

Laporan Tahunan
2004
Annual Report

MFCB

MEGA FIRST CORPORATION BERHAD

[Co. No. 6682-V]

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

Goh Nan Kioh, *B.Ec.(Hons.)*

Deputy Chariman

* Dato Haji Abu Hanifah bin Noordin,
B.Ec.(Hons.)Acc., CA(M), CPA

Group Managing Director

Lim Thian Soo, *MBChB, MBA*

Group Chief Operating Officer

Chew Wei Keong, *FCCA, CPA, CA(M)*

Non-Executive Directors

* Yong Fook Shin,
*B.Sc.(Mining Geology), ARSM, MIMM,
MIME, P.Eng., C.Eng.*

* Michael Yee Kim Shing,
*B. Comm.(Melb.), ACA(Aust.), CA(M),
CPA(S)*

Lim Boon Seh

Maisuri bin Besri, *B.Ec.(Hons.), MBA*

Goh Nan Yang, *B.Sc.(Hons.)*
(Alternate to Goh Nan Kioh)

EXECUTIVE COMMITTEE

Lim Thian Soo (*Chairman*)

Chew Wei Keong

Goh Nan Yang

AUDIT COMMITTEE

* Michael Yee Kim Shing (*Chairman*)

* Dato' Haji Abu Hanifah bin Noordin

Chew Wei Keong

REMUNERATION COMMITTEE

Goh Nan Kioh (*Chairman*)

Maisuri bin Besri

EMPLOYEE SHARE OPTION

SCHEME COMMITTEE

Lim Thian Soo

* Michael Yee Kim Shing

* Dato' Haji Abu Hanifah bin Noordin

(*) - Independent and Non-Executive Director

GROUP COMPANY SECRETARY

Yong Lai Sim, ACIS

REGISTERED OFFICE

8-05, Level 8

Menara Milenium

8 Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel : 03 2093 8818

Fax : 03 2093 7818

E-mail : mfc@mega-first.com

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Symphony Share Registrars Sdn. Bhd. (Company No. 378993-D)

Level 26, Menara Multi-Purpose

Capital Square

8, Jalan Munshi Abdullah

50100 Kuala Lumpur

Tel : 03 2721 2222

Fax : 03 2721 2530

AUDITORS

Horwath (AF 1018)

PRINCIPAL BANKERS

Affin Bank Berhad

Affin Merchant Bank Berhad

AmBank Berhad

Bank of Communications

Barclays Bank Plc

Bumiputra-Commerce Bank Berhad

RHB Bank Berhad

United Overseas Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad, Main Board

SECTOR

Trading/Services

STOCK CODE

3069

PROFILE OF DIRECTORS

Goh Nan Kioh
B.Ec. (Hons.)
Chairman/Non-independent and non-executive Director
Malaysian

Mr Goh Nan Kioh, age 51, joined the Board on 1 February 2003 as a non-independent and non-executive Director. He was appointed as Chairman of the Board on 29 July 2003. Mr Goh holds a Bachelor of Economics (Honours) degree from the University of Malaya. He has wide and varied business investments in many countries. He is presently the Group Managing Director of Cambrew Group of companies, a brewery and soft drinks company, and Deputy Chairman of Pearl River Tyre (Holdings) Limited, a tyre manufacturing company listed on the Stock Exchange of Hong Kong. Mr Goh has attended four out of the five meetings of the Board of Directors held during the financial year ended 30 June 2004. He is the brother-in-law of Mr Lim Thian Soo and the brother of Mr Goh Nan Yang.

Dato' Haji Abu Hanifah bin Noordin
B.Ec. (Hons.) Acc., CA(M), CPA
Deputy Chairman/Independent and non-executive Director
Malaysian

Dato' Haji Abu Hanifah bin Noordin, age 52, was appointed to the Board on 5 December 1990 and is one of the longest serving independent and non-executive members of the Board. He was appointed as Deputy Chairman of the Board on 29 July 2003. Dato' Hanifah graduated from University of Malaya with an honours degree in Economics and subsequently qualified as a Chartered Accountant and a Certified Public Accountant. He was Chairman and Managing Partner of Turquand Young & Co./Ernst & Whinney (now known as Ernst & Young) for 9 years. He was also President of the Malaysian Institute of Accountants for 13 years and in that capacity was a Board member of the International Accounting Standards Committee. He is also a director of Pacific & Orient Berhad, Pacific & Orient Insurance Co. Berhad and Via Communication Network Berhad. Dato' Hanifah has attended all meetings of the Board of Directors held during the financial year ended 30 June 2004.

Lim Thian Soo
MBChB, MBA
Group Managing Director
Malaysian

Mr Lim Thian Soo, age 41, joined the Board on 1 February 2003 as a non-independent and non-executive Director. He was appointed as Group Managing Director of the Company on 26 February 2003. Mr Lim graduated from Edinburgh University Medical School in 1986 and worked for six years as a doctor in the United Kingdom. He completed his Masters degree in Business Administration at City University Business School in London in 1993. Prior to joining MFCB, he held the position of Director of Corporate Affairs of Pearl River Tyre (Holdings) Limited, a company listed on the Stock Exchange of Hong Kong. Mr Lim is also a non-executive director of Rock Chemical Industries (Malaysia) Berhad, a subsidiary company listed on Bursa Malaysia Securities Berhad, Second Board. He has attended all meetings of the Board of Directors held during the financial year ended 30 June 2004. He is the brother-in-law of Mr Goh Nan Kioh.

Chew Wei Keong
FCCA, CPA, CA (M)
Group Chief Operating Officer
Malaysian

Mr Chew Wei Keong, age 48, was appointed an Executive Director of the Company on 30 March 1995. He is a Fellow of the Chartered Association of Certified Accountants and a member of the Malaysian Institute of Accountants and the Malaysian Association of Certified Public Accountants. He joined the Company in September 1990 as Group Accountant after having spent more than 10 years with a major accounting firm as well as other public listed companies, holding management positions. Mr Chew is also non-executive director of Rock Chemical Industries (Malaysia) Berhad, a subsidiary company listed on Bursa Malaysia Securities Berhad, Second Board. He has attended all meetings of the Board of Directors held during the financial year ended 30 June 2004.

Yong Fook Shin
B.Sc. (Mining Geology), ARSM, MIMM, MIME, P.Eng., C.Eng.
Independent and non-executive Director
Malaysian

Mr Yong Fook Shin, age 61, joined the Board on 30 March 1995. He graduated with a Bachelor of Science in Mining Geology (Honours) degree from Imperial College, England. He is a Chartered Engineer, a Professional Engineer, an Associate of the Royal School of Mines and is a Member of the Institution of Mining and Metallurgy as well as the Institute of Mineral Engineering. He has more than 30 years of experience in the mining industry, having worked in tin mines in Malaysia and Brazil. Mr Yong was the Managing Director of Mamut Copper Mining Sdn Bhd during the last five years of the Mamut Copper Mine's operation; its closure was in October 1999. Mr Yong has attended all meetings of the Board of Directors held during the financial year ended 30 June 2004.

Michael Yee Kim Shing
B. Comm. (Melb.), ACA (Aust.), CA(M), CPA(S)
Independent and non-executive Director
Malaysian

Mr Michael Yee Kim Shing, age 66, joined the Board on 5 April 1990 and is the longest serving member of the Board. He graduated from University of Melbourne with a Bachelor of Commerce degree, and is a member of the Institute of Chartered Accountants in Australia, a member of the Malaysian Institute of Accountants and the Singapore Society of Public Accountants. He has been actively involved with the Company since 1990. He has held the position as Chairman of the Board from 5 April 1990 until 5 December 1990 when he assumed the position of Director in charge of Finance and Administration until 28 February 1992, but continued to serve as a non-executive director. Prior to joining the Company, Mr Yee spent 26 years in the accounting profession before retiring as a Senior Partner of Ernst & Whinney (now known as Ernst & Young). He is also an independent and non-executive director of Pacific & Orient Berhad, Pacific & Orient Insurance Co. Berhad and Dataprep Holdings Berhad. Mr Yee has attended all meetings of the Board of Directors held during the financial year ended 30 June 2004.

Lim Boon Seh
Non-independent and non-executive Director
Malaysian

Mr Lim Boon Seh, age 50, joined the Board on 1 February 2003 as a non-independent and non-executive Director. He completed his secondary school education and had wide knowledge in rubber-based businesses. He also has more than 20 years' experience in latex thread production and is currently the Managing Director of Rubber Thread Industries (M) Sdn Berhad, a substantial shareholder of Mega First Corporation Berhad. Mr Lim has attended all meetings of the Board of Directors held during the financial year ended 30 June 2004.

Maisuri bin Besri
B.Ec.(Hons.), MBA
Non-independent and non-executive Director
Malaysian

Encik Maisuri bin Besri, age 47, holds a Bachelor of Economics (Public Administration) (Honours) degree from the University of Malaya, and a Master of Business Administration degree from Edith Cowan University of Australia. He was appointed a Director of the Company on 1 March 2003, and is a non-independent and non-executive Director. He is the Group General Manager of Sabah Economic Development Corporation ("SEDCO"). Prior to joining SEDCO in November 2002, Encik Maisuri has served for 20 years in the Sabah State Government and was attached to the State Economic Planning Unit and the State Ministry of Finance. Encik Maisuri has attended all meetings of the Board of Directors held during the financial year ended 30 June 2004.

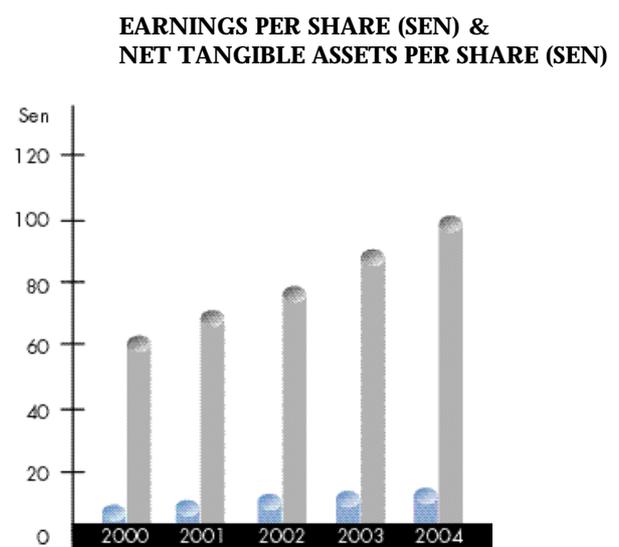
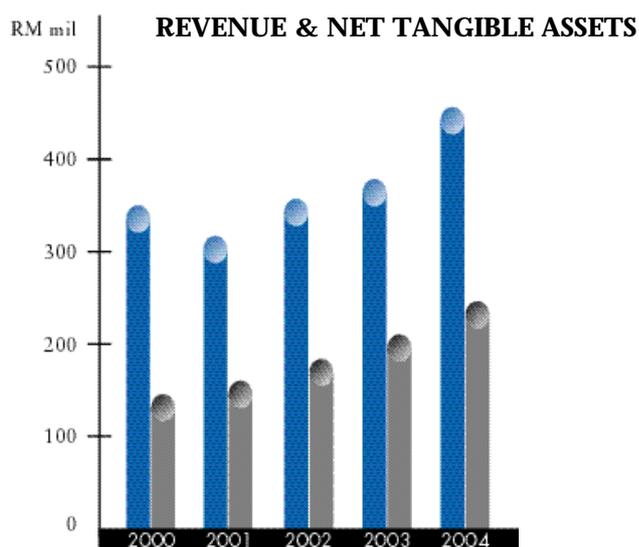
Goh Nan Yang
B.Sc. (Hons.)
Non-independent and non-executive Alternate Director
Malaysian

Mr Goh Nan Yang, age 41, holds a Bachelor of Science (Engineering) (Honours) degree from University of Teledo. He was appointed as the alternate Director to Mr Goh Nan Kioh, who is his brother, on 13 March 2003. He joined a public listed company after graduation, during which period he was involved in several major infrastructure and housing projects. In the mid-1990s, he left employment and started his own business in property development and manufacturing activities in Melbourne, Australia. Since then, his business has diversified into hospitality and student education ventures. He is a non-independent and non-executive alternate director. During the financial year ended 30 June 2004, he attended one Board meeting in the absence of Mr Goh Nan Kioh.

None of the Directors of the Company has been convicted of any offence within the past 10 years other than traffic offence, if any.

FIVE YEAR FINANCIAL HIGHLIGHTS

Year Ended 30 June	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Results					
Revenue	344,732	315,809	366,828	376,633	450,221
Profit/(Loss) Before Tax	30,887	39,361	43,615	49,421	64,116
As Of June					
Shareholders' Equity	152,798	171,915	193,047	224,105	256,873
Net Tangible Assets	145,969	165,940	186,101	213,228	246,091
Per Ordinary Share					
Earnings/(Loss) (sen)	8.4	9.5	10.3	11.2	12.8
Gross Dividend (sen)	–	–	1.0	1.0	1.5
Net Tangible Assets (sen)	61.9	70.3	78.9	90.3	104.3



■ Revenue
■ Net Tangible Assets

■ Earnings Per Share
■ Net Tangible Assets Per Share

CORPORATE GOVERNANCE STATEMENT

The following are statements on application of the Principles of Corporate Governance pursuant to Part 1 of Chapter 5 of the Malaysian Code on Corporate Governance (“the Code”).

BOARD OF DIRECTORS

The Company’s Board is made up of Directors who are entrepreneurs and experienced professionals in the fields of economics, medicine, accountancy, business management and engineering. All these different skills working together enables the Board to effectively lead and control the Company.

The composition of the Board includes sufficient numbers of independent, executive and non-executive, Directors as prescribed by the Listing Requirements of the Bursa Malaysia Securities Berhad (“Bursa Securities”). This is to ensure that no individual or small groups of individuals dominate the Board’s decision-making process.

Board meetings were held five times in FY 2004. At least five days prior to the Board meeting, all Directors were provided with a complete set of Board papers, which includes the Company’s financial position, results of operations and the key business strategies of operating units in the light of any significant shifts in risk profiles. Comprehensive annual budgets, business plans, strategies and risk profiles are presented to and approved by the Board. This is to enable the Directors to participate actively in the overall management and stewardship of the Company.

The Directors have direct access to the advice and services of the Company Secretary, and they may seek external professional advice if required by them.

All Directors (including the Managing Director) will retire at regular intervals by rotation at least every three years and they shall be eligible for re-election.

When appointing new directors, the Board is first provided with the curriculum vitae of the candidate beforehand for consideration. The appointment is then finalised after discussions at a Board meeting, giving ample time for deliberations on the suitability of the candidate.

All Directors have successfully completed the mandatory accreditation programme prescribed by Bursa Securities and are subsequently required to attend courses under the Continued Education Programme in accordance with the Listing Requirements.

In FY 2004, the composition of the Board, together with the attendance of the respective Directors at Board meetings are as follows:-

Name of Director	Attendance Record
Goh Nan Kioh	4/5
Dato' Haji Abu Hanifah bin Noordin	5/5
Lim Thian Soo	5/5
Chew Wei Keong	5/5
Yong Fook Shin	5/5
Michael Yee Kim Shing	5/5
Datuk Sivalingam s/o Munusamy (Deceased)	5/5
Lim Boon Seh	5/5
Maisuri bin Besri	5/5
Goh Nan Yang (Alternate to Goh Nan Kioh)	1/5

Mr Lim Thian Soo and persons connected to him are involved in property development activities. Encik Maisuri bin Besri represents SEDCO on the Board. SEDCO has subsidiaries, which are involved in property development activities. Save as disclosed above, none of the directors of the Company have conflict of interest with the Company.

DIRECTORS' REMUNERATION

The Board maintains that the current remuneration for each category of directors commensurate with that adopted by companies of similar standing, and is sufficient to attract and retain directors of high calibre. The Remuneration Committee reviews annually and the Board approves the remuneration for Executive Directors. The remuneration of Non-Executive Directors is by way of fixed annual fees, based on recommendations by the Board and approved by shareholders at the annual general meeting. The Company reimburses reasonable expenses incurred by the Directors in the course of their duties as directors.

The aggregate remuneration of the Directors, including former Directors, paid or payable or otherwise made available from the Company and its subsidiary companies during the year and categorized into appropriate components are as follows:-

(RM'000)	Emolument	Fee	Consultancy	Total
Executive Directors	724	-	-	724
Non-Executive Directors	-	177	15	192

Remuneration categories of the Directors of the Company during the financial year are as follows :-

Range of remuneration	Number of Directors	
	Executive Director (*)	Non-Executive Director (**)
Below RM50,000	-	8
RM50,000 – RM100,000	1	-
RM250,000 – RM300,000	1	-
RM350,000 – RM400,000	1	-

(*) - includes a Director who is employed by a subsidiary company

(**) - includes former Directors

The Code recommends detailed disclosure to be made for each director's remuneration. However, the Board is of the view that the transparency and accountability is not compromised by the band disclosure as permitted by the Bursa Securities Listing Requirements.

SHAREHOLDERS

Shareholders are kept well informed of developments and performances of the Company through disclosures to the Bursa Securities and press (where appropriate) as well as the annual report. The annual report contains all the necessary disclosures in addition to facts and figures about the Company. In addition, efforts have been made to ensure that the report is user friendly so that shareholders have a good understanding about the Company and its operations.

Adequate time is given during Annual and Extraordinary General Meetings to allow the shareholders to seek clarifications or ask questions on pertinent and relevant matters.

In addition to the above, the Company is always willing to meet up with institutional investors when the need arises, to elaborate or further clarify information already disclosed to the other shareholders.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for the preparation of the annual audited accounts, and the Board ensures that the accounts and the other financial reports of the Company and of the Group are prepared in accordance with applicable approved accounting standards and the provisions of the Companies Act, 1965.

On a quarterly basis, the Company releases to the Bursa Securities details of the Company's performance as well as information on current issues and concerns. These announcements are only released after scrutiny by the Audit Committee and approved by the Board of Directors. At the end of each financial year, a comprehensive annual report is published and sent to all the shareholders. This report is prepared in accordance with the latest Bursa Securities guidelines, and is available to the public.

The Audit Committee plays an active role in helping the Board discharge its governance responsibilities. The Committee works within the purview of the terms of reference, which have been drafted in accordance with the Listing Requirements. The role of the Committee in relation to the external auditors is also embodied under its terms of reference.

The Internal Audit Department reports directly to the Audit Committee. Their role is to carry out regular visits to the operating units to ensure compliance with the Group's policies, procedures and internal control systems. They have also adopted a risk based approach when carrying out their audits. The findings are all properly documented and presented to the Audit Committee, with copies to the parties concerned, so that timely corrective measures can be taken.

The Board acknowledges its overall responsibility for maintaining the system of internal controls to safeguard shareholders' investment and the Company's assets. The Statement on Internal Control made in pursuance of paragraph 15.27 of the Listing Requirements is separately set out in this annual report.

COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE

The Group was substantially in compliance with the Best Practices of Corporate Governance throughout FY 2004, with the exception of the following:-

- We have not appointed a senior independent non-executive director, to whom concerns can be conveyed. We do not believe there is such a necessity because all our Board members actively and freely participate during Board meetings.
- Establishment of a Nomination Committee has not been effected as the Board carries out its functions.

