report of the auditors to the members of Inverfin Sdn. Bhd.

(Company No. 132205-A)
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 8 to 25. The preparation of the financial statements is 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 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 financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of:
 - i) the state of affairs of the Company at 31 December 2007 and the results of their operations and cash flows for the year ended on that date; and
 - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

KPMG
Firm Number: AF 0758
Chartered Accountants

Khaw Hock Hoe
Partner
Approval Number: 2229/04/10(J)

Petaling Jaya,

Date: 04 JUN 2008

Inverfin Sdn. Bhd.

(Company No. 132205-A)

(Incorporated in Malaysia)

Balance sheet at 31 December 2007

	Note	2007 RM'000	2006 RM'000
Property, plant and equipment	3	1,551	377
Investment property	4	458,000	458,000
Current assets			
Trade and other receivables	5	676	635
Cash and cash equivalents	6	23,119	16,445
		23,795	17,080
Current liabilities			
Trade and other payables	7	12,759	11,073
Borrowings (secured)	8	-	15,000
Taxation		206	4,881
		12,965	30,954
Net current assets/(liabilities)		10,830	(13,874)
		<u>470,381</u>	<u>444,503</u>
Financed by:			
Capital and reserves			
Share capital	9	10,000	10,000
Reserves		285,362	255,087
Shareholders' funds		<u>295,362</u>	<u>265,087</u>
Long term and deferred liabilities			
Borrowings (secured)	8	160,253	153,750
Deferred taxation	11	14,766	25,666
		<u>470,381</u>	<u>444,503</u>

The financial statements were approved and authorised for issue by the Board of Directors on ~~04 JUN 2008~~

The notes set out on pages 13 to 25 form an integral part of, and should be read in conjunction with, these financial statements.

Inverfin Sdn. Bhd.

(Company No. 132205-A)

(Incorporated in Malaysia)

Income statement for the year ended 31 December 2007

	Note	2007 RM'000	2006 RM'000
Revenue		46,658	43,247
Cost of services		(12,070)	(10,910)
Gross profit		34,588	32,337
Other operating income		4,407	4,389
Distribution costs		(30)	(138)
Administrative expenses		(4,138)	(3,891)
Operating profit	12	34,827	32,695
Interest expense	13	(12,300)	(14,634)
Interest income		233	258
Profit before tax		22,760	18,319
Tax expense	14	(2,086)	(1,973)
Profit after tax		20,674	16,346
Less: Share of management services income	2	(299)	-
Net profit for the year		20,375	16,346

The notes set out on pages 13 to 25 form an integral part of, and should be read in conjunction with, these financial statements.

Inverfin Sdn. Bhd.

(Company No. 132205-A)

(Incorporated in Malaysia)

and its subsidiary**Statements of changes in equity for the year ended 31 December 2007**

	<i>Non-distributable</i>				<i>Distributable</i>	
	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Capital redemption reserve RM'000	Retained profits RM'000	Total RM'000
At 1 January 2006	10,000	-	133,000	600	52,655	196,255
Revaluation of investment property	-	-	55,386	-	-	55,386
Deferred tax on revaluation of investment property	-	-	(2,900)	-	-	(2,900)
Net profit for the year	-	-	-	-	16,346	16,346
At 31 December 2006/1 January 2007	10,000	-	185,486	600	69,001	265,087
Net profit for the year	-	-	-	-	20,375	20,375
Reversal of deferred tax	-	-	9,900	-	-	9,900
At 31 December 2007	10,000	-	195,386	600	89,376	295,362

Note 9

Note 10

The notes set out on pages 13 to 25 form an integral part of, and should be read in conjunction with, these financial statements.

Inverfin Sdn. Bhd.

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Cash flow statements for the year ended 31 December 2007

	2007 RM'000	2006 RM'000
Cash flows from operating activities		
Profit before tax	22,760	18,319
Adjustments for:		
Depreciation	349	141
Interest expense	12,300	14,635
Interest income	(233)	(258)
	<hr/>	<hr/>
Operating profit before working capital changes	35,176	32,836
Changes in working capital:		
Trade and other receivables	(41)	49
Trade and other payables	1,686	1,710
	<hr/>	<hr/>
Cash generated from operations	36,821	34,596
Income taxes paid	(7,761)	(2,698)
	<hr/>	<hr/>
Net cash generated from operating activities	29,060	31,897
	-----	-----
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,523)	(77)
Building improvement incurred on investment property	-	(1,402)
Interest received	233	258
	<hr/>	<hr/>
Net cash used in investing activities	(1,290)	(1,221)
	-----	-----
Cash flows from financing activities		
Interest paid	(12,300)	(14,832)
Profit distribution	(299)	-
Repayment of borrowings	(8,497)	(13,750)
Increase in pledged deposits placed with licensed bank	(71)	-
	<hr/>	<hr/>
Net cash used in financing activities	(21,167)	(28,582)
	-----	-----
Net increase in cash and cash equivalents	6,603	2,093
Cash and cash equivalents at beginning of year	15,845	13,752
	<hr/>	<hr/>
Cash and cash equivalents at end of year	22,448	15,845
	<hr/> <hr/>	<hr/> <hr/>

Cash flow statements for the year ended 31 December 2007 (continued)

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

	2007 RM'000	2006 RM'000
Cash and bank balances	3,448	9,045
Deposits with licensed banks	19,671	7,400
	<u>23,119</u>	<u>16,445</u>
Deposits pledged with a licensed bank	(671)	(600)
	<u>22,448</u>	<u>15,845</u>

The notes set out on pages 13 to 25 form an integral part of, and should be read in conjunction with, these financial statements.

Inverfin Sdn. Bhd.

(Company No. 132205-A)

(Incorporated in Malaysia)

Notes to the financial statements**1. Summary of significant accounting policies**

The following accounting policies are adopted by the Company and are consistent with those adopted in previous years.

(a) Basis of accounting

The financial statements of the Company are prepared on the historical cost basis except as disclosed in the notes to the financial statements in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for private entities issued by the Malaysian Accounting Standards Board.

(b) Basis of consolidation**Management Corporation**

The Company has established a management corporation (“Corporation”) in accordance with second schedule, Section 7(4) of Strata Title Act, 1985 for providing of car park management services. The Company does not have any direct or indirect shareholdings in this Corporation. A Corporation is consolidated if, based on an evaluation of the substances of its relationship with the Company and the Corporation’s risk and rewards. The Company concludes that it controls the Corporation. The Corporation controlled by the Company were established under terms that impose strict limitations on the decision making powers of the Corporation’s management and that result in the Company receiving all of the benefits related to the Corporation’s operations and net assets.

(c) Affiliated company

An affiliated company is a company (and its related companies) which has a long term interest of not less than 20% and not more than 50% in the share capital of the Company.

1. Summary of significant accounting policies (continued)

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss, if any.

Depreciation

The straight line method is used to write off the cost of the assets over the term of their estimated useful lives at the following principal annual rates:

Furniture, fittings and office equipment	8% to 15%
Loose tools and other equipment	10% to 20%
Plant and machinery	10%

(e) Investment property

The Directors regard, any land and building including the integral plant and machinery that is held for their investment potential and rental income, as investment property. Investment property is stated at valuation and is not depreciated. The Directors revalue investment property every five years, or at such shorter period as may be considered appropriate, based upon the advice of professional valuers and appraisers.

Surpluses arising from revaluation is dealt with in the investment revaluation reserve. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase from the same investment. In all other cases, a decrease in the carrying amount is charged to the income statement.

On the sale of a revalued investment, the portion of revaluation surplus pertaining to that investment will be realised and transferred to revenue reserve.

(f) Trade receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.

(g) Liabilities

Borrowings and trade and other payables are stated at cost.

(h) Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of pledged deposits.

1. Summary of significant accounting policies (continued)

(i) Impairment

The carrying amount of assets, other than investment property, financial assets and deferred tax liability are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to equity. Any subsequent increase in recoverable amount is recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised. The reversal is recognised in the income statement.

(j) Income tax

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

1. Summary of significant accounting policies (continued)

(k) Revenue

(i) *Office rental income and maintenance charges*

Office rental income and maintenance charges are recognised on accrual basis in accordance with the tenancy terms.

(ii) *Food court operations*

Food court operations income is recognised on accrual basis in accordance with the tenancy terms.

(iii) *Car park rental income*

Car park rental income is recognised upon receipt.

(l) Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

(m) Financing costs

All interest and costs incurred in connection with borrowings are expensed as incurred.

2. Share of management services income

Pursuant to the Strata Title Act 1985, Inverfin-MTJ Management Corporation ("Corporation") was established on 28 March 2005. On 1 January 2007, the car park management services operation has been transferred to the Corporation.

The results of the Corporation will be shared between Inverfin Sdn. Bhd. and MTJ Development Sdn. Bhd. based on the ratio of 63.59% and 36.41% respectively. Although the Company does not hold any ownership interest in the Corporation, it receives substantially all of the benefits related to the operations and net assets of the Corporation with its decision-making power. Consequently, the Company consolidates the Corporations.