ADDITIONAL COMPLIANCE STATEMENT

- **Material Contracts with Related Parties**
There are no material contracts subsisting at the end of the financial year or entered into since the end of the previous financial year by the Company and its subsidiaries which involve interests of directors and major shareholders.
- **Sanctions and/or Penalties imposed**
There are no sanctions or material penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year.
- **Share buy-backs**
There was no share buy-back by the Company for the financial year.
- **Options, warrants or convertible securities**
During the financial year, no share options were issued or exercised pursuant to the Employee Share Option Scheme. As at the financial year-end on 30 June 2004, employees hold 3,091,000 share options issued pursuant to the Employee Share Option Scheme. The Company has not issued any warrants or convertible securities during the financial year.
- **American Depository Receipt (ADR) or Global Depository Receipt (GDR) programme**
The Company did not sponsor any ADR or GDR programme during the financial year.
- **Non-audit fees**
The non-audit fees paid to the external auditors for the financial year have been reflected under Note 6 of the Financial Statements.
- **Profit estimate, forecast, projection or unaudited results**
The Company did not issue any profit estimate, forecast or projection for the financial year. There is no variance between the audited results for the financial year and the unaudited results previously announced by the Company.
- **Profit guarantee**
The Company did not give any profit guarantee during the financial year.
- **Revaluation of landed properties**
The Company does not have a revaluation policy on landed properties.

CHAIRMAN'S STATEMENT PENYATA PENGERUSI

On behalf of the Board of Directors of MFCB, I have the pleasure of presenting the 38th Annual Report incorporating the Financial Statements of the Group and the Company for the year ended 30 June 2004.

Review of Operations

The Group achieved a profit before tax of RM64.1 million for the year representing an increase of 30% over the previous year. Revenue for the financial year of RM450.2 million is 20% higher than the previous year.

Overall the performance of the Group has been commendable despite concerns over terrorists activities and higher fuel prices.

The Group continued to undertake measures to improve operating efficiency of its businesses to maintain its competitive edge.

At the Company level profit before tax of RM6.7 million represents a decrease of 39% compared to previous year. The higher profit in the previous year was mainly due to a write-back of allowance for diminution in value of shares in an associated company.

Significant Corporate Events

- i) On 3 June 2003, Idaman Harmoni Sdn. Bhd., a 65% owned subsidiary company of the Group, entered into two sale and purchase agreements with Palmshine Plaza Sdn. Bhd. ("PPSB") for the purchase of 3 adjoining plots of leasehold land measuring approximately 14,846 square metres located at Jalan Barat, Petaling Jaya from PPSB for a total cash consideration of RM18.0 million. These acquisitions were completed on 15 November 2003.

Bagi pihak Lembaga Pengarah MFCB, saya dengan sukacitanya membentangkan Laporan Tahunan ke 38 yang menggabungkan Penyata Kewangan bagi Kumpulan dan Syarikat untuk tahun kewangan berakhir 30 Jun 2004.

Ulasan Operasi

Kumpulan mencatat keuntungan sebelum cukai berjumlah RM64.1 juta untuk tahun berkenaan yang mewakili peningkatan sebanyak 30% berbanding tahun sebelumnya. Perolehan dalam tahun kewangan ini berjumlah RM450.2 juta iaitu 20% lebih tinggi dari tahun sebelumnya.

Prestasi keseluruhan Kumpulan adalah membanggakan di seabalik terdapatnya kebimbangan tentang ancaman pengganas dan harga minyak yang meningkat tinggi.

Kumpulan telah terus mengambil langkah-langkah untuk meningkatkan keberkesanan operasi di dalam perniagaan-perniagaannya bagi mengekalkan kelebihan keupayaan persaingannya.

Di peringkat Syarikat, keuntungan sebelum cukai berjumlah RM6.7 juta telah menyusut 39% berbanding tahun sebelumnya. Keuntungan yang lebih tinggi pada tahun sebelumnya adalah disebabkan terutama sekali oleh pengambilkiraan semula elaun bagi penyusutan nilai saham di dalam sebuah syarikat bersekutu.

Peristiwa-Peristiwa Korporat Penting

- i) Pada 3 Jun 2003, Idaman Harmoni Sdn. Bhd., sebuah anak syarikat yang dimiliki 65% oleh Kumpulan, telah memeterai dua perjanjian jualbeli dengan pihak Palmshine Plaza Sdn. Bhd. ("PPSB") untuk membeli 3 plot berderet tanah pajakan berkeluasan kira-kira 14,846 meter persegi di Jalan Barat, Petaling Jaya daripada PPSB pada harga tunai RM18.0 juta. Pembelian tersebut telah dilengkapkan pada 15 November 2003.

ii) On 15 December 2003, Authentic Excellence Sdn. Bhd. (“AESB”) a wholly-owned subsidiary of the Company acquired 2,500,000 ordinary shares of RM1.00 each representing 5.9% of the issued and paid-up share capital of Rock Chemical Industries (M) Bhd (“RCI”) for a total cash consideration of RM5.0 million. Prior to the acquisition the Company directly held 16,302,400 ordinary shares representing 38.5% of the issued and paid-up share capital of RCI. After the acquisition, AESB and the Company, collectively, hold 18,802,400 ordinary shares representing 44.4% of the issued and paid-up share capital of RCI which resulted in AESB extending a Mandatory Offer (“MO”) for the remaining ordinary shares in RCI not already owned. The MO was approved by the shareholders of the Company at the Extraordinary General Meeting on 26 May 2004 and was completed on 22 June 2004 with acceptance totalling 11.39% of the issued and paid-up share capital of RCI thus making RCI a 55.78% subsidiary company of the Group.

iii) On 10 March 2004, Bloxwich Forgings (Pty.) Limited (“BFPL”), a 96.9% owned subsidiary of the Group was liquidated pursuant to an Order of the High Court of South Africa.

BFPL, incorporated in the Republic of South Africa on 29 June 1993, was principally involved in the manufacturing of forged components mainly for the container and automotive industry, and had recorded losses for several years.

The liquidation of BFPL resulted in a loss of approximately RM4.1 million for the Group and this has been taken up in the financial statements for the year under review.

iv) On 26 May 2004 the Company proposed to undertake a private placement of up to 10% of the issued and paid-up share capital of the Company (“Placement Shares”) and this was approved by the Securities Commission and Foreign Investment Committee on 26 July 2004.

ii) Pada 15 Disember 2003, Authentic Excellence Sdn. Bhd. (“AESB”) sebuah anak syarikat milik penuh Syarikat telah membeli 2,500,000 saham biasa bernilai RM1.00 sesaham yang mewakili 5.9% daripada modal terbitan dan berbayar Rock Chemical Industries (M) Bhd (“RCI”) pada harga tunai RM5.0 juta. Sebelum pembelian ini, Syarikat telah pun memiliki 16,302,400 saham biasa yang mewakili 38.5% daripada modal terbitan dan berbayar RCI. Selepas pembelian tersebut, AESB dan Syarikat secara bersama kini memegang 18,802,400 saham biasa yang mewakili 44.4% daripada modal terbitan dan berbayar RCI yang seterusnya menyebabkan AESB perlu membuat suatu Tawaran Mandatori (“TM”) untuk baki saham biasa di dalam RCI yang masih belum dimiliki. TM berkenaan telah diluluskan oleh para pemegang saham Syarikat di dalam Mesyuarat Agung Luarbiasanya pada 26 Mei 2004 dan telah dilengkapkan pada 22 Jun 2004 dengan penerimaan berjumlah 11.39% daripada modal terbitan dan berbayar RCI justeru menjadikan RCI sebuah anak syarikat Kumpulan dengan pemilikan 55.78%.

iii) Pada 10 Mac 2004, Bloxwich Forgings (Pty.) Limited (“BFPL”), sebuah anak syarikat yang dimiliki 96.9% oleh Kumpulan telah dicairkan berikutan Perintah yang dikeluarkan oleh Mahkamah Tinggi Afrika Selatan.

BFPL, yang diperbadankan di Republik Afrika Selatan pada 29 Jun 1993, telah terlibat terutamanya di dalam pembuatan komponen-komponen keluli khusus untuk industri kontena dan automotif dan telah mengalami kerugian sejak beberapa tahun.

Pencairan BFPL telah menyebabkan kerugian berjumlah kira-kira RM4.1 juta kepada Kumpulan dan telah dibawa masuk ke dalam rekod-rekod kewangan bagi tahun yang diulas ini.

iv) Pada 26 Mei 2004, Syarikat telah mencadangkan penempatan tertutup bagi sehingga 10% modal terbitan dan berbayar Syarikat (“Saham Penempatan”) dan ianya telah diluluskan oleh pihak Suruhanjaya Sekuriti dan Jawatankuasa Pelaburan Asing pada 26 Julai 2004.

The maximum number of Placement Shares to be issued pursuant to the Proposed Private Placement is based on 10% of the issued and paid-up share capital of the Company of RM236,000,000 comprising 236,000,000 ordinary shares of RM1.00 each in the Company.

Dividend

The Board has recommended a first and final dividend of 1.5% less income tax of 28% for the financial year ended 30 June 2004 subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Prospect

The Group has continued to succeed by relying on its core business philosophy of ensuring operating stability and efficiency and remains committed to its strategy of creating shareholder value through organic growth and selective acquisition of assets.

The Board is of the view that the results of Group will continue to be satisfactory.

Directorate

We are sad to have lost the services of Datuk Sivalingam s/o Munusamy who passed away on 26 July 2004.

Acknowledgement and Appreciation

The Board would like to take this opportunity to extend its appreciation to customers, business associates, regulatory authorities and shareholders for their continuing support to the Group.

The Board would also like to thank the management and staff for their commitment to the Group

Goh Nan Kioh
Chairman

5 October 2004

Bilangan maksima Saham Penempatan untuk diterbitkan berikutan Cadangan Penempatan Tertutup adalah berdasarkan 10% daripada saham modal terbitan dan berbayar Syarikat berjumlah RM236,000,000 yang terdiri daripada 236,000,000 saham biasa bernilai RM1.00 setiap satu di dalam Syarikat.

Dividen

Pihak Lembaga Pengarah telah mencadangkan dividen pertama dan akhir sebanyak 1.5% ditolak cukai pendapatan 28% untuk tahun kewangan berakhir 30 Jun 2004 dan tertakluk kepada kelulusan para pemegang saham pada Mesyuarat Agung Tahunan yang akan datang.

Prospek

Kumpulan telah terus mengecapi kejayaan menerusi pelaksanaan falsafah teras perniagaannya iaitu dalam meneruskan kestabilan dan keberkesanan operasi serta mengekalkan komitmennya terhadap strategi memupuk nilai pegangan saham menerusi pertumbuhan organik dan pembelian aset-aset terpilih.

Pihak Lembaga Pengarah berpendapat bahawa prestasi dan keputusan Kumpulan akan terus kekal memuaskan.

Direktorat

Kami amat bersedih atas kehilangan khidmat Datuk Sivalingam s/o Munusamy yang telah meninggal dunia pada 26 Julai 2004.

Makluman dan Penghargaan

Pihak Lembaga Pengarah mengambil kesempatan ini untuk menyampaikan penghargaan kepada para pelanggan, rakan-rakan perniagaan, pihak-pihak berkuasa dan para pemegang saham di atas sokongan mereka yang berterusan kepada Kumpulan.

Lembaga Pengarah juga ingin merakamkan ucapan terima kasih kepada pihak pengurusan dan kakitangan di atas komitmen mereka terhadap Kumpulan.

Goh Nan Kioh
Pengerusi

5 Oktober 2004

GROUP MANAGING DIRECTOR'S OPERATION REVIEW

FOR THE FINANCIAL YEAR ENDED
30 JUNE 2004 ("FY 2004")

OVERVIEW

For the financial year under review, the Group achieved a pre-tax profit of RM64.1 million and a revenue of RM450.2 million. This represents an increase of 30% and 20% respectively compared to the pre-tax profit and revenue in the previous year. The results were commendable despite concerns over unfavourable business conditions such as terrorist activities and high fuel prices.

The Power Division remains the main contributor to the profits of the Group with RM52.6 million.

The sustained profitability of the Group was mainly due to the continuing efforts taken to improve the efficiency and productivity of its core businesses.

TINJAUAN OPERASI OLEH PENGARAH URUSAN KUMPULAN

UNTUK TAHUN KEWANGAN BERAKHIR
30 JUN 2004 ("TK 2004")

TINJAUAN OPERASI

Bagi tahun kewangan yang diteliti ini, Kumpulan telah mencatat keuntungan sebelum cukai berjumlah RM64.1 juta dan perolehan sebanyak RM450.2 juta. Ini merupakan peningkatan masing-masingnya sebanyak 30% dan 20% berbanding pencapaian keuntungan sebelum cukai dan perolehan tahun sebelumnya. Pencapaian ini adalah membanggakan di sebalik pelbagai kebimbangan tentang kesukaran keadaan perniagaan seperti ancaman penggasan dan peningkatan harga minyak.

Bahagian Tenaga telah kekal sebagai penyumbang utama terhadap keuntungan Kumpulan dengan catatan RM52.6 juta.

Keuntungan Kumpulan berjaya dikekalkan terutamanya disebabkan oleh usaha-usaha berterusan yang diambil untuk meningkatkan keberkesanan dan produktiviti perniagaan-perniagaan terasnya.

POWER DIVISION

The Power Division registered a pre-tax profit of RM52.6 million and a revenue of RM223.6 million in FY 2004 compared to RM39.6 million and RM163.1 million respectively in the previous year.

The Group's power plant in Shaoxing, China continued to perform well during the year under review despite an increase in coal prices due to short supply. The plant is currently undergoing further expansion which will increase its electricity generation capacity from 42MW to 63MW and its steam generating capacity from 290 tons per hour to 420 tons per hour. The expansion is expected to be completed by the end of December 2004.

The power plant in Tawau continue to perform well and the connection to the East Coast Grid ensures a more consistent off-take of the energy generated.

The Power Division is expected to improve its profit record for the next financial year.



Construction in progress for phase 8 expansion of power plant in China.

Kerja-kerja pembinaan yang sedang berlangsung bagi pembesaran loji tenaga fasa 8 di China.

BAHAGIAN TENAGA

Bahagian Tenaga telah mencatatkan keuntungan sebelum cukai berjumlah RM52.6 juta dan perolehan sebanyak RM223.6 juta dalam TK 2004 berbanding RM39.6 juta dan RM163.1 juta masing-masingnya pada tahun sebelumnya.

Loji tenaga Kumpulan di Shaoxing, China telah mengekalkan prestasi baik sepanjang tahun kewangan ini sungguhpun terdapat peningkatan harga arangbatu disebabkan oleh kekurangan bekalan. Loji berkenaan kini sedang menjalani proses pembesaran yang berterusan yang akan meningkatkan kapasiti pengeluaran lektriknya daripada 42MW kepada 63MW dan kapasiti pengeluaran stimnya daripada 290 tan sejam kepada 420 tan sejam. Proses pembesaran loji tersebut dijangka akan siap menjelang akhir Disember 2004.

Loji tenaga di Tawau telah terus mempamerkan prestasi baik dan sambunganya kepada Grid Pantai Timur telah memastikan pembekalan kuasa yang dihasilkan dengan lebih konsisten.

Bahagian Tenaga dijangka akan berupaya meningkatkan rekod keuntungannya pada tahun kewangan akan datang.



Sri Inai Townhouse project in Taman Setapak Indah.
Projek Rumahbandar Sri Inai di Taman Setapak Indah.

PROPERTY DIVISION

The Property Division achieved a revenue of RM24.2 million which represents a decrease of 43% compared to the previous year. However pre-tax profit increased by RM3.0 million to RM7.1 million compared to the previous year due mainly to a higher profit margin.

The overall property market remained cautious and selective with strong demand for the Group's development in Greentown, Ipoh. The Group has through its subsidiary company entered into a Development Agreement with IJM Properties Sdn. Bhd. to jointly develop a piece of commercial land measuring 3.8 acres at Jalan Barat, Petaling Jaya. The mixed development will entail commercial, retail and residential units with an approximate total built-up area of 861,120 square feet with a gross value of about RM210 million. The built-up area and gross sales value however, will be dependent on the final approved plans and market conditions.

BAHAGIAN HARTANAH

Bahagian Hartanah telah mencatat perolehan berjumlah RM24.2 juta iaitu menyusut 43% berbanding tahun sebelumnya. Namun begitu, keuntungan sebelum cukai telah meningkat sebanyak RM3.0 juta kepada RM7.1 juta berbanding tahun sebelumnya disebabkan oleh margin keuntungan yang lebih besar.

Pasaran hartanah secara keseluruhannya kekal berhati-hati dan terpilih dengan permintaan yang tinggi terhadap projek pembangunan oleh Kumpulan di Greentown, Ipoh. Kumpulan, menerusi anak syarikatnya, telah memeterai Perjanjian Pembangunan dengan IJM Properties Sdn. Bhd. untuk, secara usahasama, membangunkan sebidang tanah komersil seluas 3.8 ekar di Jalan Barat, Petaling Jaya. Pembangunan bercampur ini akan terdiri dari unit-unit komersil, runcit dan kediaman dengan luas binaan berjumlah kira-kira 861,120 kaki persegi dan bernilai kasar kira-kira RM210 juta. Luas binaan dan nilai jualan kasar tersebut, bagaimanapun, tertakluk kepada perancangan akhir yang akan diluluskan dan keadaan pasaran.



3-storeyed shophouse in Bandar Baru Salak Tinggi.
Rumah kedai 3 tingkat di Bandar Baru Salak Tinggi.

ENGINEERING DIVISION

The Engineering Division recorded a loss of RM15.1 million and a revenue of RM187.3million for the financial year compared to a loss of RM12.3 million and a revenue of RM167.6 million previously.

The loss was principally due to write-off of assets from the on-going rationalization exercise of our subsidiary companies in the United Kingdom and a loss of RM4.1 million on liquidation of a subsidiary in South Africa.

Generally the motor industry is showing positive trends including a continuing recovery in the market. However one major concern is the price of raw materials, in particular steel, which coupled with a margin squeeze has resulted in a general reduction in profit margins. The Engineering Division is constantly reviewing its operations in its effort to diversify its business risk and improve profitability.



800-ton transfer press machine for door hinge manufacture.
Mesin cetak pindah 800 ton bagi pembuatan engsel pintu.

BAHAGIAN KEJURUTERAAN

Bahagian Kejuruteraan mencatatkan kerugian sebanyak RM15.1 juta dan perolehan sebanyak RM187.3 juta untuk tahun kewangan ini berbanding dengan kerugian sebanyak RM12.3 juta dan perolehan sebanyak RM167.6 juta sebelumnya.

Kerugian ini adalah disebabkan terutamanya oleh pelupusan asset daripada aktiviti penyesuaian semula oleh anak-anak syarikat kami di United Kingdom dan kerugian RM4.1 juta daripada pencairan anak syarikat di Afrika Selatan.

Umumnya, industri automotif sedang menunjukkan tanda-tanda positif termasuk pemulihan pasaran yang berterusan. Namun demikian, terdapat kebimbangan tentang harga bahan mentah, khususnya keluli, di mana bergabung dengan pengurangan margin, telah menyebabkan margin keuntungan semakin berkurangan secara amnya. Bahagian Kejuruteraan sentiasa menjalankan pembaikan berterusan terhadap operasinya dalam usaha untuk mempelbagaikan risiko perniagaan dan meningkatkan keuntungan.