3. Property, plant and equipment

<i>Cost</i>	Building improvements RM'000	Furniture, fittings and office equipment RM'000	Loose tools and other equipment RM'000	Plant and machinery RM'000	Total RM'000
At 1 January 2007	-	511	2,221	15	2,747
Additions	1,244	239	40	-	1,523
At 31 December 2007	1,244	750	2,261	15	4,270
<i>Accumulated depreciation</i>					
At 1 January 2007	-	453	1,902	15	2,370
Charge for the year	236	40	73	-	349
At 31 December 2007	236	493	1,975	15	2,719
<i>Net book value</i>					
At 31 December 2007	1,008	257	286	-	1,551
At 31 December 2006	-	58	319	-	377
Depreciation charge for the year ended 31 December 2006	-	22	118	-	141

4. Investment property - at valuation

	2007 RM'000	2006 RM'000
Freehold land and building and its integral plant and machinery		
Balance at 1 January	458,000	400,000
Transfer from Building improvements	-	1,211
Additions	-	1,403
Revaluation	-	55,386
Balance at 31 December	458,000	458,000

The freehold land and building and its integral plant and machinery have been charged as securities for the Commercial Papers/Medium Term Notes of RM160 million obtained by the Company at 30 August 2007 (Note 8).

4. Investment property - at valuation (continued)

Investment property is revalued based on professional valuations on the open market value basis. The date of the latest valuation is 1 December 2006 carried out by Liew Chee Kong, a registered valuer in Messrs Henry Butcher Malaysia Sdn. Bhd. (Registered Valuer).

Accordingly, as of 31 December 2006, the valuation of the freehold land and building and its integral plant and machinery were revised to RM458 million.

5. Trade and other receivables

	2007 RM'000	2006 RM'000
Trade receivables	306	218
Related company	178	253
Affiliated company	13	12
Other debtors, deposits and prepayments	179	152
	<u>676</u>	<u>635</u>

Movements in allowance for bad and doubtful debts are as follows:

Balance at 1 January	-	422
Written-off during the year	-	(422)
	<u>-</u>	<u>-</u>
Balance at 31 December	<u>-</u>	<u>-</u>

Amounts due from affiliated company and related company are trade related and subject to late interest charges at 1.5% (2006 - 1.5%) per month.

6. Cash and cash equivalents

	2007 RM'000	2006 RM'000
Cash and bank balances	3,448	9,045
Deposits placed with licensed banks	19,671	7,400
	<u>23,119</u>	<u>16,445</u>

Included in cash and bank balance is an amount placed with a related company of RM3,033,006 (2006 - RM421,352) arising from normal business transactions.

6. Cash and cash equivalents (continued)

Included in the deposits with licensed banks are deposits amounting to RM671,000 (2006 - RM600,000) pledged for bank guarantee facilities and RM19,000,000 (2006 - RM6,800,000) placed with a related company arising from normal business transactions.

7. Trade and other payables

	2007 RM'000	2006 RM'000
Rental and other deposits	8,077	7,236
Other payables and accruals	4,682	3,837
	<u>12,759</u>	<u>11,073</u>
	=====	=====

Included in rental and other deposits are amounts received from related company of RM190 (2006 - RM190) and affiliated companies of RM843,925 (2006 - RM539,886).

The amount due to affiliated companies and related company are unsecured, interest free and have no fixed terms of repayment.

8. Borrowings (secured)

	2007 RM'000	2006 RM'000
Term loan		
Due within 1 year	-	15,000
Due after 1 year	-	153,750
CPs/MTNs	160,253	-
	<u>160,253</u>	<u>168,750</u>
	=====	=====

During the year, the Company refinanced its term loan via issuance of Commercial Papers/Medium Term Notes ("CPs/MTNs") of RM160 million. The CPs/MTNs are secured over the investment property with a carrying amount of RM458 million.

The CPs/MTNs are repayable over a period of 7 years which commenced on 15 September 2007 and bears interest at 4.79%. The approval of the Securities Commission (SC) in respect of the CPs/MTNs has been obtained on 3 August 2007.

8. Borrowings (secured) (continued)

Significant covenants

The CPs/MTNs are subject to the fulfillment of the following significant covenants:

- (i) not to permit the ratio of its security coverage to fall below the ratio of 1.43;
- (ii) not to incur, assume, guarantee or permit to exist any future indebtedness except incurred in connection to issuance of CPs/MTNs or bank guarantees on payment for utilities;
- (iii) not to make any loans to directors, shareholders or related companies;
- (iv) not to incur expenses exceeding 10% of annual budget;
- (v) not to increase or decrease the authorised or issued share capital; and
- (vi) not to permit the ratio of financial service cover (after dividend payment) to fall below the ratio of 1.50.