LIMESTONE DIVISION

Syarikat Cheng Sun Quarry Sdn. Bhd. (“CSQ”) registered a revenue of RM3.2 million and a pre-tax profit of RM0.2 million for the current financial year compared to RM3.3 million and RM0.1 million in the previous year.

The market remains competitive with an over supply of fine calcium carbonate powder. However, the management is always monitoring its operation in an effort to improve the profit margin.

The Division’s performance will be enhanced by the increase in the Group’s equity interest in Rock Chemical Industries (Malaysia) Bhd (“RCI”) from 38.49% to 55.78% as a result of the acquisition of additional shares and the successful completion of the Mandatory Offer in June 2004. Consequently, RCI is now a subsidiary company of the Group. The completion of the MO on RCI has enabled the Group to consolidate RCI’s business which will result in better earnings for the Group. RCI is principally involved in the manufacture and sale of lime products and as a limestone quarry operator.

OTHER INVESTMENTS

The Group’s investment in Perilya Limited (“PL”) was disposed of during the current financial year in line with the strategy of focusing on its core business.



RCI lime plant in Gopeng.
Kilang batukapur RCI di Gopeng.

BAHAGIAN BATUKAPUR

Syarikat Cheng Sun Quarry Sdn. Bhd. (“CSQ”) telah mencatatkan perolehan sebanyak RM3.2 juta dan keuntungan sebelum cukai berjumlah RM0.2 juta untuk tahun kewangan semasa berbanding dengan RM3.3 juta dan RM0.1 juta pada tahun sebelumnya.

Pasaran kekal bersaing hebat dan terdapat lebih bekalan bagi serbuk halus kalsium karbonat. Namun demikian, pihak pengurusan sentiasa memantau operasinya dalam usaha untuk meningkatkan kadar keuntungan.

Prestasi Bahagian ini akan bertambah kukuh dengan peningkatan kepentingan ekuiti Kumpulan di dalam Rock Chemical Industries (Malaysia) Bhd (“RCI”) daripada 38.49% kepada 55.78%, hasil daripada aktiviti perolehan saham-saham tambahan serta selesainya Tawaran Mandatori (“TM”) pada Jun 2004. Dengan itu, RCI kini merupakan sebuah anak syarikat Kumpulan. Selesainya aktiviti TM bagi RCI telah membolehkan Kumpulan untuk menggabungkan pencapaian RCI dan seterusnya akan mempertingkatkan pendapatan Kumpulan. RCI secara utamanya terlibat di dalam penghasilan dan penjualan bahan-bahan batukapur dan sebagai pengendali kuari batukapur..

PELABURAN-PELABURAN LAIN

Pelaburan Kumpulan di dalam Perilya Limited (“PL”) telah dilepaskan dalam tahun kewangan semasa selaras dengan strategi untuk memberikan tumpuan terhadap perniagaan teras Kumpulan.

AUDIT COMMITTEE REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

1. Composition

Chairman : Mr. Michael Yee Kim Shing (Independent Director)

Members : Dato' Haji Abu Hanifah bin Noordin (Independent Director)
Mr. Chew Wei Keong (Group Chief Operating Officer)

2. Terms of Reference

2.1. Membership

2.1.1 The Committee shall be appointed by the Board of Directors from amongst the Directors of the Company and shall consist of not less than three (3) members.

2.1.2 The majority of the members, including the Chairman of the Committee, shall be Independent Directors as defined in Chapter 1 of the Listing Requirement of Bursa Securities.

2.1.3 The Committee shall include at least one person:-

(a) Who is a member of the Malaysian Institute of Accountants, or

(b) Who must have at least 3 years working experience and: -

(i) Have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967, or

(ii) Is a member of one of the Associations specified in Part II of the First Schedule of the Accountants Act, 1967.

2.1.4 No alternate Directors shall be appointed as a member of the Committee.

2.1.5 The members of the Committee shall elect a Chairman from amongst their number.

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

2.1.7 The term of office and performance of the Committee and of each of its members shall be reviewed by the Board no less than once every three (3) years. However, the appointment terminates when a member ceases to be a Director.

2.2 Meetings

2.2.1 The quorum for a Committee meeting shall be at least two (2) members, the majority present must be Independent Directors.

2.2.2 The Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide.

- 2.2.3 Notwithstanding paragraph 2.2.2 above, upon the request of any member of the Committee, non-member Directors, the Internal or External Auditors, the Chairman shall convene a meeting of the Committee to consider the matters brought to its attention.
- 2.2.4 The External Auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so.
- 2.2.5 The Committee may invite any non-member Director or employee of the Company and of the Group who the Committee thinks fit and proper to attend its meeting to assist in its deliberations and resolutions of matters raised.
- 2.2.6 The Internal Auditors shall be in attendance at all meetings to present and discuss the audit reports and other related matters and the recommendations relating thereto and to follow up on all relevant decisions made.
- 2.2.7 The Company Secretary shall act as Secretary of the Committee and shall be responsible, with the concurrence of the Chairman, for drawing up and circulating the agenda and the notice of meetings together with the supporting explanatory documentation to members prior to each meeting.
- 2.2.8 The Secretary of the Committee shall be entrusted to record all proceedings and minutes of all meetings of the Committee.
- 2.2.9 In addition to the availability of detailed minutes of the meetings to all Board members, the Committee at each Board meeting will report a summary of significant matters and resolutions.

2.3 Rights and Authority

The Committee is authorised to: -

- 2.3.1 Investigate any matter within its terms of reference.
- 2.3.2 Have adequate resources required to perform its duties.
- 2.3.3 Have full and unrestricted access to information, records and documents relevant to its activities.
- 2.3.4 Have direct communication channels with the External and Internal Auditors.
- 2.3.5 Engage, consult and obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise it considers necessary.

2.4 Functions and duties

- 2.4.1 To review and recommend for the Board's approval, the Internal Audit Charter which defines the independence, purpose, authority, scope and responsibility of the internal audit function in the Company and the Group.

- 2.4.2 To review the following and report to the Board: -
- (a) With the External Auditors: -
 - (i) The audit plan and audit report and the extent of assistance rendered by employees of the Auditee,
 - (ii) Their evaluation of the system of internal controls,
 - (iii) The audit fee and on matter concerning their suitability for nomination, appointment and re-appointment and the underlying reasons for resignation or dismissal as Auditors,
 - (iv) The management letter and management's response, and
 - (v) Issues and reservations arising from audits.
 - (b) With the Internal Audit Department: -
 - (i) The adequacy and relevance of the scope, functions and resources of internal audit and the necessary authority to carry out its work,
 - (ii) The audit plan of work programme and results of internal audit processes including actions taken or recommendations,
 - (iii) The extent of co-operation and assistance rendered by employees of Auditee, and
 - (iv) The appraisal of the performance of the internal audit including that of the senior staff and any matter concerning their appointment and termination.
 - (c) The quarterly results and year end financial statement of accounts prior to the approval by the Board, focusing particularly on: -
 - (i) Changes and implementation of major accounting policies and practices,
 - (ii) Significant and unusual issues,
 - (iii) Going concern assumption, and
 - (iv) Compliance with Accounting Standards, regulatory and other legal requirements.
 - (d) The major findings of investigations and management response.
 - (e) The propriety of any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raise questions of management integrity.
- 2.4.3 To report any breaches of the Listing Requirements which have not been satisfactorily resolved, to Bursa Securities.
- 2.4.4 To prepare the Audit Committee Report for inclusion in the Company's Annual Report covering:-
- (a) The composition of the Committee including the name, designation and directorship of the members,
 - (b) The terms of reference of the Committee,
 - (c) The number of meetings held and details of attendance of each member,
 - (d) A summary of the activities of the Committee in the discharge of its functions and duties,

- (e) A summary of the activities of the Internal Audit function, and
- (f) Such other matter as may be required by the relevant regulatory authorities from time to time.

2.4.5 To review the following for publication in the Company's Annual Report: -

- (a) The disclosure statement of the Board on:-
 - (i) The Company's applications of the principles set out in Part I of the Malaysian Code on Corporate Governance, and
 - (ii) The extent of compliance with the best practices set out in Part II of the Malaysian Code on Corporate Governance, specifying reasons for any area of non-compliance and the alternative measures adopted in such areas,
- (b) The statement on the Board's responsibility for the preparation of the annual audited financial statement of accounts,
- (c) The disclosure statement on the state of the system of internal controls of the Company and of the Group, and
- (d) Other disclosures forming the contents of annual report spelt out in Part A of Appendix 9C of the Listing Requirements of the Bursa Securities.

The above function and duties are in addition to such other functions as may be agreed to from time to time by the Committee and the Board.

2.5 Internal Audit Department

- 2.5.1 The Head of the Internal Audit Department shall have unrestricted access to the Committee members and report to the Committee whose scope of responsibility includes overseeing the development and the establishment of the Internal Audit function.
- 2.5.2 In respect of the routine administrative matters, the Head of Internal Audit Department shall report to the Group Chief Executive.

3. Summary of Activities of the Committee

The Audit Committee has discharged its duties and responsibilities as set out in its terms of reference. The main activities of the Committee for the year ended 30 June 2004 were as follows:-

- a) Reviewed the adequacy and relevance of the scope, functions, resources, internal audit plan and results of the internal audit processes, with the internal audit department,
- b) Reviewed the quarterly financial reports for announcement to the Bursa Securities and year-end statutory accounts with management and the internal audit department,
- c) Reviewed with management on their preparation for the annual financial statements prior to commencement of the annual audit,
- d) Reviewed with external auditors on their audit plan (including system evaluation, audit fee, issues raised and management's response) prior to the commencement of audit,
- e) Reviewed the annual statutory accounts, the audit report, issues and reservations arising from audits and the management letter, with the external auditors,

- f) Reviewed the disclosure of related party transactions and, any conflict of interest situation and transactions which may have an impact on management integrity,
- g) Reviewed the latest changes of pronouncements issued by the accountancy, statutory and regulatory bodies,
- h) Reported to and updated the Board on significant issues and concerns discussed during the Committee's meetings and where appropriate, made the necessary recommendations to the Board. Minutes of the Committee's meetings were made available to all Board members.
- i) Prepared the Audit Committee Report for inclusion in the Company's Annual Report.
- j) Reviewed the disclosure statements on compliance of the Malaysian Code on Corporate Governance, Board's responsibility on the annual audited accounts and the state of internal control and other relevant documents, for publication in the Company's Annual Report.

4. Attendance of Meetings

During the financial year ended 30 June 2004, six (6) meetings of the Committee were held. The attendance record of the Committee members was as follows: -

Name of Committee member	Attendance record
Michael Yee Kim Shing	6/6
Dato' Haji Abu Hanifah bin Noordin	6/6
Datuk Sivalingam s/o Munusamy (Deceased)	6/6
Chew Wei Keong	5/6

5. Summary of Internal Audit Activities

The main activities of the Internal Audit Department for the year ended 30 June 2004 were as follows:-

- a) Prepared the annual audit plan for the Audit Committee's approval.
- b) Carried out risk-based audits of strategic business units of the Group which cover reviews of the internal control system, accounting and management information systems, and risk management.
- c) Co-created management corrective actions on audit issues raised, and issued audit reports to the Audit Committee and Management,
- d) Reviewed the quarterly financial reports and year-end statutory accounts with management.
- e) Reviewed the disclosure statements on compliance of the Malaysian Code on Corporate Governance, Board's responsibility on the annual audited accounts and the state of internal control and other relevant documents, for publication in the Company's Annual Report.
- f) Reviewed the disclosure of related party transactions and, any conflict of interest situation and questionable transactions, and report thereon in the audit report.
- g) Followed up on management corrective actions on audit issues raised by the external auditors.
- h) Prepared summaries of new accounting standards tabled at the Audit Committee meetings.
- i) Attended the Audit Committee meetings to table and discuss the audit reports and follow up on matters raised.

STATEMENT ON INTERNAL CONTROL

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. The Listing Requirements of Bursa Malaysia ("BM") require Directors of listed companies to include in their annual report a statement about the state of their internal controls as a group. The Statement on Internal Control – Guidance for Directors of Public Listed Companies ("the Guidance") issued by the BM's Taskforce on Internal Control provides guidance for compliance with the aforesaid requirements. Set out below is the Board's Statement on Internal Control for the financial year ended 30 June 2004 which has been prepared in accordance with the Guidance.

The Board acknowledges that it is responsible for the overall internal control systems for the Group, and for reviewing its adequacy and integrity. However, the Board recognizes that such systems are designed to manage, rather than to eliminate, the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group for the year under review. This process is an integral part of the Group's system of internal controls. Other key elements of this internal control system are: -

- a) Operating Procedures Manuals that set out the policies, procedures and practices to be adopted by companies in the Group, to ensure clear accountabilities and control procedures are in place for all business units.
- b) Comprehensive annual budgets that include business plans, strategies and risk profiles are presented to, and approved by the Board. Monthly results are then monitored against budgets and key performance indicators by management, focusing on variances and important operational issues, and the findings discussed with the business units.
- c) On a quarterly basis, the Board reviews and discusses a comprehensive Group Managing Director's report, covering the Group's up to date performance. In addition, the Board also deliberates on the appropriateness of key business strategies adopted by the operating units in the light of any significant shifts in risks profiles. In this manner, the Board is not only kept well informed on current issues facing the Group but also participate in risk management.
- d) Risk-based approach adopted by the internal audit department whose yearly audit plan is based on the key risk profiles of the business and functional units of the Group. This plan, which is approved by the Audit Committee prior to the commencement of the yearly period, is also regularly reviewed for further enhancement.
- e) Regular internal audits are carried out to review the adequacy and integrity of the internal control systems of the business units based upon the audit plan. The reports are submitted to the Audit Committee, which reviews the findings with management at its quarterly meetings. These, together with the External Auditors' reports, provide additional assurance that control procedures are in place, and being followed.

FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The Directors of **MEGA FIRST CORPORATION BERHAD** have pleasure in submitting their report and the audited Financial Statements of the Group and of the Company for the financial year ended 30 June 2004.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and provision of management services.

The principal activities of the subsidiary and associated companies are as set out in Notes 32 and 13 to the Financial Statements respectively.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year except for the increase in the Group's equity interest in Rock Chemical Industries (M) Bhd ("RCI") from 38.49% to 55.78% as a result of the acquisition of additional shares and the successful completion of the Mandatory Offer, as described in Note 34 (ii) to the Financial Statements. Consequently, RCI is now a subsidiary company of the Group.

SIGNIFICANT CORPORATE EVENTS

- i) On 3 June 2003, Idaman Harmoni Sdn. Bhd., a 65% owned subsidiary company of the Group, entered into two sale and purchase agreements with Palmshine Plaza Sdn. Bhd. ("PPSB") for the purchase of 3 adjoining plots of leasehold land measuring approximately 14,846 square metres located at Jalan Barat, Petaling Jaya from PPSB for a total cash consideration of RM18.0 million. These acquisitions were completed on 15 November 2003.
- ii) On 15 December 2003, Authentic Excellence Sdn. Bhd. ("AESB") a wholly-owned subsidiary of the Company acquired 2,500,000 ordinary shares of RM1.00 each representing 5.9% of the issued and paid-up share capital of Rock Chemical Industries (M) Bhd ("RCI") for a total cash consideration of RM5.0 million. Prior to the acquisition the Company directly held 16,302,400 ordinary shares representing 38.5% of the issued and paid-up share capital of RCI. After the acquisition, AESB and the Company, collectively, hold 18,802,400 ordinary shares representing 44.4% of the issued and paid-up share capital of RCI which resulted in AESB extending a Mandatory Offer ("MO") for the remaining ordinary shares in RCI not already owned. The MO was approved by the shareholders of the Company at the Extraordinary General Meeting on 26 May 2004 and was completed on 22 June 2004 with acceptance totalling 11.39% of the issued and paid-up share capital of RCI thus making RCI a 55.78% subsidiary company of the Group.
- iii) On 10 March 2004, Bloxwich Forgings (Pty.) Limited ("BFPL"), a 96.9% owned subsidiary of the Group was liquidated pursuant to an Order of the High Court of South Africa.

BFPL, incorporated in the Republic of South Africa on 29 June 1993, was principally involved in the manufacturing of forged components mainly for the container and automotive industry, and had recorded losses for several years.

The liquidation of BFPL resulted in a loss of approximately RM4.1 million for the Group and this has been taken up in the financial statements for the year under review.

- iv) On 26 May 2004 the Company proposed to undertake a private placement of up to 10% of the issued and paid-up share capital of the Company ("Placement Shares") and this was approved by the Securities Commission and Foreign Investment Committee on 26 July 2004.

The maximum number of Placement Shares to be issued pursuant to the Proposed Private Placement is based on 10% of the issued and paid-up share capital of the Company of RM236,000,000 comprising 236,000,000 ordinary shares of RM1.00 each in the Company.

RESULTS OF OPERATIONS

The results of the operations of the Group and of the Company for the financial year are as follows :

	GROUP RM'000	COMPANY RM'000
Profit Before Tax	64,116	6,679
Income Tax Expense	(12,597)	(1,374)
	<hr/>	<hr/>
Profit Before Minority Interests	51,519	5,305
Minority Interests	(21,259)	-
	<hr/>	<hr/>
Net Profit For The Year	30,260	5,305

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the exceptional items as disclosed in Note 6 to the Financial Statements.

DIVIDEND

A first and final dividend of 1%, less income tax of 28%, proposed in the previous financial year amounting to RM1,699,200 was paid by the Company on 18 December 2003.

The Board is pleased to propose a first and final dividend of 1.5%, less income tax of 28%, for the year ended 30 June 2004. The said proposed dividend, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting, has not been included as a liability in the Financial Statements.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the Financial Statements.

SHARE OPTIONS

An Employee Share Option Scheme (“ESOS”) of the Company was implemented on 1 October 2001 for the benefit of eligible employees and executive directors of the Company and its subsidiary companies incorporated in Malaysia. The initial five-year term of the ESOS will expire on 30 September 2006.

The main features of the ESOS are as follows :

- (a) Employees and executive directors who have been employed for a continuous period of at least one year shall be eligible to participate in the ESOS.
- (b) The maximum number of new shares in the Company which may be issued and allotted pursuant to the exercise of options granted under the scheme shall not exceed 10% of the issued and paid-up share capital of the Company at any point in time during the term of the ESOS.
- (c) No options shall be granted for less than 1,000 ordinary shares nor more than 500,000 ordinary shares.
- (d) The option price of each ordinary share under ESOS shall be determined by the Board upon the recommendation of the ESOS committee which is at a discount of not more than 10% on the weighted average market price of the shares for the five market days immediately preceding the date of offer, or the par value of each ordinary share, whichever is higher.
- (e) An eligible employee can only participate in one ESOS implemented by any company within the Group.
- (f) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company other than as may be specified in a resolution approving the distribution of dividends prior to the allotment dates.

The movement in the number of options granted, exercised and lapsed during the current financial year is as follows :

	Exercise price per ordinary share RM	Number of options over ordinary shares of RM1 each
Balance as of 1.7.2003	1.00	3,497,000
Granted	-	-
Exercised	-	-
Lapsed	1.00	(406,000)
Balance as of 30.6.2004		3,091,000

The Company has been granted exemption by the Companies Commission of Malaysia for non-disclosure of the names of new option holders granted below 150,000 units during the financial year. The options granted to an Executive Director are disclosed under Directors’ Interests.