9. Share capital

	2007 RM'000	2006 RM'000
Authorised:		
Ordinary shares of RM1.00 each	24,400	24,400
Issued and fully paid:		
Ordinary shares		
At 1 January/31-December	10,000	10,000

10. Retained profits

Subject to agreement by the Inland Revenue Board, the Company has Section 108 tax credit and tax exempt income to frank all of its distributable reserves at 31 December 2007 if paid out as dividends.

The Malaysian Budget 2008 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

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11. Deferred taxation

	2007 RM'000	2006 RM'000
Balance at 1 January	25,666	22,635
Transfer (to)/from income statement (Note 14)	(1,000)	131
Transfer (to)/from equity	(9,900)	2,900
	<u>14,766</u>	<u>25,666</u>

The recognised deferred tax liabilities are as follows:

	2007 RM'000	2006 RM'000
Property, plant and equipment		
- capital allowances	14,766	15,766
Revaluation	-	9,900
	<u>14,766</u>	<u>25,666</u>

12. Operating profit

	2007 RM'000	2006 RM'000
Operating profit is arrived at after charging:		
Auditors' remuneration	31	16
Bad debt written off	-	37
Depreciation	349	141
	<u>380</u>	<u>194</u>
and after crediting:		
Rental income from third parties		
(inclusive of rental		
and maintenance charge)	34,891	23,778
	<u>34,891</u>	<u>23,778</u>

There are no employees at the end of the current and previous financial year.

13. Interest expense

	2007 RM'000	2006 RM'000
Term loan	9,767	14,635
CPs/MTNs	2,533	
	<u>12,300</u>	<u>14,635</u>

14. Tax expense

	2007 RM'000	2006 RM'000
Tax expense		
- current year	6,133	4,950
- overprovision in prior years	(3,047)	(3,108)
Deferred taxation		
Origination and reversal of temporary differences		
- current year	(1,000)	205
- prior years	-	(74)
	<u>2,086</u>	<u>1,973</u>

Reconciliation of tax expense

Profit before taxation	22,760	18,319
Income tax using Malaysian tax rates	6,145	5,129
Non-deductible expenses	108	26
Effect of change in tax rate*	(1,120)	-
	<u>5,133</u>	<u>5,155</u>
Overprovision in prior years	(3,047)	(3,182)
Tax expense	<u>2,086</u>	<u>1,973</u>

* The corporate tax rates are 27% for year of assessment 2007, 26% for year of assessment 2008 and 25% for the subsequent years of assessment. Consequently deferred tax assets and liabilities are measured using these tax rates.

15. Holding companies

The Directors regard Menara Citi Holding Company Sdn. Bhd., a company incorporated in Malaysia as the immediate holding company and Citigroup Inc., a company incorporated in the United States of America as the ultimate holding company.

16. Significant related party transactions

	2007 RM'000	2006 RM'000
With related company:		
Rental income received from related companies (inclusive of rental and maintenance charge)	14,974	15,210
Administrative charges	488	181
With affiliated companies		
Rental income received (inclusive of rental and maintenance charge)	<u>4,275</u>	<u>4,250</u>

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

17. Financial instruments

Financial risk management objectives and policies

Exposure to credit, interest rate and liquidity risk arises in the normal course of the Company's business. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Fixed deposits are placed only with licensed financial institutions. At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Interest rate risk

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

17. Financial instruments (continued)

Liquidity risk

The Company monitors and maintains a level of cash and cash equivalents and bank facilities deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

The following table shows information about the Company's exposure to interest rate risk.

Effective interest rate and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier.

	Effective interest rate %	Total RM'000	Within 1 year RM'000	1 - 5 years RM'000	After 5 years RM'000
2007					
Financial assets					
Deposits placed with licensed banks	3.23	19,671	19,671	-	-
Financial liabilities					
CPs/MTNs	4.69	160,253	-	-	160,253
2006					
Financial assets					
Deposits placed with licensed banks	2.86	7,400	7,400	-	-
Financial liabilities					
Term loan	8.97	168,750	15,000	83,750	70,000

17. Financial instruments (continued)**Fair value**

In the opinion of the Directors, there is no significant difference between the fair values and the book values of financial assets and financial liabilities, except for the following:

	2007		2006	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Term loan	-	-	168,750	192,632
CPs/MTNs	160,253	160,253	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The fair value has been determined by discounting the future contractual cash flows using prevailing market interest rates of product types with similar credit risk.