OTHER FINANCIAL INFORMATION

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

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

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

- (a) which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

In the opinion of the Directors :

- (a) 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 substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and
- (b) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS

The following Directors served on the Board of the Company since the date of the last report :

- Goh Nan Kioh
- Lim Thian Soo
- Chew Wei Keong
- Yong Fook Shin
- Michael Yee Kim Shing
- Dato' Haji Abu Hanifah bin Noordin
- Datuk Sivalingam s/o Munusamy (passed away on 26.7.2004)
- Lim Boon Seh
- Maisuri Bin Besri
- Goh Nan Yang (Alternate to Goh Nan Kioh)
- Lim Si Boon (retired on 30.10.2003)

Messrs. Michael Yee Kim Shing, Dato' Haji Abu Hanifah bin Noordin and Yong Fook Shin retire by rotation in accordance with Article 99 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of Directors in office at the end of the financial year in shares of the Company are as follows :

	Number of ordinary shares of RM1 each			Balance as of 30.6.2004
	Balance as of 1.7.2003	Addition	Disposal	
SHARES IN THE COMPANY				
Goh Nan Kioh				
- Direct	703,600	10,000	-	713,600
- Deemed	52,314,800	8,188,700	-	60,503,500
Lim Thian Soo				
- Direct	10,000	80,000	-	90,000
- Deemed	48,500,000	-	-	48,500,000
Chew Wei Keong				
- Direct	5,000	-	-	5,000
Yong Fook Shin				
- Direct	60,000	-	-	60,000
Michael Yee Kim Shing				
- Direct	50,000	-	-	50,000
Datuk Sivalingam s/o Munusamy (deceased)				
- Direct	157,000	142,272	-	299,272
Goh Nan Yang				
- Direct	-	10,000	-	10,000

In addition to the above, the following Executive Director is deemed to have interest in the shares of the Company to the extent of the options granted to him on 1 November 2001 pursuant to the ESOS of the Company as follows :

	Options over ordinary shares of RM1 each			Balance as of 30.6.2004
	Balance as of 1.7.2003	Granted	Exercised	
Chew Wei Keong	280,000	-	-	280,000

Mr. Goh Nan Kioh and Mr. Lim Thian Soo, by virtue of their interests in 25.94% and 20.59%, respectively of the Company, are deemed to have an interest in the shares of all the subsidiary companies. Other than as disclosed above, the Directors of the Company do not have any other interest in the shares of the Company or of its related corporations.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefit (other than those disclosed as Directors' remuneration in the Financial Statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the transactions as disclosed in Note 6 to the Financial Statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby Directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for the options granted to the Executive Director pursuant to the Company's ESOS as disclosed above.

AUDITORS

The auditors, Messrs. Horwath, have indicated their willingness to continue in office.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

LIM THIAN SOO**CHEW WEI KEONG**

Kuala Lumpur
30 August 2004

REPORT OF THE AUDITORS

TO THE MEMBERS OF MEGA FIRST CORPORATION BERHAD

We have audited the accompanying balance sheets as of 30 June 2004, the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that 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 that our audit provides a reasonable basis for our opinion.

In our opinion :

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of :
 - (i) the state of affairs of the Group and of the Company as of 30 June 2004 and of the results and the cash flows of the Group and of the Company for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of the subsidiary companies of which we have not acted as auditors, as shown in Note 32 to the Financial Statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiary companies 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 as required by us for these purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Sub-section (3) of Section 174 of the Act.

The financial statements of the previous financial year were audited by another firm of accountants.

Horwath
AF1018
Chartered Accountants

Onn Kien Hoe
1772/11/04 (J/PH)
Partner

30 August 2004

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

	Note	GROUP		COMPANY	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Revenue	4	450,221	376,633	12,837	12,282
Cost Of Sales		(347,097)	(283,792)	-	-
Gross Profit		103,124	92,841	12,837	12,282
Distribution Costs		(11,475)	(9,584)	-	-
Administrative Expenses		(39,889)	(30,350)	(3,425)	(4,599)
Other Operating Expenses		(12,033)	(23,390)	-	-
Other Operating Income		35,361	27,653	114	5,093
Profit From Operations	6	75,088	57,170	9,526	12,776
Finance Costs	7	(11,877)	(11,880)	(2,847)	(1,818)
Income From Associates		905	4,131	-	-
Profit Before Tax		64,116	49,421	6,679	10,958
Income Tax Expense	8	(12,597)	(6,930)	(1,374)	645
Profit Before Minority Interests		51,519	42,491	5,305	11,603
Minority Interests		(21,259)	(15,948)	-	-
Net Profit For The Year		30,260	26,543	5,305	11,603
Earnings Per Ordinary Share (sen)	10	12.8	11.2		

The accompanying Notes on pages 42 to 84 form an integral part of the Financial Statements.

BALANCE SHEETS

AS OF 30 JUNE 2004

	Note	GROUP		COMPANY	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
EMPLOYMENT OF CAPITAL					
Property, Plant And Equipment	11	272,985	232,541	654	1,001
Subsidiary Companies	12	-	-	158,260	133,002
Associated Company	13	3,124	35,958	-	25,243
Investment	14	-	19,806	-	-
Property Development					
- non-current	15	104,480	67,833	-	-
Goodwill On Consolidation	16	10,782	2,398	-	-
CURRENT ASSETS					
Inventories	17	50,276	46,299	-	-
Property Development	15	12,879	5,886	-	-
Receivables	18	145,688	125,235	61,063	45,740
Bank Balances And Deposits	19	101,025	55,664	153	11,123
		309,868	233,084	61,216	56,863
CURRENT LIABILITIES					
Payables	20	128,958	108,578	1,478	1,805
Short Term Borrowings	21	110,949	105,762	44,988	42,131
Taxation		3,778	2,949	-	-
		243,685	217,289	46,466	43,936
NET CURRENT ASSETS					
		66,183	15,795	14,750	12,927
		457,554	374,331	173,664	172,173
SOURCES OF CAPITAL					
Share Capital	22	236,000	236,000	236,000	236,000
Reserves	23	20,873	(11,895)	(62,417)	(66,023)
Shareholders' Equity		256,873	224,105	173,583	169,977
Minority Interests		95,548	53,894	-	-
		352,421	277,999	173,583	169,977
LONG TERM AND DEFERRED LIABILITIES					
Long Term Borrowings	24	71,300	68,206	-	2,000
Hire Purchase Payables	25	4,179	1,640	81	196
Deferred Taxation	26	29,654	26,486	-	-
		105,133	96,332	81	2,196
		457,554	374,331	173,664	172,173
Net Tangible Assets Per Ordinary Share (sen)		104	90		

The accompanying Notes on pages 42 to 84 form an integral part of the Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2004

GROUP	Note	← Non-Distributable Reserves* →				Accumulated Loss RM'000	Total RM'000
		Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	Translation Reserve RM'000		
Balance as of 1 July 2002		236,000	33,380	2,369	23,549	(102,251)	193,047
Currency translation differences		-	-	-	6,214	-	6,214
Dividend		-	-	-	-	(1,699)	(1,699)
Net profit for the year		-	-	-	-	26,543	26,543
Balance as of 30 June 2003		236,000	33,380	2,369	29,763	(77,407)	224,105
Currency translation differences		-	-	-	4,207	-	4,207
Dividend	9	-	-	-	-	(1,699)	(1,699)
Net profit for the year		-	-	-	-	30,260	30,260
Balance as of 30 June 2004		236,000	33,380	2,369	33,970	(48,846)	256,873

* These reserves are not distributable by way of cash dividends.

COMPANY	Note	Share Capital	Share Premium*	Accumulated Loss	Total
		RM'000	RM'000	RM'000	RM'000
Balance as of 1 July 2002		236,000	33,380	(109,307)	160,073
Dividend		-	-	(1,699)	(1,699)
Net profit for the year		-	-	11,603	11,603
Balance as of 30 June 2003		236,000	33,380	(99,403)	169,977
Dividend	9	-	-	(1,699)	(1,699)
Net profit for the year		-	-	5,305	5,305
Balance as of 30 June 2004		236,000	33,380	(95,797)	173,583

* This reserve is not distributable by way of cash dividends.

The accompanying Notes on pages 42 to 84 form an integral part of the Financial Statements.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

GROUP	2004 RM'000	2003 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES		
Profit before tax	64,116	49,421
Adjustments for :		
Depreciation of property, plant and equipment	24,900	21,750
Finance costs	11,877	11,880
Provision for :		
Shortfall in funded pension scheme of a foreign subsidiary company	-	10,043
Loss on liquidation of a subsidiary company *	4,071	-
Allowance for :		
Doubtful debts	41	4,807
Foreseeable loss on property development	1,225	391
Diminution in value of investments written back	-	(11,063)
Diminution in value of shares in an associated company written back	-	(4,865)
Overprovision for mine rehabilitation in prior years	-	1,500
Write-down of inventories	-	640
Amortisation of goodwill	1,360	1,057
Provision for cost of completion no longer required	(775)	-
Write back of loss on sale of property	(1,583)	-
Write-off of :		
Property, plant and equipment	69	11
Inventories	2,918	-
Gain on disposal of :		
Property, plant and equipment	(270)	(2,163)
Investment	(24,463)	-
Share of profits in associated company	(905)	(4,131)
Interest income	(1,420)	(949)
Operating Profit Before Working Capital Changes	81,161	78,329
(Increase)/Decrease in :		
Inventories	(2,254)	(5,157)
Property development	(8,219)	9,692
Receivables	491	(7,393)
Increase/(Decrease) in payables	(5,679)	(1,557)
Cash Generated From Operations	65,500	73,914
Income tax paid	(14,333)	(5,032)
Net Cash From Operating Activities	51,167	68,882

(Forward)

GROUP	Note	2004 RM'000	2003 RM'000
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES			
Interest received		1,420	949
(Increase)/Decrease in :			
Fixed deposits pledged to a bank		11,109	(305)
Property development, non-current portion		(33,439)	(1,639)
Dividends received from an associated company		-	1,794
Proceeds from disposal of :			
Investment		44,269	-
Property, plant and equipment		2,705	7,379
Purchase of property, plant and equipment		(20,350)	(39,544)
Acquisition of subsidiary companies **		22,512	-
Net Cash Used In Investing Activities		28,226	(31,366)
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES			
Finance costs paid		(11,877)	(11,880)
Dividends paid to minority shareholders		(2,829)	(9,431)
Repayment of :			
Term loans		(3,727)	(14,979)
Bonds		(9,000)	(9,000)
Dividend paid		(1,699)	(1,699)
Proceeds from :			
Term loans		-	114
Increase/(Decrease) in :			
Short term borrowings, excluding bank overdrafts and long term borrowings due within 12 months		(4,580)	16,935
Hire purchase payables		2,426	(1,998)
Net Cash Used In Financing Activities		(31,286)	(31,938)
NET INCREASE IN CASH AND CASH EQUIVALENTS		48,107	5,578
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		26,432	21,401
EFFECT OF EXCHANGE DIFFERENCES		(2,747)	(547)
CASH AND CASH EQUIVALENTS AT END OF YEAR	29	71,792	26,432

(Forward)

GROUP	2004 RM'000	2003 RM'000
* Analysis of liquidation of a subsidiary company		
Property, plant and equipment	2,589	-
Inventories	1,396	-
Receivables	3,071	-
Cash and bank balances	1	-
Payables	(1,150)	-
Bank overdrafts	(1,799)	-
Long term loan	(37)	-
	<hr/>	
Loss on liquidation	4,071	-
	<hr/>	
** Analysis of subsidiary companies acquired		
Net assets acquired :		
Property, plant and equipment	44,784	-
Investment in associate	3,108	-
Goodwill	3,096	-
Inventories	6,037	-
Receivables	19,764	-
Cash and bank balances	39,755	-
Payables	(16,389)	-
Bank overdraft	(2,196)	-
Short term borrowings	(1,771)	-
Long term borrowings	(12,707)	-
Retrenchment and retirement benefits	(329)	-
Deferred tax	(2,953)	-
	<hr/>	
Less : Minority interest	80,199	-
	(35,360)	-
	<hr/>	
Less : Share of net assets previously equity accounted for	44,839	-
	(35,206)	-
	<hr/>	
Goodwill on acquisition	9,633	-
	5,414	-
	<hr/>	
Less : Cash and cash equivalents of subsidiary companies acquired	15,047	-
	(37,559)	-
	<hr/>	
Cash inflow on acquisition, net of cash and cash equivalents acquired	(22,512)	-
	<hr/>	

(Forward)

COMPANY	2004 RM'000	2003 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES		
Profit before tax	6,679	10,958
Adjustments for :		
Finance costs	2,847	1,818
Depreciation of property, plant and equipment	358	329
Write-off of property, plant and equipment	-	5
Dividend income	(11,890)	(11,031)
Allowance for diminution in value of shares in an associated company written back	-	(4,865)
Interest income	(79)	(302)
Gain on disposal of property, plant and equipment	-	(143)
Operating Loss Before Working Capital Changes	(2,085)	(3,231)
Increase in receivables	(14,110)	(3,984)
(Decrease)/Increase in payables	(208)	1,045
Cash Used in Operations	(16,403)	(6,170)
Income tax paid	(2,587)	(858)
Net Cash Used in Operating Activities	(18,990)	(7,028)
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES		
Dividends received	11,890	11,031
Interest received	79	302
Proceeds from disposal of property, plant and equipment	-	174
Decrease/(Increase) in fixed deposits pledged to a bank	11,109	(305)
Purchase of property, plant and equipment	(11)	(273)
Net Cash From Investing Activities	23,067	10,929

(Forward)

COMPANY	Note	2004 RM'000	2003 RM'000
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES			
Decrease in :			
Short term borrowings, excluding bank overdrafts and long term borrowings due within 12 months		(600)	(550)
Hire purchase payables		(234)	(261)
Finance costs paid		(2,847)	(1,818)
Dividend paid		(1,699)	(1,699)
Repayment of :			
Term loan		(1,250)	(1,000)
Loans to subsidiary companies		(15)	(152)
Net Cash Used In Financing Activities		(6,645)	(5,480)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(2,568)	(1,579)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		(11,107)	(9,528)
CASH AND CASH EQUIVALENTS AT END OF YEAR	29	(13,675)	(11,107)

The accompanying Notes on pages 42 to 84 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

1. PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and provision of management services.

The principal activities of the subsidiary and associated companies are as set out in Notes 32 and 13 to the Financial Statements respectively.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year except for the increase in the Group's equity interest in Rock Chemical Industries (M) Bhd ("RCI") from 38.49% to 55.78% as a result of the acquisition of additional shares and the successful completion of the Mandatory Offer, as described in Note 34 (ii) to the Financial Statements. Consequently, RCI is now a subsidiary company of the Group.

2. BASIS OF PREPARATION

The Financial Statements of the Group and of the Company have been approved by the Board of Directors for issuance on 30 August 2004.

The Financial Statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards of the Malaysian Accounting Standards Board ("MASB").

During the financial year the Group and the Company adopted the following MASB Standards for the first time :

MASB 28	Discontinuing Operations
MASB 29	Employee Benefits

The adoption of MASB 28 and 29 has not given rise to any adjustments to the opening balances of accumulated losses of the prior and current years or to changes in comparatives.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Financial Statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise disclosed in the Financial Statements. Certain development properties of subsidiary companies are stated in the Group Financial Statements at values reflecting approximately the effective acquisition costs of these assets to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of Consolidation

The Group Financial Statements include the Financial Statements of the Company and of all its subsidiary companies made up to the end of the financial year. Subsidiary companies are consolidated using the acquisition method of accounting. The results of the subsidiary companies acquired or disposed of during the year are included in the Group Financial Statements from the effective date of acquisition or to the effective date of disposal.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

Significant intra-group transactions and balances are eliminated on consolidation and the Group financial statements reflect external transactions only.

The gain or loss on disposal of a subsidiary company is the difference between the net disposal proceeds and the Group's share of its net assets or liabilities together with any unamortised goodwill on consolidation.

Goodwill / Reserve on Consolidation

Goodwill or reserve on consolidation represents the difference between the purchase price and the fair value of the net assets of the subsidiary and associated companies at the effective date of acquisition.

Goodwill is amortised through the income statements over twenty years whilst reserve on consolidation is not amortised.

Revenue Recognition

Dividends from subsidiary and associated companies and other investments are recognised when the shareholders' right to receive is established.

Interest income on short-term deposits and advances are recognised on an accrual basis.

Revenue from provision of management services is recognised based on services rendered.

Revenue from sales of electricity and steam is recognised based on capacity charges and energy billings.

Revenue from property development projects is accounted for based on the percentage of completion method as determined by the proportion of the units sold attributable to the percentage of development work where the outcome of the projects can be reliably estimated.

Revenue from sales of goods is recognised upon delivery of products and when risks and rewards of ownership have passed.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income Tax

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

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

Foreign Currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at rates ruling at transaction dates and where settlement has not taken place at 30 June, at the approximate rates ruling at that date. Exchange differences arising therefrom are charged or credited to the income statements.

Income statements of subsidiary and associated companies in other reporting currencies are translated into Ringgit Malaysia at average rates for the financial year and the balance sheets are translated at rates approximating those ruling at the year end. Exchange differences arising from the translation of income statements at average rates and balance sheets at year end rates, and the restatement at year end rates of the opening net investments in such subsidiary and associated companies are taken to the translation reserve.

The principal closing rates used in the translation of foreign currencies are as follows :

	2004	2003
	RM	RM
1USD	3.800	3.800
1GBP	6.869	6.326
1RMB	0.459	0.459
1RAND	0.608	0.509

Exceptional Items

Exceptional items are those which are derived from ordinary activities of the business but are of such size, nature or incidence that their disclosures are relevant to explain the performance of the Group and of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of Assets

The carrying amounts of property, plant and equipment, property development, investment in subsidiary companies and associated company, and goodwill on consolidation are reviewed at each balance sheet date to determine whether there are any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying value of that asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statements unless the asset is carried at a revalued amount in which case the impairment losses are charged directly to equity.

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 in respect of goodwill is not reversed unless the loss is caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of the event. In respect of other assets, an impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is only reversed to the extent that the asset's carrying value does not exceed the carrying value that would have determined, net of depreciation or amortisation, had no impairment loss had been recognised. All reversals are recognised in the income statements.

Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, as applicable.

Gain or loss on the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements.

(i) **Freehold And Leasehold Land**

Freehold land is not amortised.

Leasehold land is amortised over the periods of the leases which range from 22 years to 99 years.

Leasehold quarry land is amortised based on the proportion of the output of limestone for the year to the estimated total limestone reserve for the period of the quarry life.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**Property, Plant and Equipment and Depreciation (cont'd)****(ii) Other Property, Plant and Equipment**

Other property, plant and equipment, with the exception of power plants and construction in progress, are depreciated on the straight line basis to write off the cost of each asset over its estimated useful life. The principal annual depreciation rates are :

Buildings	1.5% to 6.5%
Machinery and equipment	7.5% to 50%
Vehicles	10% to 25%

Power plants are depreciated on the straight line basis to write off the cost less estimated residual value over the concession periods of 21 years to 22 years.

Construction in progress is not depreciated.

Capitalisation of Borrowing Cost

Borrowing cost incurred on the construction of property, plant and equipment which require a period of time to get them ready for their intended use is capitalised and included as part of the cost of the related assets.

Borrowing cost incurred on property development projects is capitalised and included as part of development expenditure. However, capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

Assets Acquired Under Hire Purchase Arrangements

Assets acquired under hire purchase arrangements are capitalised in the financial statements and the corresponding obligations treated as liabilities. Finance charges are allocated to the income statements to give a constant periodic rate of interest on the remaining hire purchase liabilities.

Subsidiary Companies

Subsidiary companies are those companies in which the Group has a long term equity interest of more than 50% and/or power to exercise control over the financial and operating policies.

Investments in subsidiary companies are stated at cost less impairment losses, if any.

Associated Companies

Associated companies are companies in which the Group has a long term equity investment of 20% to 50% and/or in which the Group is in a position to exercise significant influence through management participation.

Investments in associated companies are stated at cost less goodwill amortised and impairment losses, as applicable.

The Group's share of results and reserves of associated companies acquired or disposed of is included in the Group financial statements from the effective date of acquisition or to the effective date of disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investments

Investments held on a long term basis are stated at cost. Allowance for diminution in the value of investments is made to recognise any permanent decline.

Inventories

Completed houses for sale are stated at the lower of cost and net realisable value. Cost is determined by the specific identification method.

Other inventories are valued at the lower of cost (determined on a weighted average or first-in first-out basis, as applicable) and net realisable value after making due allowance for any obsolete or slow-moving items. The cost of raw materials includes the original purchase price and the incidental expense incurred in bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods include the cost of raw materials, direct labour and an appropriate proportion of manufacturing overheads.

Property Development

Property development projects consist of land, development expenditure and the portion of profit or loss attributable to development work performed, less progress billings and allowance for foreseeable loss. Land held for development is stated at cost or at group cost less impairment losses, if any. Development expenditure are stated at cost of construction and other related development costs, including borrowing costs less impairment losses, if any.

Allowance for foreseeable loss is based on losses estimated to arise upon completion of property development projects.

The Group considers as current assets that portion of property development projects in which development work is expected to be completed within the normal operating cycle of two to three years.

Receivables

Bad debts are written off while allowance for doubtful debts is based on estimates of possible losses from non-collection.

Provisions

Provisions are made when the Group and the Company have an obligation which will result in probable outflow of resources as settlement, the amount of which can be reliably estimated. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

(ii) Retirement plans

The Group's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

The Group also operated a funded, defined benefit Pension Scheme ("the Scheme") for eligible employees of a foreign subsidiary company in the United Kingdom until January 2001 after which, it was replaced in April 2001 by a defined contribution scheme.

Contributions to the Scheme are charged to the income statements so as to spread the cost of the scheme over the employees' service life in the said subsidiary company. The effects of variations from regular cost are taken up in the income statements. The fund is valued every three years by a professionally qualified independent Actuary, the rate of contribution being determined by the Actuary. The most recent valuation was at 30 June 2002.

In addition, the Scheme assets of the foreign subsidiary company are also valued yearly by a professionally qualified independent Actuary. Any shortfall in the Scheme assets is taken up in the Group income statement.

Cash Flow Statements

The Group and the Company adopt the indirect method in the preparation of the cash flow statements.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value.

4. REVENUE

Revenue of the Group represents the gross invoiced value of sales of electricity and steam, property development projects and goods outside the Group net of returns and discounts.

Revenue of the Company mainly represents dividends and management fees received and receivable from subsidiary and associated companies, and interest income.

5. OPERATING EXPENSES

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Raw materials and consumables	247,731	161,721	-	-
Net change in inventories of finished goods and work-in-progress	(9,017)	5,474	-	-
Staff costs	91,081	70,465	1,642	2,567
Property development expenditure	15,023	32,773	-	-
Depreciation of property, plant and equipment	24,900	21,750	358	329
Amortisation of goodwill	1,360	1,057	-	-
Other administrative and operating expenses	39,416	53,876	1,425	1,703
	410,494	347,116	3,425	4,599

6. PROFIT FROM OPERATIONS

This is arrived at :

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
After crediting :				
Exceptional Items :				
Gain on disposal of investment	24,463	-	-	-
Allowance for diminution in value written back :				
Investment	-	11,063	-	-
Associated company	-	4,865	-	4,865
Overprovision for mine rehabilitation in prior years	-	1,500	-	-
Gain on disposal of property, plant and equipment	270	2,163	-	143
Interest income	1,420	949	79	302
Dividends (gross) from :				
Subsidiary companies	-	-	11,890	9,238
Associated company	-	-	-	1,794
Management fees from subsidiary companies	-	-	858	944

(Forward)

6. PROFIT FROM OPERATIONS (cont'd)

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
And charging :				
Exceptional Items :				
Loss on liquidation of a subsidiary company	4,071	-	-	-
Write-off of inventories	2,918	-	-	-
Redundancy costs	1,660	-	-	-
Allowance for doubtful debts	41	4,807	-	-
Provision for shortfall in funded pension scheme of a foreign subsidiary company	-	10,043	-	-
Rental of :				
Land and buildings	1,615	1,534	266	267
Plant and machinery	1,070	937	-	-
Allowance for foreseeable loss on property development	1,225	391	-	-
Directors' remuneration :				
Other emoluments	741	1,156	636	1,034
Ex-gratia payment to a former director	-	310	-	310
Fees	146	145	131	133
Auditors' remuneration :				
Statutory	585	517	20	25
Others	21	32	16	20
Write-off of property, plant and equipment	69	11	-	5
Professional fees paid to companies in which a former director has interest	-	145	-	145
Write-down of inventories	-	640	-	-

The estimated monetary value of benefits-in-kind received by certain Directors amounted to RM28,775 (2003 : RM33,819) for the Group and the Company.

7. FINANCE COSTS

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Interest on :				
Bonds	4,291	4,958	-	-
Term loans	2,094	2,031	186	290
Bank overdrafts	2,947	2,245	608	855
Revolving credits	1,993	2,053	1,993	621
Others	552	593	60	52
	11,877	11,880	2,847	1,818

8. INCOME TAX EXPENSE

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Current taxation				
Based on results for the year :				
Malaysian taxation	6,053	6,321	1,374	1,359
Foreign taxation	4,513	861	-	-
	10,566	7,182	1,374	1,359
Deferred taxation (Note 26)	1,352	993	-	-
Associated company	459	(94)	-	-
Under/(Overprovision) in prior years	220	(1,151)	-	(2,004)
	12,597	6,930	1,374	(645)

8. INCOME TAX EXPENSE (cont'd)

The income tax expense for the year can be reconciled to the profit before tax of the Group and of the Company as per the income statements as follows :

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Profit before tax	64,116	49,421	6,679	10,958
Tax at Malaysian statutory rate of 28% (2003 : 28%)	17,952	13,838	1,870	3,068
Tax effects of :				
Different tax rates in other countries	(4,820)	(3,103)	-	-
Income not subject to tax	(9,024)	(6,689)	(757)	(2,321)
Expenses not deductible	2,365	2,772	261	612
Losses extinguished on liquidation of business	1,717	-	-	-
Tax losses not provided for	4,174	1,263	-	-
Under/(Over)provision in prior years	233	(1,151)	-	(2,004)
Income tax expense	12,597	6,930	1,374	(645)

9. DIVIDEND

A first and final dividend of 1%, less income tax of 28%, proposed in the previous financial year amounting to RM1,699,200 was paid by the Company on 18 December 2003.

The Board is pleased to propose a first and final dividend of 1.5%, less income tax of 28%, for the year ended 30 June 2004. The said proposed dividend, which is subject to approval of the shareholders at the forthcoming Annual General Meeting, has not been included as a liability in the Financial Statements.

10. EARNINGS PER ORDINARY SHARE

Basic

Earnings per ordinary share has been calculated based on the Group's profit of RM30,260,000 (2003 : RM26,543,000) and on 236,000,000 ordinary shares of RM1.00 each in issue.

Fully diluted

Under MASB 13 on Earnings Per Share, the options for 3,091,000 (2003 : 3,497,000) unissued ordinary shares of RM1.00 each granted to eligible employees and executive directors pursuant to the Company's ESOS have no dilutive effect as the exercise price is above the average market value of the Company's shares during the current financial year.

11. PROPERTY, PLANT AND EQUIPMENT

GROUP 2004	COST							End of year RM'000
	Beginning of year RM'000	Additions RM'000	Acquisition of subsidiary companies RM'000	Disposals/ Write-off RM'000	Reclassifications RM'000	Exchange fluctuation adjustment RM'000		
Freehold land	22,729	–	642	–	(642)	1,790	24,519	
Long leasehold land	1,130	–	–	–	–	–	1,130	
Short leasehold land	8,742	–	5,505	–	–	–	14,247	
Buildings	37,928	558	2,847	–	937	583	42,853	
Plant and machinery, equipment, vehicles and construction in progress	360,939	19,792	45,120	(10,178)	(295)	15,021	430,399	
Total	431,468	20,350	54,114	(10,178)	–	17,394	513,148	

GROUP 2004	ACCUMULATED DEPRECIATION					NET BOOK VALUE		Beginning of year RM'000
	Beginning of year RM'000	Charge for the year RM'000	Acquisition of subsidiary companies RM'000	Disposals/ Write-off RM'000	Exchange fluctuation adjustment RM'000	End of year RM'000	End of year RM'000	
Freehold land	–	–	–	–	–	–	24,519	22,729
Long leasehold land	68	11	–	–	–	79	1,051	1,062
Short leasehold land	1,581	250	1,181	–	–	3,012	11,235	7,161
Buildings	6,409	1,433	315	–	–	8,157	34,696	31,519
Plant and machinery, equipment, vehicles and construction in progress	190,869	23,206	7,834	(5,134)	12,140	228,915	201,484	170,070
Total	198,927	24,900	9,330	(5,134)	12,140	240,163	272,985	232,541

11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

GROUP 2003	COST					
	Beginning of year RM'000	Additions RM'000	Disposals/ Write-off RM'000	Reclassifications RM'000	Exchange fluctuation adjustment RM'000	End of year RM'000
Freehold land	18,374	–	–	965	3,390	22,729
Long leasehold land	3,299	–	(2,169)	–	–	1,130
Short leasehold land	8,823	–	(1,195)	1,114	–	8,742
Buildings	35,538	23	(1,731)	4,154	(56)	37,928
Plant and machinery, equipment, vehicles and construction in progress	317,762	39,521	(5,275)	(6,233)	15,164	360,939
Total	383,796	39,544	(10,370)	–	18,498	431,468

GROUP 2003	ACCUMULATED DEPRECIATION				NET BOOK VALUE		
	Beginning of year RM'000	Charge for the year RM'000	Disposals/ Write-off RM'000	Exchange fluctuation adjustment RM'000	End of year RM'000	End of year RM'000	Beginning of year RM'000
Freehold land	–	–	–	–	–	22,729	18,374
Long leasehold land	360	13	(305)	–	68	1,062	2,939
Short leasehold land	1,940	257	(616)	–	1,581	7,161	6,883
Buildings	5,684	1,167	(442)	–	6,409	31,519	29,854
Plant and machinery, equipment, vehicles and construction in progress	162,606	20,313	(3,780)	11,730	190,869	170,070	155,156
Total	170,590	21,750	(5,143)	11,730	198,927	232,541	213,206

11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

COMPANY 2004	← COST →			
	Beginning of year RM'000	Additions RM'000	Disposals RM'000	End of year RM'000
Plant and machinery, equipment and vehicles	2,039	11	(21)	2,029

COMPANY 2004	← ACCUMULATED DEPRECIATION →			
	Beginning of year RM'000	Charge for the year RM'000	Disposals RM'000	End of year RM'000
Plant and machinery, equipment and vehicles	1,038	358	(21)	1,375

COMPANY 2004	← NET BOOK VALUE →	
	End of year RM'000	Beginning of year RM'000
Plant and machinery, equipment and vehicles	654	1,001

11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

COMPANY 2003	← COST →			
	Beginning of year RM'000	Additions RM'000	Disposals RM'000	End of year RM'000
Plant and machinery, equipment and vehicles	2,086	539	(586)	2,039
	<hr/>			
	← ACCUMULATED DEPRECIATION →			
	Beginning of year RM'000	Charge for the year RM'000	Disposals RM'000	End of year RM'000
Plant and machinery, equipment and vehicles	1,259	329	(550)	1,038
	<hr/>			
	← NET BOOK VALUE →			
	End of year RM'000	Beginning of year RM'000		
Plant and machinery, equipment and vehicles	1,001	827		
	<hr/>			

Plant and machinery, equipment and vehicles of the Group include power plants with a carrying value of RM120,139,000 (2003 : RM126,525,000).

Property, plant and equipment of certain subsidiary companies with a carrying value of RM162,846,000 (2003 : RM178,371,000) have been charged as security for banking facilities granted to those subsidiary companies.

Plant and machinery, equipment and vehicles of the Group and of the Company with carrying values of RM3,292,000 (2003 : RM6,996,000) and RM439,000 (2003 : RM702,000), respectively were acquired under hire purchase arrangements.

Included in property, plant and equipment of the Group and of the Company are fully depreciated property, plant and equipment costing RM123,846,000 (2003 : RM106,451,000) and RM248,000 (2003 : RM249,000), respectively which are still in use.

12. SUBSIDIARY COMPANIES

	COMPANY	
	2004 RM'000	2003 RM'000
Unquoted shares at cost	368,145	368,145
Less : Impairment loss	(206,663)	(206,663)
	161,482	161,482
Quoted shares at cost :		
At beginning of financial year	-	-
Transfer from investment in associated company (Note 13)	25,243	-
At end of financial year	25,243	-
Loans from subsidiary companies	(55,940)	(55,955)
Loan to a subsidiary company	27,475	27,475
	158,260	133,002
Market value of quoted shares	34,398	-

The loans to/(from) subsidiary companies are interest-free and have no fixed repayment terms.

The subsidiary companies are listed in Note 32 to the Financial Statements.

13. ASSOCIATED COMPANY

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Quoted in Malaysia :				
Shares in a corporation - at cost*	-	21,422	-	25,243
Share of post-acquisition reserves	-	15,889	-	-
	-	37,311	-	25,243
Less :				
Accumulated amortisation of goodwill	-	(1,353)	-	-
	-	35,958	-	25,243
Market value of quoted shares in Malaysia	-	29,344	-	29,344
Unquoted in Malaysia :				
Unquoted shares, at cost	3,108	-	-	-
Share of post-acquisition reserves	16	-	-	-
	3,124	-	-	-

13. ASSOCIATED COMPANY (cont'd)

	COMPANY	
	2004 RM'000	2003 RM'000
At beginning of financial year	25,243	25,243
Less : Transfer to investment in subsidiary companies (Note 12)	(25,243)	-
At end of financial year	-	25,243

The Group's interest in the associated company is analysed as follows :

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Share of net tangible assets	3,124	27,479	-	-
Goodwill on acquisition	-	8,479	-	-
	3,124	35,958	-	-

Part of the investment in the quoted shares of RCI held by the Group and the Company with carrying values of RM25,258,000 (2003 : RM33,617,000) and RM18,470,000 (2003 : RM23,548,000), respectively were pledged to local financial institutions as collateral for credit facilities extended to the Company.

Details of the associated company are as follows :

Company	Principal Activities	Country of Incorporation	Effective Group Interest	
			2004 %	2003 %
Rock Chemical Industries (Malaysia) Berhad ("RCI")	Manufacturing and selling of lime products	Malaysia	*	38.5
Batamas Sdn. Bhd.	Manufacture of calcium silicate bricks	Malaysia	18.4	-

* During the financial year, the Group's equity interest in RCI was increased from 38.49% to 55.78% as a result of the acquisition of additional shares and the successful completion of the Mandatory Offer, as described in Note 34 (ii) to the Financial Statements. Consequently, RCI is now a subsidiary company of the Group.

The Group's effective interest in Batamas Sdn. Bhd. is by virtue of RCI's direct interest of 33% in the said company and the Group is in a position to exercise significant influence through management participation.

14. INVESTMENT

	GROUP	
	2004	2003
	RM'000	RM'000
Shares quoted outside Malaysia - at cost	29,277	29,277
Allowance for diminution in value	(9,471)	(9,471)
	19,806	19,806
Less : Disposal during the year	(19,806)	-
	-	19,806
Market value of shares quoted outside Malaysia	-	18,576

In the previous financial year, the above investment was pledged to a local financial institution as collateral for credit facilities extended to a subsidiary company.

15. PROPERTY DEVELOPMENT

	GROUP	
	2004	2003
	RM'000	RM'000
At cost :		
Long leasehold land	50,570	37,900
Development expenditure	143,602	101,930
	194,172	139,830
Non-current portion	(104,480)	(67,833)
	89,692	71,997
Less : Allowance for foreseeable loss	(3,292)	(1,364)
	86,400	70,633
Attributable profit	19,928	10,776
	106,328	81,409
Progress billings	(93,449)	(75,523)
	12,879	5,886

Certain subsidiary companies have entered into various joint-venture agreements with third parties to develop the joint-venture partners' land into housing estates, industrial estates and commercial properties.

15. PROPERTY DEVELOPMENT (cont'd)

Current year charges to the property development expenditure include the following :

	GROUP	
	2004	2003
	RM'000	RM'000
Interest on :		
Term loans	230	550
Revolving credits	140	128
Bank overdrafts	15	90
	485	768

16. GOODWILL ON CONSOLIDATION

	GROUP	
	2004	2003
	RM'000	RM'000
At beginning of year	2,398	2,881
Goodwill of subsidiary companies acquired	8,510	-
Amortisation of goodwill	(565)	(606)
Exchange fluctuation	439	123
	10,782	2,398

17. INVENTORIES

	GROUP	
	2004	2003
	RM'000	RM'000
At cost :		
Finished goods and work-in-progress	19,278	21,160
Raw materials and consumables	19,124	12,738
Completed houses for sale	9,906	10,221
	48,308	44,119
At net realisable value :		
Completed houses for sale	2,608	2,820
Less : Allowance for write-down	(640)	(640)
	1,968	2,180
	50,276	46,299

Inventories amounting to RM5,026,000 (2003 : RM5,521,000) of certain subsidiary companies have been pledged to financial institutions for credit facilities granted to those subsidiary companies.

18. RECEIVABLES

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Trade receivables	109,073	97,585	-	-
Less : Allowance for doubtful debts	(15,499)	(15,458)	-	-
	93,574	82,127	-	-
Other receivables				
Sundries	24,569	24,460	2,773	1,090
Less : Allowance for doubtful debts	(735)	(735)	(100)	(100)
	23,834	23,725	2,673	990
Refundable deposits	1,833	4,859	98	212
Prepaid expenses	6,649	10,582	58	18
Tax recoverable	8,046	3,752	4,680	3,467
Progress payments to contractors	11,752	175	-	-
Amount owing by an associated company	-	15	-	15
Amount owing by subsidiary companies	-	-	53,554	41,038
	52,114	43,108	61,063	45,740
	145,688	125,235	61,063	45,740

Trade receivables of the Group represent amounts receivable for the sales of goods, electricity and steam, and progress billings for property development. The credit periods granted for trade receivables range from 21 days to 90 days (2003 : 21 days to 60 days).

Amount owing by subsidiary companies includes unsecured interest-free advances and has no fixed repayment terms.

Amount owing by an associated company in respect of the previous financial year includes expenses paid on its behalf and is unsecured, interest-free and has no fixed repayment terms.

19. BANK BALANCES AND DEPOSITS

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Deposits with licensed banks	80,355	31,710	-	11,109
Cash and bank balances	19,592	14,139	153	14
Housing Development Accounts	1,078	9,815	-	-
	101,025	55,664	153	11,123

In the previous financial year, the fixed deposits of the Group and the Company amounting to RM11,109,000 were pledged to a bank as collateral for credit facilities granted to a subsidiary company.

The fixed deposits with licensed banks of the Group and of the Company earn interest at rates ranging from 2.60% to 3.20% (2003 : 2.60% to 3.20%) per annum and have maturity periods ranging from 1 month to 3 months (2003 : 1 month to 3 months).

The Housing Development Accounts are maintained by certain subsidiary companies in accordance with Section 7(A) of the Housing Developers (Control and Licensing) Act, 1966. These accounts consist of monies received from house purchasers to be utilised for property development expenditure after which, the surplus monies, if any, will accrue to the said subsidiary companies upon the completion of the property development projects.

20. PAYABLES

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Trade payables	46,849	54,384	-	-
Other payables				
Accrued expenses	16,102	13,365	331	505
Provisions	16,042	16,042	-	-
Dividend payable to minority shareholders	12,316	-	-	-
Amount due to contractors for capital expansion	5,677	7,150	-	-
Hire-purchase payables (Note 25)	2,530	2,644	115	234
Sundries	29,442	14,993	1,032	1,066
	82,109	54,194	1,478	1,805
	128,958	108,578	1,478	1,805

Provisions comprise the following :

Provision for shortfall in funded pension scheme of a foreign subsidiary company :

At beginning of year	16,042	5,999	-	-
Additions	-	10,043	-	-
At end of year	16,042	16,042	-	-

Trade payables consist of amounts outstanding for trade purchases. The credit period granted to the Group for trade purchases range from 30 days to 90 days (2003 : 30 days to 90 days).

21. SHORT TERM BORROWINGS

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Bank overdrafts - secured	15,405	7,862	-	860
- unsecured	13,828	10,261	13,828	10,261
Revolving credits - secured	11,740	11,240	8,740	8,740
- unsecured	20,420	21,020	20,420	21,020
Bankers' acceptances - secured	497	498	-	-
Factoring - secured	11,771	14,478	-	-
Short term loans - secured	24,117	15,940	-	-
Long term borrowings due within 12 months (Note 24)	13,171	24,463	2,000	1,250
	110,949	105,762	44,988	42,131

The bank overdrafts, revolving credits and bankers' acceptances of the Group and of the Company bear interest at rates ranging from 0.75% to 2.50% (2003 : 1.25% to 2.50%) per annum above the base lending rate and/or cost of funds.

Short term loans of the Group amounting to RM1,672,000 (2003 : RM1,710,000) bear interest at 2.00% (2003 : 1.25% to 2.50%) per annum above the base lending rate whilst the remaining balance bears interest at 5.04% (2003 : 5.04%) per annum.

The interest rates implicit in the factoring facility of the Group range from 5.00% to 6.00% (2003 : 5.00% to 6.00%) per annum.

In respect of secured borrowings, the nature of securities is as follows :

- (1) Pledges of quoted shares (Note 32);
- (2) Charges on land under property development with a total carrying value of RM33,777,000 (2003 : RM24,662,000) of certain subsidiary companies;
- (3) Charges on certain property, plant and equipment with a total carrying value of RM11,955,000 (2003 : RM12,186,000) and floating assets of a subsidiary company;
- (4) Charges on certain property, plant and machinery with a carrying value of RM29,249,000 (2003 : RM28,233,000) of a foreign subsidiary company; and
- (5) In the previous financial year, pledges of fixed deposits amounted to RM11,109,000.

22. SHARE CAPITAL

	GROUP/COMPANY	
	2004	2003
	RM'000	RM'000
Ordinary shares of RM1.00 each :		
Authorised	500,000	500,000
Issued and fully paid	236,000	236,000

An Employee Share Option Scheme (“ESOS”) of the Company was implemented for the benefit of eligible employees and executive directors of the Company and its subsidiary companies incorporated in Malaysia on 1 October 2001. The initial five-year term of the ESOS will expire on 30 September 2006.

The main features of the ESOS are as follows :

- (a) Employees and executive directors who have been employed for a continuous period of at least one year shall be eligible to participate in the ESOS.
- (b) The maximum number of new shares in the Company which may be issued and allotted pursuant to the exercise of options granted under the scheme shall not exceed 10% of the issued and paid-up share capital of the Company at any point in time during the term of the ESOS.
- (c) No options shall be granted for less than 1,000 ordinary shares nor more than 500,000 ordinary shares.
- (d) The option price of each ordinary share under ESOS shall be determined by the Board upon the recommendation of the ESOS committee which is at a discount of not more than 10% on the weighted average market price of the shares for the five market days immediately preceding the date of offer, or the par value of each ordinary share, whichever is higher.
- (e) An eligible employee can only participate in one ESOS implemented by any company within the Group.
- (f) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company other than as may be specified in a resolution approving the distribution of dividends prior to the allotment dates.

22. SHARE CAPITAL (cont'd)

The movement in the number of options granted, exercised and lapsed during the current financial year is as follows :

	Exercise price per ordinary share	Number of options over ordinary shares of RM1 each RM
Balance as of 1.7.2003	1.00	3,497,000
Granted	-	-
Exercised	-	-
Lapsed	1.00	(406,000)
Balance as of 30.6.2004		<u>3,091,000</u>

The Company has been granted exemption by the Companies Commission of Malaysia for non-disclosure of the names of new option holders granted below 150,000 units during the financial year.

23. RESERVES

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Non-distributable reserves *				
Share premium	33,380	33,380	33,380	33,380
Capital reserve	2,369	2,369	-	-
Translation reserve	33,970	29,763	-	-
	69,719	65,512	33,380	33,380
Accumulated loss	(48,846)	(77,407)	(95,797)	(99,403)
	20,873	(11,895)	(62,417)	(66,023)

* These reserves are not distributable by way of cash dividends.

24. LONG TERM BORROWINGS

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Unsecured :				
Term loan	2,000	3,250	2,000	3,250
Secured :				
Bonds	49,000	58,000	-	-
Term loans	33,471	31,419	-	-
	84,471	92,669	2,000	3,250
Less : Portion payable within 12 months (Note 21)				
Secured	(11,171)	(23,213)	-	-
Unsecured	(2,000)	(1,250)	(2,000)	(1,250)
	(13,171)	(24,463)	(2,000)	(1,250)
Non-current	71,300	68,206	-	2,000

The non-current portion is repayable as follows :

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Between 1 - 2 years	26,254	27,500	-	1,250
Between 2 - 5 years	38,852	30,362	-	750
After 5 years	6,194	10,344	-	-
	71,300	68,206	-	2,000

Bonds

On 11 September 2000, a subsidiary company issued RM75 million fixed rate serial bonds to refinance its then existing term loans. These bonds consist of ten series and bear interest at rates ranging from 5.80% to 9.20% per annum with each series carrying varying fixed interest rates. The bonds are redeemable in full by September 2010.

The bonds are secured by way of a debenture covering first fixed and floating charges over all the assets, properties and undertakings, present and future and deeds of assignment over the said subsidiary company's rights under various agreements pertaining to the operation of a power plant.

24. LONG TERM BORROWINGS (cont'd)

Term Loans

The term loan of a foreign subsidiary company is secured by a charge over its freehold properties and plant and machinery with a total carrying value of RM46,836,000 (2003 : RM56,454,000) and bears interest at 1.75% (2003 : 1.75%) per annum above the cost of funds.

The term loans of certain subsidiary companies are secured by charges over their property, plant and equipment with a carrying value of RM86,761,000 (2003 : RM91,844,000), floating assets and certain land held under property development with a carrying value of RM33,777,000 (2003 : RM24,662,000). These loans bear interest at rates ranging from 1.00% to 1.50% (2003 : 0.50% to 2.00%) per annum above the base lending rate.

The unsecured term loan bears interest at 2.00% per annum (2003 : 2.00%) above the base lending rate.

25. HIRE PURCHASE PAYABLES

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Hire purchase payables	6,709	4,284	196	430
Less : Portion payable within 12 months (Note 20)	(2,530)	(2,644)	(115)	(234)
Non-current portion	4,179	1,640	81	196

The non-current portion is payable as follows :

Between 1 - 2 years	2,276	1,369	52	102
Between 2 - 5 years	1,903	236	29	94
After 5 years	-	35	-	-
	4,179	1,640	81	196

The hire purchase payables bear interest at rates ranging from 3.2% to 5.9% (2003 : 3.2% to 5.9%) per annum.

26. DEFERRED TAXATION

	GROUP	
	2004 RM'000	2003 RM'000
At beginning of year	26,486	26,198
Transfer from/(to) income statements (Note 8)	1,352	993
Acquisition of subsidiary	2,953	-
Translation reserve	(1,137)	(705)
At end of year	29,654	26,486

	GROUP	
	2004 RM'000	2003 RM'000
The deferred taxation represents the tax effects of :		
- Temporary differences of capital allowances and depreciation	23,912	17,047
- Group cost from acquisition of land based companies	4,363	4,737
- Others	1,379	4,702
	29,654	26,486

As of 30 June 2004, the amount of net deferred tax asset, calculated at the current tax rate, is as follows :

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Differences of capital allowances and depreciation	(54)	(508)	(43)	(53)
Unabsorbed capital allowances	281	219	267	204
Unutilised tax losses	29,949	30,210	-	-
Others	(150)	(560)	-	-
Net deferred tax asset	30,026	29,361	224	151

Deferred tax assets have not been recognised in respect of the unabsorbed capital allowances and unutilised tax losses as they have arisen in subsidiary companies that have a history of losses and it is not probable for them to have future profits for offset as well as the fact that these losses may not be used to offset taxable profits of other subsidiary companies in the Group.

27. COMMITMENTS

As of 30 June 2004, the Group and the Company have the following commitments :

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Capital commitments :				
Property, plant and equipment Authorised but not provided :				
Contracted	5,823	444	18	-
Not contracted	14,468	10,264	4	9
	20,291	10,708	22	9
Investment :				
Contracted but not provided for	1,500	-	1,500	-
	21,791	10,708	1,522	9

28. CONTINGENT LIABILITIES

	COMPANY	
	2004 RM'000	2003 RM'000
Unsecured :		
Guarantees given to financial institutions for facilities extended to subsidiary companies	2,500	14,564

29. CASH AND CASH EQUIVALENTS

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

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Bank balances and deposits	101,025	55,664	153	11,123
Bank overdrafts	(29,233)	(18,123)	(13,828)	(11,121)
	71,792	37,541	(13,675)	2
Less : Non-cash and cash equivalents :				
Fixed deposits pledged to a bank as collateral (Note 19)	-	(11,109)	-	(11,109)
	71,792	26,432	(13,675)	(11,107)

30. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives And Policies

The operations of the Group are subject to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk, liquidity risk and cash flow risk. The Group has taken measures to minimise its exposure to risk and/or costs associated with the financing, investing and operating activities of the Group.

(i) Foreign Currency Risk

The Group has foreign subsidiary companies and is exposed to various foreign currency risks. The Group borrows in the currency of the country in which the property or investment is located.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to acceptable levels.

The currency profile of the financial assets and financial liabilities of the Group are as follows :

	GROUP	
	2004	2003
	RM'000	RM'000
Trade receivables		
Ringgit Malaysia	40,272	33,865
Great Britain Pound	21,912	22,356
Chinese Renminbi	22,308	12,841
United States Dollar	1,774	786
South African Rand	4,795	10,508
Euro	507	626
Danish Krone	1,762	937
Others	244	208
	93,574	82,127
Sundry receivables		
Ringgit Malaysia	11,292	23,443
Great Britain Pound	1,201	-
Chinese Renminbi	442	-
United States Dollar	9,699	-
South African Rand	1,152	-
Others	48	282
	23,834	23,725

30. FINANCIAL INSTRUMENTS (cont'd)

(i) Foreign Currency Risk (cont'd)

	GROUP	
	2004	2003
	RM'000	RM'000
Bank balances and deposits		
Ringgit Malaysia	87,547	47,470
Great Britain Pound	347	136
Chinese Renminbi	11,630	7,255
United States Dollar	1,147	211
Others	354	592
	101,025	55,664
Trade payables		
Ringgit Malaysia	22,275	20,189
Great Britain Pound	15,742	18,628
Chinese Renminbi	3,074	3,432
South African Rand	4,978	11,538
Others	780	597
	46,849	54,384
Sundry payables		
Ringgit Malaysia	27,187	12,664
Great Britain Pound	1,679	2,123
Chinese Renminbi	18,569	7,356
	47,435	22,143

(ii) Interest Rate Risk

The Group is exposed to interest rate risks through the impact of rate changes on interest bearing borrowings and fixed deposits. The interest rates of the Group's borrowings are disclosed in Notes 21 and 24 to the Financial Statements and the interest rates of the Group's fixed deposits are disclosed in Note 19 to the Financial Statements.

(iii) Credit Risk

The Group is exposed to credit risk mainly from trade receivables. The Group extends credit to its customers based upon careful evaluation of the customers' financial condition and credit history.

(iv) Liquidity Risk

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

30. FINANCIAL INSTRUMENTS (cont'd)

(v) Cash Flow Risk

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows.

Financial Assets

The Group's principal financial assets are bank balances and deposits, trade and other receivables and investments.

The Company's principal financial assets are bank balances and deposits, other receivables and amount owing by subsidiary companies.

The accounting policies applicable to the major financial assets are as disclosed in Note 3 to the Financial Statements.

Financial Liabilities and Equity Instruments

Debts and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement.

Significant financial liabilities of the Group include trade and other payables, borrowings and hire purchase payables.

Significant financial liabilities of the Company include sundry payables, borrowings and hire purchase payables.

Borrowings are recorded at the proceeds received and finance charges are accounted for on an accrual basis.

Fair Values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The carrying values and the estimated fair values of the Group's and the Company's financial instruments as of 30 June 2004 are as follows :

2004	Note	GROUP		COMPANY	
		Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
Financial liabilities					
Term loans	24	35,471	35,471	2,000	2,000
Bonds	24	49,000	49,000	-	-
Hire purchase payables	25	6,709	6,709	196	196

30. FINANCIAL INSTRUMENTS (cont'd)**Fair Values (cont'd)****Term loans, bonds and hire purchase payables**

The fair values of term loans, bonds and hire purchase payables are estimated using the discounted cash flow analysis based on the current borrowing rates for similar types of borrowing arrangements. There is no material difference between the fair values and carrying values of these liabilities as of the balance sheet date.

Cash And Cash Equivalents, Receivables, Payables, Short-Term Borrowings and Inter-Company Indebtedness

The carrying amounts approximate fair values because of the short maturity period for these instruments.

31. SEGMENT INFORMATION**Business segments**

For management purposes, the Group is organised into the following main divisions :

Division	Description
Power	Build, own and operate power plants
Property	Property development
Limestone	Quarrying of limestone and manufacturing and trading of calcium carbonate powder and lime based products.
Engineering	Engineering, design and manufacturing of automotive and transportation component and security seals.
Investment holding	Investment holding

31. SEGMENT INFORMATION (cont'd)
GROUP

	Power Division RM'000	Property Division RM'000	Limestone Division RM'000	Engineering Division RM'000	Other Divisions RM'000	Investment Holding Division RM'000	Consolidated RM'000
2004							
Revenue							
External sales	223,580	24,188	3,225	187,271	11,867	90	450,221
Results							
Profit/(Loss) from operations	57,765	7,166	194	(11,374)	619	20,718	75,088
Finance costs							(11,877)
Share of results in associated companies	–	–	905	–	–	–	905
Income tax expense							(12,597)
Profit after tax							51,519
Minority interests							(21,259)
Net profit for the year							30,260
Other information							
Capital expenditure	14,345	16	9	5,900	–	80	20,350
Depreciation and amortisation	13,207	474	412	10,141	1,403	623	26,260
Assets							
Segment assets	255,924	144,132	7,632	128,366	115,809	46,252	698,115
Investment in associated company	–	–	–	–	3,124	–	3,124
Consolidated total assets							701,239
Liabilities							
Segment liabilities	122,640	39,720	1,579	98,015	37,049	49,815	348,818

(Forward)

31. SEGMENT INFORMATION (cont'd)

GROUP

	Power Division RM'000	Property Division RM'000	Limestone Division RM'000	Engineering Division RM'000	Investment Holding Division RM'000	Consolidated RM'000
2003						
Revenue						
External sales	163,129	42,245	3,313	167,638	308	376,633
Results						
Profit/(Loss) from operations	45,290	4,150	145	(7,772)	15,357	57,170
Finance costs						(11,880)
Share of results in associated company	–	–	4,131	–	–	4,131
Income tax expense						(6,930)
Profit after tax						42,491
Minority interests						(15,948)
Net profit for the year						26,543
Other information						
Capital expenditure	30,535	1,304	9	7,157	539	39,544
Depreciation and amortisation	10,750	494	886	10,084	593	22,807
Assets						
Segment assets	229,429	149,645	8,140	145,838	22,610	555,662
Investment in associated company	–	–	35,958	–	–	35,958
Consolidated total assets						591,620
Liabilities						
Segment liabilities	123,456	28,311	1,581	103,440	56,833	313,621

31. SEGMENT INFORMATION (cont'd)
Geographical segments

Analysis by geographical segments :

	Revenue		Carrying value of segment assets		Capital additions	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Malaysia	151,271	151,748	454,401	364,483	2,253	3,637
United Kingdom	108,659	99,532	83,035	97,454	1,808	4,446
People's Republic of China	141,623	82,871	141,322	107,600	14,129	30,296
South Africa	48,668	42,482	22,481	22,083	2,160	1,165
	450,221	376,633	701,239	591,620	20,350	39,544

32. SUBSIDIARY COMPANIES

Details of the subsidiary companies as of 30 June 2004 are as follows :

Company	Principal Activities	Country of Incorporation	Effective Group Interest	
			2004 %	2003 %
Mega First Mining Sdn. Bhd.	Investment holding	Malaysia	100	100
Equity Group Investments Ltd *	Investment holding	British Virgin Islands	100	–
Mamut Copper Mining Sdn. Bhd. *	Dormant	Malaysia	100	100
Geo-Mobile Asia (HK) Limited. *	Dormant	Hong Kong	100	100
MCM Nurseries Sdn. Bhd. *	Dormant	Malaysia	100	100
Cheng Sun Industries Sdn. Bhd.	Investment holding	Malaysia	99.6	99.6
Syarikat Cheng Sun Quarry Sdn. Bhd.	Quarrying of limestone and production of fine calcium carbonate powder	Malaysia	99.6	99.6
Megah Harmonik Property Management Sdn. Bhd. (formerly know as Kinabalu Lime Products Sdn. Bhd.)	Property management	Malaysia	100	100
Propera Sdn. Bhd.	Dormant	Malaysia	100	100
Mega First Industries Sdn. Bhd.	Investment holding	Malaysia	100	100
Consotech Sdn. Bhd. *	Dormant	Malaysia	100	100
MFCB Marketing Sdn. Bhd. *	Dormant	Malaysia	100	100
Grassum Sdn. Bhd.	Dormant	Malaysia	100	100

32. SUBSIDIARY COMPANIES (cont'd)

Company	Principal Activities	Country of Incorporation	Effective Group Interest	
			2004 %	2003 %
Mega First Development Sdn. Bhd.	Dormant	Malaysia	100	100
Mega First Ventures Sdn. Bhd. (formerly known as Mega First Engineering Sdn. Bhd.)	Investment holding	Malaysia	100	100
Mega Fortris Trading Sdn. Bhd. *	Trading of security seals	Malaysia	51.5	51.5
Mega Fortris (Malaysia) Sdn. Bhd. *	Manufacturing and trading of security seals	Malaysia	51	51
Mega Fortris (Europe) ApS Limited. *	Trading of security seals	Denmark	33.2	33.2
Mega Fortris (USA) Inc. *	Trading of security seals	United States	33.2	33.2
Mega Fortris Asiatic Co. Limited. *	Trading of security seals	Thailand	26	26
Mega Fortris (UK) Limited. *	Trading of security seals	United Kingdom	21.5	21.5
Shaoxing Mega Fortris Seals Co., Limited. *	Manufacturing and trading of security seals	People's Republic of China	30.6	30.6
Mega Fortris Phils., Inc	Trading of security seals	Philippines	34.0	–
Bloxwich International Sdn. Bhd.	Investment holding	Malaysia	96.9	96.9
Bloxwich (Malaysia) Sdn. Bhd.	Engineering, designing and manufacturing of automotive and transportation components	Malaysia	92.1	96.9
Bloxwich Engineering Limited. **	Engineering, design and manufacture of automotive and transportation components	United Kingdom	96.9	96.9

32. SUBSIDIARY COMPANIES (cont'd)

Company	Principal Activities	Country of Incorporation	Effective Group Interest	
			2004 %	2003 %
Bloxwich Automotive Limited. **	Engineering, design and manufacture of components for automotive and building industries	United Kingdom	96.9	96.9
Bloxwich Transportation Products Limited. **	Engineering, design and manufacture of components for transportation and security industries	United Kingdom	96.9	96.9
Hatherton Engineering Limited. **	Design and manufacture of precision tools	United Kingdom	96.9	96.9
Bloxwich Security Products Limited. **	Manufacturing and trading of security seals	United Kingdom	96.9	96.9
APM (Advanced Presswork Manufacturers) Limited **	Dormant	United Kingdom	96.9	96.9
Bloxwich Group Pensions Limited. **	Pension Fund Trustee	United Kingdom	96.9	96.9
Bloxwich South Africa (Pty) Limited. *	Dormant	Republic of South Africa	96.9	96.9
Bloxwich Forgings (Pty) Limited. *	In liquidation	Republic of South Africa	–	96.9
Bloxwich Fabrications Limited. **	Manufacturing of fabricated metal products	United Kingdom	96.9	96.9
Bloxwich Industries (Pty) Limited.*	Manufacturing of automotive components	Republic of South Africa	96.9	96.9
Bloxwich Tool & Die (Pty) Limited *	Manufacturing of tools & dies	Republic of South Africa	96.9	96.9
Brycol Engineering (Pty) Limited *	Dormant	Republic of South Africa	96.9	96.9

32. SUBSIDIARY COMPANIES (cont'd)

Company	Principal Activities	Country of Incorporation	Effective Group Interest	
			2004 %	2003 %
Mega First Corporate Services Sdn. Bhd.	Provision of secretarial services	Malaysia	100	100
Mega First Housing Development Sdn. Bhd.	Property development	Malaysia	100	100
Mega First Properties Sdn. Bhd.	Dormant	Malaysia	100	100
Mega First Property Management Sdn. Bhd.	Dormant	Malaysia	100	100
Gombak Land Sdn. Bhd.	Property development	Malaysia	100	100
Community Consortium Sdn. Bhd.	Property development	Malaysia	100	100
Public Ventures Management Sdn. Bhd.	Dormant	Malaysia	100	100
Empayar Permai Sdn. Bhd.	Property development	Malaysia	100	100
Highland Resources Sdn. Bhd.	Dormant	Malaysia	100	100
Paya Emas Sdn. Bhd.	Property development	Malaysia	60	60
Idaman Harmoni Sdn. Bhd.	Property development	Malaysia	55	55
Serudong Power Sdn. Bhd.	Build, own and operate a power plant	Malaysia	51	51
Mega First Power Industries Sdn. Bhd.	Investment holding	Malaysia	100	100
Mega First Power Services Sdn. Bhd.	Contractor for operation and maintenance of power plants	Malaysia	100	100
Shaoxing Mega Heat And Power Co. Limited. **	Own and operate a power plant	People's Republic of China	60	60

32. SUBSIDIARY COMPANIES (cont'd)

Company	Principal Activities	Country of Incorporation	Effective Group Interest	
			2004 %	2003 %
Rock Chemical Industries (Malaysia) Berhad ***	Investment holding and provision of management consultancy services	Malaysia	55.8	#
RCI Concrete Products Sdn. Bhd.	Sale of terrazzo tiles and concrete paves	Malaysia	55.8	–
RCI Lime Sdn. Bhd.	Manufacture and sale of lime products and as limestone quarry operator	Malaysia	55.8	–
RCI Minerals Sdn. Bhd.	Pre-operating	Malaysia	55.8	–
RCI Marketing Sdn. Bhd.	Trading of building and construction materials	Malaysia	55.8	–
PST Travel Services Sdn. Bhd.	Travel services and corporate ticketing	Malaysia	55.8	–
Sri Danta Travel & Tours Sdn. Bhd.	Travel and tour, and car rental services	Malaysia	39.3	–
Alampac Sdn. Bhd.	Investment holding	Malaysia	39.3	–
Asia Experience Sdn. Bhd.	Investment holding	Malaysia	39.3	–
Xilouette Manufacturer Sdn. Bhd.	Manufacturing of ladies undergarment	Malaysia	55.8	–
Xixili Intima Sdn. Bhd.	Trading in ladies undergarment	Malaysia	55.8	–
Bayangan Sutera Sdn. Bhd.	Investment holding	Malaysia	100	100
MFFB International Ltd *	Trading in food and beverages	British Virgin Islands	100	–
Geo-Mobile Asia Sdn. Bhd.	Investment holding	Malaysia	100	100

32. SUBSIDIARY COMPANIES (cont'd)

Company	Principal Activities	Country of Incorporation	Effective Group Interest	
			2004 %	2003 %
Authentic Excellence Sdn. Bhd.	Investment holding	Malaysia	100	100
Mega First Resources Sdn. Bhd.	Dormant	Malaysia	100	100
Jitu Optima Sdn. Bhd.	Dormant	Malaysia	100	100
Mega First OnLine Sdn. Bhd.	Dormant	Malaysia	100	100

* The financial statements of these companies are examined by auditors other than the auditors of the Company.

** The financial statements of these companies are examined by member firms of Horwath International.

*** Investment in quoted shares of a subsidiary company of the Group and of the Company with carrying values of RM25,258,000 (2003 : RM33,617,000) and RM18,470,000 (2003 : RM23,548,000), respectively are pledged to local financial institutions as collaterals for credit facilities extended to the Company.

During the financial year, the Group's equity interest in RCI was increased from 38.49% to 55.78% as a result of the acquisition of additional shares and the successful completion of the Mandatory Offer, as described in Note 34 (ii) to the Financial Statements. Consequently, RCI is now a subsidiary company of the Group.

33. GENERAL INFORMATION

The total number of employees, including directors, of the Group and of the Company at the end of the financial year were 1,305 (2003 : 1,083) and 19 (2003 : 25), respectively.

The Company's registered office and principal place of business is located at 8-05 Level 8, Menara Milenium, 8 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur.

34. SIGNIFICANT CORPORATE EVENTS

- i) On 3 June 2003, Idaman Harmoni Sdn. Bhd., a 65% owned subsidiary company of the Group, entered into two sale and purchase agreements with Palmshine Plaza Sdn. Bhd. ("PPSB") for the purchase of 3 adjoining plots of leasehold land measuring approximately 14,846 square metres located at Jalan Barat, Petaling Jaya from PPSB for a total cash consideration of RM18.0 million. These acquisitions were completed on 15 November 2003.
- ii) On 15 December 2003, Authentic Excellence Sdn. Bhd. ("AESB") a wholly-owned subsidiary of the Company acquired 2,500,000 ordinary shares of RM1.00 each representing 5.9% of the issued and paid-up share capital of Rock Chemical Industries (M) Bhd ("RCI") for a total cash consideration of RM5.0 million. Prior to the acquisition the Company directly held 16,302,400 ordinary shares representing 38.5% of the issued and paid-up share capital of RCI. After the acquisition, AESB and the Company, collectively, hold 18,802,400 ordinary shares representing 44.4% of the issued and paid-up share capital of RCI which resulted in AESB extending a Mandatory Offer ("MO") for the remaining ordinary shares in RCI not already owned. The MO was approved by the shareholders of the Company at the Extraordinary General Meeting on 26 May 2004 and was completed on 22 June 2004 with acceptance totalling 11.39% of the issued and paid-up share capital of RCI thus making RCI a 55.78% subsidiary company of the Group.

- iii) On 10 March 2004, Bloxwich Forgings (Pty.) Limited ("BFPL"), a 96.9% owned subsidiary of the Group was liquidated pursuant to an Order of the High Court of South Africa.

BFPL, incorporated in the Republic of South Africa on 29 June 1993, was principally involved in the manufacturing of forged components mainly for the container and automotive industry, and had recorded losses for several years.

The liquidation of BFPL resulted in a loss of approximately RM4.1 million for the Group and this has been taken up in the financial statements for the year under review.

- iv) On 26 May 2004 the Company proposed to undertake a private placement of up to 10% of the issued and paid-up share capital of the Company ("Placement Shares") and this was approved by the Securities Commission and Foreign Investment Committee on 26 July 2004.

The maximum number of Placement Shares to be issued pursuant to the Proposed Private Placement is based on 10% of the issued and paid-up share capital of the Company of RM236,000,000 comprising 236,000,000 ordinary shares of RM1.00 each in the Company.

35. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with their presentation in the current financial year.

STATEMENT BY DIRECTORS

The Directors of **MEGA FIRST CORPORATION BERHAD** state that, in their opinion, the accompanying balance sheets and statements of income, cash flows and changes in equity are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as of 30 June 2004 and of the results of their businesses and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance
with a resolution of the Directors,

LIM THIAN SOO

CHEW WEI KEONG

Kuala Lumpur
30 August 2004

STATUTORY DECLARATION

I, **CHEW WEI KEONG**, the Director primarily responsible for the financial management of **MEGA FIRST CORPORATION BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets and statements of income, cash flows and changes in equity, 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
CHEW WEI KEONG at **KUALA LUMPUR** this
30th day of August 2004.

Before me,

DATO' NG MANN CHEONG
COMMISSIONER FOR OATHS

LIST OF PROPERTIES HELD

AS AT 30 JUNE 2004

Description	Location	Approximate Age of building (years)	Total Area (sq. metre)	Tenure	Date of acquisition	Date of last valuation	Net Book Value RM'000
Factory land and building	Lot PT839 Mukim of Sg. Raia Kinta District, Perak	17	28,850	Leasehold 60 years (Expires on 2047)	18 Dec 1987	n/a	1,450
Quarrying Limestone hill	Lot PT 132 Mukim of Sg. Raia Kinta District, Perak	n/a	36,367	Leasehold 30 years (Expires on 2011)	18 Jul 1981	n/a	2,912
Quarrying Limestone hill	Lot PT 1109 Mukim of Sg. Raia Kinta District, Perak	n/a	8,099	Leasehold 30 years (Expires on 2022)	26 Feb 1992	n/a	4
Factory land and building	PT2620 & PT2621 Seri Iskandar Technology Park Mukim Bota Daerah Perak Tengah 32600 Bota Perak	7	12,565	Leasehold 99 years (Expires on 2095)	22 Nov 1996	n/a	1,050
Factory land and building	Bell Lane, Bloxwich, Walsall England	90	11,900	Freehold	1915	1993*	16,844
Factory land and building	Fryers Road / Commercial Road Bloxwich, Walsall, England	42	3,120	Freehold	1970	1993*	6,389
Factory land and building	Ring Road, Burntwood Staffs, England	29	3,344	Freehold	1996	1993*	6,766
Factory land and building	Qi Yang Gong Lu Qi xian Town, Shaoxing County Zhejiang Province People's Republic of China	10	61,960	Leasehold 22 years (Expires on 2019)	1997	n/a	24,622
Vacant land held for development	CL No.015485864 Inanam, Menggatal District of Kota Kinabalu Sabah	n/a	27,267	Leasehold 999 years (Expires on 2915)	19 Aug 1996	n/a	3,900
Vacant land held for development	P.T. Nos.2388,2397,2398 2401, 2402 Mukim Setapak	n/a	13,284	Leasehold 99 years (Expires on 2086)	21 Sep 1987	n/a	1,002

Description	Location	Approximate Age of building (years)	Total Area (sq. metre)	Tenure	Date of acquisition	Date of last valuation	Net Book Value RM'000
Vacant land held for development	P.T. Nos. 134907, 134908, 134914, Daerah Kinta, Ipoh	n/a	24,276	Leasehold 99 years (Expires on 2094)	30 Mar 1995	n/a	8,405
Vacant land held for development	P.T. Nos. 1006 to 1038 Mukim of Batu Berendam Daerah Melaka Tengah, Melaka	n/a	37,334	Leasehold 99 years (Expires on 2082)	27 Mar 1993	n/a	984
Vacant land held for development	P.T. Nos. 277 to 279 Mukim of Paya Rumpit Daerah Melaka Tengah, Melaka	n/a	203,510	Freehold	31 May 1993	n/a	9,168
Vacant land held for development	Lot 2134 Mukim Bukit Rambai Daerah Melaka Tengah	n/a	22,611	Leasehold 99 years (Expires on 2101)	1 Dec 1997	n/a	1,200
Vacant land held for development	Lot 1, 726 & 727 Sek 8 Town of Petaling Jaya, District of K.L	n/a	14,846	Leasehold 66 years	3 Jun 2003	n/a	18,775
2 lots of 1 1/2 storey semi-detached factory	No. 6 & 8, Jalan Angklung 33/2 Shah Alam Technology Park, 40400 Shah Alam	4	1,637	Freehold	19 Jan 2001	n/a	1,580
Lohan Tailing Dam Lease	CL065315826 Ranau, Sabah	n/a	3,883,974	Leasehold 30 years (Expires on 31.12.2004)	22 Nov 1975	n/a	-
Usukan Port Lease	CL035314044	n/a	256,000	Leasehold 30 years (Expires on 31.12.2004)	1 Jan 1975	n/a	-
Quarry and limestone hill	HS(D) KA46712 PT3997 Gunung Panjang Gopeng Perak Darul Ridzuan	n/a	193,300	Leasehold 30 years (Expires on 29.12.2025)	1996	1996*	4,306

Description	Location	Approximate Age of building (years)	Total Area (sq. metre)	Tenure	Date of acquisition	Date of last valuation	Net Book Value RM'000
Office and warehouse	Lot 45158 Gunung Panjang Gopeng Perak Darul Ridzuan	1.5	22,600	Freehold	1997	n/a	1,322
Integrated lime klin and hydration plant	Lot 45157 Gunung Panjang Gopeng Perak Darul Ridzuan	n/a	18,700	Freehold	1996	1996*	163
Stockyard	Lot 21487 Gunung Panjang Gopeng Perak Darul Ridzuan	n/a	10,600	Freehold	1996	1996*	40
Office and warehouse	Lot No. 28 Jalan Pengacara U1/48, Temasya Industrial Park Mukim Damansara District of Petaling Selangor Darul Ehsan	4.5	892	Freehold	2000	n/a	1,400

* Subsidiary was acquired after the valuation date.

n/a Not applicable

STATISTICS ON SHAREHOLDINGS

AS AT 6 SEPTEMBER 2004

ANALYSIS OF SHAREHOLDINGS

Authorised Capital : RM500,000,000 divided into 500,000,000 ordinary shares of RM1.00 each.

Issued and Paid-up Capital : RM236,000,000 divided into 236,000,000 ordinary shares of RM1.00 each fully paid-up.

Size of Holdings	No. of Holders	Total Holdings	%
Less than 100	798	46,173	0.02
100 to 1,000	7,656	7,238,417	3.07
1,001 to 10,000	12,128	46,619,043	19.75
10,001 to 100,000	1,421	35,382,852	14.99
100,001 to less than 5% of issued shares	116	125,706,515	53.27
5% and above of issued shares	2	21,007,000	8.90
Total	22,121	236,000,000	100.00

NOTE:

There is only one class of shares in the issued and paid-up share capital of the Company, that is Ordinary Shares of RM1.00 each. Each share entitles the holder to one vote.

THIRTY LARGEST SHAREHOLDERS AS AT 6 SEPTEMBER 2004

No.	Name of Securities Account Holder	No. of shares held	%
1)	Amsec Nominees (Tempatan) Sdn Bhd <i>A/C for Rubber Thread Industries (M) Sdn Berhad</i>	47,905,000	20.30
2)	Perbadanan Pembangunan Ekonomi Sabah (SEDCO)	14,787,480	6.27
3)	HLB Nominees (Asing) Sdn Bhd <i>A/C for Keen Capital Investments Limited</i>	6,315,000	2.68
4)	PRT Capital Pte Ltd	5,688,500	2.41
5)	HLB Nominees (Tempatan) Sdn Bhd <i>A/C for Bonanza Resources Sdn Bhd</i>	5,000,000	2.12
6)	Lembaga Tabung Haji	5,000,000	2.12
7)	Lembaga Tabung Angkatan Tentera	4,825,700	2.04
8)	Amanah Raya Nominees (Tempatan) Sdn Bhd <i>A/C for Skim Amanah Saham Bumiputera</i>	4,730,000	2.00
9)	DB (Malaysia) Nominee (Asing) Sdn Bhd <i>A/C for Devonshire Assets Limited</i>	4,203,000	1.78
10)	Shoptra Jaya (M) Sdn Bhd	3,397,300	1.44
11)	HLB Nominees (Asing) Sdn Bhd <i>A/C for Central Allied Investments Limited</i>	2,935,200	1.24
12)	Zulkifli bin Hussain	2,925,000	1.24
13)	JF Apex Nominees (Tempatan) Sdn Bhd <i>A/C for Lim Gaik Bway @ Lim Chiew Ah</i>	2,586,000	1.10
14)	HSBC Nominees (Asing) Sdn Bhd <i>A/C for Dynamic Growth Equity Limited</i>	2,218,800	0.94
15)	DB (Malaysia) Nominee (Asing) Sdn Bhd <i>A/C for Silverbell Group Limited</i>	1,750,000	0.74
16)	Kumpulan YR Sdn Bhd	1,544,000	0.65
17)	AMMB Nominees (Tempatan) Sdn Bhd <i>A/C for Bonanza Resources Sdn Bhd</i>	1,500,000	0.64
18)	Lee Leh Choo	1,446,200	0.61
19)	Omega Semiconductor Sdn Bhd	1,399,800	0.59
20)	Poh Tak Kiau @ Poo Tak Kiau	1,124,900	0.48
21)	Lim Seng Chee	1,005,900	0.43
22)	TCL Nominees (Tempatan) Sdn Bhd <i>A/C for Sanjeev a/ Sivalingam</i>	1,000,000	0.42
23)	Juwitawan Sdn Bhd	974,000	0.41
24)	Chong Wai Lin	793,000	0.34
25)	Kah Hin Loong Sdn Bhd	762,200	0.32
26)	Menteri Kewangan Malaysia <i>Section 29 (SICDA)</i>	740,685	0.31
27)	Goh Nan Kioh	713,600	0.30
28)	Chng Soo Moi	680,100	0.29
29)	Lanai Etika Sdn Bhd	595,000	0.25
30)	Koay Keng Ling	575,100	0.24
	Total	129,121,465	54.70

SUBSTANTIAL SHAREHOLDERS

AS AT 6 SEPTEMBER 2004

No.	Name of Substantial Shareholder	Direct Interest		Deemed Interest	
		Shares	%	Shares	%
1)	Goh Nan Kioh	713,600	0.30	60,503,500 (a)	25.64
2)	Rubber Thread Industries (M) Sdn Bhd	47,905,000	20.30	595,000 (b)	0.25
3)	Perbadanan Pembangunan Ekonomi Sabah (SEDCO)	14,747,480	6.27	-	-
4)	Laju Riang Sdn Bhd	-	-	48,500,000 (c)	20.55
5)	Kema Development Sdn Bhd	-	-	48,500,000 (c)	20.55
6)	Cambrew (Malaysia) Sdn Bhd	-	-	48,500,000 (c)	20.55
7)	Lim Thian Soo	90,000	0.04	48,500,000 (c)	20.55
8)	Lim Thiam Cheok	10,000	-	48,500,000 (c)	20.55
9)	Lim Yam Poh	-	-	48,500,000 (c)	20.55

DIRECTORS' INTEREST

AS AT 6 SEPTEMBER 2004

Shares in the Company

No.	Name of Director	Direct Interest		Deemed Interest	
		Shares	%	Shares	%
1)	Goh Nan Kioh	713,600	0.30	60,503,500 (a)	25.64
2)	Dato' Haji Abu Hanifah bin Noordin	-	-	-	-
3)	Lim Thian Soo	90,000	0.04	48,500,000 (c)	20.55
4)	Chew Wei Keong	5,000	0.002	-	-
5)	Yong Fook Shin	60,000	0.03	-	-
6)	Michael Yee Kim Shing	50,000	0.02	-	-
7)	Lim Boon Seh	-	-	-	-
8)	Maisuri bin Besri	-	-	-	-
9)	Goh Nan Yang (Alternate to Goh Nan Kioh)	10,000	-	-	-

DIRECTORS' INTEREST (Cont'd)**Share Options in the Company**

Name of Director	Options Granted	Option Price	Options Exercised	Balance of Options
Goh Nan Kioh	-	-	-	-
Dato' Haji Abu Hanifah bin Noordin	-	-	-	-
Lim Thian Soo	-	-	-	-
Chew Wei Keong	280,000	RM1.00	-	280,000
Yong Fook Shin	-	-	-	-
Michael Yee Kim Shing	-	-	-	-
Lim Boon Seh	-	-	-	-
Maisuri bin Besri	-	-	-	-
Goh Nan Yang (<i>Alternate to Goh Nan Kioh</i>)	-	-	-	-

Notes:

- (a) *Deemed interest by virtue of interest in Rubber Thread Industries (M) Sdn Berhad, PRT Capital Pte Ltd, Keen Capital Investments Limited*
- (b) *Deemed interest by virtue of interest in Lanai Etika Sdn Bhd*
- (c) *Deemed interest by virtue of interest in Rubber Thread Industries (M) Sdn Berhad*

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Eighth Annual General Meeting of the Company will be held at the Berjaya Hall, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Thursday, 28 October 2004 at 10:00 a.m. for the following purposes:-

AGENDA

- 1) To receive and consider the Directors' Report and Audited Financial Statements for the year ended 30 June 2004. (Resolution 1)
- 2) To declare a first and final dividend of 1.5% less income tax, in respect of the year ended 30 June 2004. (Resolution 2)
- 3) To approve the payment of Directors' fees amounting to RM130,700 (2003: RM133,048) in respect of the year ended 30 June 2004. (Resolution 3)
- 4) To re-elect the following Directors who are retiring by rotation pursuant to Article 99 of the Company's Articles of Association, and being eligible, offer themselves for re-election:-
 - 4.1 Mr Yong Fook Shin (Resolution 4)
 - 4.2 Mr Michael Yee Kim Shing (Resolution 5)
 - 4.3 Dato' Haji Abu Hanifah bin Noordin (Resolution 6)
- 5) To appoint auditors and to authorise the Board of Directors to fix their remuneration. (Resolution 7)
- 6) By way of special business, to consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:-
 - 6.1 **Ordinary Resolution**
Authority to issue shares pursuant to Section 132D of the Companies Act, 1965

"THAT, subject always to the Companies Act, 1965 and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered and authorised, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person/persons or party/parties whomsoever the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being, and that such authority shall continue in force until the conclusion of the next Annual General Meeting."

(Resolution 8)
 - 6.2 **Ordinary Resolution**
Authority to allot shares pursuant to the Employee Share Option Scheme

"THAT, pursuant to the Company's Employee Share Option Scheme ("the ESOS") as approved at the Extraordinary General Meeting of the Company held on 30 October 2000, the Directors of the Company be and are hereby empowered and authorised, in accordance with Section 132D of the Companies Act, 1965, to allot and issue shares in the Company from time to time in accordance with the ESOS."

(Resolution 9)

6.3 Ordinary Resolution
Proposed allocation of options to Mr Lim Thian Soo

“THAT, the Directors of the Company be hereby authorised at any time, and from time to time, to offer and to grant to Mr Lim Thian Soo, the Managing Director of the Company, options to subscribe for new shares of the Company available under the ESOS provided that not more than 50% of the Company’s shares available under the ESOS are allotted, in aggregate, to Executive Directors and senior management of the Company and its subsidiaries, subject always to the provisions of the Bye-laws of the ESOS and/or any adjustments which may be made in accordance with such provisions.”

(Resolution 10)

6.4 Ordinary Resolution
Proposed allocation of options to Mr Goh Nan Yang

“THAT, the Directors of the Company be hereby authorised at any time, and from time to time, to offer and to grant to Mr Goh Nan Yang, an eligible employee, Alternate Director and person connected to a Director of the Company, options to subscribe for new shares of the Company available under the ESOS provided that not more than 50% of the Company’s shares available under the ESOS are allotted, in aggregate, to Executive Directors and senior management of the Company and its subsidiaries, subject always to the provisions of the Bye-laws of the ESOS and/or any adjustments which may be made in accordance with such provisions.”

(Resolution 11)

- 7) To transact any other business that may be transacted at an Annual General Meeting, due notice of which shall have been previously given in accordance with the Companies Act, 1965 and the Company's Articles of Association.

By Order of the Board
YONG LAI SIM
Group Company Secretary

KUALA LUMPUR
5 October 2004

NOTES:

- 1) *A member of the Company entitled to attend and on a poll, vote at the meeting, is entitled to appoint a proxy or proxies to attend and to vote in his stead. A proxy need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 are not applicable to the Company.*
- 2) *Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. In such instance, the member shall specify the securities account number for each appointment.*
- 3) *In the case of a corporate member, the instrument appointing a proxy or proxies shall be under its Common Seal or under the hand of its attorney duly authorised in writing.*
- 4) *Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
- 5) *The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company situated at 8-05, Level 8, Menara Milenium, 8 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for the meeting or any adjournment thereof, and in default, the instrument of proxy or proxies shall not be treated as valid.*

EXPLANATORY NOTE ON SPECIAL BUSINESS

- a) Ordinary Resolution No: 8 if passed, will give authority to the Directors of the Company, from the date of the above Annual General Meeting, to issue and allot ordinary shares in the Company up to and not exceeding in total ten per centum (10%) of the issued share capital of the Company for the time being, for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.
- b) Ordinary Resolution No: 9 if passed, will give authority to the Directors of the Company, from the date of the above Annual General Meeting, to issue and allot ordinary shares in the Company to those employees who have exercised their options under the Employee Share Option Scheme. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.
- c) Ordinary Resolutions No: 10 and 11, if passed, will empower the Directors of the Company to grant Options to Mr Lim Thian Soo and Mr Goh Nan Yang, who are in full time employment with the Group to subscribe for shares in the Company under the Employee Share Option Scheme and from time to time, to allot and issue such percentage of ordinary shares not exceeding the percentage set out therein, subject to the provisions of the Bye-Laws of the Scheme.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1) **Directors who are standing for re-election**

The Directors who are offering themselves for re-election at the Thirty-Eighth Annual General Meeting of the Company are as follows:-

- | | | |
|-----|------------------------------------|----------------|
| 1.1 | Mr Yong Fook Shin | (Resolution 4) |
| 1.2 | Mr Michael Yee Kim Shing | (Resolution 5) |
| 1.3 | Dato' Haji Abu Hanifah bin Noordin | (Resolution 6) |

The abovenamed Directors are Independent and Non-Executive Directors, and their profile and interests in shares can be found in the section on Profile of Directors and the Statistics on Shareholdings in the Annual Report. None of these Directors have been convicted of offences within the past 10 years other than traffic offences, if any.

2) **Details of attendance of Directors at Board meetings**

A total of five meetings of the Board of Directors were held during the financial year ended 30 June 2004 and the details of Directors' attendance at the meetings are set out in the Corporate Governance Statement section of the Annual Report.

3) **Proposed allocations of options to Directors**

The direct and indirect interests of Mr Lim Thian Soo and Mr Goh Nan Yang in shares in the Company can be found in the section on Profile of Directors and the Statistics on Shareholdings in the Annual Report.

Mr Lim Thian Soo and Mr Goh Nan Yang ("interested Directors") had and will continue to abstain from all deliberations and voting on their respective entitlements under the proposed allocations of options pursuant to Ordinary Resolutions No: 10 and 11 at all meetings of the Board of Directors of the Company. The interested Directors and persons connected to the interested Directors will also abstain from voting in respect of their direct and indirect shareholdings on the respective resolutions pertaining to the allocation of options at the forthcoming annual general meeting.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT a first and final dividend of 1.5% less income tax, in respect of the year ended 30 June 2004, if approved by the shareholders at the Thirty-Eighth Annual General Meeting, will be payable on 16 December 2004 to the Depositors whose names appear in the Record of Depositors of the Company at the close of business on 19 November 2004.

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

- a) Shares transferred into the Depositor's securities account before 4:00 p.m. on 19 November 2004 in respect of ordinary transfer;
- b) Shares deposited into the Depositor's securities account before 12:30 p.m. on 19 November 2004 in respect of shares exempted from mandatory deposit; and
- c) Shares bought on Bursa Securities on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board
YONG LAI SIM
Group Company Secretary

KUALA LUMPUR
5 October 2004

No.	Company name & E-mail address	Address	Telephone no.	Facsimile no.	Person-to-contact
1.	Gombak Land Sdn. Bhd. mfcb.property@mega-first.com	No. 1, Jalan PE 7, Taman Paya Emas, 76450 Melaka.	06-3122288	06-3124288	Mr. Steven Chu
2.	Gombak Land Sdn. Bhd. mfcb.property@mega-first.com	No. 12-1, Persiaran Greentown 10, Pusat Perdagangan Greentown, 30450 Ipoh, Perak Darul Ridzuan.	05-2433093/92	05-2433094	Mr. Ong Kiok Teng
3.	Gombak Land Sdn. Bhd. mfcb.property@mega-first.com	8-05, Level 8, Menara Milenium, 8 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur.	03-20938818	03-20937818/5818	Mr. Foo Kah Heng
4.	Gombak Land Sdn. Bhd. mfcb.property@mega-first.com	No. 64-1, Jalan 8/23E, Taman Danau Kota, Off Jalan Genting Klang, 53300 Kuala Lumpur.	03-41428898	03-41420898	Mr. Thien Tien Soong
5.	Mega First Housing Development Sdn. Bhd. mfcb.property@mega-first.com	No. 34 & 36, Jalan Mawar 1B, Taman Mawar, Bandar Baru Salak Tinggi, 43900 Selangor Darul Ehsan.	03-87060088/8800	03-87060808	Mr. Thien Tien Soong
6.	Paya Emas Sdn. Bhd. mfcb.property@mega-first.com	No. 1, Jalan PE 7, Taman Paya Emas, 76450 Melaka.	06-3122288	06-3124288	Mr. Steven Chu
7.	Community Consortium Sdn. Bhd. mfcb.property@mega-first.com	No. 1, Jalan PE 7, Taman Paya Emas, 76450 Melaka.	06-3122288	06-3124288	Mr. Steven Chu
8.	Bloxwich Engineering Limited bloxwich@bloxwich.co.uk www.bloxwich.co.uk	P O Box 4, Bell Lane, Bloxwich, Walsall, WS3 2JR, England.	00441922710510	00441922475830	Mr. Paul Smith
9.	Bloxwich Automotive Limited automotive@bloxwich.co.uk www.bloxwich.co.uk	P O Box 4, Bell Lane, Bloxwich, Walsall, WS3 2JR, England.	00441922710510	00441922495508	Mr. Paul Smith
10.	Hatherton Engineering Limited sales@hatherton-eng.co.uk www.bloxwich.co.uk	Unit 3, Robottom Close, Leamore, Walsall, WS2 7 EB, England.	004419224755031	00441922710272	Mr. Barry Downs
11.	Bloxwich Transportation Products Limited Truck & Container Products Division container@bloxwich.co.uk www.bloxwich.co.uk	Chase Part Industrial Estate, Ring Road, Burntwood, Staffs WS7 8JQ, England.	00441543673111	00441543676450	Mr. Paul Smith

No.	Company name & E-mail address	Address	Telephone no.	Facsimile no.	Person-to-contact
12.	Bloxwich Transportation Products Limited Forged Products Division forge@bloxwich.co.uk www.bloxwich.co.uk	P O Box 4, Bell Lane, Bloxwich, Walsall, WS3 2JR, England.	00441922710510	00441922495508	Mr. B. Trantor
13.	Bloxwich Security Products Limited security@bloxwich.co.uk www.bloxwich.co.uk	Chase Park Industrial Estate, Ring Road, Burntwood, Staffs WS7 8JQ, England.	00441543677256/7/8	00441543677259	Mr. Paul Smith
14.	Bloxwich (Malaysia) Sdn. Bhd. bmsbip@tm.net.my	Seri Iskandar Technology Park, 32600 Bota, Perak Darul Ridzuan	05-3711516/17/18	05-3711520	Mr. Jeffrey Leong
15.	Bloxwich Industries (Pty) Limited T/A Rockham Industries info@rockham.co.za mbanks@rockham.com.za	P O Box 32047, Mobeni 4060, Durban, South Africa.	0027314690441/ 0027314521700	0027314690443	Mr. M. Banks
16.	Bloxwich Tool & Die (Pty) Limited T/A Rockham Tool & Die info@rockham.co.za mbanks@rockham.com.za	P O Box 32047, Mobeni 4060, Durban, South Africa.	0027314690441/ 0027314521700	0027314690443	Mr. M. Banks
17.	Mega Fortris (Malaysia) Sdn. Bhd. infor@megafortris.com www.megafortris.com	No. 6 & 8, Jalan Angklung 33/20, Shah Alam Technology Park, Seksyen 33, 40400 Shah Alam. Selangor Darul Ehsan.	03-51226118	03-51217118	Mr. Nick Ng
18.	Mega First Power Services Sdn. Bhd.	KM-6, Jalan Kuhara-Muhibbah Raya, 91000 Tawau, Sabah.	089-711566/568	089-711576	Mr. Wong Seow Kwang
19.	Shaoxing Mega Heat And Power Co. Ltd smhp@mail.sxptt.zj.cn	Qi Yang Gong Lu, Qi Xian Town, Shaoxing County, Zhejiang Province, 312065 China.	00865755181025	00865755182287	Mr. Liew Leong Ting
20.	Serudong Power Sdn. Bhd. spowert@pd.jaring.my	KM-6, Jalan Kuhara-Muhibbah Raya, 91000 Tawau, Sabah.	089-711566/568	089-711576	Mr. Wong Seow Kwang
21.	Mega First Power Industries Sdn. Bhd. mfc@mega-first.com	8-05 Level 8, Menara Milenium, 8 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur.	03-20938818	03-20937818	Mr. Chew Wei Keong
22.	Syarikat Cheng Sun Quarry Sdn. Bhd. csquarry@tm.net.my	Lot 67887, Mukim Sg. Raia, 31300 Keramat Pulai Ipoh, Perak Darul Ridzuan.	05-3571502/3	05-3571504	Mr. Chris Chow
23.	Rock Chemical Industries (Malaysia) Berhad info@rci.com.my	Lot 45157 & 45158, Gunong Panjang, 31600 Gopeng Perak Darul Ridzuan	05-359 3188	05-359 3228	Mr. Chris Chow

MFCB

MEGA FIRST CORPORATION BERHAD

(Co. No: 6682-V)
(Incorporated in Malaysia)

FORM OF PROXY

No. of Shares	CDS Account No.

*I/*We, _____
of _____
being a member of MEGA FIRST CORPORATION BERHAD, hereby appoint _____

of _____
or failing whom _____
of _____

as *my/*our proxy/proxies to attend and, on a poll, to vote for *me/*us on *my/*our behalf at the Thirty-Eighth Annual General Meeting of the Company, to be held on 28 October 2004 and at any adjournment thereof.

The proportion of *my/*our holding to be represented by First Proxy : _____ %
*my/*our proxy/proxies are as follows :- Second Proxy : _____ %

*My/*Our proxy/proxies is/are to vote as indicated hereunder.

NO.	RESOLUTION	FOR	AGAINST
1)	Receive the Directors' Report and Audited Financial Statements for the year ended 30 June 2004.		
2)	Declare a first and final dividend of 1.5% less income tax.		
3)	Approve Directors' fees.		
4)	Re-elect Mr Yong Fook Shin as Director.		
5)	Re-elect Mr Michael Yee Kim Shing as Director.		
6)	Re-elect Dato' Haji Abu Hanifah bin Noordin as Director.		
7)	Appoint auditors and authorise the Board of Directors to fix their remuneration.		
8)	Grant authority to issue shares pursuant to Section 132D of the Companies Act, 1965.		
9)	Grant authority to issue shares pursuant to the Employee Share Option Scheme.		
10)	Grant allocation of ESOS options to Mr Lim Thian Soo.		
11)	Grant allocation of ESOS options to Mr Goh Nan Yang.		

Please indicate with an (X) in the spaces above how you wish your votes to be cast. If no specific direction as to voting is given, the proxy/proxies will vote or abstain at his/her discretion.

[* Delete if not applicable]

Dated this _____ day of October 2004.

[Signature/Common Seal of Member(s)]

NOTES:

- 1) A member of the Company entitled to attend and on a poll, vote at the meeting, is entitled to appoint a proxy or proxies to attend and to vote in his stead. A proxy need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 are not applicable to the Company.
- 2) Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. In such instance, the member shall specify the securities account number for each appointment.
- 3) In the case of a corporate member, the instrument appointing a proxy or proxies shall be under its Common Seal or under the hand of its attorney duly authorised in writing.
- 4) Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- 5) The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company situated at 8-05, Level 8, Menara Milenium, 8 Jalan Damantela, Bukit Damansara, 50490 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for the meeting or any adjournment thereof, and in default, the instrument of proxy or proxies shall not be treated as valid.

PLEASE FOLD HERE

Postage
stamp

The Group Company Secretary
MEGA FIRST CORPORATION BERHAD
8-05, Level 8, Menara Milenium
8 Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Malaysia

PLEASE FOLD HERE
